



Thunderbird Entertainment Group Inc.

Management's Discussion and Analysis

For the three months ended September 30, 2019 ("Q1 2020")
and September 30, 2018 ("Q1 2019")

GENERAL

This Management's Discussion and Analysis ("MD&A") dated November 28, 2019 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 months ended September 30, 2019 and 2018 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 Adjusted EBITDA as a measure of performance.

"Adjusted EBITDA" is calculated based on earnings before interest, income taxes, depreciation and amortization, asset impairment charges, accretion, share-based compensation expense, finance costs (income), share of loss of associates, unrealized foreign exchange gain/loss and losses and items of an unusual nature that do not reflect our ongoing operations. Adjusted EBITDA is 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. Adjusted EBITDA is not an earnings measure recognized by IFRS and therefore does not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

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 multi-platform media production, distribution and rights management company based in Vancouver, Canada. In addition to three main locations in Vancouver, Thunderbird has offices in Toronto, Ottawa, Los Angeles and London. 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 180 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.

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 two series for exhibition on Netflix, *The Last Kids on Earth* and *Hello Ninja*, with additional projects in production and development for traditional broadcasters and OTT's. With a robust slate of programming, Atomic has been expanding rapidly. With the growth of its Los Angeles office since its inception in 2017, the Company has cultivated more direct and accessible relationships with many of its partners, including Netflix, Disney, and NBCUniversal, to list a few. During the past three years, Atomic has grown from engaging approximately 200 animators, to more than 550 and, in December 2018, it opened an Ottawa studio. The Ottawa location is dedicated to expanding the capacity of the kids and family division. By June 2020, the Ottawa studio anticipates it will employ 150 people.

The Company's IP-owned series, *The Last Kids on Earth* began streaming September 17, 2019 on Netflix, and the Company announced that 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. The merchandise line is set to hit shelves around the world in 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 200 territories and on Netflix worldwide.

The Company delivered the 100th episode of *Highway Thru Hell* to Discovery Canada. Season eight consists of 17 episodes, one of which marks the 100th episode milestone, and began airing on October 7, 2019. Production of its 9th season was announced in October 2019, and it will be the series' largest season ever.

GPM also produces a "spin-off" series for Discovery Canada that brings the elements of *Highway Thru Hell* to Canada's busiest freeway, Ontario's notorious Highway 401. Season 3 of *Heavy Rescue: 401* airs on Discovery Canada, the Weather Channel in the US, Netflix, and numerous other television stations around the world.

Queen of the Oil Patch, which airs on APTN, is produced by GPM. A second season for the critically-acclaimed documentary series was announced and principal photography for it has begun. In the "lifestyle" genre, GPM produces the lifestyle series *Save My Reno* and *Worst to First* for HGTV Canada.

Thunderbird's scripted division completed production on the fourth season of its award-winning comedy series *Kim's Convenience*, with a season premiere date of January 7, 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. The Season 3 premiere (January 2019) of *Kim's Convenience* drew 1.3 million viewers on CBC, an increase in viewership of seven percent from the previous season. The series continues to receive global attention and was recognized as the *Most Popular Foreign Drama of the Year Award* by the Seoul Drama Awards 2019 in South Korea.

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, and with 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 MONTHS ENDED SEPTEMBER 30, 2019

- 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 with a right-of-use asset and 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 on the income statement.
- Consolidated revenue for the three months ended September 30, 2019 was \$17.1 million as compared to

\$14.4 million for the comparative period of fiscal 2019, an increase of \$2.7 million. The majority of the first quarter revenue increase over the comparative quarter in 2019 related to growth in the animation division.

- Consolidated net income was \$0.8 million for the three months ending September 30, 2019, compared to \$1.5 million for the comparative period of fiscal 2019, a decrease of \$0.7 million. The main difference is the increase in direct costs related to the Company's productions. Other differences relate to the increase in salaries and contracting fees and computer maintenance (due to animation expansion). These were offset by revenue growth in the animation division.
- The Company's adjusted EBITDA for Q1 2020 was \$3.0 million compared to \$4.2 million for the first quarter of 2019, a decrease of \$1.2 million. The decrease was due to a decrease in net income of \$0.7 million due to an increase in direct costs from the Company's productions, offset partially by the amortization of right-of-use assets related to the adoption of IFRS 16. See "Non-IFRS Measures" and "Adjusted EBITDA" sections of this MD&A for the definition and detailed calculation of Adjusted EBITDA.
- During the three months ending September 30, 2019, the Company paid down \$0.7 million of a three-year non-revolving term loan that was initially drawn in July 2018 in the amount of \$6 million. At the end of the quarter, the outstanding balance of the term loan is \$0.7 million. The term loan was drawn in order to repurchase common shares of certain shareholders of TEI on an accretive basis 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 first quarter, the Company had 21 programs in various stages of production, with clients such as Netflix, NBCUniversal, Nickelodeon, PBS, WGBH, Bell Media's Discovery, APTN, Corus Entertainment and the CBC, among others.
- The Company delivered its largest ever fall lineup, with eight productions premiering across multiple platforms, including with partners like Netflix, PBS/WGBH, Discovery Channel and Disney+.
- Throughout Q1 2020, 37 half-hour episodes and 18 one-hour episodes were delivered collectively from the Factual, Scripted, and Kids and Family Divisions.
- During the quarter, Brian Paes-Braga was appointed Chair of the Company's Board of Directors.

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 series, including *The Last Kids on Earth* (IP), *Hello Ninja* (service), *Molly of Denali* (service), *LEGO Jurassic World* (service), and *101 Dalmatian Street* (service) among others.
- *The Last Kids on Earth*, an animated television series, premiered on Netflix, with three episodes aired during the quarter.
- *Molly of Denali* was launched in July 2019 on PBS/WGBH in the United States. It also premiered on CBC Canada in September 2019.
- During Q1 2020 the Company derived production service revenue from various animated television programs such as *Hello Ninja*, *Molly of Denali*, *Marvel Super Hero Adventures*, *101 Dalmatian Street* and *Incredible Ant*, among others.

Thunderbird Factual

- During the quarter, the Company's factual division was in production for five series and one documentary for CBC: *Highway Thru Hell* (Season 8), *Heavy Rescue: 401* (Season 4), *Save My Reno* (Season 3), *Queen of the Oil Patch* (Season 2), *High Arctic Haulers* (Season 1) and *Teenager and the Lost Mayan City* (Documentary for CBC).
- *Highway Thru Hell* (Season 8) premiered on Discovery Canada, and was in production on 17 original hours.
- *Heavy Rescue:401* Season 4 was in production on 13 original hours for Discovery.
- *High Arctic Haulers* was delivered and is set to premiere in January 2020 on CBC.
- Principle photography began on Season 2 of the critically-acclaimed documentary series *Queen of the Oil Patch*. The series is produced in collaboration with Kah-Kitowak Films. It is scheduled to premiere on APTN in 2020.

Thunderbird Scripted

- During the quarter, production of Season 4 of *Kim's Convenience* was completed; Season 4 of the hit series is scheduled to air Winter 2020.

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 months ended September 30, 2019 and 2018 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 September 30, 2019 and June 30, 2019:

<i>(\$000's)</i>	September 30,		June 30, 2019	
	2019			
Total assets	\$	153,863	\$	130,825
Total non-current liabilities	\$	24,257	\$	5,963
Shareholders' equity	\$	48,756	\$	47,643

Results of Operations

Results for the three months ended September 30, 2019 compared to the three months ended September 30, 2018:

<i>(\$000's, except per share data)</i>	For the three months ended		
	September 30,		
	2019		2018
Revenue	\$	17,051	\$ 14,361
Expenses		16,202	12,907
Net income from continuing operations		849	1,454
Income from discontinued operations		30	-
Foreign currency translation adjustment		(4)	(9)
Comprehensive net income for the period attributable to owners of the parent	\$	875	\$ 1,445
Basic earnings per share - continuing operations	\$	0.018	\$ 0.037
Diluted earnings per share - continuing operations	\$	0.017	\$ 0.026
Basic earnings per share – discontinued operations	\$	0.001	\$ -
Diluted earnings per share – discontinued operations	\$	0.001	\$ -

Adjusted EBITDA

Adjusted EBITDA is summarized as follows:

(\$000's)	For the three months ended	
	2019	September 30, 2018
Net income from continuing operations	\$ 849	\$ 1,454
Income tax expense	556	835
Deferred income tax expense (recovery)	(98)	334
Finance costs		
Interest expense and income	350	372
Dividends on redeemable preferred shares	18	18
Unrealized foreign exchange gain	(121)	(104)
Amortization		
Property and equipment	692	597
Right-of-use assets	420	-
Intangible assets	68	160
Share-based compensation	238	313
Acquisition / restructure costs	-	209
Severance costs	55	-
	\$ 2,178	\$ 2,734
Adjusted EBITDA	\$ 3,027	\$ 4,188

As discussed in the financial and operational highlights the Company's adjusted EBITDA decreased by \$1.2 million over the comparative period due to increases in the direct costs offset by the adoption of IFRS 16. See "Non-IFRS Measures" and "Adjusted EBITDA" sections of this MD&A for the definition and detailed calculation of Adjusted EBITDA.

Revenues

Revenue streams are summarized as follows:

(\$000's)	For the three months ended	
	2019	September 30, 2018
Production services	\$ 10,305	\$ 6,332
Licensing and distribution	6,730	8,022
Other	16	7
Total revenues	\$ 17,051	\$ 14,361

Total revenue in Q1 2020 increased 19% over the comparative three months.

Thunderbird's animation division experienced continued growth which has resulted in an increase in animation production service volume and revenue in Q1 2020. Production services revenue increased by 61% in animation production services (\$3.8 million) and increased by 100% in factual production services (\$0.1 million).

Licensing and distribution revenues decreased by 46% in scripted (\$0.4 million) primarily due to a distribution contract recognized in Q1 2019, without a comparative contract in Q1 2020. Licensing and distribution revenues also decreased 39% in theatrical distribution (\$0.5 million), due to a sale recognized in Q1 2019, without a comparative deal in the current quarter, and 10% in factual (\$0.4 million) due to the timing of delivery of episodes and subsequent revenue recognition in two ongoing factual series, which had episodes recognized in both Q1 2020 and Q1 2019.

Direct Costs

(\$000's)	For the three months ended	
	September 30,	
	2019	2018
Direct costs	\$ 6,529	\$ 4,138
Amortization of content	1,734	976
Amortization of intangible assets	68	159
Other	50	38
Total direct operating costs	\$ 8,381	\$ 5,311

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 months ended September 30, 2019 increased 58% over the comparative period, consistent with the increase in the Company's animation production service as described above in the revenue section. In addition, amortization of content increased due to the timing of delivery of episodes in Q1 2020 over the comparative period.

General and administrative

(\$000's)	For the three months ended	
	September 30,	
	2019	2018
Contractors, salaries and employee benefits	\$ 3,615	\$ 2,712
Rent	199	516
Amortization of property and equipment	692	597
Amortization of ROU assets	420	-
Computer maintenance	652	360
Legal and professional fees	203	415
Other	498	464
Total general and administrative	\$ 6,279	\$ 5,064

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 24% in Q1 2020 over the comparative quarter. Salaries and contracting fees increased 33% over the comparative quarter due to significant growth in the animation and factual divisions. Rent expense decreased by 61% over the comparative quarter primarily due to the adoption of IFRS 16 in which lease payments for long-term leases are no longer recorded as rent expense. Due to the recognition of right-of-use assets under IFRS 16, amortization of \$0.4 million was recorded in Q1 2020. Computer maintenance increased by 81% in Q1 2020 over Q1 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 51% in Q1 2020 over Q1 2019. The additional legal and professional fees incurred in Q1 2019 pertained to the fiscal 2019 reverse take-over transaction.

Finance and other

(\$000's)	For the three months ended September 30,	
	2019	2018
Interest, bank charges and dividends	\$ 291	\$ 418
Finance expense of lease obligations	149	-
Interest income	(71)	(28)
Realized foreign exchange gain	(86)	(38)
Unrealized foreign exchange gain	(121)	(104)
Total finance and other	\$ 162	\$ 248

Finance and other expenses include interest income and expenses and realized and unrealized foreign exchange gains and losses. Finance and other expenses decreased by 35% in Q1 2020 over the comparative quarter. The decrease in finance and other costs was due mainly to a decrease in interest from interim production financing from completed productions over the comparative period and increases in foreign exchange gains. Interest from the Company's loan facility also decreased from Q1 2019 as the outstanding loan balance has been significantly decreased. The adoption of IFRS 16 was effective July 1, 2019, and the Company recorded a finance expense related to its 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 TEI's Class B Series 2 preferred shares were converted to 1,054,000 Class A preferred shares of the Company. 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 by TEI 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 months ended September 30, 2019 and 2018 are as follows:

(\$000's)	For the three months ended September 30,	
	2019	2018
Class A (former Class B Series 2) Preferred Shares	\$ 18	\$ 18
Class C Preferred Shares	-	386
Total dividends paid	\$ 18	\$ 404

QUARTERLY FINANCIAL INFORMATION

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenues	\$17,051	\$13,663	\$21,865	\$11,589	\$14,361	\$11,378	\$12,131	\$52,171
Net income (loss) from continuing operations	\$ 849	\$ (1,096)	\$ 1,927	\$ (6,105)	\$ 1,454	\$ (237)	\$ (892)	\$ 710
Basic earnings (loss) per share	\$ 0.018	\$ (0.024)	\$ 0.041	\$ (0.194)	\$ 0.037	\$ (0.021)	\$ (0.043)	\$ 0.011
Diluted earnings (loss) per share	\$ 0.017	\$ (0.024)	\$ 0.039	\$ (0.194)	\$ 0.026	\$ (0.021)	\$ (0.043)	\$ 0.008

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 September 30, 2019 the Company has a cash balance of \$16.3 million, as compared to cash of \$13.4 million at June 30, 2019. A cash flow summary for the three months ended September 30, 2019 and 2018 is as follows:

<i>(\$000's)</i>	For the three months ended September	
	2019	30 2018
Cash inflows (outflows) by activity:		
Operating activities	\$ 5,046	\$ (6,509)
Financing activities	(1,301)	10,198
Investing activities	(939)	(492)
Effect of exchange rate changes on cash	85	66
Net cash inflows	\$ 2,891	\$ 3,263

Cash flows from operating activities in the three months ended September 30, 2019 provided cash of \$5.0 million, compared to a use of \$6.5 million in the comparative quarter. During Q1 2020, cash provided by operating activities included a working capital inflow of \$0.6 million, compared to an outflow of \$8.0 million in Q1 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 \$1.3 million in the three months ended September 30, 2019 as compared to generating \$10.2 million in the comparative period. The significant fluctuations are due predominantly to timing of loan proceeds versus loan repayments.

Cash flows from investing activities pertain to equipment purchases. During the three months ended September 30, 2019, the Company purchased property and equipment, primarily computer equipment, totalling approximately \$0.9 million as compared to purchasing \$0.5 million in the comparative quarter.

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 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 September 30, 2019, the Company had fully repaid prior drawn amounts.

Facility 2, is a five-year \$10 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 September 30, 2019, this facility had not been drawn upon.

Facility 3, is a three-year \$6 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 million in order to repurchase 4,800,000 common shares from certain shareholders of the Company at a price of \$1.25 per share. As at September 30, 2019, \$5.3 million of the principal had been repaid, leaving \$0.7 million as the outstanding balance. In Q3 2019, the loan was renewed and the loan limit was decreased to \$2.6M due to the principal repayments made during the first two quarters of fiscal 2019.

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 September 30, 2019, 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 September 30, 2019, the Company was in compliance with all of the covenants.

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 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.

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 September 30, 2019, five broadcasters/distributors individually accounted for more than 10% of trade and production financing receivables. Receivables from these broadcasters/distributors accounted for 81% 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 September 30, 2019.

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 \$440 change to net loss for the three months ended September 30, 2019 (2018 - \$505). The Company has no interest rate hedges or swaps outstanding at September 30, 2019.

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 period ended September 30, 2019, revenue denominated in US dollars accounted for 34% (2018 - 45%) of total revenue and revenue denominated in GBP accounted for 7% (2018 - 5%) of total revenue. As at September 30, 2019, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately \$208 (2018 - \$273) on net income and a 5% fluctuation in the GBP exchange rate would have an impact of approximately \$47 (2018 - \$37) 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 September 30, 2019 of approximately \$209 (2018 - \$nil).

TRANSACTIONS WITH RELATED PARTIES

During the period ended September 30, 2019, dividends of \$2 (2018 - \$178) were paid to directors. Producer and consulting fees of \$101 (2018 - \$nil) were paid to companies owned by directors. At September 30, 2019, \$155 (2018 - \$607) was due from a company owned by a director and president; \$34 (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 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:

	For the three months ended	
	September 30,	
	2019	2018
Short-term benefits	\$ 607	\$ 688
Share based payments	105	280
Total	\$ 712	\$ 968

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 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 of 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 their 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	7,211	(3,279)	3,482
Right-of-use assets	-	21,878	21,878
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

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, the Company discounted the remaining lease payments using the following IBRs as of July 1, 2019: premises leases – 3.88% to 5.71%; equipment leases – 4.04% to 4.34%; and vehicle leases – 2.20% to 2.30%.

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 incremental borrowing rate ("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 three months ended September 30, 2019.

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	-	3,279	-	3,279
Balance July 1, 2019	17,768	4,047	63	21,878
Additions	218	403	-	621
Lease incentives	(360)	-	-	(360)
Amortization	(376)	(53)	(5)	(434)
Balance September 30, 2019	\$ 17,250	\$ 4,397	\$ 58	\$ 21,705

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	205	1,406	-	1,611
Amortization	(326)	(755)	(4)	(1,085)
Balance September 30, 2019	\$ 17,593	\$ 5,004	\$ 59	\$ 22,656

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 three months ended September 30, 2019, under the short-term exemption, \$503 was expensed to rent and office expenses and under the low-value exemption, \$5 was expensed to office expense.

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

	September 30, 2019	June 30, 2019
Within one year	\$ 5,348	\$ 2,614
Between one and five years	9,975	1,573
Beyond five years	14,358	-
Total undiscounted lease obligations	29,681	4,187
Less future interest charges	(7,025)	(151)
Total discounted lease obligations	22,656	4,036
Less current portion of lease obligations	\$ (4,293)	\$ (2,496)
Non-current portion of lease obligations	\$ 18,363	\$ 1,540

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 September 30, 2019, 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 months ended September 30, 2019 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 November 28, 2019 the Company had the following common and preferred shares and stock options outstanding.

Common Shares	46,671,475
Preferred Shares – redeemable	1,054,000
Warrants	337,342
Stock Options	4,406,000

Directors and Officers as at September 30, 2019

Directors

Brian Paes-Braga	Executive Chair, Director
Tim Gamble	Vice Chair, Director
Jennifer Twiner McCarron	CEO, Director
Mark Miller	President, Director
Frank Giustra	Lead Director
Francesco Aquilini	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
Cameron White	Corporate Secretary
Sarah Nathanson	Vice President, Legal and Business Affairs