Thunderbird Entertainment Group Inc.

Management's Discussion and Analysis

For the years ended June 30, 2020 and 2019

GENERAL

This Management's Discussion and Analysis ("MD&A") dated October 14, 2020 should be read in conjunction with the audited consolidated financial statements of Thunderbird Entertainment Group Inc. ("Thunderbird" or "the Company") for the years ended June 30, 2020 and 2019 and accompanying notes (the "Annual Financial Statements"). The Annual Financial Statements 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" and the OTC Pink Market under the ticker "THBRF".

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, and depreciation and amortization. "Adjusted EBITDA" is calculated based on EBITDA before share-based compensation, unrealized foreign exchange gain/loss 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 included investments in new technologies, enabled Thunderbird to transition its workforce of more than 1,000 employees and crew members to work from home by March 30, 2020. The Company has remained fully operational throughout the coronavirus pandemic, with work continuing on all productions. Thunderbird's ability to remain fully operational has also allowed the Company to respond to increased demand for content. 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.

With health and safety as a priority, staff have the option to work from home, and there continues to be no disruption to production or security protocols. In fact, COVID-19 has provided new awareness that staffing productions is no longer constrained by geographic location or studio space.

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 Netflix, *The Last Kids on Earth and Hello Ninja*, 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 (HTH)* on Discovery Canada in November 2019. Season 9 of HTH premiered in September 2020, with 18 one-hour episodes, making it the largest season in the history of the series. With two spin-offs, HTH is one of the most successful independently owned unscripted brand in the world.

One of the HTH spin-off series for Discovery Canada is *Heavy Rescue: 401*. This series brings the elements of *Highway Thru Hell* to Canada's busiest freeway, Ontario's notorious Highway 401. *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 HTH's second spin-off series, *Mud Mountain Haulers* (working title). *Mud Mountain Haulers* (working title) is set in the high mountains of British Columbia, just down the road from the HTH, where giant logs and bigger pay days beckon men to take huge risks.

In January 2020, GPM premiered another high-action factual series, *High Arctic Haulers*, in partnership with CBC. *Queen of the Oil Patch,* which airs on APTN, is produced by GPM. In the lifestyle genre, GPM produces the lifestyle series *$ave My Reno* and *Worst to First* for HGTV Canada.

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 5 and 6, which are scheduled for 2021 and 2022 respectively. Production on Season 5 commenced in September 2020.

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. Through the creation of a consumer products and distribution division, Thunderbird intends to own more content. 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 TWELVE MONTHS ENDED JUNE 30, 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.

- In fiscal 2020, the Company completed a change in accounting policy whereby it has capitalized certain overhead costs, such as salaries, rent and computer maintenance, to investment in content, and has amortized these costs in the same manner as all other investment in content costs. For service productions, these costs were reallocated to direct costs. The change in accounting policy provided the investment in content costs to be more reflective and relevant of the costs of production.

- Consolidated revenue for the three months and year ended June 30, 2020 was $21.1 million and $81.3 million as compared to $12.9 million and $57.7 million for the comparative periods of fiscal 2019, increases of $8.2 million and $23.6 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 loss from continuing operations was $0.3 million for the three months ended June 30, 2020 and consolidated net income from continuing operations was $4.1 million for the year ended June 30, 2020. This is compared to net income from continuing operations of $0.1 million and net loss from continuing operations of $1.6 million for the comparative periods of fiscal 2019. Net loss was $0.6 million and net income $3.0 million, after loss from discontinued operations of $0.3 million and $1.1 million, for the three months and year ended June 30, 2020 as compared to net losses of $0.6 million and $2.4 million after loss from discontinued operations of $0.7 million and $0.8 million in the comparative 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 $2.9 million and $15.5 million for the three months and year ended June 30, 2020 compared to $1.0 million and $12.8 million for the comparative periods of fiscal 2019, an increase of $1.9 million and $2.7 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. There was also a decrease in rent expense 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 prior quarter, management decided to discontinue operation 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 operation.

- During the year, 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 fourth quarter, the Company had 19 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 Q4, 29 half-hour episodes and 26 hour episodes were delivered collectively from the factual, scripted, and kids and family divisions. All of the one-hour episodes, and 10 of the half-hour episodes were Company IP.

- The Company received two 2020 Canadian Screen Awards, and nine Leo Awards.

- *Molly of Denali* was awarded an esteemed Peabody Award.

- *The Last Kids on Earth* was awarded a Daytime Emmy in the Outstanding Special Class Animated Program category.

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 third season of *Hello Ninja* began streaming on Netflix on July 10, 2020.

- Further building on Thunderbird's production partnership with Lucasfilm and Disney, *The Lego Star Wars Holiday Special* will premiere November 17 on Disney+.

- 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 four series and one documentary special: *Highway Thru Hell* (Season 9), *Heavy Rescue: 401* (Season 5), *$ave My Reno* (Season 3), *Mud Mountain Haulers* (working title) (Season 1), and *The Teenager and the Lost Mayan City* (Documentary for CBC).

- *Highway Thru Hell* (Season 9) premiered in September 2020. Season 9 is the series' largest season to date.

- *Heavy Rescue: 401* (Season 5) was in post production 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* premiered on APTN on June 7, 2020. The series is produced in collaboration with Kah-Kitowak Films.

- The Company also announced a second spin-off of its hit series *Highway thru hell, Mud Mountain Haulers* (working title). The series created jobs in rural British Columbia, and demonstrated new safety protocols pioneered by the Company to ensure the crew stayed safe and work continued.

- *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.

- *$ave My Reno (Season 4)* started pre-production and casting for the upcoming season. The series airs on HGTV Canada and generates impressive ratings.

- *The Teenager and the Lost Mayan City* is in post production for CBC's *The Nature of Things.*

Thunderbird Scripted

- *Kim's Convenience* was renewed by CBC for seasons 5 and 6, which are scheduled for 2021 and 2022 respectively. The series was also included by TV Guide in its April 2020 ranking of the best feel-good series currently available on Netflix, Amazon, Hulu, and Disney+. Production on Season 5 began in September 2020.

SEASONALITY

Results of operations for any period are contingent on the number and size 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, 2020, into quarterly or annual expectations in future years.

SELECTED ANNUAL COMPARATIVE INFORMATION

The selected comparative information set out below for the years ended June 30, 2020, 2019 and 2018 has been derived from, and should be read in conjunction with, the Company's audited consolidated financial statements and accompanying notes for the respective periods.

($000's, except per share data)		**June 30, 2020**		**June 30, 2019**		**June 30, 2018**
Revenue	$	**81,289**	$	57,671	$	142,402
Net income (loss) from continuing operations	$	**4,131**	$	(1,620)	$	3,361
Basic income (loss) per share – continuing operations	$	**0.089**	$	(0.051)	$	0.061
Total assets	$	**155,177**	$	133,944	$	112,716
Total non-current liabilities	$	**28,154**	$	6,805	$	6,576
Shareholders' equity	$	**53,661**	$	49,920	$	38,149

RESULTS OF OPERATIONS

	For the three months ended		**For the year ended**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
($000's, except per share data)	**$**	**$**	**$**	**$**
Revenue	21,090	12,935	81,289	57,671
Expenses[1]	21,355	12,853	77,158	59,291
Net income (loss) from continuing operations	**(265)**	**82**	**4,131**	**(1,620)**
Loss from discontinued operation	(315)	(676)	(1,088)	(828)
Net income (loss) for the year	**(580)**	**(594)**	**3,043**	**(2,448)**
Non-controlling interest	-	-	-	(9)
Foreign currency translation adjustment	(5)	(4)	4	(2)
Gain (loss) on translation of discontinued operation	80	34	(9)	(3)
Comprehensive net income (loss) for the period attributable to owners of the parent	**(505)**	**(564)**	**3,038**	**(2,462)**
Basic income (loss) per share – continuing operations	(0.006)	0.002	0.089	(0.051)
Diluted income (loss) per share – continuing operations	(0.006)	0.002	0.084	(0.051)
Basic loss per share – discontinued operation	(0.007)	(0.014)	(0.023)	(0.021)
Diluted loss per share – discontinued operation	(0.007)	(0.014)	(0.023)	(0.021)

[1]Expenses includes a charge related to Public company listing of $5,316 in the year ended June 30, 2019.

EBITDA, Adjusted EBITDA and Free Cash Flow

	For the three months ended		For the year ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
($000's)	**$**	**$**	**$**	**$**
Net income (loss) from continuing operations	**(265)**	**82**	**4,131**	**(1,620)**
Income tax expense	119	113	1,480	1,845
Deferred income tax expense (recovery)	(61)	(556)	103	(76)
Finance costs				
Interest	399	113	1,166	658
Dividends on preferred shares	18	18	74	74
Amortization				
Property and equipment	732	729	1,564	2,553
Right-of-use assets	1,753	-	5,796	-
Intangible assets	68	159	270	637
	3,028	576	10,453	5,691
EBITDA	**2,763**	**658**	**14,584**	**4,071**
Share-based compensation	139	285	683	1,521
Unrealized foreign exchange (gain) loss	28	12	(156)	(123)
Gain on settlement of amount payable	-	-	-	(265)
Charges related to public company listing	-	-	-	5,316
Charges related to RTO transaction	-	11	-	633
Severance costs	-	56	113	1,300
Other	17	-	228	299
	184	**364**	**868**	**8,681**
Adjusted EBITDA	**2,947**	**1,022**	**15,452**	**12,752**
Cash inflows (outflows) from continuing operations	9,463	(9,621)	16,540	(8,908)
Purchase of property and equipment	(1,225)	(198)	(3,312)	(2,815)
Proceeds (repayment) of interim production financing	(5,662)	6,410	(5,951)	6,690
Free Cash Flow	**2,576**	**(3,409)**	**7,277**	**(5,033)**

Adjusted EBITDA was $2.9 million and $15.5 million for the three months and year ended June 30, 2020 compared to $1.0 million and $12.8 million for the comparative periods of fiscal 2019, an increase of $1.9 million and $2.7 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 a delivery of an animated show without a comparable delivery in the comparable quarter. There was also a decrease in rent expense 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

($000's)	For the three months ended June 30, 2020 $	June 30, 2019 $	For the year ended June 30, 2020 $	June 30, 2019 $
Production services	12,540	8,772	47,417	29,936
Licensing and distribution	8,534	4,149	33,816	27,688
Other	16	14	56	47
Total revenues	**21,090**	**12,935**	**81,289**	**57,671**

The Company has two principal revenue streams: production services and licensing and distribution. Production services revenue is earned for service work performed on projects at which the Company does not own the Intellectual Property ("IP"). Licensing and distribution revenue is earned when the Company has entered into a broadcast or distribution contract to transfer licensed programs, at which the Company owns the IP or copyright to distribute the property, for a specific term.

The Company recognized revenue of $81.3 million in fiscal 2020, an increase of 41% over the prior year. Total revenues increased 63% over the comparative three months.

Production services revenue for the year ended June 30, 2020 increased by 58% ($17.5 million), due to an increase in the number and size of contracts. This revenue consists primarily of animation production services at Atomic. Atomic experienced continued growth which resulted in an increase in production service revenue for the three months ended June 30, 2020 of 43% ($3.8 million).

Licensing and distribution revenues increased by 106% ($4.4 million) and 22% ($6.1 million) for the three months and year ended June 30, 2020, respectively, over the comparative periods, due mainly to the delivery of an animation series and the distribution thereof. In the current quarter, the Company recognized revenue from 10 episodes of an animation series, as well as revenue from a large distribution contract. In the comparative quarter, revenue was recognized from only one factual show.

Direct costs

($000's)	For the three months ended June 30, 2020 $	June 30, 2019 $	For the year ended June 30, 2020 $	June 30, 2019 $
Direct costs	9,685	7,390	34,872	23,663
Amortization of investment in content	4,555	1,071	16,172	9,292
Other	6	48	114	114
Total direct costs	**14,246**	**8,509**	**51,158**	**33,069**

In fiscal 2020, the Company completed a change in accounting policy whereby it capitalized certain overhead costs, such as salaries, rent and computer maintenance, to investment in content, and will amortize these costs in the same manner as all other investment in content costs. For service productions, these costs were reallocated to direct costs. The change in accounting policy provides that investment in content costs are more reflective of the relevant costs of production .

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 and year ended June 30, 2020 increased 67% and 55% 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 months and year ended June 30, 2020 as compared to the prior periods partially due to the timing of delivery of episodes in Q4 2020. In addition, the Company recorded an increase in amortization of content of $2,161 for the year ended June 30, 2020 versus $259 in the comparative year 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

	For the three months ended		For the year ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
($000's)	**$**	**$**	**$**	**$**
Amortization of intangible assets	67	160	270	637
Amortization of property and equipment	732	728	1,564	2,553
Amortization of right-of-use assets	1,754	-	5,796	-
Total amortization	**2,553**	**888**	**7,630**	**3,190**

Amortization of intangible assets for the three months and year ended June 30, 2020 decreased 58% over the comparative periods due to certain customer relationships being fully amortized in fiscal 2019.

Amortization of property and equipment increased 1% and decreased 39%, respectively, for the three months and year ended June 30, 2020 over the comparative periods. This is mainly due to the adoption of IFRS 16, in which assets under capital lease are included in the right-of-use assets for the current periods, but are included in property and equipment in the comparative periods. The related amortization expense was included in amortization of property and equipment in fiscal 2019, but amortization of right-of-use assets in the current periods.

Due to the recognition of right-of-use assets under IFRS 16 starting fiscal 2020, amortization of $1.8 million and $5.8 million was recorded in the three months and year ended June 30, 2020.

General and administrative

	For the three months ended		For the year ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
($000's)	**$**	**$**	**$**	**$**
Salaries, employee benefits and contractors	2,911	2,283	9,615	8,601
Office and administrative	763	771	3,172	2,769
Legal and professional fees	151	208	732	1,295
Total general and administrative	**3,825**	**3,262**	**13,519**	**12,665**

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

General and administrative expenses increased 17% and 7%, respectively, for the three months and year ended June 30, 2020 over the comparative periods. Salaries and contracting fees increased 28% and 12% over the three months and year ended June 30, 2020 over the comparative periods, respectively, due to significant growth in the animation and factual divisions. Legal and professional fees decreased by 27% and 43% over the respective three months and year comparative periods. During the second quarter ended December 31, 2019, the additional legal and professional fees incurred pertained to the fiscal 2019 reverse take-over transaction.

As part of the change in accounting policy referenced above, the Company analyzed salaried positions that spent more than 90% of their time working directly on productions, and allocated those salaries and related rent and computer costs to the productions on an individual basis. For service productions, these corporate overhead costs were re-allocated to direct costs. For the Company's proprietary content, the overhead costs were capitalized to Investment in Content and subsequently amortized as the related production costs were amortized.

Distribution and Marketing

	For the three months ended		For the year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
($000's)	$	$	$	$
Total distribution and marketing	**104**	**416**	**1,410**	**1,709**

Distribution and marketing expenses include expenses related to the distribution of the Company's content library to third parties, investor relations, advertising and promotion, attendance at forums, conferences and film markets, and the travel and meals related to such. Distribution and marketing expenses decreased by 75% and 17%, respectively, for the three months and year ended June 30, 2020 over the comparative periods. The decreases were mainly due to a decrease in travel and meals in the three months ended June 30, 2020 due to COVID-19, and a decrease in investor relations for the year ended June 30, 2020 due to media coverage in fiscal 2019 to promote the new public company.

Finance

	For the three months ended		For the year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
($000's)	$	$	$	$
Dividends on redeemable preferred shares	18	18	74	74
Interest on loans	196	95	651	847
Interest on lease obligations[1]	291	39	1,095	153
Interest income	(88)	(21)	(580)	(342)
Total finance	**417**	**131**	**1,240**	**732**

[1]Included in interest on lease obligations for the three months and year ended June 30, 2020 is interest related to non-finance leases of $249 and $913, respectively (three months and year ended June 30, 2019 - $nil and $nil, respectively).

Finance expenses include interest expense and dividends, net of interest income. Finance expenses increased by 69% for the year ended June 30, 2020 over the comparative year. The increase in finance costs was due mainly to the adoption of IFRS 16, which was effective July 1, 2019, and the Company recorded a finance expense of $913 related to its lease obligations under IFRS 16.

Finance expenses increased by 218% for the three months ended June 30, 2020 over the three months ended June 30, 2019. As noted above, this is mainly due to a finance expense of $249 related to the Company's lease obligations under IFRS 16.

Dividends on redeemable preferred shares

	For the three months ended		For the year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
($000's)	$	$	$	$
Class A (former Class B Series 2) Preferred Shares	18	18	74	74
Class C Preferred Shares	-	-	-	386
Total dividends on redeemable preferred shares	**18**	**18**	**74**	**460**

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.

Foreign Exchange Gain/Loss

($000's)	For the three months ended June 30, 2020 $	June 30, 2019 $	For the year ended June 30, 2020 $	June 30, 2019 $
Realized foreign exchange (gain) loss	154	(162)	328	(632)
Unrealized foreign exchange gain	(141)	(33)	(393)	(48)
Total foreign exchange (gain) loss	**13**	**(195)**	**(65)**	**(680)**

Foreign exchange gain/loss includes both realized and unrealized gains from foreign currency transactions. Foreign exchange gain decreased by 107% and 90%, respectively, for the three months and year ended June 30, 2020 over the comparative periods. The decrease in realized foreign exchange gains is mainly related to the receipts of $USD receivables from production service agreements with budget rates lower than the current spot rate. The increase in unrealized foreign exchange loss is mainly due to the revaluation of foreign currency trade receivables and $USD interim production loans to the current spot rate at period end.

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:

		June 30, 2020
Cash	$	538
Trade receivables and other		586
Investment in content		98
Assets held for sale		**1,222**
Accounts payable and accrued liabilities		633
Deferred revenue		126
Liabilities associated with assets held for sale		**759**
Net assets held for sale	**$**	**463**

The cumulative foreign exchange loss recognized in accumulated other comprehensive income in relation to the discontinued operation as at June 30, 2020 was $35.

Analysis of the result of discontinued operation is as follows:

	For the three months ended June 30, 2020	June 30, 2019	For the year ended June 30, 2020	June 30, 2019
Revenue	$ 512	$ 728	$ 2,195	$ 3,807
Expenses	827	1,404	3,283	4,635
Loss from discontinued operation	(315)	(676)	(1,088)	(828)
Gain (loss) on translation of discontinued operation	80	34	(9)	(3)
Other comprehensive income (loss) from discontinued operation	**$ 80**	**$ 34**	**$ (9)**	**$ (3)**

In assessing the fair values of the assets and liabilities, the Company determined that all assets and liabilities had a fair value which is equal to net book value. The Company have determined the fair value of investment in content based upon current negotiations with prospective buyers.

QUARTERLY FINANCIAL INFORMATION

($000's, except per share data)	Q4 2020 $	Q3 2020 $	Q2 2020 $	Q1 2020 $	Q4 2019 $	Q3 2019 $	Q2 2019 $	Q1 2019 $
Revenue	21,090	29,564	14,093	16,542	12,935	20,946	10,629	13,161
Net income (loss) from continuing operations	(265)	3,365	(307)	1,338	82	2,367	(5,657)	1,588
Basic earnings (loss) per share from continuing operations	(0.006)	0.072	(0.007)	0.029	0.002	0.051	(0.180)	0.041
Diluted earnings (loss) per share from continuing operations	(0.006)	0.068	(0.007)	0.027	0.002	0.048	(0.180)	0.029

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

As discussed in the Seasonality section above, net income from continuing operations is substantially determined by the number and timing of IP programs delivered. Revenue recognized on these projects depend on contracted deliveries and license period start dates with the broadcasters and distributors and therefore fluctuate significantly from quarter to quarter driving the variances in the Company's Revenues and Net income/loss from continuing operations.

The decrease in net income from continuing operations in the second quarter of 2019 compared to the first quarter of 2019 was a result of less IP projects being recognized in the second quarter than in the first quarter of 2019. The Company also incurred a one-time charge during the second quarter relating to the RTO Transaction of $5.3 million. This represented the difference between the net assets acquired and the fair value of the Golden Secret shares, options and warrants that were exchanged.

The third quarter of 2019 saw the highest delivery of IP projects during fiscal 2019. The IP deliveries, in addition with not incurring RTO transaction costs, contributed to the increase in net income from continuing operations over the previous quarter.

The decrease in net income from continuing operations in the fourth quarter of 2019 was a result of less licensing and distribution projects being recognized on IP projects than the third quarter of 2019.

The increase in net income from continuing operations in the first quarter of 2020 was a result of more IP projects being delivered in the first quarter as compared to the fourth quarter of 2019.

The decrease in net income from continuing operations in the second quarter of 2020 compared to the first quarter of 2020 was a result of less IP projects being recognized in the second quarter than in the first quarter of 2020.

Consistent with fiscal 2019, the Company had the highest delivery of IP projects during the third quarter of 2020. This resulted in higher net income from continuing operations in the third quarter of 2020 over the second and fourth quarter.

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 June 30, 2020 the Company has a cash balance of $12.8 million, as compared to cash of $13.4 million at June 30, 2019.

Net cash (outflows) inflows

($000's)	For the year ended June 30 2020 $	2019 $
Cash inflows (outflows) by activity:		
Operating activities	15,545	(8,575)
Financing activities	(12,991)	9,424
Investing activities	(3,315)	(447)
Effect of exchange rate changes on cash	151	142
Net cash (outflows) inflows	**(610)**	**544**

Cash flows from operating activities in the year ended June 30, 2020 provided cash of $15.5 million, compared to a use of cash of $8.6 million in the comparative year. During the year, cash provided by operating activities included a working capital inflow of $1.5 million, compared to an outflow of $8.8 million in fiscal 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 $13.0 million in the year ended June 30, 2020 as compared to generating $9.4 million in fiscal 2019. 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 year.

Cash flows from investing activities pertain to property and equipment purchases. During the year ended June 30, 2020, the Company purchased property and equipment, primarily computer equipment, totalling approximately $3.3 million as compared to purchasing $2.8 million in the comparative year. Also, in the comparative fiscal year, 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 through distinct credit facilities.

- A $5.0 million revolving term loan for bridging production financing of productions being produced prior to closing of an applicable production facility. This bears interest at prime plus 1.25%, secured by a General Security Agreement, and must be repaid on the earlier of 15 days after the individual production financing close or 180 days from the first drawdown. As at June 30, 2020, the Company had drawn down $2.325 million.
- A $3.0 million revolving un-margined line of credit, bearing interest at prime plus 1.25%, secured by a General Security Agreement, and repayable on demand. As at June 30, 2020, the Company had drawn down $0.790 million.
- A five-year $10.0 million non-revolving term loan at an interest rate of prime plus 0.50%, secured by a General Security Agreement. Repayments include an annual cash flow sweep of 5% of Thunderbird's EBITDA due within 120 days of the fiscal year-end. As at June 30, 2020, this facility had not been drawn

upon.

- A $40.0 million revolving production operating line of credit at an interest rate of prime plus 0.5% and secured by a General Security Agreement and assignment of federal and provincial tax credits. Interest only is payable monthly in arrears with the principal repayment to be made upon the receipt of the tax credits for each single purpose production company ("SPPC"). As at June 30, 2020, this facility had not been drawn upon.
- A $4.2 million revolving lease facility. This facility may be used to finance equipment purchases. As at June 30, 2020, this facility had not been drawn upon.
- Three non-revolving reducing single lease facilities totaling $4.3 million. These facilities may be used to finance equipment purchases and leasehold improvements. As at June 30, 2020, this facility had not been drawn upon.
- A $0.75 million foreign exchange line of credit to hedge against fluctuating exchange rates. As at June 30, 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 June 30, 2020, 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.

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, such as delays in production due to potential positive tests on our live action dramatic series. 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.

The following is a summary of risks and uncertainties that management of Thunderbird believes to be material.

Risks relating to Thunderbird and its business

The risks and uncertainties described below are those Thunderbird currently believes to be material. If any of the following risks, or any other risks that are not identified or that are currently considered not to be material, actually occur or become material risks, the business prospects, financial condition, results of operations and cash flows, and consequently the price of the Common Shares could be materially and adversely affected. In all these cases, the trading price of the Common Shares could decline and an investor could lose all or part of their investment. Reference to "we", "our" and similar terms refer to Thunderbird.

Risks related to the nature of the entertainment industry

The entertainment industry involves a substantial degree of risk. Audience acceptance of entertainment programming is a factor not only of the response to the production's artistic components, but also to the quality and acceptance of other competing forms of entertainment programming released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and most of which are beyond our control. A lack of audience acceptance for the entertainment programming produced or distributed by us could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

In addition, we are subject to various operating risks that are common to the production and distribution industry, many of which are beyond our control, including, among others, (i) competition from other businesses, in particular, larger and more established companies, in the markets in which we operate; (ii) reduction in broadcaster and other platform programming budgets in the markets in which we operate, which may adversely affect our new production and revenues; (iii) strong dependency on local government tax credits and subsidies as well as pre-sales to fund the production budgets; (iv) the requirement for continuous investment of capital into new production annually; (v) management's estimates of projected revenues and expenses being insufficient to cover the costs of production and causing substantial loss on new production; (vi) difficulties protecting IP and defending against IP infringements and claims; (vii) exposure to key broadcast customers and/or key distribution customers, based on business relationships that might be changed or terminated or that may not survive over the long term; and (viii) risks generally associated with the ownership of a business in the production and distribution industry. The occurrence of any of the foregoing could materially and adversely affect our business and there can be no assurance that revenue from existing or future programming will replace loss of revenue associated with the cancellation or unsuccessful commercialization of any particular production.

Risks related to television and film industries

Our results of operations will depend, in part, on the experience and judgment of management to select and develop new investment and production opportunities. We cannot make assurances that our films and television programs will obtain favourable reviews or ratings or that broadcasters or other customers will license the rights to broadcast any of our film and television programs in development or renew licenses to broadcast film and television programs in our library. The failure to achieve any of the foregoing could have a material adverse effect on our business, results of operations or financial condition. Licensed distributors' decisions regarding the timing of release and promotional support of our films, television programs and related products are important in determining the success of these films, programs and related products. We do not control the timing and manner in which our licensed distributors distribute our films, television programs or related products. Any decision by those distributors not to distribute or promote one of our films, television programs or related products or to promote competitors' films, programs or related products to a greater extent than they promote ours could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Entertainment industry trends

The entertainment industry is constantly undergoing change with respect to the formats through which movies, television programming and recorded music are ultimately delivered to the consumer. Management believes that the changes in consumer preferences will continue to be felt across our businesses and that the impact of these changes can be very difficult to predict. A failure by us to adequately foresee, assess and capitalize upon such changes could result in a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

The entertainment industry continues to undergo significant changes driven by technological developments. We cannot accurately predict the overall effect that technological growth or the availability of alternative forms of entertainment may have on the potential revenue from, and profitability of, the entertainment content produced or distributed by us. In particular, the conversion of content into digital formats may make it easier for consumers to create, transmit and "share" high quality unauthorized copies of motion pictures or television programs. As a result, consumers may be able to download and distribute unauthorized or "pirated" copies of such programming over the internet, thereby adversely impacting revenues to distributors and producers. Significant growth in these consumer practices could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

External factors in the content industry

Our success will depend on the commercial success of content, which is unpredictable. Operating in this industry involves risk. It is difficult to predict how the audience will receive a production. The audience reaction and reviews and ratings of the production are determining factors in the commercial success of a production. The availability and access to different forms of entertainment and leisure activities, general economic conditions and other factors may change and we may have limited or no control over the outcome.

We are also dependent on the public's continued demand for subscriptions of cable television and services provided by SVOD companies. Our customers rely on funds generated through cable and/or SVOD subscriptions to fund the acquisition of new content. If customers decide to cancel their subscriptions to cable and/or SVOD, it could have an impact on the number of networks and broadcasters with whom we could do business. Such external factors could have a material adverse effect on our business, operating results and financial condition.

Fluctuations in the price of securities

Fluctuations in the price of our securities could contribute to the loss of all or part of your investment. Factors that could have a material adverse effect on your investment include, but are not limited to (i) fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar; (ii) success of competitors; (iii) actual or anticipated changes in the market's expectations about operating results; (iv) changes in laws and regulations affecting the business; (v) changes in our capital structure, such as future issuances of securities or the incurrence of additional debt; or (vi) our operating results failing to meet the expectation of securities analysts or investors in a particular period. In such circumstances, the trading price may not recover and may experience a further decline.

In addition, broad market and industry factors may materially harm the market price of our securities irrespective of operating performance. The stock market in general and the TSXV in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to us could depress the share price regardless of our business prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and to obtain additional financing in the future.

Merchandising

Success of merchandising brands depends on consumers' tastes and preferences which can change in unpredictable ways. We depend on the acceptance by consumers of our merchandising offerings, therefore, success depends on the ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, we derive royalties from the sale of licensed merchandise by third parties. We are dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect our business prospects, financial condition, results of operations and cash flows.

Potential for budget overruns and other production risks

A production's costs may exceed its budget. Unforeseen events such as labour disputes, death or disability of a star performer, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, damage to film negatives, master tapes and recordings, or adverse weather conditions, or other unforeseen events may cause cost overruns and delay or frustrate completion of a production. Although we have historically completed our productions substantially within budget, there can be no assurance that we will continue to do so. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that any insurance and completion bonds will continue to be available or, if available on terms acceptable to us. In the event of budget overruns, we may have to seek additional financing from outside sources in order to complete production. No assurance can be given as to the availability of such financing or, if available on terms acceptable to us. In addition, in the event of substantial budget overruns, there can be no assurance that such costs will be recouped, which could have a significant impact on our business prospects, financial condition, results of operations and cash flows.

Limited ability to exploit filmed and television content library

We depend on a limited number of titles for the majority of the revenues generated by our film and television content library. If we cannot acquire new products and rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures or other strategic alliances, it could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Changes in regulatory environment
Thunderbird's operations may be negatively affected in varying degrees by future adverse changes in the regulatory environment that currently governs the film and television industry. Any change in the regulatory environment could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Reliance on distribution of Canadian content and government funding
Our library includes a number of motion picture and television titles that are certified as Canadian content programming ("Cancon"). The titles produced by our television production operations in Canada are also certified as Cancon. In Canada and under international co-production treaties, under applicable regulations, a program will generally qualify as a Cancon production if, among other things: (i) it is produced and owned or co-owned by a Canadian-controlled entity with the involvement of Canadians in certain key prescribed principal functions; and (ii) a substantial portion of the budget is spent on Canadian elements and post-production in Canada. In addition, (and with the exception of a treaty co-production) the Canadian producer must have full creative and financial control of the project. Canadian broadcasters are required by the Canadian Radio-television and Telecommunications Commission (the "CRTC"), as a condition of their broadcast licences, to devote a certain amount of their programming schedules to the broadcast of Cancon and to spend a certain portion of their revenues on Cancon. There can be no assurance that the CRTC's policies applicable to Canadian broadcasters with respect to Cancon will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to us as a supplier of such programs.

In addition, substantially all of our programs are contractually required by broadcasters to be certified as "Canadian" under the CRTC's policies. Although we have taken measures to ensure that we continue to be "Canadian" under the Investment Canada Act, there can be no assurance that our programming will continue to qualify as Cancon. In the event a production does not qualify for certification as "Canadian", we would be in default under any government incentive and broadcast licenses for that production, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and the broadcaster could refuse acceptance of our productions.

In addition to license fees from domestic and foreign broadcasters and financial contributions from co-producers, we finance a significant portion of our production budgets from certain governmental incentive programs and tax credits in Canada, as described under "Business of the Company – Production Financing". There can be no assurance that such incentive programs or tax credits will not be reduced, amended or eliminated or that we or any production will qualify for them. Any such change could have a material adverse impact on our business prospects, financial condition, results of operations and cash flows.

Litigation
Governmental, legal or arbitration proceedings may be brought or threatened against us in the future. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert management's attention and focus away from the business and subject us to potentially significant liabilities.

Risks of liability claims for content
As a distributor and producer of content, we may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Technological change
The television and film industries are characterized by technological change and evolving trends. Technological change can have positive effects, but may also have a material adverse effect on our business prospects, results of operations and financial condition. For example, in recent years, content consumers have spent an increasing amount of time on the internet and on mobile devices and increasingly seek to download and/or view content on a time-delayed or on-demand basis, via televisions and on handheld or portable devices, which has caused significant changes to the retail distribution of content. Additionally, the emergence of new production or computer generated

imagery technologies, or a new digital television broadcasting standard, may diminish the value of our existing equipment and content.

Although we are committed to adapting new production technologies, there can be no assurance that we will be able to incorporate other new production and postproduction technologies which may become de facto industry standards. In particular, the advent of new broadcast standards, which may result in television programming being presented with greater resolution and on a wider screen than is currently the case, may diminish the evergreen value of our programming library because such productions may not be able to take full advantage of such features. There can be no assurance that we will be successful in adapting to these changes on a timely basis.

Labour relations

Many individuals associated with our projects are members of guilds or unions which bargain collectively with producers on an industry-wide basis from time to time. While we have positive relationships with the guilds and unions in the industry, a strike by, labour protest, or a lockout of, one or more of the guilds or unions that provide personnel essential to the production by us or our content partners of entertainment programming could delay or halt the delivery of such programming. Such a halt or delay, depending on the length of time and the number of productions affected, could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Concentration risk

Revenue may originate from disproportionately few broadcasters and OTT customers. The value of the Company's shares may be substantially adversely affected should we lose the revenue generated by any such broadcasters or customers.

Fluctuation of financial results

The results of operations for any period are largely dependent on the number, timing and commercial success of television and other programs as well as related music, merchandise and other ancillary revenue sources, realized during that period, none of which can be predicted with certainty or are entirely within our control. Consequently, our results of operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods.

Competition

Substantially all of our revenues are derived from the production and distribution of television and film programs. We face competition from other companies in both our production and distribution operations. Some of our competitors have substantially greater marketing, production and financial resources than us, which means they may be able to compete aggressively on pricing and other aspects of future production and distribution opportunities. We compete with other television and film production companies for ideas and storylines created by third parties as well as for actors, directors, and other personnel required for production. Further, vertical integration of the television broadcast industry worldwide and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies, even though the total number of outlets for programming has increased. There can be no assurances that we will be able to compete successfully in the future or that we will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to us. There continues to be intense competition for the most attractive time slots offered by various broadcasting services. There can be no assurances we will be able to increase or maintain penetration of broadcast schedules. Such competition may result in us losing access to future opportunities, which would have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Dependence on key personnel

We are dependent on members of our senior management team and skilled personnel at all levels and believe that our future financial success and ability to meet our financial objectives will depend in part, on our ability to retain highly skilled management and personnel. We are also dependent on the implementation of adequate succession planning procedures in respect of key roles, to ensure continuity. Further, the departure of any of the executive

directors or certain senior officers could, in the short-term, have an adverse effect on our business prospects, financial condition, results of operations and cash flows. The Board of Directors cannot give any assurances that they, or any of the members of senior management, will remain with the Company, although we believe that we offer competitive remuneration packages that are attractive to our current and future personnel. If we do not succeed in retaining skilled personnel, we may not be able to grow our business as anticipated, which could have an adverse effect on our business prospects, financial condition, results of operations and cash flows.

Protection of intellectual property

Our ability to compete depends, in part, upon successful protection of our intellectual property. From time to time, various third parties may contest or infringe upon our intellectual property rights. There can be no assurance that our actions to establish and protect copyright, trade marks and other proprietary rights will be adequate to prevent imitation by others of entertainment programming produced and/or distributed by us or to prevent third parties from seeking to block our distribution and exploitation of contract rights as a violation of their trade marks and proprietary rights.

Any successful claims to the ownership of these intangible assets could hinder our ability to exploit these rights. We do not have the financial resources to protect our rights to the same extent as our competitors. We attempt to protect proprietary and intellectual property rights to our productions through available copyright and trademark laws in a number of jurisdictions and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries in which we may distribute our products and in other jurisdictions no assurance can be given that challenges will not be made to our copyright and trademarks. In addition, technological advances and conversion of motion pictures into digital format have made it easier to create, transmit and share unauthorized copies of motion pictures, DVDs and television shows. Users may be able to download and distribute unauthorized or "pirated" copies of copyrighted material over the internet. As long as pirated content is available to download digitally, some consumers may choose to digitally download material illegally. As a result, it may be possible for unauthorized third parties to copy and distribute our productions or certain portions or applications of our intended productions, which could have a material adverse effect on our business prospects, results of operations or financial condition. Litigation may also be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the diversion of resources and could have a material adverse effect on our business prospects, results of operations or financial condition. We cannot provide assurances that infringement or invalidity claims will not materially adversely affect our business prospects, results of operations or financial condition. Regardless of the validity or the success of the assertion of these claims, we could incur significant costs and diversion of resources in enforcing our intellectual property rights or in defending against such claims, which could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Investment strategy

There can be no certainty that we will be able to implement successfully the strategy set out in this document. Our ability to implement our strategy in a competitive market requires effective planning and management control systems. Our future growth will depend on our ability to expand and improve operational, financial and management information and control systems in line with its growth. Failure to do so could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Acquisitions

We have made, and will continue to pursue, various acquisitions, business combinations and joint ventures intended to complement or expand our business. Any indebtedness incurred or assumed in any such transaction may or may not increase our leverage relative to our earnings before interest, provisions for income taxes, amortization, minority interests, gain on dilution of investment in subsidiary and discount operations, or earnings before interest, taxes, depreciation and amortization, or relative to our equity capitalization, and any equity issued may or may not be at prices dilutive to our then existing shareholders. We may encounter difficulties in integrating acquired assets with our operations. Furthermore, we may not realize the benefits we anticipated when we entered into these transactions. In addition, the negotiation of potential acquisitions, business combinations or joint ventures as well

as the integration of an acquired business could require us to incur significant costs and cause diversion of management's time and resources. Future acquisitions could also result in an impairment of goodwill and other intangibles, development project impairments and other acquisition-related expenses.

Any of the foregoing could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Impacts of fluctuations in exchange rates

Currency exchange rates are determined by market factors beyond our control and may vary substantially during the course of a production period. In addition, our ability to repatriate Canadian funds arising in connection with foreign exploitation of our properties may also be adversely affected by currency and exchange control regulations imposed by the country in which the production is exploited. At present, we are not aware of any existing currency or exchange control regulations in any country in which we currently contemplate exploiting our properties which would have an adverse effect on our ability to repatriate such funds. Where appropriate, we hedge our foreign exchange risk through the use of derivatives or other measures. Fluctuations in exchange rates between the Canadian dollar and the US dollar may have a material impact on our business prospects, financial condition, results of operations and cash flows.

Loss of our Canadian status

We and our subsidiaries are able to benefit from a number of licenses, incentive programs and Canadian government tax credits as a result of being "Canadian" as defined under the Investment Canada Act. In particular, we would not qualify as Canadian if Canadian nationals cease to beneficially own shares of the Company having more than 50% of the combined voting power of its outstanding shares. Further, the Minister of Canadian Heritage may nevertheless determine that we are not a Canadian-controlled entity under the Investment Canada Act. As well, substantially all of our programs are contractually required by broadcasters to be certified as "Canadian". In the event a production does not qualify for certification as Canadian, we would be in default under any government incentive and broadcast licenses for that production. In the event of such default, the broadcaster could refuse acceptance of our productions. If we lost our Canadian status, this would have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

International distribution activities

Although we do not directly engage in international distribution activities, in certain circumstances we do partner with key international distributors as a means of financing production budgets and exploiting our programming around the world. These international distribution partners face certain business risks that could indirectly adversely affect our financial results. These risks include: laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws; changes in local regulatory requirements, including restrictions on content; differing cultural tastes and attitudes; differing degrees of protection for intellectual property; and the instability of foreign economies and governments. Any of these factors could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

The impact of any changes in interest rates

We do not presently actively make use of derivative financial instruments to mitigate the impact of changes in interest rates. Any movements in the applicable interest rate on our debt could adversely impact our financial condition.

Changes to taxation legislation

We operate in a number of different tax jurisdictions. In any of the jurisdictions, the tax rules and their interpretation may change. Any change in taxation legislation or regulation or its interpretation could affect the value of our assets, our ability to provide returns to shareholders or otherwise have an adverse effect on our business prospects, financial condition, results of operations and cash flows. Further, any reliefs from taxation that may be available to us in the future may not be in accordance with the assumptions made by us as to our future performance (these assumptions being based on the current legislative position and any known future changes). If the assumptions made by us as to such taxation reliefs available do not prove correct, our ability to provide returns to shareholders may be

affected and there may be a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Income taxes and audits from tax authorities

In preparing our financial statements, we are required to estimate production tax credits receivable in each of the jurisdictions in which we operate, taking into consideration tax laws, regulations and interpretations that pertain to our activities. In addition, we are subject to audits from these tax authorities on an ongoing basis and the outcome of such audits could materially affect the amount of tax credits receivable recorded on our consolidated balance sheets and the income tax expense recorded on our consolidated statements of earnings. Any cash payment or receipt resulting from such audits would have an impact on our cash resources available for our operations and our overall results of operations.

Dependence on management information systems

Our ability to conduct our business, including maintaining financial controls, is based in part on the efficient and uninterrupted operation of our computer systems, including management information systems and access to the internet. If any of our financial, rights management, personnel, email, other information technology systems, internet access or other systems or processes were to stop operating properly for any significant period of time for any reason (including, for example, hardware or software malfunctions, computer viruses, internet problems or sabotage), we could suffer a disruption to our business, loss of data, regulatory intervention or reputational damage.

Risks related to privacy and information security

The protection of customer, employee and company data is important to our business. We use and store personally identifiable and other sensitive information of our customers and employees. The collection and use of personally identifiable information is governed by federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase our operating costs and adversely affects our ability to market products and services. Information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, customer and/or employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise our networks and the information we store could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to our assets, or other harm. If a data security incident or breach affects our systems or results in the unauthorized release of personally identifiable information, our reputation and brand could be materially damaged and we may be exposed to a risk of loss or litigation and possible liability, which could result in a material adverse effect on our business, results of operations and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies and in the future we may expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that we will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on our systems, or that any such incident will be discovered in a timely manner. Any such incident could affect our business and, among other things, result in the loss of revenue, the loss or unauthorized access to confidential information or other assets, the loss of or damage to trade secrets, damage to our reputation, litigation, regulatory enforcement actions, violation of privacy, security or other laws and regulations and remediation costs.

Future financing

We may deliver growth through further material acquisitions and/or investments, for which additional sources of financing may be required. There can be no assurance that should we seek to deliver such growth we will be able to raise those funds, whether on acceptable terms or at all. If further financing is obtained by issuing equity securities or convertible debt securities, the existing shareholdings may be diluted and the new securities may carry rights, privileges and preferences superior to the existing issued shares. If we were to seek to deliver such growth through debt financing, we may incur significant borrowing costs.

Conflicts of interest
Certain of the directors and officers of Thunderbird are or may become directors of other entertainment companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions of the Board of Directors. To the extent that such other companies may participate in ventures in which Thunderbird is also participating, such directors and officers may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The corporate laws of British Columbia require the directors and officers to act honestly and in good faith with a view to the best interests of Thunderbird. However, in conflict of interest situations, Thunderbird's directors and officers may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. There is no assurance that the interests of Thunderbird will receive priority in all cases.

Increased costs and compliance risks as a result of being a public company
Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in recent years. Management of Thunderbird anticipates that general and administrative costs associated with regulatory compliance will continue to increase with recently adopted corporate governance requirements, including rules implemented by the Canadian Securities Administrators and the TSX-V, and will result in some activities becoming more time-consuming and costly. There can be no assurance that Thunderbird will be able to effectively meet all of the requirements of these new regulations, including National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). Any failure to effectively implement internal controls, or to resolve difficulties encountered in their implementation, could harm Thunderbird's operating results or result in the failure to meet reporting obligations. Any such result could cause investors to lose confidence in Thunderbird's reported financial information, which could have a material adverse effect on the market price of Thunderbird's shares. These new rules and regulations may make it more difficult and more expensive for Thunderbird to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain appropriate coverage. As a result, it may be more difficult for Thunderbird to attract and retain qualified individuals to serve on its Board of Directors or as executive officers. If Thunderbird fails to maintain the adequacy of its internal controls, Thunderbird's ability to provide accurate financial statements and comply with the requirements of NI 52-109 could be impaired, which could cause the market price of Thunderbird Shares to decrease.

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

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

At June 30, 2020, two broadcasters/distributors individually accounted for more than 10% of trade and production financing receivables. Receivables from these broadcasters/distributors accounted for 71% 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 June 30, 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 18 of the audited consolidated financial statements for June 30, 2020 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 that bear floating interest rates. Based on the average carrying value of these facilities, a fluctuation in interest rates of 1% would represent approximately a $435 change to net income for the year ended June 30, 2020 (2019 - $439). The Company has no interest rate hedges or swaps outstanding at June 30, 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 that 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 engaged in certain foreign exchange hedging activities (forward contracts on foreign currency client payments), and also mitigates its currency exchange risk by entering into natural hedges whereby foreign currency liabilities are offset by assets pledged in the same foreign currency. For the year ended June 30, 2020, revenue denominated in US dollars accounted for 38% (2019 - 30%) of total revenue and revenue denominated in GBP accounted for 2% (2019 – 7%) of total revenue. As at June 30, 2020, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately $779 (2019 - $701) on net income and a 5% fluctuation in the GBP exchange rate would have an impact of approximately $50 (2019 - $204) 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 year ended June 30, 2020 of approximately $178 (2019 - $207).

TRANSACTIONS WITH RELATED PARTIES

	For the three months ended		For the year ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
($000's)	**$**	**$**	**$**	**$**
Dividends[1]	2	2	8	184
Consulting fees[2]	101	101	446	245
Revenue[3]	-	-	(651)	-
Transaction fee	-	-	-	378
Other	10	32	53	49
	113	**135**	**(144)**	**856**

[1]Paid to directors and key management personnel and companies owned by directors and key management personnel.
[2]Paid to companies owned by directors and the President.
[3]Received from a company owned by the President.

In the fiscal year ended June 30, 2020, dividends were paid to the President (Mark Miller) and in the prior fiscal year dividends were paid to directors and companies owned by directors (Mark Miller, Brian Paes-Braga: Quiet Cove Investment Corp., Frank Giustra: The Radcliffe Foundation, Stephen Cheikes, Paul Sparkes, Frank Holmes: US Global Investors (Canada) Limited, and Asim Jamal: Pacific Reach Properties Capital Ltd. Consulting fees were paid to companies owned by directors (Brian Paes-Braga: Valola Holdings Corp., Quiet Cove Capital (UK) Corp Ltd., Tim Gamble: Plantation Capital Corp. and Frank Giustra: Fiore Management & Advisory Corp.). Revenue related to production services work was received from a company owned by the President (Mark Miller: Kah-kitowak Films (II) Inc.). Other fees for storage and narration were paid to a company owned by the President (Mark Miller: Mark Miller Media Link). 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 (Frank Giustra: Fiore Management & Advisory Corp.).

At June 30, 2020, $652 (2019 - $55) was due from a company owned by the President (Mark Miller: Kah-kitowak Films (II) Inc.); $19 (2019 - $64) was payable to companies owned by directors (Frank Giustra: The Radcliffe Corporation, Fiore Management & Advisory Corp; Brian Paes-Braga: Valola Holdings Corp., Quiet Cove Capital (UK) Corp Ltd.; and Tim Gamble: Plantation Capital Corp), and $724 (2019 - $77) was payable to the CEO (Jennifer Twiner McCarron) and to the President (Mark Miller).

The related party transactions are made on terms equivalent to those that prevail in arm's length transactions. At June 30, 2020, $652 of amounts due from a company owned by the President (Mark Miller: Kah-kitowak Films (II) Inc.) carried interest at prime plus 1%. All other outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables/payables.

Key management personnel compensation

Key management includes all directors, as well as the Chair (Brian Paes-Braga), Vice Chair (Tim Gamble), Chief Executive Officer (Jennifer Twiner McCarron), Chief Financial Officer (Barb Harwood), President (Mark Miller) and former Chief Operating Officer (Scott Fitzsimmons). The remuneration of directors and officers is as follows:

	For the three months ended		For the year ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
($000's)	**$**	**$**	**$**	**$**
Short-term benefits	1,234	700	3,208	2,875
Share-based payments	80	140	368	792
Total key management personnel compensation	**1,314**	**840**	**3,576**	**3,667**

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, 2020 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, amendments and interpretations applied during the year

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. The lease components may comprise of fixed costs, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise. 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	$ (22)	$ 63,239
Property and equipment[1]	7,211	16,073	23,284
Current obligations under finance leases	2,496	(2,496)	-
Current obligations under leases	-	3,653	3,653
Long-term obligations under finance leases	1,540	(1,540)	-
Long-term obligations under leases	-	16,433	16,433

[1]ROU 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	**$**	**18,937**
Add:		
Adjustments due to elected lease renewal options		10,884
Finance lease liabilities previously recorded under IAS 17		4,036
Less:		
Effect of discounting at the Company's incremental borrowing rate		(6,216)
Variable lease payments		(7,088)
Short-term leases		(457)
Low-value leases		(10)
Lease liabilities arising from the initial adoption of IFRS 16 as at July 1, 2019	**$**	**20,086**

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 – 5.59%; 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 June 30, 2020

ROU assets	**Premises**	**Equipment**	**Vehicles**	**Total**
Lease liability on initial adoption of IFRS 16	$ 15,670	$ 318	$ 63	$ 16,051
Prepaid lease payments	22	-	-	22
Property and equipment – reclass existing assets under finance leases	-	3,729	-	3,729
Balance July 1, 2019	**15,692**	**4,047**	**63**	**19,802**
Additions	6,823	6,250	44	13,117
Lease incentives	(879)	-	-	(879)
Lease modifications	(205)	-	-	(205)
Amortization	(1,686)	(4,087)	(23)	(5,796)
Balance June 30, 2020	**$ 19,745**	**$ 6,210**	**$ 84**	**$ 26,039**

Lease obligations	**Premises**	**Equipment**	**Vehicles**	**Total**
Lease liability on initial adoption of IFRS 16	$ 15,670	$ 4,353	$ 63	$ 20,086
Balance July 1, 2019	**15,670**	**4,353**	**63**	**20,086**
Additions	6,755	6,263	44	13,062
Lease modifications	(116)	-	-	(116)
Amortization	(1,357)	(4,791)	(22)	(6,170)
Balance June 30, 2020	**$ 20,952**	**$ 5,825**	**$ 85**	**$ 26,862**

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 year ended June 30, 2020, under the short-term exemption, $709 was expensed to rent, equipment rentals and office expenses and under the low-value exemption, $69 was expensed to office expense.

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

	June 30, 2020	June 30, 2019[1]
Within one year	$ 6,684	$ 2,614
Between one and five years	12,535	1,573
Beyond five years	15,183	-
Total undiscounted lease obligations	34,402	4,187
Less future interest charges	(7,540)	(151)
Total discounted lease obligations	26,862	4,036
Less current portion of lease obligations	**$ (5,419)**	**$ (2,496)**
Non-current portion of lease obligations	**$ 21,443**	**$ 1,540**

[1]As 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 June 30, 2020, the total discounted lease obligations related to contracts with Royal Bank of Canada ("RBC") amounted to $3,446 with $2,275 classified as current and $1,171 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's consolidated financial statements upon adoption of this standard.

Change in accounting policy

In fiscal 2020, the Company completed a change in accounting policy whereby certain overhead costs previously expensed were capitalized to investment in content, specifically to content in production. This is in line with IAS 38, *Intangible Assets*, in that the cost of the investment in content asset will now comprise all directly attributable costs necessary to create the asset. The change in accounting policy provides that investment in content costs are more reflective of the relevant costs of production. The Company will amortize these costs in the same manner as all other investment in content costs. In addition, the Company also reclassified certain overhead costs to direct costs.

The Company has applied the change in accounting policy retrospectively. The tables below show the adjustments recognized for each individual line item at June 30, 2020, June 30, 2019 and July 1, 2018. Line items that were not affected by the changes have not been included.

The cumulative effect of the accounting policy change to the consolidated statement of financial position as at June 30, 2020, June 30, 2019 and July 1, 2018 is as follows:

Consolidated statement of financial position (extract)	June 30, 2020	Accounting policy change	June 30, 2020 – As presented
Non-current assets			
Investment in content	$ 20,077	$ 5,215	$ 25,292
Non-current liabilities			
Deferred tax liabilities	5,303	1,408	6,711
Shareholders' equity			
Deficit	(17,825)	3,807	(14,018)

Consolidated statement of financial position (extract)	June 30, 2019 - As originally presented	Accounting policy change	June 30, 2019 - Revised
Non-current assets			
Investment in content	$ 25,136	$ 3,119	$ 28,255
Non-current liabilities			
Deferred tax liabilities	3,919	842	4,761
Shareholders' equity			
Deficit	(19,338)	2,277	(17,061)

Consolidated statement of financial position (extract)	July 1, 2018 - As previously presented	Accounting policy change	July 1, 2018 - Revised
Non-current assets			
Investment in content	$ 18,145	$ 1,240	$ 19,385
Non-current liabilities			
Deferred tax liabilities	3,298	335	3,633
Shareholders' equity			
Deficit	(15,123)	905	(14,218)

The effect of the accounting policy change to the consolidated statement of operations for the years ended June 30, 2020 and 2019 is as follows:

Consolidated statement of operations (extract)	June 30, 2020	Accounting policy change	June 30, 2020 – As presented
Expenses			
Direct operating	$ 43,400	$ 7,758	$ 51,158
General and administrative	23,373	(9,854)	13,519
	66,773	(2,096)	64,677
Income (loss) before income taxes	(66,773)	2,096	(64,677)
Income tax expense	1,017	566	1,583
Net income (loss) from continuing operations	$ (67,790)	1,530	(66,260)

Consolidated statement of operations (extract)	June 30, 2019 - As originally presented	Accounting policy change	June 30, 2019 - Revised
Expenses			
Direct operating	$ 29,705	$ 5,465	$ 35,170
General and administrative	23,532	(7,343)	16,189
	53,237	(1,878)	51,359
Income (loss) before income taxes	(53,237)	1,878	(51,359)
Income tax expense	1,263	506	1,769
Net income (loss) from continuing operations	$ (54,500)	1,372	(53,128)

DISCLOSURE OF OUTSTANDING SHARE DATA

As at October 14, 2020 the Company had the following common and preferred shares and stock options outstanding.

Common Shares	47,705,062
Preferred Shares – redeemable[1]	1,054,000
Warrants	323,755
Stock Options	3,596,000

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

Directors and Officers as at June 30, 2020

Directors

Brian Paes-Braga	Chair, 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