Thunderbird Entertainment Group Inc.

(formerly Golden Secret Ventures Ltd.)

Consolidated Financial Statements

For the Years Ended June 30, 2019 and 2018

Independent auditor's report

To the Shareholders of Thunderbird Entertainment Group Inc. (formerly Golden Secret Ventures Ltd.)

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Thunderbird Entertainment Group Inc. (formerly Golden Secret Ventures Ltd.) and its subsidiaries (together, the Company) as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2019 and 2018;
- the consolidated statements of operations and comprehensive (loss) income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is John Simcoe.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 18, 2019

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

(in thousands of Canadian dollars)	*Notes*	**At June 30, 2019**	**At June 30, 2018**
ASSETS			
Current			
Cash and cash equivalents		$ 13,430	$ 12,886
Trade receivables and other	*5*	63,261	57,246
Income taxes recoverable		141	357
Other current assets		55	80
		76,887	70,569
Long-term trade receivables and other	*5*	1,259	1,336
Investment in content	*6*	25,136	17,965
Deferred tax assets	*16*	6,444	4,448
Property and equipment	*7*	7,211	3,873
Goodwill and intangible assets	*8*	13,888	14,525
Total Assets		**$ 130,825**	**$ 112,716**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 7,519	$ 10,525
Income taxes payable		1,085	2,523
Interim production financing	*9*	48,371	41,681
Deferred revenue	*15*	15,389	9,367
Current portion of long-term debt	*11*	1,433	-
Current obligations under finance leases	*21*	2,496	1,390
Redeemable preferred shares	*12*	926	2,505
		77,219	67,991
Long-term debt	*11*	504	1,534
Long-term obligations under finance leases	*21*	1,540	1,421
Deferred tax liabilities	*16*	3,919	3,621
Total Liabilities		**83,182**	**74,567**
Shareholders' Equity			
Common shares	*13*	62,517	29,799
Preferred shares	*12, 13*	132	19,526
Accumulated other comprehensive income		264	269
Warrants reserve		168	-
Contributed surplus		3,900	1,777
Deficit		(19,338)	(13,214)
Equity attributable to owners of the Company		47,643	38,157
Non-controlling interest		-	(8)
Total Shareholders' Equity		**47,643**	**38,149**
Total Liabilities and Shareholders' Equity		**$ 130,825**	**$ 112,716**

Commitments and Contingencies - Note 20
Subsequent Events - Note 11

Approved on behalf of the Board:

"Jennifer Twiner McCarron"
Jennifer Twiner McCarron, Director

"Mark Miller"
Mark Miller, Director

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.
(formerly Golden Secret Ventures Ltd.)

Consolidated Statements of Operations and Comprehensive (Loss) Income
Years ended June 30

(in thousands of Canadian dollars except for share data)	*Notes*		2019		2018
Revenue	*15*	$	61,478	$	142,402
Expenses	*23*				
Direct operating			29,705		115,134
Distribution and marketing			3,763		3,478
General and administrative			23,532		17,348
Share-based compensation	*13*		1,521		25
Finance costs, net	*22*		198		1,574
Charge related to public company listing	*4*		5,316		-
			64,035		137,559
(Loss) income before income taxes			(2,557)		4,843
Income tax expense	*16*		1,263		1,482
Net (loss) income from continuing operations			(3,820)		3,361
Loss from discontinued operations			-		(46)
Loss from discontinued operations			-		(46)
Net (loss) income for the year			**(3,820)**		**3,315**
Net (loss) income attributable to					
Owners of the parent			(3,829)		3,315
Non-controlling interest			9		-
			(3,820)		3,315
Other comprehensive (loss) income					
Items that may be subsequently reclassified to net (loss) income					
Foreign currency translation adjustment			(5)		(89)
Comprehensive (loss) income for the year			**(3,825)**		**3,226**
Total comprehensive (loss) income attributable to					
Owners of the parent			(3,834)		3,226
Non-controlling interest			9		-
		$	(3,825)	$	3,226
Basic (loss) earnings per share - continuing operations	*13*	$	(0.106)	$	0.061
Diluted (loss) earnings per share - continuing operations	*13*	$	(0.106)	$	0.049
Basic loss per share - discontinued operations	*13*	$	-	$	(0.002)
Diluted loss per share - discontinued operations	*13*	$	-	$	(0.002)

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.
(formerly Golden Secret Ventures Ltd.)
Consolidated Statements of Changes in Shareholders' Equity

(expressed in thousands of Canadian dollars)	*Notes*	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)		-	-	-	(89)	-	-	3,315	3,226
Non-controlling interest disposition		-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	(1,545)	(1,545)
Share-based compensation	*13*	-	-	-	-	-	25	-	25
Redemption of preferred shares	*13*	-	-	-	-	-	-	-	-
Issuance of preferred shares	*13*	-	-	-	-	-	-	-	-
Balance at June 30, 2018		**$ 29,799**	**$ 19,526**	**$ (8)**	**$ 269**	**$ -**	**$ 1,777**	**$ (13,214)**	**$ 38,149**
Adoption of IFRS 15	3	-	-	-	-	-	-	(1,909)	(1,909)
Balance at July 1, 2018		**$ 29,799**	**$ 19,526**	**$ (8)**	**$ 269**	**$ -**	**$ 1,777**	**$ (15,123)**	**$ 36,240**
Comprehensive (loss) income		-	-	9	(5)	-	-	(3,829)	(3,825)
Non-controlling interest disposition		-	-	(1)	-	-	-	-	(1)
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*	(431)	-	-	-	171	-	-	(260)
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	*4*	6,660	-	-	-	-	-	-	6,660
Shares issued as transaction fee on completion of RTO	*4, 13*	378	-	-	-	-	-	-	378
Revaluation of Golden Secret options and warrants	*4*	-	-	-	-	201	694	-	895
Share-based compensation	*13*	-	-	-	-	-	1,521	-	1,521
Exercise of options	*13*	196	-	-	-	-	(92)	-	104
Exercise of warrants	*13*	289	-	-	-	(204)	-	-	85
Balance at June 30, 2019		**$ 62,517**	**$ 132**	**$ -**	**$ 264**	**$ 168**	**$ 3,900**	**$ (19,338)**	**$ 47,643**

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.
(formerly Golden Secret Ventures Ltd.)
Consolidated Statements of Cash Flows
Years ended June 30

(expressed in thousands of Canadian dollars)	*Notes*	**2019**	**2018**
OPERATING ACTIVITIES			
Net (loss) income from operations		$ (3,820)	$ 3,315
Net loss from discontinued operations		-	46
Net (loss) income from continuing operations		(3,820)	3,361
Items not involving cash:			
Amortization of investment in content	*6*	9,590	28,178
Amortization of property and equipment	*7*	2,565	1,456
Amortization of intangible assets	*8*	637	1,204
Accretion on contingent consideration	*22*	-	221
Gain on settlement of amount payable		(265)	-
Share-based compensation	*13*	1,521	25
Deferred income taxes recovery	*16*	(582)	(488)
Unrealized foreign exchange gain		(123)	(89)
Charge related to public company listing	*4*	5,316	-
Loss on disposal of equipment		-	1
Disposal of investment in content		315	260
Changes in non-cash working capital	*21*	(7,708)	(23,753)
Investment in content		(16,020)	(13,711)
Cash flows from continuing operations		(8,574)	(3,335)
Cash flows from discontinued operations		-	(46)
		(8,574)	(3,381)
FINANCING ACTIVITIES			
Repayment of interim production financing	*21*	(44,112)	(44,567)
Proceeds from interim production financing	*21*	50,802	49,789
Repayment of obligations under finance leases	*21*	(1,881)	(1,015)
Proceeds from obligations under finance leases	*21*	27	1,442
Repayment of long-term debt	*21*	(5,863)	(620)
Proceeds from long-term debt	*21*	6,266	2,154
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)	(1,545)
		9,422	5,638
INVESTING ACTIVITIES			
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, 21*	(2,824)	(1,886)
Disposal of subsidiary, net of cash		-	(3,950)
		(446)	(5,832)
Effect of exchange rate changes on cash and cash equivalents		142	(105)
Net increase (decrease) in cash and cash equivalents during the year		544	(3,680)
Cash and cash equivalents, beginning of year		12,886	16,566
Cash and cash equivalents, end of year		**$ 13,430**	**$ 12,886**

See accompanying notes to the consolidated financial statements.

1. NATURE OF BUSINESS

Thunderbird Entertainment Group Inc. (formerly Golden Secret Ventures Ltd.) (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 Group Inc. is incorporated under the laws of British Columbia, Canada. The Company's head office is located at 400 – 2233 Columbia Street, Vancouver, BC, V5Y 0M6.

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 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 18, 2019.

2. BASIS OF PRESENTATION

Statement of compliance
These 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").

Effective July 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*. Note 3 (t) discusses the effects of the adoption of these new standards.

Basis of measurement
These consolidated financial statements have been prepared under the historical cost convention.

Functional and presentation currency
The consolidated financial statements are presented in Canadian dollars ("CA$") which is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Company and its subsidiaries to all periods presented, except for the new accounting standards applied during the fiscal year ended June 30, 2019 as discussed in note 3.

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The Company's principal wholly owned subsidiaries at June 30, 2019, were Thunderbird Entertainment Inc., Atomic Cartoons Inc., Great Pacific Media Inc. and Thunderbird Releasing Ltd. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

(b) 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 consolidated financial statements and for the periods presented. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Actual results may differ materially from these estimates. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

Investment in content

The costs of acquiring and producing film and television programs are capitalized, net of federal and provincial program contributions earned and amortization. The estimate of declining balance amortization rates used by the Company depends on management judgment and assumptions concerning of the economic useful life of the program, which is based on the pattern of historical experience and other factors. Fluctuations in the expected economic useful life could have a significant effect on net income.

Revenue when performance obligations are satisfied over time

Revenues recognized when performance obligations are satisfied over time, requires the Company to estimate the work performed to date as a proportion of the total work to be performed. Estimated costs-to-complete, percentage-of-completion estimates, and revenues recognized are reviewed monthly on a contract-by-contract basis. The impact of any revisions in costs and earnings estimates is reflected in the period in which the revision becomes known.

Share-based compensation

Amounts recorded for share-based compensation are based on estimates of future volatility of the Company's share price, estimated market price of the Company's shares at the grant date, expected lives of options and warrants, expected dividends and other relevant assumptions. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in note 13.

Business combinations

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The purchase price allocation process requires management to use significant estimates and assumptions, including fair value estimates including, but not limited to:

- Estimated fair value of identifiable net assets including tangible and intangible assets; and
- Probability of required payment under contingent consideration provisions;

The fair value of these specific net assets is based on numerous estimates including discount rates and other factors. Although management believes the assumptions and estimates made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of the assets and liabilities acquired include but are not limited to:

- Future expected cash flows and revenue from distribution and production contracts;
- Expected cost to complete film and television productions in-progress and the estimated cash flows from the productions when completed;
- Discount rates applied to future expected cash flows.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation, which could also impact net income as expenses and impairments could change. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

Impairment of non-financial assets
Intangible assets and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purposes of measuring recoverable amounts, assets are grouped into cash generating units (“CGU’s”). The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use, being the present value of the expected future cash flows of the CGU. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The key assumptions used to determine the fair value less costs of disposal and value in use of the CGU are disclosed and further explained in note 8.

Income taxes and deferred income taxes
Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable income.

The current income tax provision for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the provision for current income taxes which are recognized in the consolidated financial statements. The Company considers the estimates, assumptions and judgments to be reasonable, but this can involve complex issues which may take an extended period to resolve. The final determination of prior years’ tax provisions could be different from the estimates reflected in the consolidated financial statements.

(c) Reverse acquisition accounting
To determine whether an acquisition should be accounted for under IFRS 3, *Business Combinations*, the transaction is analyzed to determine who is the acquirer and acquiree for accounting purposes and if the transaction is a business combination under IFRS 3. Under the standard, the acquirer is usually the entity whose owners as a group retain or receive the largest portion of voting rights in the combined entity. The acquired entity is then assessed to see if it meets the definition of a business under IFRS 3. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. A company limited to managing its cash balances and filing obligations is not a business as it does not have processes or outputs.

Under IFRS 3, if the assets acquired are not a business, the transaction should be accounted for as an asset acquisition. Where the legal subsidiary is deemed to be the accounting acquirer, the transaction is considered a reverse asset acquisition or reverse takeover, as the accounting acquirer is deemed to have issued shares to obtain control of the acquiree (legal parent). Therefore, the reverse takeover is a share-based payment transaction which is accounted for in accordance with IFRS 2, *Share-based Payment*.

Under IFRS 2, any difference in the fair value of the shares deemed to have been issued by the accounting acquirer and the fair value of the accounting acquiree's identifiable net assets represents a service received by the accounting acquirer. Where the accounting acquiree is a listed company, the entire difference is considered to be payment for a service of a stock exchange listing for its shares.

(d) Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into the functional currency at exchange rates in effect at the transaction dates. Foreign currency assets and liabilities are translated into Canadian dollars ("CA$") at the exchange rate in effect at the consolidated statement of financial position date. Translation gains and losses are included in net income (loss).

Foreign operations

The Company has operations in the United States ("U.S.") transacted via a U.S. subsidiary and operations in London, United Kingdom ("U.K."), transacted via a U.K. subsidiary. The functional currency of its U.S. subsidiary is U.S. Dollars ("US$") and the functional currency of its U.K. subsidiary is the GBP. The foreign currency denominated assets and liabilities are translated to Canadian dollars at exchange rates prevailing at the consolidated statement of financial position date, while revenue and expenses are translated using the average rate during the year. Shareholders' equity is translated at historical cost. Foreign currency differences are recognized in other comprehensive income (loss) and in accumulated other comprehensive income in shareholders' equity.

(e) Trade receivables and other

Amounts receivable are non-interest bearing and are generally on 30 to 60 day terms. Therefore, they are stated at their nominal value net of lifetime expected credit losses. Amounts receivable that are collectible within the normal operating cycle are included within current assets, of which the normal operating cycle of the Company can be greater than 12 months. Amounts receivable that are collectible within a period greater than the normal operating cycle are classified as long-term amounts receivable. Refer to note 5.

(f) Investment in content

Investment in content is accounted for as an intangible asset and represents the unamortized costs of programs that have been developed, produced and/or distributed by the Company. Investment in content is classified into the following four categories: development costs, content in production, released content and acquired content. Development costs represent expenditures made on content prior to production which are either transferred once production commences or expensed when the costs are determined not to be recoverable. For content in production and released content, capitalized costs include all direct production and financing costs incurred during production that are expected to benefit future periods, net of government assistance from various federal and provincial government sources, and net of equity investment by third parties that acquire participation rights. For acquired content, capitalized costs consist of minimum guarantee payments paid to the producer to acquire distribution rights.

The Company's policy is to amortize released content using a declining balance method at rates ranging from 50% – 95% in the year that the license term starts, and the episodes have been delivered, at rates ranging from 5 – 10% annually for the following two years. Thereafter released content is amortized on a straight-line basis over seven years. Acquired content for theatrical films is amortized using a declining balance method at rates ranging from 75% - 90% in the year of delivery and thereafter on a straight-line basis over four years. Other acquired content is amortized on a straight-line basis over seven years. Investment in content that is determined to have limited benefit in future periods is fully amortized in the first year.

The valuation of investment in content, including acquired film rights, is reviewed quarterly and any portion of the unamortized amount that appears not to be recoverable from future net revenues is recognized as accelerated amortization within direct operating expenses during the period the loss becomes evident.

(g) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization of the assets' costs less estimated residual value is recognized over the estimated service lives of the assets using the following rates and methods:

Computer equipment	30%-55% declining balance
Furniture and equipment	20% declining balance
Vehicles	30% declining balance
Leasehold improvements	Over the lease term or useful life, whichever is shorter

Residual values, method of amortization and service lives of the assets are reviewed annually and adjusted if appropriate.

(h) Goodwill and intangible assets

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a CGU, or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value. Refer to note 8.

Also included in goodwill and intangible assets are other identifiable intangible assets, including production agreements, distribution libraries and customer relationships. These assets are carried at cost, including amounts of purchase price allocations upon acquisitions. Amortization is charged to direct operating expenses in the consolidated statement of operations on a straight-line basis over the estimated useful lives of the assets. The following intangible assets are amortized over the following periods:

Production agreements	3 years straight-line
Distribution libraries	10 years straight-line
Customer relationships	4 years straight-line

(i) Impairment of non-financial assets

The Company reviews the carrying amounts of its property and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. If indicators of impairment exist, the recoverable amount of the asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use, being the present value of the expected future cash flows. If the carrying value of the asset exceeds the recoverable amount, the asset is written down with an impairment loss recognized in net loss.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(j) Revenue recognition
Revenue from licensing of film and television programs is recognized when the performance obligations under the contract have been achieved and the goods or services have been transferred to the customer, which are normally:

- persuasive evidence of a contractual arrangement exists;
- the program is complete;
- the contractual delivery arrangements have been satisfied;
- the customer has access to the licensed content and has the contractual right to broadcast or stream the content;
- the fee is fixed or determinable;
- collection of the fee is reasonably assured; and
- the costs incurred or to be incurred in respect of the contractual arrangement can be measured reliably

Cash received pursuant to broadcast license fees or distribution advances is recorded as deferred revenue and recognized as revenue at a specific point in time, after all foregoing conditions of revenue recognition have been met.

Revenue from production services for third parties and other revenues where performance obligations are satisfied over time are recognized based upon the proportion of costs incurred in the current year to total expected costs. A provision is accrued for the entire amount of future estimated losses, if any, on productions-in-progress.

Gross versus net revenues
The Company evaluates arrangements with third parties to determine whether the Company acts as the principal or agent under the terms of each arrangement. The Company acts as the principal in its arrangements for production services, licensing of content and distribution, and as such, revenues are reported on a gross basis, resulting in revenues and expenses being classified in their respective financial statement line items. However, in a small number of distribution arrangements, the Company acts as the agent, and as such, revenues are reported on a net basis, resulting in revenues being presented net of any related expenses. Determining whether the Company acts as principal or agent is based on an evaluation of which party has substantial risks and rewards of ownership under the terms of an arrangement. The most significant factors that the Company considers include identification of the primary obligor, general and inventory risk (or equivalent) and discretion in establishing prices.

(k) Earnings (Loss) per share
Basic earnings (loss) per share ("EPS"), is calculated by dividing the net income (loss) for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted EPS is computed by adjusting the weighted average number of common shares for the effects of dilutive instruments such as convertible securities, warrants and share-based options. Dilutive instruments are excluded from the computation if their effect is anti-dilutive.

(l) Finance costs
Direct costs relating to the issuance of shares are charged directly to share capital. Direct costs relating to long-term debt financing are recorded as a reduction of long-term debt and amortized using the effective interest method and the expense is included in interest expense.

Interim production financing relates to short-term financing for the Company's television productions. Interest payable on interim production financing loans is capitalized and forms part of the cost of production of investment in programs until such time as the assets are substantially complete and ready for use.

(m) Share-based compensation

Obligations for issuance of common shares under the Company's share-based compensation plan and warrants are accrued over the vesting period using fair values as at the grant date. Fair values are determined at issuance using the Black-Scholes option pricing model.

(n) Fair value measurement

The Company measures financial instruments at fair value at each consolidated statement of financial position date. Fair values of financial instruments measured at amortized cost are disclosed in note 17.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company classifies the fair value of these transactions according to a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(o) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions that define the instrument. Financial assets and liabilities are initially recognized at fair value. This initial fair value is normally the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement of the Company's financial instruments depends on their classification determined by the purpose for which the instruments were acquired or issued, their characteristics, and the Company's designation of such instruments as described below.

<u>Financial assets and liabilities at fair value through profit or loss</u>

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net loss.

Financial assets at amortized cost

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest method of amortization. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Cash and cash equivalents and amounts receivable are classified as amortized cost.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts payable and accrued liabilities, interim production financing, long-term debt and redeemable preferred shares are classified as financial liabilities at amortized cost.

(p) Government financing and assistance

The Company has access to government programs, including refundable tax credits, that are designed to assist film and television production and distribution in Canada. Amounts received or receivable in respect of production assistance are recorded as a reduction of the production costs of the applicable production. Tax credits earned with respect to expenditures on qualifying film and television productions are recorded as a reduction to investment in content when the qualifying expenditures have been incurred and there is reasonable assurance that the credits will be realized. Tax credits earned with respect to production services is recorded as a reduction of the applicable expense item. Refer to note 14.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held with financial institutions and GIC's with an original maturity of less than three months.

(r) Income taxes

Income tax expense comprises of current and deferred income taxes.

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income taxes

Deferred income taxes are provided using the liability method on the temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recorded directly in equity. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the periods in which the assets are realized or the liabilities settled.

Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and tax liabilities on a net basis.

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

(s) Segment reporting

The Company operates production entities and offices in Canada, Los Angeles, U.S.A and London, U.K. The Company's business operates primarily through one operating segment being 'core production and film distribution'. The operating results of the segment are reviewed by the Company's chief operating decision makers. The Company has determined that they have one segment for reporting purposes.

(t) New standards, amendments and interpretations applied during the year

- **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 are measured at amortized cost. 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 ("ECL") impairment model to replace the incurred loss model under IAS 39 and is generally expected to result in earlier recognition of credit losses. For trade receivables or contract assets that do not contain a significant financing component, entities are required to apply the simplified approach which requires the recognition of lifetime ECLs at all times. The Company has assessed the new requirement and determined that the effect of this change did not result in a significant or material change in loss allowances.

- **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 were 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 are the delivery of the elements of the project and the transaction fee is determined at contract inception. 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 of the project. 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 accepted, 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 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 (such as bonuses paid in regard to obtaining a contract) are capitalized and amortized over the same term as the underlying contract is recognized.

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

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

	Balance at June 30, 2018	Adjustments due to IFRS 15	Balance at July 1, 2018
ASSETS			
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	403	4,851
Property and equipment	3,873	-	3,873
Goodwill and intangible assets	14,525	-	14,525
Total Assets	**$ 112,716**	**$ 390**	**$ 113,106**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 10,525	$ -	$ 10,525
Income taxes payable	2,523	4	2,527
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	2,622	70,613
Long-term debt	1,534	-	1,534
Long-term obligations under finance leases	1,421	-	1,421
Deferred tax liabilities	3,621	(323)	3,298
Total Liabilities	**74,567**	**2,299**	**76,866**
SHAREHOLDERS' EQUITY			
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)	(1,909)	(15,123)
Equity attributable to owners of the Company	38,157	(1,909)	36,248
Non-controlling interest	(8)	-	(8)
Total Shareholders' Equity	**38,149**	**(1,909)**	**36,240**
Total Liabilities and Shareholders' Equity	**$ 112,716**	**$ 390**	**$ 113,106**

(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 statement of operations is as follows:

	For the year ended June 30, 2019		
	As Reported	**Balances without Adoption of IFRS 15**	**Effect of Change**
Revenue	$ 61,478	$ 58,175	$ 3,303
Expenses			
Direct operating	29,705	29,525	180
Distribution and marketing	3,763	3,763	-
General and administrative	23,532	23,427	105
Share-based compensation	1,521	1,521	-
Finance costs, net	198	198	-
Charge related to public company listing	5,316	5,316	-
	64,035	63,750	285
Loss before income taxes	(2,557)	(5,575)	3,018
Income tax expense	1,263	507	756
Loss from continuing operations	**$ (3,820)**	**$ (6,082)**	**$ 2,262**

- IFRS 2, *Share-based Payment*, *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.

- 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. 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.

(u) 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 replaces IAS 17, *Leases*. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for leases, with limited exemptions for leases that are 12 months or less in duration or for leases of low-value assets. A lessee is required to recognize a right-of-use ("ROU") asset representing it right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of the expenses related to these leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation expense on the right-of-use asset and a finance charge on the lease obligation. This new

standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

The Company will apply the new standard for the fiscal year beginning July 1, 2019, using the modified retrospective transition approach, which does not require restatement of comparative periods; instead, the cumulative impact of applying IFRS 16 will be accounted for as an adjustment to opening retained earnings at the start of the accounting period in which it is first applied. The Company has elected to measure its right-of-use assets at amounts equal to the associated lease liabilities; as such, the adjustment to retained earnings will be nil.

The Company is in the final stages of its assessment of IFRS 16 on its existing contracts and anticipates that the most significant impact of adopting the new standard will be the recognition of the ROU asset and the corresponding lease obligation on its existing operating leases of office space. On adoption of the new standard, the Company will recognize lease liabilities measured at the present value of the remaining lease payments, discounted by the Company's incremental borrowing rate as at July 1, 2019. The corresponding ROU asset will initially be measured at the amount equal to the lease liability on July 1, 2019, plus any prepaid lease payments.

- 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 the interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments under IAS 12, *Income Taxes*. The Company intends to adopt the interpretation in its consolidated financial statements for fiscal year beginning July 1, 2019. The Company does not expect the interpretation to have a material impact on its consolidated financial statements.

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 was 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).

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

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:

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

5. TRADE RECEIVABLES AND OTHER

Current		**2019**		**2018**
Trade receivables, net	$	5,781	$	9,667
Deposits and prepaids		2,415		2,024
Contract acquisition costs		138		-
Federal and provincial film tax credits		54,927		45,555
	$	**63,261**	**$**	**57,246**

Non-current		**2019**		**2018**
Trade receivables, net	$	735	$	1,336
Deposits and prepaids		386		-
Contract acquisition costs		138		-
	$	**1,259**	**$**	**1,336**

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.

The aging of current trade receivables is as follows:

		2019		**2018**
Less than 60 days	$	5,718	$	8,980
Over 61 days		63		687
	$	**5,781**	**$**	**9,667**

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

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
Cost					
At June 30, 2017	$ 878	$ 21,088	$ 83,087	$ 7,654	$ 112,707
Additions[1]	319	10,198	-	1,583	12,100
Disposals	(260)	-	-	-	(260)
Transferred	(25)	(26,678)	26,703	-	-
At June 30, 2018	**912**	**4,608**	**109,790**	**9,237**	**124,547**
Additions[1]	482	14,953	-	1,641	17,076
Disposals	(315)	-	-	-	(315)
Transferred	-	(8,298)	8,298	-	-
At June 30, 2019	**$ 1,079**	**$ 11,263**	**$ 118,088**	**$ 10,878**	**$ 141,308**
Amortization					
At June 30, 2017	$ -	$ -	$ 73,024	$ 5,380	$ 78,404
Additions	-	-	26,636	1,542	28,178
At June 30, 2018	**-**	**-**	**99,660**	**6,922**	**106,582**
Additions	-	-	7,915	1,675	9,590
At June 30, 2019	**$ -**	**$ -**	**$ 107,575**	**$ 8,597**	**$ 116,172**
Net book value					
June 30, 2018	$ 912	$ 4,608	$ 10,130	$ 2,315	$ 17,965
June 30, 2019	**$ 1,079**	**$ 11,263**	**$ 10,513**	**$ 2,281**	**$ 25,136**

[1]Net of government assistance (note 14) and third-party participation.

Interest charges capitalized to the cost of film production for the year ended June 30, 2019 amounted to $1,081 (2018 - $513).

For the year ended June 30, 2019, the Company recorded amortization of investment in content of $259 (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.

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

7. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and equipment	Leasehold improvements	Vehicles	Total
Cost					
At June 30, 2017	$ 571	$ 2,388	$ 431	$ 69	$ 3,459
Additions	2,724	322	68	9	3,123
Disposals	(3)	(5)	-	-	(8)
At June 30, 2018	**3,292**	**2,705**	**499**	**78**	**6,574**
Additions	4,346	421	1,082	54	5,903
Disposals	(1,110)	-	-	-	(1,110)
At June 30, 2019	**$ 6,528**	**$ 3,126**	**$ 1,581**	**$ 132**	**$ 11,367**
Amortization					
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)
At June 30, 2018	**1,240**	**1,161**	**260**	**40**	**2,701**
Charge for the year	2,169	173	200	23	2,565
Disposals	(1,110)	-	-	-	(1,110)
At June 30, 2019	**$ 2,299**	**$ 1,334**	**$ 460**	**$ 63**	**$ 4,156**
Net book value					
June 30, 2018	$ 2,052	$ 1,544	$ 239	$ 38	$ 3,873
June 30, 2019	**$ 4,229**	**$ 1,792**	**$ 1,121**	**$ 69**	**$ 7,211**

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 $4,064 (2018 - $2,204).

8. GOODWILL AND INTANGIBLE ASSETS

The continuity of goodwill and intangible assets is as follows:

	Goodwill	Production agreements	Distribution libraries	Customer relationships	Total
Cost					
At June 30, 2019, 2018 and 2017	**$ 12,402**	**$ 3,400**	**$ 2,700**	**$ 1,470**	**$ 19,972**
Amortization					
At June 30, 2017	-	2,833	674	736	4,243
Charge for the year	-	567	270	367	1,204
At June 30, 2018	**-**	**3,400**	**944**	**1,103**	**5,447**
Charge for the year	-	-	270	367	637
At June 30, 2019	**$ -**	**$ 3,400**	**$ 1,214**	**$ 1,470**	**$ 6,084**
Net book value					
June 30, 2018	$ 12,402	$ -	$ 1,756	$ 367	$ 14,525
June 30, 2019	**$ 12,402**	$ **-**	**$ 1,486**	**$ -**	**$ 13,888**

Amortization of intangible assets is included in direct operating expenses.

Impairment testing for goodwill
Goodwill is tested for impairment annually or more frequently if there are indications that the asset might be impaired. An impairment loss is recognized if the carrying value of the CGU exceeds its recoverable amount. For the purposes of allocating goodwill at June 30, 2019, the Company has determined that goodwill is monitored based upon one operating segment being its core production, distribution and licensing of film and television programs business ("production entities"). The Company tested the production entities' goodwill for impairment at June 30, 2019, in accordance with its policy described in note 3. As the recoverable amount to which production entities goodwill has been allocated was greater than its carrying value, the Company determined there was no impairment of production entities goodwill as at June 30, 2019.

For determining the recoverable amount for the production entities' goodwill, the Company used the fair value less costs of disposal approach. To determine fair value less cost of disposal, the Company utilized a one-year cash flow forecast based on management's best estimates considering historical and expected production, distribution and other revenue deliveries, economic conditions and general outlook for the industry. The one-year cash flow forecast was presented to the Board of Directors. The cash flow forecasts beyond that of the budget were prepared using a stable growth rate for future periods of four more years, assuming EBITDA growth of 2%. The cash flows beyond the five-year period are extrapolated into perpetuity using a terminal growth rate of 2.78%. To adjust the forecasts to consider disposal costs, management estimated that disposition costs would be 2% of enterprise value.

The valuation model also takes into account working capital and capital investments required to maintain the condition of the assets. The forecasted cash flows were discounted using an after-tax rate of approximately 13%.

The recoverable amount is most sensitive to changes in EBITDA growth forecasts, capital investments growth rate and the discount rate. The recoverable amount of the CGU was estimated to exceed the carrying amount of the CGU by $3,938 at as June 30, 2019. A decrease in EBITDA growth rate of 1% or an increase in the capital investment rate of 1.6% or an increase in the discount rate of 1% could cause the recoverable amount of the CGU to be equal to the carrying amount. If the EBITDA growth rate used in the calculation had been 1% lower than management's estimate at June 30, 2019, (1% instead of 2%), the Company would have had to recognize an impairment against goodwill of $728. If the capital investment rate used in the calculation had been 2% higher, the Company would have had to recognize an impairment against goodwill of $846 at June 30, 2019. If the after-tax discount rate applied to the cash flow projections had been 1.5% higher (14.5% instead of 13%), the Company would have had to recognize an impairment against goodwill of $1,869 at June 30, 2019.

The Company's assumptions used in the model are affected by current market conditions which may affect expected revenues, particularly production and distribution revenues. The Company also has significant competition in the markets in which it operates which may impact its revenue and operating costs. The Company has made certain assumptions for the discount rate and revenue and expense growth rates to reflect possible variations in the cash flows; however, the risk premiums expected by market participants related to uncertainties about the industry or specific intangible assets may differ or change quickly depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future valuations of the production entities' goodwill and the Company would be required at that time to recognize impairment losses.

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

9. INTERIM PRODUCTION FINANCING

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

		2019		2018
Interim production credit facilities with various institutions, bearing interest at bank's prime rate plus 0.50% to 1.25% (2018 - 0.65% to 1.25%). Secured by assignment and direction of trade receivables and tax credits of approximately $41,409 at June 30, 2019 (2018 - $44,374). The Company also enters into General Security Agreements on certain productions. All facilities are repayable on demand.	$	41,724	$	37,704
Revolving term loan with Royal Bank of Canada ("RBC"), bearing interest at bank's prime plus 0.75% to 1.25% (June 30, 2019 - 4.70% to 5.20% (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.		925		-
Non-interest bearing production loans with various service clients, secured by Canadian tax credits and repayable upon receipt of Canadian tax credits.		5,722		3,977
	$	**48,371**	**$**	**41,681**

At June 30, 2019, included in interim production credit facilities are loans repayable in US$ in the amount of US$4,029 (CA$5,273) (2018 - US$721 (CA$950)).

10. CONVERTIBLE DEBENTURES

In September 2018, the Company issued $2,250 in convertible debentures. The convertible debentures bore interest at 8% per annum payable monthly and were 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 June 30, 2019, the Company has $504 (GBP£303) (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 $1,433 (2018 – $nil) outstanding of a CA$2,640 non-revolving term loan classified as current portion of long-term debt as the loan is expected to be repaid within one year with scheduled repayments of $177 per month.

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

		2019		2018
Non-revolving credit line bearing interest at a margin of 3.00% plus the applicable LIBOR (June 30, 2019 – 3.80% to 3.96% (2018 - 3.28% to 3.80%)). Secured by assignment and direction of trade receivables.	£	2,000	£	2,000
Non-revolving term loan with RBC bearing interest at prime plus 0.50% (June 30, 2019 - 4.20% to 4.45% (2018 - nil))[1]	$	2,640	$	-

[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. 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 in the prior months. The credit facility is secured by a general security agreement.

As at June 30, 2019, the Company also has the following credit facilities 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

Under the terms of the forementioned RBC credit facilities, the Company is required to meet certain covenants:

- that the Funded Debt to the Borrower's consolidated EBITDA will not be greater than 3:1 ratio, tested quarterly on a consolidated basis to be calculated on a rolling 4 quarters basis for the fiscal quarter then ended and the immediately preceding 3 fiscal quarters; and

- that the Debt Service Coverage will not be less than 1.25:1 ratio, tested quarterly on a consolidated basis to be calculated on a rolling 4 quarters basis for the fiscal quarter then ended and the immediately preceding fiscal quarters.

As at June 30, 2019, the Company was in compliance with the Funded Debt covenant but was not in compliance with the Debt Service Coverage covenant. The Debt Service Coverage calculated by the Company as at June 30, 2019, was 1.21:1 ratio. Subsequent to the fiscal year end, the Company has obtained from RBC a tolerance letter for the breach of this covenant as at June 30, 2019. Furthermore, the Company is in the process of negotiating a reduction in this debt covenant ratio. This non-compliance has no impact on the consolidated financial statements as the debt is classified as current.

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

12. REDEEMABLE PREFERRED SHARES

Issued and outstanding:

	2019			2018		
		Amount			Amount	
	Number of shares	Liability component $	Equity component $	Number of shares	Liability component $	Equity component $
Class A Series 2						
Opening balance	244,444	220	-	244,444	220	-
Shares redeemed for cash	(166,666)	(167)	-	-	-	-
Shares converted to common shares	(77,778)	(53)	-	-	-	-
Ending balance	**-**	**-**	**-**	**244,444**	**220**	**-**
Class B Series 1						
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)	-	-	-
Ending balance	**-**	**-**	**-**	**1,378,750**	**1,359**	**607**
Class A (formerly Class B Series 2)						
Opening balance	1,054,000	926	132	1,054,000	926	132
Ending balance	**1,054,000**	**926**	**132**	**1,054,000**	**926**	**132**
Total						
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)	-	-	-
Ending balance	**1,054,000**	**926**	**132**	**2,677,194**	**2,505**	**739**

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 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 (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 consolidated statements of financial position.

During the year ended June 30, 2019, the Company paid dividends of $0.07 per Class A preferred share (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 year ended June 30, 2019 totalled $74 (2018 - $236).

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

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[1]		Amount[1]
Balance June 30, 2018 and 2017	**29,753,344**	**$**	**29,799**
Repurchase of common shares	(4,800,000)		(6,000)
Share issue costs – cash, net of tax effect	-		(737)
Share issue costs – non-cash	-		(431)
Conversion of Class A Series 2 redeemable preferred shares (note 12)	52,109		53
Conversion of Class B Series 1 redeemable preferred shares (note 12)	291,900		1,023
Conversion of preferred shares	11,363,208		18,787
Balance October 30, 2018	**36,660,561**		**42,494**
RTO Transaction (note 4)			
Exchanged for Thunderbird Entertainment Group Inc. shares	(36,660,561)		-
Issued pursuant to acquisition	36,660,561		-
Shares of Golden Secret upon RTO Transaction[2]	3,329,929		6,660
Shares issued as transaction fee on completion of RTO Transaction	188,777		378
Conversion of subscription receipts	5,125,000		10,250
Conversion of convertible debentures (note 10)	1,125,000		2,250
Exercise of options	95,000		196
Exercise of warrants	107,208		289
Balance June 30, 2019	**46,631,475**	**$**	**62,517**

[1]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.
[2]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.

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

Earnings (loss) per share

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

		2019		2018
Net income (loss) from continuing operations	$	(3,820)	$	3,361
Non-controlling interest		(9)		-
Preferred share dividends issued		(386)		(1,545)
Net income (loss) from continuing operations – attributable to the owners of the parent	$	(4,215)	$	1,816
Basic weighted average number of common shares		39,805,212		29,753,344
Diluted weighted average number of common shares		42,607,804		42,022,974
Basic (loss) earnings per share – continuing operations	**$**	**(0.106)**	**$**	**0.061**
Diluted (loss) earnings per share – continuing operations	**$**	**(0.106)**	**$**	**0.049**
Loss from discontinued operations	$	-	$	(46)
Basic loss per share – discontinued operations	**$**	**-**	**$**	**(0.002)**
Diluted loss per share – discontinued operations	**$**	**-**	**$**	**(0.002)**

Preferred shares

Issued:

	Number of shares		Amount
Balance June 30, 2018 and 2017	**9,658,750**	**$**	**18,787**
Conversion of preferred shares	(9,658,750)		(18,787)
Balance June 30, 2019	**-**	**$**	**-**

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
Balance June 30, 2018	**-**		**-**
Issued	344,550		2.00
Warrants of Golden Secret upon RTO Transaction (note 4)	100,000		0.70
Exercised	(107,208)		0.80
Balance June 30, 2019	**337,342**	**$**	**2.00**

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.

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.

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

During the year ended June 30, 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 year ended June 30, 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:

	2019	**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 June 30, 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	1.34	2.00
	337,342		**1.34**	**2.00**

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
Balance June 30, 2018	**1,570,000**	**1.44**
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
Balance June 30, 2019	**4,556,000**	**$ 1.82**

During the year ended June 30, 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.

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

During the year June 30, 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 year ended June 30, 2019, the Company recorded share-based compensation expense of $1,521 (2018 - $25).

During the year ended June 30, 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 year ended June 30, 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:

	2019	**2018**
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

The following table summarizes the stock options outstanding at June 30, 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	4.81	$ 0.50	135,000	$ 0.50
$ 1.25	1,100,000	Nov 2020 to Jan 2021	1.39	1.25	1,100,000	1.25
$ 2.00	3,166,000	Jun 2021 to Mar 2026	5.78	2.00	1,075,250	2.00
$ 3.20	155,000	Oct 2019 to Mar 2028	6.28	3.20	155,000	3.20
	4,556,000		**4.67**	**$ 1.82**	**2,465,250**	**$ 1.66**

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.

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

- 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 years ended June 30, 2019 and June 30, 2018, investment in content and direct operating expenses have been reduced by the following:

		2019		2018
Equity investment from third parties	$	136	$	1,196
Non-repayable contributions from the Canada Media Fund license fee program		9,299		6,240
Tax credits relating to production activities		38,409		25,996
	$	**47,844**	**$**	**33,432**

During the year ended June 30, 2019, investment in content was reduced by $32,302 (2018 - $26,634) and direct operating expenses were reduced by $15,542 (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.

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents components of revenue:

		2019		2018
Revenue from contracts with customers:				
Production services	$	29,936	$	92,819
Licensing and distribution		31,495		49,170
Revenue from other sources:				
Other		47		413
	$	**61,478**	**$**	**142,402**

In fiscal 2019, 48% of revenue from contracts with customers was derived from four external customers (2018 – 49% from one external customer).

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

Revenues are derived from the following geographical sources, by location of customer:

		2019		2018
Canada	$	24,676	$	30,979
United States		15,635		97,537
United Kingdom		7,966		7,133
Denmark		6,875		1,956
Republic of Ireland		4,330		3,388
China		1,786		1,407
Other countries		210		2
	$	**61,478**	$	**142,402**

As at June 30, 2019, the following non-current assets were attributable to the Company's entities based in the U.K. and USA: $116 of long-term trade receivables, $1,350 of investment in content, and $43 of property and equipment (2018 - $602, $1,439, and $20, respectively). All other non-current assets were attributable to the Company's entities based in Canada.

The Company's only contract related liabilities is deferred revenue, which reflects the timing difference between the receipt of cash and the recognition of revenue. The following table reflects the movement in deferred revenues.

Deferred revenue

		2019		2018
Opening balance	$	9,367	$	28,101
Revenue recognized that was included in the deferred revenue balance at the beginning of the year		(7,983)		(28,099)
Increases due to cash received, excluding amounts recognized as revenue during the year		14,005		9,365
Balance as at June 30	$	**15,389**	$	**9,367**

Transaction price allocated to remaining performance obligations
Revenue allocated to remaining performance obligations represents contracted revenue that has not been recognized on contracts with original expected durations of one year or more as at June 30, 2019. Revenue to be allocated to these remaining performance obligations is comprised of deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As at June 30, 2019, contract revenue related to these remaining performance obligations with an original expected duration of one year or more was $68,574. The Company expects to recognize 100% of the revenue related to these unfulfilled performance obligations over the next 24 months.

16. INCOME TAXES

The Company's current and deferred income tax provision is as follows:

		2019		2018
Current provision	$	1,845	$	1,970
Deferred recovery		(582)		(488)
Net income tax expense	**$**	**1,263**	**$**	**1,482**

The following table reconciles the income tax expense calculated using the statutory tax rates to the income tax expense per the consolidated statements of operations and comprehensive (loss) income:

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

	2019	2018
Net (loss) income before income taxes	$ (2,557)	$ 4,843
Combine Federal and British Columbia Provincial tax rates	27.00%	26.50%
Expected income tax (recovery) expense	(690)	1,283
Effect on income taxes of:		
Permanent differences	1,901	17
Change in tax rates	16	32
Change in deferred tax assets not recognized	230	(11)
Other	(194)	161
Income tax expense	**$ 1,263**	**$ 1,482**

For the year ended June 30, 2019, the Company's blended federal and provincial tax rate is 27.0%.

The following are the major deferred tax assets and liabilities recognized by the Company and movement during the year:

	Intangibles	Investment in content	Unused tax loss	Financing costs	Other	Total
Balance at June 30, 2017	$ (829)	$ (666)	$ 1,763	$ 42	$ 29	$ 339
Credit (charge) to income	178	1,441	(944)	(36)	(151)	488
Balance June 30, 2018	**(651)**	**775**	**819**	**6**	**(122)**	**827**
Credit to retained earnings	-	726	-	-	-	726
Credit to equity	-	-	-	390	-	390
Credit (charge) to income	250	417	387	(57)	(415)	582
Balance June 30, 2019	**$ (401)**	**$ 1,918**	**$ 1,206**	**$ 339**	**$ (537)**	**$ 2,525**

The category "other" includes temporary differences on property and equipment, capital leases, accrued liabilities and investment in associates.

The deferred tax balances have been reflected in the consolidated statement of financial position as follows:

	Intangibles	Investment in content	Unused tax loss	Financing costs	Other	Total
Deferred tax assets	$ -	$ 4,750	$ 1,206	$ 339	$ 149	$ 6,444
Deferred tax liabilities	(401)	(2,832)	-	-	(686)	(3,919)
Total	**$ (401)**	**$ 1,918**	**$ 1,206**	**$ 339**	**$ (537)**	**$ 2,525**

In assessing the realization of the Company's deferred tax assets, management considers whether it is probable that sufficient taxable profits will be available against which the deferred tax assets can be applied in future periods. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has the following unrecognized deferred tax assets and unused tax loss carry forwards for which no deferred tax asset is recognized in the consolidated statement of financial position:

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

		2019		2018
Non-capital losses	$	488	$	61
Capital loss on disposition of investment		779		737
Other		57		57
Total assets not recognized	**$**	**1,324**	**$**	**855**

As at June 30, 2019, the Company has non-capital loss carryforwards of $3,257 (2018 - $2,725), which are available to offset future taxable income. These non-capital loss carryforwards expire between fiscal 2029 and 2039.

17. 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
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.

The categories of the fair value hierarchy that reflect the inputs to valuation techniques used to measure fair value are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: inputs for the asset or liability based on unobservable market data.

The Company's cash and cash equivalents are transacted in active markets and have a hierarchy of Level 1. The carrying amounts reported on the consolidated financial statements for cash and cash equivalents, trade receivables, accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term nature and are classified as Level 2. The carrying value of interim production financing and long-term debt approximates their fair value as the interim production financing and debt bear interest at rates that fluctuate with market rates and are classified as Level 2.

The Company's Class A (formerly Class B Series 2) redeemable preferred shares are classified as Level 3. The redeemable preferred shares have a liability and equity component. The fair value of liability component was determined by discounted cash flows from expected future dividend payments using a rate of 8%.

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.

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

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

Credit risk

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

At June 30, 2019, three broadcasters/distributors individually accounted for more than 10% of the trade and production financing receivables. Receivables from these broadcasters/distributors accounted for 54% of the total trade and financing receivables.

For our trade receivables, we apply the simplified approach for determining expected credit losses, which requires us to determine the lifetime expected losses for all our trade receivables. The expected lifetime credit loss provision for our trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since most of our customers are considered to have low default risk and our historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at June 30, 2019 and July 1, 2018.

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

Liquidity risk

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

The Company expects to satisfy obligations through cash flows from operations and new financing. The timing of cash outflows relating to the financial liabilities is outlined below:

	Less than 1 year	1 to 5 years	Total
Accounts payable and accrued liabilities	$ 7,519	$ -	$ 7,519
Income taxes payable	1,085	-	1,085
Interim production financing	48,371	-	48,371
Long-term debt	1,433	504	1,937
Deferred revenue	15,389	-	15,389
Obligations under finance leases	2,496	1,540	4,036
Redeemable preferred shares	74	1,423	1,497
	$ 76,367	**$ 3,467**	**$ 79,834**

Market risk

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

i. Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its interim production financing which bears a floating interest rate. Based on the average carrying value of these facilities, a fluctuation in interest rates of 1% would represent approximately a $439 change to net loss for the year ended June 30, 2019 (2018 - $532). The Company has no interest rate hedges or swaps outstanding at June 30, 2019.

ii. Foreign currency exchange risk

Foreign currency exchange risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's activities which expose it to currency risk involve the holding of foreign currencies as well as earning revenues and incurring expenses that are denominated in foreign currencies. The Company has not engaged in any foreign exchange hedging activities to date; however, the Company mitigates its currency exchange risk by entering into natural hedges whereby foreign currency liabilities are offset by assets pledged in the same foreign currency. For the year ended June 30, 2019, revenue denominated in US dollars accounted for 30% (2018 - 10%) of total revenue and revenue denominated in GBP accounted for 7% (2018 – 1%) of total revenue. As at June 30, 2019, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately $701 (2018 - $513) on net loss and a 5% fluctuation in the GBP exchange rate would have an impact of approximately $204 (2018 - $71) on net loss.

The Company is also exposed to foreign exchange risk on its cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and interim production financing that are denominated in US dollars. A 5% fluctuation in the US dollar closing rate would result in a change to net loss for the year ended June 30, 2019 of approximately $207 (2018 - $28).

18. 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 and cash equivalents.

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.

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

19. RELATED PARTY TRANSACTIONS

		2019		2018
Dividends[1]	$	184	$	657
Producer and consulting fees[2]		245		174
Revenue[3]		-		(435)
Transaction fee[4]		378		-
Contingent payments[5]		-		1,348
Other		49		-
	$	**856**	**$**	**1,744**

[1]Paid to directors and key management personnel and companies owned by directors and key management personnel.
[2]Paid to companies owned by directors and a president.
[3]Received from a company owned by a director and president.
[4]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.
[5]Paid to a director in relation to the acquisition of Great Pacific Media Inc.

At June 30, 2019, $55 (2018 - $607) was due from a company owned by a director and president; $64 (2018 – nil) was payable to companies owned by directors; and $77 (2018 - $66) was payable to 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.

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:

		2019		2018
Short-term benefits	$	2,875	$	2,444
Share-based payments (note 13)		792		25
	$	**3,667**	**$**	**2,469**

20. COMMITMENTS AND CONTINGENCIES

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

Within 1 year	$	2,933
Within 2 years		2,511
Within 3 years		2,316
Within 4 years		2,044
Within 5 years		1,850
Beyond 5 years		7,283
	$	**18,937**

For the year ended June 30, 2019, the rent expense under these operating leases was $2,196 (2018 - $1,439). Leases for certain of the Company's premises include renewal options and rent escalation clauses.

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

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

Within 1 year	$	2,614
Within 2 years		1,336
Within 3 years		237
Total minimum lease payments		4,187
Less: amount representing interest		(151)
	$	**4,036**

As of June 30, 2019, an amount of $7,822 (2018 - $4,761) of computer equipment was held under finance leases. Accumulated amortization relating to this property and equipment amounted to $3,758 (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.

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

		2019		**2018**
Operating activities				
Changes in non-cash working capital				
Accounts receivable	$	(6,557)	$	210
Income taxes recoverable		215		252
Other current assets		25		(80)
Accounts payable and accrued liabilities		(3,353)		(4,149)
Income taxes payable		(1,442)		1,443
Settlement of future consideration liability		-		(2,697)
Deferred revenue		3,404		(18,732)
	$	**(7,708)**	**$**	**(23,753)**

Interest and debt service costs paid	$	1,724	$	1,915
Income taxes paid	$	2,849	$	62
Property and equipment purchased through finance lease	$	3,079	$	1,237

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

			Cash flows from (used in)				**Non-cash changes**		
		Balance June 30, 2018		**Proceeds**		**Repayments**		**Foreign exchange movements**		**Balance June 30, 2019**
Interim production financing	$	41,681	$	50,802	$	(44,144)	$	32	**$**	**48,371**
Current portion of long-term debt	$	-	$	6,000	$	(4,567)	$	-	**$**	**1,433**
Long-term debt	$	1,534	$	266	$	(1,296)	$	-	**$**	**504**
Finance leases - current	$	1,390	$	2,036	$	(930)	$	-	**$**	**2,496**
Finance leases – long-term	$	1,421	$	1,070	$	(951)	$	-	**$**	**1,540**

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

22. FINANCE COSTS, NET

	2019	2018
Accretion on contingent consideration	$ -	$ 221
Interest, bank charges and dividends	1,220	1,522
Interest income	(342)	(104)
Realized foreign exchange (gain) loss	(632)	93
Unrealized foreign exchange gain	(48)	(158)
	$ 198	**$ 1,574**

23. EXPENSES BY NATURE

The following sets out the expenses by nature:

	2019	2018
Investment in content		
Direct costs	$ 19,362	$ 85,442
Amortization of content	9,590	28,178
Distribution and marketing	3,763	3,478
Development expenses and other	114	309
Contractors, salaries and employee benefits	13,457	10,720
Share-based compensation	1,521	25
Office and administrative	6,160	4,377
Finance costs, net	198	1,574
Legal and professional	1,352	796
Amortization of property and equipment and intangible assets	3,202	2,660
Charge relating to public company listing	5,316	-
	$ 64,035	**$ 137,559**