



Thunderbird Entertainment Group Inc.

Management's Discussion and Analysis

For the three and nine months ended March 31, 2020 ("Q3 2020")
and March 31, 2019 ("Q3 2019")

GENERAL

This Management's Discussion and Analysis ("MD&A") dated May 27, 2020 should be read in conjunction with the unaudited interim condensed consolidated financial statements of Thunderbird Entertainment Group Inc. ("Thunderbird" or "the Company") for the three and nine months ended March 31, 2020 and 2019 and accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Thunderbird is a public company whose common voting shares are traded on the TSX Venture Exchange ("TSX-V") under the ticker "TBRD".

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

FORWARD-LOOKING STATEMENTS

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

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

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

NON-IFRS MEASURES

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

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

“Free Cash Flow” (“FCF”) is calculated based on cash flows from operations, purchase of property and equipment and net interim production financing. FCF represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

BUSINESS OVERVIEW

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

Thunderbird is a global award-winning, full-service, multi-platform media production, distribution and rights management company headquartered in Vancouver, Canada, with additional offices in Los Angeles, Toronto, and Ottawa. Thunderbird’s programs cover multiple genres with a significant focus on children’s productions, scripted comedy and drama, and non-scripted (factual) content. Thunderbird’s programs are currently being broadcast via conventional linear means, and a number of digital platforms, in more than 190 territories worldwide. A substantial and growing portion of Thunderbird’s programming library has been licensed directly to leading Internet “over the top” (“OTT”) platforms such as Netflix, Hulu, Amazon and iTunes, which offer subscription video on demand (“SVOD”), transactional video on demand (“TVOD”) and advertising video on demand (“AVOD”) to their customers.

COMPANY RESPONSE AND IMPACTS OF COVID-19

Pre-emptive planning and actions, which started in February 2020 and included investments in new technologies, enabled Thunderbird to transition its workforce of more than 1,000 crew to work from home by March 30, 2020. The Company has remained fully operational throughout the coronavirus pandemic, with work continuing on all productions in development. Thunderbird’s ability to remain fully operational has also allowed the Company to respond to increased demand for content as major broadcasters and streamers are looking to fill slots and replace other productions where filming has been halted due to the pandemic. New Thunderbird team members have been hired to help meet this demand, and the Company continues to pitch, develop, produce, sell, deliver and service content to its partners including Netflix, NBCUniversal, Nickelodeon, PBS, WGBH, Bell Media’s Discovery, APTN, Corus Entertainment, The Weather Channel, and CBC, among others.

In addition to the Company’s work-from-home structure, the adoption of new filming techniques have allowed all factual productions to continue, while adhering to physical distancing guidelines.

The Company has received indications from traditional broadcasters and streaming partners that they will need more content on an ongoing basis to keep up with heightened demand, which is anticipated to continue post pandemic as economies reopen and focus on recovery.

Throughout the pandemic, the health and safety of its teams and communities have been Thunderbird’s priority. This prompted swift actions to safeguard the business, while protecting jobs. The Company also invested in the continued health of its team and deployed new benefits and well-being initiatives to support employees and their families in self-isolation, including the availability of mental health and wellness resources available 24/7.

STRATEGY AND OUTLOOK

Thunderbird’s strategy is to intentionally grow the Company’s divisions and their respective brands, developing long-term value through the expansion of its programming library and leveraging its owned or controlled intellectual property (“IP”). While Thunderbird generates fee income during the production and initial distribution windows for its programs, one of the Company’s main objectives is to create long-term value with programming that can drive multiple revenue streams from Thunderbird’s library. This involves developing and owning content that has established brand recognition, which in turn helps generate a broad array of revenue streams from licensing, such as merchandise, music, video games and other ancillary sources over an extended period of time.

Children's programming has been and continues to be an important and growing component of Thunderbird's production slate and proprietary library. In 2015, Thunderbird expanded its focus on kids and family programming by making a substantial investment in animated programming with the acquisition of Atomic. Today, Atomic's roster of clients and partners includes Netflix, Nickelodeon, PBS, Spinmaster, Teletoon, Treehouse, Cartoon Network, Walt Disney, Mattel, Warner Bros., Marvel, Microsoft, Lego and NBCUniversal.

Atomic, which is formally the Company's kids and family division, is currently producing three series for Netflix, *The Last Kids on Earth*, *Hello Ninja*, and *Mighty Express* with additional projects in production and development for traditional broadcasters and OTTs. With a robust slate of programming, Atomic has been expanding rapidly. With the introduction of its Los Angeles office in 2017 and subsequent LA studio in 2020, the Company has cultivated more direct and accessible relationships with many of its partners, including Netflix, Disney, and NBCUniversal, as well as access to LA showrunners, directors, writers, designers, storyboard artists and editorial teams. The addition of the Los Angeles production studio follows the December 2018 launch of Atomic Ottawa, which further expanded the capacity of the kids and family division.

The Company's IP-owned series, *The Last Kids on Earth* began streaming September 17, 2019 on Netflix, and a video game inspired by the series will launch in 2021. This builds on the Master Toy deal that was reached in May 2019 with JAKKS Pacific Inc. to develop and market a range of merchandise, including action figures, activity toys, role-play accessories, vehicles, plush items, novelty items, games, and play electronics. In early 2020, the merchandise line was launched online and at select retailers. Apparel through the retail chain Hot Topic became available in April 2020.

Thunderbird's factual division, GPM, remains a dominant player in the non-scripted (factual) marketplace with multiple long running television series. GPM produces *Highway Thru Hell*, one of the most successful factual programs in Canadian history. The series, which chronicles the action-packed world of heavy rescue towing, airs on Discovery Canada and is distributed in over 190 territories and on Netflix worldwide. The Company aired the 100th episode of *Highway Thru Hell* on Discovery Canada in November 2019. Production of its 9th season was just completed, with 18 one-hour episodes, making it the largest season in the history of the series.

GPM also produces a spin-off series for Discovery Canada that brings the elements of *Highway Thru Hell* to Canada's busiest freeway, Ontario's notorious Highway 401. *Heavy Rescue: 401* (Season 5) completed principal photography in the quarter. Season 5 will feature 18 hour-long episodes and premieres in 2021. *Heavy Rescue: 401* is a Top 5 series on Discovery Channel across all seasons in the A25-54 demo, and its most recent season averaged more than 1 million viewers per week. The Company also announced the launch of its newest high-action factual series, *High Arctic Haulers*, in partnership with CBC. *High Arctic Haulers* premiered on CBC in January 2020.

Queen of the Oil Patch, which airs on APTN, is produced by GPM. A second season of the critically-acclaimed documentary series, which is comprised of eight episodes, will premiere on June 7, 2020. In the lifestyle genre, GPM produces the lifestyle series *Save My Reno* and *Worst to First* for HGTV Canada. *Save My Reno* (Season 3) premiered on HGTV during the quarter, and the title was renewed for a fourth season consisting of 14 episodes by Corus Entertainment in February 2020.

Thunderbird's scripted division produces the award-winning comedy series *Kim's Convenience*, of which Season 4 premiered in January 2020. *Kim's Convenience* airs on CBC in Canada and is available on Netflix worldwide. The show has worldwide distribution through a mix of streaming, cable and VOD partnerships, including in Asia. *Kim's Convenience* was renewed for seasons five and six, which are scheduled for 2021 and 2022 respectively.

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

Thunderbird has developed strategic business relationships with key North American and international broadcasters, international distributors and major global digital platforms. These strong relationships are built on a track record of past success and demonstrate the confidence that Thunderbird's partners have in the Company to deliver quality programming, on time and on budget.

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

While Thunderbird's primary focus is on producing programming in which the Company holds long-term proprietary interests, it also generates recurring revenue from providing production services to a variety of clients. These activities generate near term earnings, and provide additional opportunities for the Company to develop its emerging talent and credentials, which can be further leveraged for future proprietary productions. Additionally, service production activities can further strengthen Thunderbird's business relationships with key North American and international broadcasters and other clients.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2020

- Effective July 1, 2019, the Company adopted and implemented IFRS 16, *Leases* ("IFRS 16"), which requires a lessee to recognize all leases on the balance sheet as a right-of-use asset and a corresponding lease liability, with limited exemptions. Previously, leases were classified as either operating leases (off-balance sheet) or financing leases (on-balance sheet), and rental payments were expensed in the income statement.
- Consolidated revenue for the three and nine months ended March 31, 2020 was \$29.3 million and \$59.6 million as compared to \$20.9 million and \$44.7 million for the comparative periods of fiscal 2019, increases of \$8.4 million and \$14.9 million respectively. The majority of this revenue increase over the comparative periods in 2019 related to growth in the kids and family division.
- Consolidated net income from continuing operations was \$3.2 million and \$3.2 million for the three and nine months ended March 31, 2020, compared to net income from continuing operations of \$2.1 and net loss from continuing operations of \$2.6 million for the comparative periods of fiscal 2019. Net income was \$3.0 million and \$2.5 million, after loss from discontinued operations of \$205 and \$773, as compared to net income of \$1.9 million and a net loss of \$2.7 million after loss from discontinued operations of \$189 and \$152 in the previous periods of 2019. The Company incurred a one-time charge during the comparative period of fiscal 2019 relating to the RTO Transaction of \$5.3 million.
- Adjusted EBITDA was \$6.9 million and \$11.2 million for the three and nine months ending March 31, 2020 compared to \$4.7 million and \$10.3 million for the comparative periods of fiscal 2019, an increase of \$2.2 million and \$0.9 million, respectively. The three month increase was due to a large increase in production service work, as well as an increase in licensing and distribution revenues due to an increase in the number of proprietary shows delivered over the comparable quarter. This was offset by the related increase in direct costs and amortization of content due to those shows and also increases in salaries, contracting fees and computer software licenses due to significant growth in the animation and factual divisions. There was also a decrease in rent expense primarily due to the adoption of IFRS 16 in which lease obligations for long-term leases are no longer recorded as rent expense, but capitalized as right-of-use ("ROU") assets and amortized. See the "Non-IFRS Measures" section of this MD&A for the definition and detailed calculation of EBITDA, Adjusted EBITDA and Free Cash Flow.
- During the quarter, management decided to discontinue operations of its UK division. The related assets and liabilities have been presented as held for sale, and the net revenues and expenses are shown as a loss from discontinued operations.

- During the six months ending December 31, 2019, the Company paid down the remaining \$1.4 million of a three-year non-revolving term loan that was initially drawn in July 2018 in the amount of \$6.0 million. The term loan was drawn in order to repurchase common shares of certain shareholders of Thunderbird and was part of an overall credit facility negotiated with the Royal Bank of Canada that also included an increased production line of credit and an acquisition facility.
- During the third quarter, the Company had 20 programs in various stages of production, and deals with Netflix, NBCUniversal, Nickelodeon, PBS, WGBH, Bell Media's Discovery, APTN, Corus Entertainment and the CBC, among others.
- Throughout Q3, 43 half-hour episodes and 21 hour episodes were delivered collectively from the factual, scripted, and kids and family divisions. All of the one-hour episodes, and 24 of the half-hour episodes were Company IP.
- The Company expanded its kids and family division with the opening of its Los Angeles animation studio. The LA studio's first project is already in production with 80 employees working remotely.
- The Company received 11 nominations for the 2020 Canadian Screen Awards, and 20 Leo Award nominations.
- In March 2020, the Company was named to *Fast Company's* prestigious annual list of the World's Most Innovative Companies for 2020, earning the standing of #9 in the Film and Television category.
- *Molly of Denali* was selected as a finalist for PRIX JEUNESSE INTERNATIONAL 2020. *Molly of Denali* was also recently nominated for an esteemed Peabody Award.
- *The Last Kids on Earth* received a nomination for a Daytime Emmy in the Outstanding Special Class Animated Program category.
- By March 30, 2020, in response to COVID-19, Thunderbird's team of more than 1,000 employees and crew members across all divisions were set up to work remotely. This swift shift, together with new technology, safeguarded the business and is providing new opportunities to scale up to meet the increased demand for content.
- Adopting new filming techniques has allowed factual productions to continue, while adhering to physical distancing guidelines.

Thunderbird Kids and Family

- During the quarter, the Company was in various stages of production on 14 animated television programs; these series reflect a blend of both proprietary and service-based work, including *The Last Kids on Earth*, *Hello Ninja*, *Molly of Denali*, *LEGO Jurassic World* and *101 Dalmatian Street* among others.
- The second season of *Hello Ninja* began streaming on Netflix on April 24, 2020, and a third season was announced in May 2020.
- A new partnership was announced with the visionary Jim Henson Company to develop a new animated series called *Nate Create*.
- The Company announced it was in production of a new CG-animated series for preschoolers called *Mighty Express*. This series was announced in February by Netflix and Spin Master, which is renowned for many hit series, including the popular *Paw Patrol*.

- The second season of the IP-owned animated youth series *The Last Kids on Earth* launched on April 17, exclusively on Netflix. Available in 190 countries and 28 languages, it featured 10 new episodes. A merchandise line, including apparel, is now available and a video game is in development with Outright Games.

Thunderbird Factual

- GPM was in production on six series and one documentary special: *Highway Thru Hell* (Season 9), *Heavy Rescue: 401* (Season 5), *Save My Reno* (Season 3), *Queen of the Oil Patch* (Season 2), *High Arctic Haulers* (Season 1), *Untitled Factual Series* (Season 1), and *The Teenager and the Lost Mayan City* (Documentary for CBC).
- *Highway Thru Hell* (Season 9) completed principal photography, on the series' largest season to date. The new episodes will premiere in the fall of 2020 on broadcasters worldwide.
- *Heavy Rescue: 401* (Season 5) completed principal photography in the quarter. Season 5 will feature 18 hour-long episodes and premiere in January 2021 on broadcasters worldwide.
- Season 2 of the critically-acclaimed documentary series *Queen of the Oil Patch* wrapped post production in Q3 with eight episodes being produced. The series is produced in collaboration with Kah-Kitowak Films. It is scheduled to premiere on APTN on June 7, 2020.
- The Company also premiered its newest high-action factual series, *High Arctic Haulers*, in partnership with the CBC. *High Arctic Haulers* premiered on CBC in January 2020. Thunderbird holds worldwide rights to the original IP series and will be launching it to foreign markets with Beyond Distribution.
- *Save My Reno* (Season 3) premiered on HGTV Canada in the quarter and generated impressive ratings. It was renewed for a fourth season consisting of 14 episodes by Corus Entertainment.
- *The Teenager and the Lost Mayan City* continued principal photography in Quebec and Mexico for CBC's *The Nature of Things*.
- The Company began principal photography on an exciting new series for Canadian and international broadcasters. "*Untitled Factual Series*" (Season 1) will consist of eight hour-long episodes and will premiere in the 2020/21 broadcast season.

Thunderbird Scripted

- Season 4 of *Kim's Convenience* premiered in January 2020. *Kim's Convenience* was also renewed by CBC for seasons five and six, which are scheduled for 2021 and 2022 respectively. The series was also just included by TV Guide in its April 2020 ranking of the best feel-good series currently available on Netflix, Amazon, Hulu, and Disney+.

SEASONALITY

Results of operations for any period are contingent on the number and timing of programs delivered. Therefore, the Company's results of operations may fluctuate significantly from period to period and may not be indicative of future periods. Cash flows may also fluctuate and may not be closely correlated with revenue recognition. The Company's revenues vary significantly over the quarters as they are driven by contracted deliveries and license period start dates with the broadcasters and distributors and therefore are not earned on an even basis throughout the year. The Company is also somewhat reliant on the broadcaster's budget and financing cycles and at times the license period will be delayed and commence at a date later than originally projected. Readers of the Financial Statements and this MD&A are therefore cautioned about extrapolating the results for quarterly or annual periods in the financial year ended June 30, 2019, into quarterly or annual expectations in future years.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected comparative information set out below for the three and nine months ended March 31, 2020 and 2019 has been derived from, and should be read in conjunction with, the Company's unaudited interim condensed consolidated financial statements and accompanying notes for the respective periods.

Financial Position

Financial position as at March 31, 2020 and June 30, 2019:

<i>(\$000's)</i>	March 31, 2020		June 30, 2019	
Total assets	\$	159,259	\$	130,825
Total non-current liabilities	\$	30,552	\$	5,963
Shareholders' equity	\$	50,599	\$	47,643

Results of Operations

Results for the three and nine months ended March 31, 2020 compared to the three and nine months ended March 31, 2019:

	Three months ended		Nine months ended	
	Mar. 31, 2020 Q3 2020	Mar. 31, 2019 Q3 2019	Mar. 31, 2020 YTD 2020	Mar. 31, 2019 YTD 2019
<i>(\$000's, except per share data)</i>	\$	\$	\$	\$
Revenue	29,301	20,946	59,550	44,736
Expenses ¹	26,141	18,828	56,305	47,310
Net income (loss) from continuing operations	3,160	2,118	3,245	(2,574)
Loss from discontinued operation	(205)	(189)	(773)	(152)
Net income (loss) for the period	2,955	1,929	2,472	(2,726)
Non-controlling interest	-	-	-	(8)
Foreign currency translation adjustment	10	(1)	9	1
Loss on translation of discontinued operation	(95)	(49)	(89)	(36)
Comprehensive net income (loss) for the period attributable to owners of the parent	2,870	1,879	2,392	(2,769)
Basic income (loss) per share – continuing operations	0.068	0.045	0.070	(0.083)
Diluted income (loss) per share – continuing operations	0.063	0.043	0.066	(0.083)
Basic loss per share – discontinued operation	(0.004)	(0.004)	(0.017)	(0.004)
Diluted loss per share – discontinued operation	(0.004)	(0.004)	(0.017)	(0.004)

¹Expenses includes a charge related to Public company listing of \$5,316 in the nine months ended March 31, 2019

EBITDA, Adjusted EBITDA and Free Cash Flow

EBITDA, Adjusted EBITDA and Free Cash Flow are summarized as follows:

	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
<i>(\$000's)</i>	\$	\$	\$	\$
Net income (loss) from continuing operations	3,160	2,118	3,245	(2,574)
Income tax expense	275	990	1,362	1,730
Deferred income tax expense (recovery)	766	234	(264)	162
Finance costs				
Interest	48	116	768	541
Dividends on preferred shares	18	18	55	55
Unrealized foreign exchange (gain) loss	(152)	1	(185)	(135)
Amortization				
Property and equipment	426	613	832	1,824
Right-of-use assets	1,624	-	4,042	-
Intangible assets	67	159	203	479
Share-based compensation	140	304	544	1,236
Gain on settlement of amount payable	-	(265)	-	(265)
Charges related to public company listing	-	-	-	5,316
COVID-19 provision	200	-	200	-
Loss on termination of lease	-	-	1	-
Disposal of investment in content	309	-	309	-
Loss on disposal of equipment	-	-	11	-
	3,721	2,170	7,878	10,943
EBITDA	6,881	4,288	11,123	8,369
Charges related to RTO transaction	-	15	-	622
Severance costs	-	660	113	1,244
Other	-	(229)	-	34
	-	446	113	1,900
Adjusted EBITDA	6,881	4,734	11,236	10,269
Free Cash Flow	4,472	(1,532)	4,700	(1,630)

Adjusted EBITDA was \$6.9 million and \$11.2 million for the three and nine months ending March 31, 2020 compared to \$4.7 million and \$10.3 million for the comparative periods of fiscal 2019, an increase of \$2.2 million and \$0.9 million, respectively. The three month increase was due to a large increase in production service work, as well as an increase in distribution due to an increase in the number of shows delivered over the comparable quarter. This was offset by the related increase in direct costs and amortization of content due to those shows and also increases in salaries, contracting fees and computer software due to significant growth in the animation and factual divisions. There was also a decrease in rent expense primarily due to the adoption of IFRS 16 in which lease obligations for long-term leases are no longer recorded as rent expense, but capitalized as right-of-use ("ROU") assets and amortized. See the "Non-IFRS Measures" section of this MD&A for the definition and detailed calculation of EBITDA, Adjusted EBITDA and Free Cash Flow.

Revenues

Revenue streams are summarized as follows:

(\$000's)	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Production services	12,495	7,813	34,346	21,165
Licensing and distribution	16,806	13,117	25,166	23,538
Other	-	16	38	33
Total revenues	29,301	20,946	59,550	44,736

Total revenues increased 40% and 33% over the comparative three and nine month periods.

Production services revenue for the nine months ended March 31, 2020 increased by 59% in animation production services (\$12.6 million), decreased by 100% in live action productions services (\$0.02 million), and increased by 100% in factual production services (\$0.6 million).

Atomic experienced continued growth which resulted in an increase in production service revenue for the three months ended March 31, 2020. Production services revenue increased by 56% in animation production services (\$4.4 million) and increased by 100% in factual production services (\$0.3 million).

Licensing and distribution revenues increased by 32% in factual (\$3.6 million), decreased by 7% in scripted (\$0.6 million), and 40% in animation (\$1.4 million) for the nine month period ended March 31, 2020.

For the three months ended March 31, 2020, licensing and distribution revenues increased by 73% in factual (\$3.9 million), 5% in scripted (\$0.3 million), and decreased by 68% in animation (\$0.6 million) due to three shows delivering for the factual division versus two in the comparative period and recognition of six episodes of an animation series in Q3 2019 with no comparable delivery in Q3 2020.

Direct Costs

(\$000's)	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Direct costs	8,023	4,873	21,152	13,298
Amortization of content	8,371	5,885	10,096	7,240
Other	48	(250)	108	66
Total direct operating costs	16,442	10,508	31,356	20,604

Direct costs include costs directly related to the Company's productions, such as production expenses on service work, acquisition and recoupment costs for third party library product, fees paid to sales agents or sub distributors, and royalties and residuals for completed productions. Other includes development expenses on projects the Company has chosen to abandon.

Direct costs for the three and nine months ended March 31, 2020 increased 65% and 59% over the comparative periods, consistent with the increase in the Company's animation production service as described above in the revenue section.

Amortization of content increased in the three month and nine month periods ending March 31, 2020 as compared to the prior periods partially due to the timing of delivery of episodes in Q3 2020. In addition, the Company recorded an increase in amortization of content of \$1,313 for the nine months ended March 31, 2020 versus \$24 in the

comparative period 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.

Amortization

	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
(\$000's)	\$	\$	\$	\$
Amortization of intangible assets	67	159	203	479
Amortization of property and equipment	426	613	832	1,824
Amortization of right-of-use assets	1,624	-	4,042	-
Total amortization	2,117	772	5,077	2,303

Amortization of intangible assets for the three and nine months ended March 31, 2020 decreased 58% over the comparative periods due to certain customer relationships being fully amortized in fiscal 2019.

Amortization of property and equipment decreased 31% and 54%, respectively, for the three and nine months ended March 31, 2020 over the comparative periods, due to a decrease in capital asset additions.

Due to the recognition of right-of-use assets under IFRS 16 starting fiscal 2020, amortization of \$1.6 million and \$4.0 million was recorded in the three and nine months ended March 31, 2020.

General and administrative

	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
(\$000's)	\$	\$	\$	\$
Contractors, salaries and employee benefits	4,080	3,446	11,147	9,080
Rent	137	631	498	1,633
Computer maintenance	836	500	2,362	1,308
Legal and professional fees	171	255	582	1,087
COVID-19 provision	200	-	200	-
Other	833	505	2,040	1,441
Total general and administrative	6,257	5,337	16,829	14,549

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

General and administrative expenses increased 17% in Q3 2020 over the three month comparative quarter and 16% over the nine month comparative period. Salaries and contracting fees increased 18% and 23% over the three and nine months ended March 31, 2020 over the comparative periods, respectively, due to significant growth in the animation and factual divisions. Rent expense decreased by 78% and 70% over the respective three and nine month comparative periods primarily due to the adoption of IFRS 16 in which lease payments for long-term leases are no longer recorded as rent expense. During the quarter, computer maintenance increased by \$336 over the comparative third quarter of 2019, to \$836 and increased by \$1,054 over the comparative nine months of 2019. This was primarily due to the increased need for computer maintenance and IT support in the Company's expanding animation division. Legal and professional fees decreased by 33% and 46% over the respective three and nine month comparative periods. The additional legal and professional fees incurred in Q2 2019 pertained to the fiscal 2019 reverse take-over transaction. Other expenses also increased 40% over the comparative nine months 2019 period due to additional expenses, such as supplies, cleaning, and office equipment, incurred from the new, larger office spaces acquired in Vancouver, Ottawa and Los Angeles to accommodate the growing animation division.

Finance and other

(\$000's)	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Dividends	18	18	55	55
Interest on loans	117	131	456	749
Interest on lease obligations ¹	322	35	804	114
Interest income	(391)	(50)	(492)	(322)
Realized foreign exchange gain	(193)	(295)	(476)	(465)
Unrealized foreign exchange (gain) loss	(183)	170	(251)	(15)
Total finance and other	(310)	9	96	116

¹Included in interest on lease obligations for three and nine months ended March 31, 2020 is interest related to non-finance leases of \$276 and \$665, respectively (three and nine months ended March 31, 2019 - \$nil and \$nil, respectively).

Finance and other expenses include interest income and expenses and realized and unrealized foreign exchange gains and losses. Finance and other expenses decreased by 17% in Q3 2020 over the comparative nine month period. The decrease in finance and other costs was due mainly to an increase in interest revenue received on tax credits over the comparative period, and by a decrease in interest expense from the Company's loan facility as the outstanding loan balance has been repaid. In addition, the adoption of IFRS 16 was effective July 1, 2019, and the Company recorded a finance expense of \$665 related to its lease obligations under IFRS 16.

Finance and other costs decreased by 3544% for the three months ended March 31, 2020 over the three months ended March 31, 2019 from \$9 to (\$310). This is mainly due to an increase of \$353 in unrealized foreign exchange losses (from a loss of \$170 to a gain of \$183), mainly related to the revaluing of \$USD receivables from production service agreements to the period end spot rate, an increase in interest revenue received on tax credits, and a finance expense of \$276 related to the Company's lease obligations under IFRS 16.

Dividends on preferred shares

As part of the RTO Transaction that occurred in the prior fiscal year, 1,054,000 of the Company's Class B Series 2 preferred shares were converted to 1,054,000 Class A preferred shares. The new Class A preferred shares receive a quarterly dividend of \$0.0175 per share, as did the former Class B Series 2 shares. Concurrent with the RTO Transaction, 9,658,750 Class C preferred shares previously issued were converted into common shares of the Company. Prior to the conversion into common shares in the prior fiscal year, the 9,658,750 Class C Preferred shares received a quarterly dividend of \$0.04 per share.

Dividends paid for the three and nine months ended March 31, 2020 and 2019 are as follows:

(\$000's)	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Class A (former Class B Series 2) Preferred Shares	18	18	55	55
Class C Preferred Shares	-	-	-	386
Total dividends paid	18	18	55	441

NET ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

In March 2020, the Company decided to cease its UK Operation. The related assets and liabilities have been presented as held for sale and are as follows:

	March 31, 2020
Cash	\$ 432
Trade receivables and other	734
Investment in content	690
Property and equipment	4
Assets held for sale	1,860
Accounts payable and accrued liabilities	1,216
Deferred revenue	213
Liabilities associated with assets held for sale	1,429
Net assets held for sale	\$ 431

The cumulative foreign exchange losses recognized in accumulated other comprehensive income in relation to the discontinued operation as at March 31, 2020 were \$45.

Analysis of the result of discontinued operation is as follows:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Revenue	\$ 611	\$ 919	\$ 1,683	\$ 3,079
Expenses	816	1,108	2,456	3,231
Loss from discontinued operation	(205)	(189)	(773)	(152)
Loss on translation of discontinued operation	(95)	(49)	(89)	(36)
Other comprehensive loss from discontinued operation	\$ (95)	\$ (49)	\$ (89)	\$ (36)

In assessing the fair values of the assets and liabilities, the Company assumed that all assets and liabilities had a fair value which is equal to net book value. The investment in content consists of distribution advances which are paid to obtain the distribution rights. The Company has also determined the fair value based upon current negotiations with prospective buyers that will transfer the assumption of the net liabilities held in this entity.

QUARTERLY FINANCIAL INFORMATION

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<i>(\$000's, except per share data)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	29,301	13,924	16,325	12,935	20,946	10,629	13,161	11,378
Net income (loss) from continuing operations	3,160	(942)	1,027	(420)	2,118	(6,092)	1,400	(237)
Basic earnings (loss) per share	0.068	(0.020)	0.022	(0.009)	0.045	(0.194)	0.035	(0.021)
Diluted earnings (loss) per share	0.063	(0.020)	0.021	(0.009)	0.043	(0.194)	0.025	(0.021)

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

LIQUIDITY

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

As at March 31, 2020 the Company has a cash balance of \$12.2 million, as compared to cash of \$13.4 million at June 30, 2019. A cash flow summary for the nine months ended March 31, 2020 and 2019 is as follows:

	Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019
	YTD 2020	YTD 2019
	\$	\$
<i>(\$000's)</i>		
Cash inflows (outflows) by activity:		
Operating activities	6,364	706
Financing activities	(5,598)	4,305
Investing activities	(2,091)	(248)
Effect of exchange rate changes on cash	80	116
Net cash (outflows) inflows	(1,245)	4,879

Cash flows from operating activities in the nine months ended March 31, 2020 provided cash of \$6.4 million, compared to \$0.7 million in the comparative period. During Q3 2020, cash provided by operating activities included a working capital inflow of \$5.5 million, compared to an inflow of \$2.8 million in Q3 2019, due in part to the collection of amounts receivable, timing of payments and other receipts.

Cash flows from financing activities are primarily driven by the Company's practice to finance productions in progress by way of production bank loans secured against refundable tax credits, distribution, licensing and production service agreements on a per production basis in addition to a general security agreement. The bank loan drawn and interest thereon is repayable upon receipt of the respective refundable tax credits and corresponding revenues receivable. Cash flows from financing activities used \$5.6 million in the nine months ended March 31, 2020 as compared to generating \$4.3 million in the comparative period. The significant fluctuations are due predominantly to timing of loan proceeds versus loan repayments, as well as the proceeds from issuance of shares in the private placement in the comparative period.

Cash flows from investing activities pertain to property and equipment purchases. During the nine months ended March 31, 2020, the Company purchased property and equipment, primarily computer equipment, totalling approximately \$2.1 million as compared to purchasing \$2.6 million in the comparative period. Also, in the comparative nine month period, the Company acquired cash of \$2.4 million in the reverse takeover transaction.

CAPITAL MANAGEMENT

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

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

The Company has a credit agreement with the Royal Bank of Canada ("RBC") which provides the Company access to funding over distinct credit facilities.

Facility 1, is a \$5.0 million revolving term loan for bridging production financing of productions being produced prior to closing of an applicable production facility. Facility 1 bears interest at prime plus 1.25% and must be repaid on

the earlier of 15 days of individual production financing close or 180 days from the first drawdown. As at March 31, 2020, the Company had drawn down \$0.325 million.

Facility 2, is a five-year \$10.0 million non-revolving term loan for financing up to 75% of an acquisition's purchase price of select media companies bearing interest at prime plus 0.50%. Repayments include an annual cash flow sweep of 5% of Thunderbird's EBITDA due within 120 days of the fiscal year-end. As at March 31, 2020, this facility had not been drawn upon.

Facility 3, is a three-year \$6.0 million non-revolving term loan to facilitate the buyback of the Company's shares bearing interest at prime plus 0.50%. Repayments include a tax credit sweep of 100% of claimed tax credits. During Q1 2019, the Company drew down \$6.0 million in order to repurchase 4,800,000 common shares from certain shareholders of the Company at a price of \$1.25 per share. In Q3 2019, the loan was renewed and the loan limit was decreased to \$2.6 million due to the principal repayments made during the first two quarters of fiscal 2019. As at December 31, 2019, the Company had fully repaid the outstanding balance.

Facility 4, is a \$1.5 million non-revolving reducing lease facility. This facility may be used to finance equipment purchases and leasehold improvements. As at March 31, 2020, this facility had not been drawn upon.

Under the terms of the RBC credit facilities, the Company is required to meet certain covenants. As at March 31, 2020, the Company was in compliance with all of the covenants.

As at June 30, 2019, the Company reported that it was not in compliance with the Debt Service Coverage covenant, and that it obtained from RBC a tolerance letter for the breach. Subsequently, the Company clarified with RBC that it was in compliance as at June 30, 2019, and the non-compliance was due to a misinterpretation of the definition of the covenant calculation.

The overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2019.

RISKS AND UNCERTAINTY

The Company is exposed to a number of specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition. The specific and general risks include, but are not limited to the following: risks related to the nature of the entertainment industry, risks related to the television and film industries, entertainment industry trends, external factors in the content industry, fluctuation in the price of securities, merchandising, potential budget overruns and other production risks, limited ability to exploit film and television content library, changes in the regulatory environment, reliance on distribution of Canadian content and government funding, litigation, risks of liability claims for content, technological changes, labour relations, concentration risks, fluctuation of financial results, competition, dependence on key personnel, protection of intellectual property, investment strategy, acquisitions, impacts of fluctuations in exchange rates, loss of Canadian status, international distribution activities, the impact of any changes in interest rates, changes to taxation legislation, income taxes and audits from tax authorities, dependence on management information systems, risks related to privacy of information and security, future financing and increased costs and compliance risks as a result of being a public company.

On March 11, 2020, the World Health Organization (WHO) declared COVID-19 a pandemic. In response to the WHO declaration and continuing spread of COVID-19, several social distancing measures taken by the Company and third parties including governments, regulatory authorities, businesses and our customers could negatively impact the Company's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with our future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods.

For further details see “RISKS AND UNCERTAINTY”, contained in Thunderbird Entertainment Group Inc. (formerly Golden Secret Ventures Ltd.) Management’s Discussion and Analysis, for the years ended June 30, 2019 and 2018, filed October 21, 2019, on www.sedar.com.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company’s financial assets and liabilities consist of cash, trade receivables, accounts payable and accrued liabilities, interim production financing, long-term debt and redeemable preferred shares. The Company is exposed to credit risk, liquidity risk and market risk in the normal course of operations. The Company does not use derivative instruments to reduce its exposure.

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s financial risk management framework and monitors risk management activities. The Company identifies and analyzes the risks faced by the Company and may utilize financial instruments to mitigate these risks. There have been no significant changes in the Company’s risk since the annual MD&A disclosures for the year ended June 30, 2019.

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 March 31, 2020, two broadcasters/distributors individually accounted for more than 10% of trade and production financing receivables. Receivables from these broadcasters/distributors accounted for 33% of the total trade and financing receivables.

The Company’s customers are considered to have low default risk and the historical default rate and frequency of loss are low, therefore the lifetime expected credit loss allowance for trade receivables is nominal as at March 31, 2020.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company’s reputation (see Note 17 of the audited consolidated financial statements for June 30, 2019 for further details).

Market risk

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

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its interim production financing and long-term debt 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 \$348 change to net income for the nine months ended March 31, 2020 (2019 - \$307). The Company has no interest rate hedges or swaps outstanding at March 31, 2020.

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 nine months ended March 31, 2020, revenue denominated in US dollars accounted for 33% (2019 - 34%) of total revenue and revenue denominated in GBP accounted for 3% (2019 - 7%) of total revenue. As at March 31, 2020, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately \$538 (2019 - \$646) on net income and a 5% fluctuation in the GBP exchange rate would have an impact of approximately \$49 (2019 - \$151) on net income.

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 income for the period ended March 31, 2020 of approximately \$509 (2019 - \$84).

TRANSACTIONS WITH RELATED PARTIES

For the three and nine month period ended March 31, 2020, dividends of \$2 and \$6, respectively (2019 - \$2 and \$182) were paid to directors and key management personnel and companies owned by directors and key management personnel. Producer and consulting fees of \$90 and \$345, respectively (2019 - \$124 and \$144) were paid to companies owned by directors and a president and revenue of \$309 and \$651, respectively (2019 - \$nil and \$nil) was received from a company owned by a director and president. In connection to the Q2 2019 RTO Transaction, a transaction fee of 188,777 common shares with a deemed value of \$378, were issued to a company owned by a director. There was no corresponding fee in the current period ending March 31, 2020. At March 31, 2020, \$752 (2019 - \$105) was due from a company owned by a director and president; \$62 (2019 - \$58) was payable to directors and companies owned by directors.

The related party transactions are made on terms equivalent to those that prevail in arm's length transactions. At March 31, 2020, \$752 of amounts due from a company owned by a director and president carried interest at prime plus 1%. All outstanding balances at 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 Chairman, Vice Chair, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and President. The remuneration of directors and officers is as follows:

	Three months ended		Nine months ended	
	Mar. 31, 2020	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2019
	Q3 2020	Q3 2019	YTD 2020	YTD 2019
(\$000's)	\$	\$	\$	\$
Short-term benefits	572	855	1,973	2,315
Share based payments	80	142	288	652
Total key management personnel compensation	652	997	2,261	2,967

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to financial statements, have been set out in note 3 of Thunderbird's audited consolidated financial statements for the year-ended June 30, 2019 filed on www.sedar.com. Actual results may differ materially from these estimates (refer to page 1 of this MD&A for more information regarding forward-looking statements).

SIGNIFICANT ACCOUNTING POLICIES

The Company's critical accounting policies and estimates are disclosed in the "Significant Accounting Policies" note to the Annual Financial Statements.

Standards applied during the period

IFRS 16, Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and supersedes IAS 17, *Leases* ("IAS 17"); IFRIC 4, *Determining whether an Arrangement contains a Lease*; SIC-15, *Operating Leases – Incentives*; and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. 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 asset ("ROU asset") representing its 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 ROU asset and a finance charge on the lease obligation. The standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Initial adoption of IFRS 16

Under IAS 17 the Company's operating leases consisted of property leases for office space, studio space and storage; computer and office equipment leases; and vehicles leases. Property lease terms range from short-term periods of less than one year to nine and a half years with certain leases containing renewal options. Computer and office equipment leases have terms ranging from short-term periods of less than one year to three years. Vehicle leases have terms ranging from approximately two to four years. Finance leases consist of computer equipment and data network infrastructure equipment with terms ranging from short-term periods of less than one year to three years.

Prior to the adoption of IFRS 16, contracts identified as operating leases under IAS 17 were recognized as expenses in general and administration expense in the consolidated statement of operations and comprehensive income (loss) or capitalized to investment in content in the consolidated statement of financial position and subsequently amortized over a period of time.

Under IFRS 16 entities are required to assess contracts to determine if the contract is or contains a lease based on the definition of a lease under IFRS 16: a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. In addition, the standard requires a lessee to separate lease components and non-lease components of a contract and allocate the consideration in the contract to each lease and non-lease component based on the relative stand-alone prices. However, the standard allows entities to elect to apply the practical expedient whereby it is not required to separate a lease component from any associated non-lease components and can instead elect to treat these as a single lease component. The Company has elected to apply this practical expedient to all of its leases.

The Company has adopted 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. In addition, as the Company has elected to initially measure the ROU asset at the amount equal to the lease liability on July 1, 2019, plus any prepaid lease payments, the adjustment to retained earnings is nil.

The Company has elected to apply the following options and practical expedients on the date of initial adoption:

- to grandfather the assessment of which contracts are leases and to apply the new standard to those contracts identified as leases under IAS 17 and IFRIC 4;
- for leases previously classified as finance leases, the Company will recognize a ROU asset and lease liability measured initially at the previous carrying amount of the finance lease under IAS 17;
- the ROU asset will be based on the lease liability, plus any prepaid lease payments excluding any initial direct costs incurred;
- apply the short-term lease exemption to leases for which the lease term ends within 12 months of the date of initial adoption on a lease by lease basis;

- apply the low-value exemption to leases for which the underlying asset's value is \$6,500 or less;
- rely on previous assessments of whether leases are onerous; and
- use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The following table summarizes the impact on the consolidated statement of financial position as at June 30, 2019, resulting from the adoption of IFRS 16 on July 1, 2019.

	June 30, 2019	IFRS 16 adoption	July 1, 2019
Trade receivables and other	\$ 63,261	\$ (51)	\$ 63,210
Property and equipment ¹	7,211	18,149	25,360
Current obligations under finance leases	2,496	(2,496)	-
Current obligations under leases	-	3,823	3,823
Long-term obligations under finance leases	1,540	(1,540)	-
Long-term obligations under leases	-	18,307	18,307

¹ROU assets are included in property and equipment.

The following table reconciles the Company's operating lease commitments as at June 30, 2019 to the lease obligations recognized on the initial application of IFRS 16 as at July 1, 2019.

Commitments note at June 30, 2019	\$ 18,937
Add:	
Adjustments due to elected lease renewal options	10,537
Finance lease liabilities previously recorded under IAS 17	4,306
Less:	
Effect of discounting at the Company's incremental borrowing rate	(7,041)
Variable lease payments	(3,872)
Short-term leases	457
Low-value leases	(10)
Lease liabilities arising from the initial adoption of IFRS 16 as at July 1, 2019	\$ 22,130

At the date of initial adoption, for leases previously classified as operating leases under IAS 17, except for short-term and low-value lease, the Company discounted the remaining lease payments using its incremental borrowing rate ("IBR"). The following are the weighted-average discount rates applied: premises leases – 5.61%; equipment leases – 4.34%; and vehicle leases – 2.23%.

Accounting policies under IFRS 16

Right-of-use assets

At the lease commencement date, the Company recognizes a ROU asset at an amount equal to the lease liability and adjusted to include any prepaid lease payments, less any lease incentives, plus initial direct costs incurred and any costs of dismantling and restoring an asset to a specific condition. The ROU assets are amortized on a straight-line basis over a period which is the earlier of end of the asset's estimated useful life or the end of the lease term. Amortization of ROU assets are included in general and administrative expenses in the consolidated statements of operations and comprehensive income (loss) and ROU assets are presented as a part of property and equipment in the consolidated statement of financial position.

Under IFRS 16, ROU assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*, which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Lease obligations

The lease obligation is initially measured as the present value of the future payments discounted using the rate implicit in the lease. However, if that rate is not readily determinable, the entity's IBR is to be used. An entity's IBR is the rate the Company would have to pay for similar assets at similar locations over a similar term. Subsequent to initial measurement lease obligations are amortized in a similar manner to finance leases under IAS 17. Interest charges are reported as part of finance costs in the consolidated statements of operations and comprehensive income (loss) and lease obligations are reported as a separate line item in the consolidated statement of financial position.

Lease modifications

A lease modification, depending upon the nature of the modification, will be accounted for as a separate lease or as a re-measurement of the lease liability with a corresponding adjustment to the ROU asset or as a gain or loss if the carrying amount of the ROU asset has been reduced to zero.

Significant judgments in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. In its determination as to whether the Company is reasonably certain to exercise a renewal option, it considers all facts and circumstances that create an economic incentive for it to exercise the option. After the commencement date the Company reassesses the lease term for whether a significant event or change in circumstances affects its ability to exercise the option or not has occurred.

ROU assets and lease obligations as at and for the nine months ended March 31, 2020.

ROU assets	Premises	Equipment	Vehicles	Total
Lease liability on initial adoption of IFRS 16	\$ 17,717	\$ 318	\$ 63	\$ 18,098
Prepaid lease payments	51	-	-	51
Property and equipment – reclass existing assets under finance leases	-	3,729	-	3,729
Balance July 1, 2019	17,768	4,047	63	21,878
Additions	7,727	5,450	-	13,177
Lease incentives	(900)	-	-	(900)
Amortization	(1,455)	(2,675)	(15)	(4,145)
Balance March 31, 2020	\$ 23,140	\$ 6,822	\$ 48	\$ 30,010

In the nine months ended March 31, 2020, \$103 of amortization was capitalized to production costs.

Lease obligations	Premises	Equipment	Vehicles	Total
Lease liability on initial adoption of IFRS 16	\$ 17,714	\$ 4,353	\$ 63	\$ 22,130
Balance July 1, 2019	17,714	4,353	63	22,130
Additions	7,677	5,448	-	13,125
Amortization	(1,160)	(3,113)	(15)	(4,288)
Balance March 31, 2020	\$ 24,231	\$ 6,688	\$ 48	\$ 30,967

On the date of initial adoption, the Company applied the practical expedient to designate leases with terms of less than 12 months as short-term. As a result, for the nine months ended March 31, 2020, under the short-term exemption, \$689 was expensed to rent and office expenses and under the low-value exemption, \$22 was expensed to office expense.

The following table presents a reconciliation of the Company's undiscounted cash flows at March 31, 2020 and June 30, 2019 to their present value for the Company's lease obligations.

	March 31, 2020	June 30, 2019¹
Within one year	\$ 5,662	\$ 2,614
Between one and five years	16,478	1,573
Beyond five years	17,607	-
Total undiscounted lease obligations	39,747	4,187
Less future interest charges	(8,780)	(151)
Total discounted lease obligations	30,967	4,036
Less current portion of lease obligations	\$ (6,020)	\$ (2,496)
Non-current portion of lease obligations	\$ 24,947	\$ 1,540

¹As IFRS 16 was applied using the modified retrospective approach, lease obligations as at June 30, 2019, were those that were classified as finance leases under IAS 17.

As at March 31, 2020, the total discounted lease obligations related to contracts with RBC amounted to \$4,220 with \$2,652 classified as current and \$1,568 as non-current.

IFRIC 23, Uncertainty over Income Tax Treatments

Effective July 1, 2019, the Company adopted IFRIC 23 which was issued by the IASB in June 2017. 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*. There was no impact on the Company upon adoption of this standard.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The CEO and the CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting, concluded that as at March 31, 2020, both the Company's disclosure controls and procedures and internal control over financial reporting were operating effectively. It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected.

There were no changes in internal controls over financial reporting during the three and nine months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 27, 2020 the Company had the following common and preferred shares and stock options outstanding.

Common Shares	46,671,475
Preferred Shares – redeemable ¹	1,054,000
Warrants	337,342
Stock Options	4,616,000

¹Preferred shares are convertible into common shares at a ratio of 3:1

Directors and Officers as at March 31, 2020

Directors

Brian Paes-Braga	Chairman, Director
Tim Gamble	Vice Chair, Director
Jennifer Twiner McCarron	CEO, Director
Mark Miller	President, Director
Marni Wieshofer	Lead Director
Frank Giustra	Director
Frank Holmes	Director
Azim Jamal	Director
Paul Sparkes	Director

Officers

Jennifer Twiner McCarron	CEO, Director
Mark Miller	President, Director
Barb Harwood	CFO
Tim Gamble	Vice Chair, Director
Cameron White	Corporate Secretary
Sarah Nathanson	General Counsel