Thunderbird Entertainment Group Inc.

Management's Discussion and Analysis

For the three and six months ended December 31, 2020 ("Q2 2021")

and December 31, 2019 ("Q2 2020")

GENERAL

This Management's Discussion and Analysis ("MD&A") dated February 23, 2021 should be read in conjunction with the unaudited interim condensed consolidated financial statements of Thunderbird Entertainment Group Inc. ("Thunderbird" or "the Company") for the three months ended December 31, 2020 and 2019 and accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Thunderbird is a public company whose common voting shares are traded on the TSX Venture Exchange ("TSX-V") under the ticker "TBRD" and the OTCQX® Best Market under the symbol "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 also has a global distribution and consumer products division. Thunderbird's programs are currently being broadcast via conventional linear means, and a number of digital platforms, in more than 200 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, which also includes new partnerships with major organizations. 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, GBH, 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 has allowed its factual productions to continue, while adhering to physical distancing guidelines.

With health and safety as a priority, staff and crew members 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 by 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. 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, Sony, AppleTV+, Teletoon, Treehouse, Cartoon Network, Walt Disney, Mattel, Warner Bros., Marvel, Microsoft, Lego and NBCUniversal. Productions that

Atomic has worked on include *The Last Kids on Earth, Trolls: Trollstopia, Molly of Denali, Curious George, The Lego Star Wars Holiday Special, Hello Ninja,* and *Beat Bugs*.

With a robust slate of programming, Atomic has been expanding rapidly. In 2017, it introduced a Los Angeles office, and expanded on this with a LA studio in 2020. Atomic's expanded presence in LA has enabled the Company to cultivate more direct and accessible relationships with many of its partners, including Netflix, Disney, and NBCUniversal. It has also provided more access to LA showrunners, directors, writers, designers, storyboard artists and editorial teams. In addition to this, in December 2018 Atomic launched Atomic Ottawa, which further expanded the capacity of the kids and family division across Canada. In January 2021, the Company launched a global distribution and consumer products division. The division, while global in focus, is located in LA.

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 the spring of 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. This series was recognized with a Daytime Emmy in July 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 (HTH)* which chronicles the action-packed world of heavy rescue towing, airs on Discovery Canada and is distributed in more than 190 territories worldwide, including The Weather Channel. The Company aired the 100^{th} episode of *Highway Thru Hell* 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 brands 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. The Company also announced the launch of HTH's second spin-off series, *Mud Mountain Haulers* which premiered in January 2021. *Mud Mountain Haulers* 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.

Additional GPM productions include a high-action factual series, *High Arctic Haulers*, which was created in partnership with CBC. *Queen of the Oil Patch,* which airs on APTN, is also produced by GPM. In the lifestyle genre, GPM produces the lifestyle series *$ave My Reno* and *Worst to First* for HGTV Canada. In the Fall of 2020, GPM announced two new productions in development: hit Webby Award-winning social media brand *What If* and a drama series based on *The Life of Wernher Von Braun.*

Thunderbird's scripted division produces the award-winning comedy series *Kim's Convenience.* This series 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* Season 5 premiered in January 2021, and the series has been renewed for Season 6.

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 the Company's consumer products and distribution division, Thunderbird intends to develop more and expand on its content. In addition to acquiring and producing proprietary programming, Thunderbird also 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 its 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.

Thunderbird's service partnerships can also include partner-managed deals. Under the terms of these deals, the productions are fully funded, and rights are controlled by the partner but entirely managed by Thunderbird. As a result, Thunderbird is entitled to receive a percentage of the backend from merchandise and consumer products.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2020

- Consolidated revenue for the three and six months ended December 31, 2020 was $28.0 million and $47.7 million as compared to $14.1 million and $30.6 million for the comparative periods of fiscal 2020, increases of $13.9 million and $17.1 million respectively. The majority of these revenue increases over the comparative periods in 2020 is related to growth in the kids and family division.

- Consolidated net income from continuing operations was $1.5 million and $3.0 million for the three and six months ended December 31, 2020, compared to a net loss of $0.3 million and net income of $1.0 million for the comparative periods of fiscal 2020, increases of $1.8 million and $2.0 million, respectively. Net income was $1.6 million and $3.0 million after income from discontinued operations of $0.1 million and $0.02 million for the three and six months ended December 31, 2020 as compared to a net loss of $0.7 million and net income of $0.5 million after losses from discontinued operations of $0.4 million and $0.6 million in the comparative periods of fiscal 2020, increases of $2.3 million and $2.5 million, respectively.

- Adjusted EBITDA was $5.2 million and $10.0 million for the three and six months ended December 31, 2020 compared to $2.0 million and $5.7 million for the comparative periods of fiscal 2020, increases of $3.2 million and $4.3 million, respectively. These increases were primarily due to growth in production services attributed to the kids and family division as well as increases in licensing and distribution revenues due to number of proprietary shows delivered over the comparable periods. See the "Non-IFRS Measures" section of this MD&A for the definition and detailed calculation of EBITDA, Adjusted EBITDA and Free Cash Flow.

- During the quarter, the Company had 21 programs in various stages of production. Ten of these projects are Company IP or partner-managed.

- The Company's work airs on Netflix, Peacock, Nickelodeon, Apple, Sony, PBS, Bell Media's Discovery, Disney+, Corus Entertainment and the CBC, among others.

- Subsequent to Q2, the Company announced the launch of a Global Distribution and Consumer Products Division, bringing on industry veteran Richard Goldsmith to lead the new division as President of Global Distribution and Consumer Products.

- Subsequent to the quarter, Thunderbird has been named to the 2021 TSX Venture 50, ranking as one of the top companies across all sectors based on 2020 data.

Thunderbird Kids and Family

- During the quarter, the Company was in various stages of production on 13 animated television programs and two animated feature-length films. Productions included *The Last Kids on Earth*, *Mighty Express*, *Molly of Denali*, *Trolls:Trollstopia* and a *Curious George Production* among others. These series reflect a blend of both proprietary and service-based work.

- *The Last Kids on Earth* franchise announced that the video game *The Last Kids on Earth and the Staff of Doom* will launch and be available for sales in the spring of 2021.

- Further building on Thunderbird's production partnerships, *The Lego Star Wars Holiday Special* premiered on November 17 on Disney+ (Lucasfilm and Disney) and *Trolls:Trollstopia* premiered on November 19 on Peacock (Dreamworks).

Thunderbird Factual and Scripted

- GPM was in production on four series and one documentary special: *Highway Thru Hell* (Season 9, Season 10), *Heavy Rescue: 401* (Season 5, Season 6), *$ave My Reno* (Season 4), *Mud Mountain Haulers* (Season 1), and *The Teenager and the Lost Mayan City* (Documentary for CBC).

- *Heavy Rescue: 401* (Season 5) premiered subsequent to the quarter. Season 5 featured 18 hour-long episodes. Season 6 was in production throughout the quarter.

- A second spin-off of hit series *Highway Thru Hell, Mud Mountain Haulers* premiered in January 2021, subsequent to the quarter. 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.

- *$ave My Reno (Season 4)* was in production for the upcoming season. The season premieres on March 16, 2021 and airs on HGTV Canada.

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

- *Kim's Convenience* was renewed by CBC for Seasons 5 and 6 in fiscal 2020. Season 5 premiered in January 2021.

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 into quarterly or annual expectations in future years.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Financial Position

($000's)		**December 31, 2020**		**June 30, 2020**
Total assets	$	**165,337**	$	155,177
Total non-current liabilities	$	**27,357**	$	28,154
Shareholders' equity	$	**59,302**	$	53,661

Results of Operations

	For the three months ended		**For the six months ended**	
	Dec 31, 2020	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
($000's, except per share data)	**$**	**$**	**$**	**$**
Revenue	27,950	14,093	47,740	30,635
Expenses	26,422	14,399	44,744	29,601
Net income (loss) from continuing operations	**1,528**	**(306)**	**2,996**	**1,034**
Income (loss) from discontinued operation	97	(420)	16	(568)
Net income (loss) for the period	**1,625**	**(726)**	**3,012**	**466**
Foreign currency translation adjustment	(19)	(3)	(22)	(1)
Gain (loss) on translation of discontinued operation	(18)	13	(62)	7
Comprehensive net income (loss) for the period	**1,588**	**(716)**	**2,928**	**472**
Basic income (loss) per share – continuing operations	0.032	(0.007)	0.064	0.022
Diluted income (loss) per share – continuing operations	0.030	(0.007)	0.061	0.021
Basic income (loss) per share – discontinued operation	0.002	(0.009)	0.000	(0.012)
Diluted income (loss) per share – discontinued operation	0.002	(0.009)	0.000	(0.012)

EBITDA, Adjusted EBITDA and Free Cash Flow

	For the three months ended		For the six months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($000's)	$	$	$	$
Net income (loss) from continuing operations	**1,528**	**(306)**	**2,996**	**1,034**
Income tax expense	1,492	531	1,811	1,086
Deferred income tax recovery	(482)	(696)	(423)	(679)
Finance costs				
Interest	314	421	791	721
Dividends on preferred shares	18	18	36	36
Amortization				
Property and equipment	296	279	619	407
Right-of-use assets	1,614	1,436	3,537	2,418
Intangible assets	67	67	135	135
	3,319	2,056	6,506	4,124
EBITDA	**4,847**	**1,750**	**9,502**	**5,158**
Share-based compensation	223	166	343	404
Unrealized foreign exchange (gain) loss	(417)	62	(702)	(32)
Loss on disposal of property and equipment	736	-	736	11
Gain on disposal of right-of-use assets	(266)	-	(266)	-
Severance costs	-	56	283	113
Other	58	-	58	-
	334	**284**	**452**	**496**
Adjusted EBITDA	**5,181**	**2,034**	**9,954**	**5,654**
Cash inflows (outflows) from continuing operations	8,877	(7,060)	10,391	(1,832)
Purchase of property and equipment	(347)	377	(615)	(559)
(Repayment) proceeds of interim production financing	(4,109)	2,913	(4,127)	2,622
Free Cash Flow	**4,421**	**(3,770)**	**5,649**	**231**

Adjusted EBITDA was $5.2 million and $10.0 million for the three and six months ended December 31, 2020 compared to $2.0 million and $5.7 million for the comparative periods of fiscal 2020, increases of $3.2 million and $4.3 million, respectively. This increase was primarily due to growth in production services attributed to the Kids and Family division as well as an increase in licensing and distribution revenues due to an increase in the number of proprietary shows delivered over the comparable periods. Free cash flow was $4.4 million and $5.6 million for the three and six months ended December 31, 2020 as compared to ($3.8) million and $0.2 million for the comparative periods, increases of $8.2 million and $5.4 million, respectively. See the "Non-IFRS Measures" section of this MD&A for the definition and detailed calculation of EBITDA, Adjusted EBITDA and Free Cash Flow.

Revenue

($000's)	For the three months ended Dec 31, 2020 $	Dec 31, 2019 $	For the six months ended Dec 31, 2020 $	Dec 31, 2019 $
Production services	19,137	11,714	33,838	22,118
Licensing and distribution	8,754	2,355	13,807	8,479
Other	59	24	95	38
Total revenue	**27,950**	**14,093**	**47,740**	**30,635**

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

The Company recognized revenue of $28.0 million and $47.7 million in the three and six months ended December 31, 2020, increases of 98% and 56% over the comparative periods.

Production services revenue for the three and six months ended December 31, 2020 increased by 63% ($7.4 million) and 53% ($11.7 million) over the comparative periods, due to an increase in the number and size of contracts. This revenue consists primarily of animation production services, which experienced continued growth.

Licensing and distribution revenue increased by 272% ($6.4 million) and 63% ($5.3 million) for the three and six months ended December 31, 2020 over the comparative periods, due mainly to the timing of delivery of an animation series in the current period. In the current quarter, the Company recognized revenue from 10 episodes of an animation series (*The Last Kids on Earth*) and 6 episodes of a factual series (*Highway Thru Hell* Season 9). In the comparative quarter, revenue was recognized from 7 episodes of a factual series (*Highway Thru Hell* Season 8).

Direct operating

($000's)	For the three months ended Dec 31, 2020 $	Dec 31, 2019 $	For the six months ended Dec 31, 2020 $	Dec 31, 2019 $
Direct costs	14,212	7,989	25,051	15,809
Amortization of investment in content	4,272	404	5,070	2,334
Other	309	9	354	60
Total direct operating	**18,793**	**8,402**	**30,475**	**18,203**

Direct operating includes 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 abandoned.

Direct costs for the three and six months ended December 31, 2020 increased 78% and 58% over the comparative periods, consistent with the increase in the Company's animation production service revenue as described above in the revenue section.

Amortization of investment in content increased in the three and six months ended December 31, 2020 as compared to the comparative periods mainly due to the timing of delivery of episodes in Q2 2021 versus Q2 2020 as described above in the revenue section.

Amortization

	For the three months ended		For the six months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($000's)	$	$	$	$
Amortization of intangible assets	67	67	135	135
Amortization of property and equipment	296	279	619	407
Amortization of right-of-use assets	1,614	1,436	3,537	2,418
Total amortization	**1,977**	**1,782**	**4,291**	**2,960**

Amortization of property and equipment increased 6% ($0.02 million) and 52% ($0.2 million) for the three and six months ended December 31, 2020 over the comparative periods. This is due to computer hardware and equipment additions as well as leasehold improvements in the current quarter due to the change of offices for the Vancouver head office.

Amortization of right-of-use assets increased 12% ($0.2 million) and 46% ($1.1 million) for the three and six months ended December 31, 2020 over the comparative periods. This is due to an increase of office and studio leases in the current period as compared to the three months ended December 31, 2019, as well as a significant increase in computer hardware, servers and equipment under capital lease.

General and administrative

	For the three months ended		For the six months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($000's)	$	$	$	$
Salaries, employee benefits and contractors	2,622	2,315	5,165	4,229
Office and administrative	780	764	1,445	1,350
Legal and professional fees	213	214	586	407
Total general and administrative	**3,615**	**3,293**	**7,196**	**5,986**

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

Total general and administrative expenses increased 10% and 20% for the three and six months ended December 31, 2020 over the comparative periods. Salaries and contractor fees increased 13% and 22% over the three and six months ended December 31, 2020 due to significant growth in the animation and factual divisions and severance paid to the former president of the factual division in Q1 2021. Office and administrative expenses increased 2% and 7% over the three and six months ended December 31, 2020 due to an increase in computer maintenance and additional computer licenses and subscriptions required for additional corporate staff. Legal and professional fees increased by 44% over the respective six month comparative period due mainly to an arbitration case in progress regarding a past production.

Distribution and marketing

	For the three months ended		For the six months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($000's)	$	$	$	$
Total distribution and marketing	**268**	**459**	**446**	**851**

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 42% and 48% for the three and six months ended December 31, 2020 over the comparative periods. The decreases were mainly due to a decrease in travel and meals and in-person attendances at markets and conferences in the three and six months ended December 31, 2020 due to COVID-19.

Finance

($000's)	For the three months ended Dec 31, 2020 $	Dec 31, 2019 $	For the six months ended Dec 31, 2020 $	Dec 31, 2019 $
Dividends on redeemable preferred shares	18	18	36	36
Interest on loans	24	159	74	339
Interest on lease obligations[1]	343	291	837	482
Interest income	(46)	(29)	(113)	(100)
Interest income on lease receivable	(7)	-	(7)	-
Realized foreign exchange gain on loans	(1)	-	(1)	-
Unrealized foreign exchange gain on loans	(551)	-	(837)	-
Total finance	**(220)**	**439**	**(11)**	**757**

[1]Included in interest on lease obligations for the three and six months ended December 31, 2020 is interest related to non-finance leases of $314 and $778, respectively (three and six months ended December 31, 2019 - $239 and $388, respectively).

Finance expenses include interest expense, dividends and foreign exchange gains and losses on loans, net of interest income. Finance expenses decreased by 150% and 101% for the three and six months ended December 31, 2020 over the comparative periods. The decrease in finance costs was primarily due to unrealized foreign exchange gains on financing loans denominated in $USD. Additionally, interest on loans decreased as the outstanding interim production financing balances during the quarter were lower than the comparative quarter loan balances. These decreases were offset by an increase in interest on lease obligations due to additional leases entered into after the first quarter of fiscal 2020.

Class A redeemable preferred shares receive a quarterly dividend of $0.0175 per share.

Foreign exchange gain/loss

($000's)	For the three months ended Dec 31, 2020 $	Dec 31, 2019 $	For the six months ended Dec 31, 2020 $	Dec 31, 2019 $
Realized foreign exchange (gain) loss	53	(30)	(43)	101
Unrealized foreign exchange (gain) loss	233	53	189	(68)
Total foreign exchange loss	**286**	**23**	**146**	**33**

Foreign exchange gain/loss includes both realized and unrealized gains and losses from foreign currency transactions. Foreign exchange loss increased by 1143% and 342% for the three and six months ended December 31, 2020 over the comparative periods. The increase in realized foreign exchange loss is mainly related to the receipts of $USD receivables from production service agreements with budget rates higher 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 bank balances 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:

		December 31, 2020		June 30, 2020
Cash	$	352	$	538
Trade receivables and other		234		586
Investment in content		96		98
Assets held for sale		**682**		**1,222**
Accounts payable and accrued liabilities		483		633
Deferred revenue		78		126
Liabilities associated with assets held for sale		**561**		**759**
Net assets held for sale	**$**	**121**	**$**	**463**

The cumulative foreign exchange gains recognized in accumulated other comprehensive income in relation to the discontinued operation as at December 31, 2020 were $27 (June 30, 2020 – foreign exchange losses of $35).

Analysis of the results of discontinued operation is as follows:

		Three months ended December 31,			Six months ended December 31,	
		2020	**2019**		**2020**	**2019**
Revenue	$	267	346	$	419	$ 1,071
Expenses		170	766		403	1,639
Income (loss) from discontinued operation		**97**	**(420)**		**16**	**(568)**
Income (loss) on translation of discontinued operation		(18)	13		(62)	7
Other comprehensive income (loss) from discontinued operation	**$**	**(18)**	**13**	**$**	**(62)**	**$ 7**

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 determined the fair value of investment in content based upon current negotiations with prospective buyers.

QUARTERLY FINANCIAL INFORMATION

($000's, except per share data)	**Q2 2021 $**	**Q1 2021 $**	**Q4 2020 $**	**Q3 2020 $**	**Q2 2020 $**	**Q1 2020 $**	**Q4 2019 $**	**Q3 2019 $**
Revenue	27,950	19,790	21,090	29,564	14,093	16,542	12,935	20,946
Net income (loss) from continuing operations	1,528	1,468	(266)	3,363	(306)	1,340	82	2,367
Basic earnings (loss) per share from continuing operations	0.032	0.031	(0.006)	0.072	(0.007)	0.029	0.002	0.051
Diluted earnings (loss) per share from continuing operations	0.030	0.030	(0.006)	0.068	(0.007)	0.027	0.002	0.048

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 programs delivered. Revenue recognized on these projects depends 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 revenue and net income/loss from continuing operations.

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.

The increase in net income from continuing operations in the first quarter of 2021 compared to the fourth quarter of 2020 was a result of lower general and administrative costs, lower amortization of property and equipment and intangible assets, as well as lower finance costs in the first quarter of 2021.

This increase in net income from continuing operations in the second quarter of 2021 compared to the first quarter of 2021 was primarily due to growth in production services attributed to the Kids and Family division as well as an increase in IP delivered.

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 accessing funds through a variety of sources including refundable tax credit loans. 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 December 31, 2020 the Company has a cash balance of $18.0 million, as compared to cash of $12.8 million at June 30, 2020.

Net cash inflows (outflows)

	Six months ended Dec 31	
	2020	**2019**
($000's)	**$**	**$**
Cash inflows (outflows) by activity:		
Operating activities	10,750	(2,141)
Financing activities	(4,548)	(1,319)
Investing activities	(696)	(562)
Effect of exchange rate changes on cash	(323)	43
Net cash inflows	**5,183**	**(3,979)**

Cash flows from operating activities in the six months ended December 31, 2020 provided cash of $10.8 million, compared to cash used of $2.1 million in the comparative period. During Q2 2021 cash provided by operating activities included a working capital inflow of $4.1 million, compared to an outflow of $2.3 million in Q2 2020, due in part to the collection of amounts receivable, timing of payments and other receipts. Cash outflows relating to investment in content included cash outflows of $6.1 million, compared to $5.5 million in Q2 2020, due to increased additions of content in production over Q2 2020, the benefits which will be recognized in later periods of F2021 and F2022.

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 by 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 $4.5 million in the six months ended December 31, 2020 as compared to using $1.3 million in the comparative period. The fluctuation is due predominantly to timing of loan proceeds versus loan repayments, as well as the proceeds from the exercise of warrants and share options.

Cash flows from investing activities pertains to property and equipment purchases. During the six months ended December 31, 2020, the Company purchased property and equipment, primarily computer equipment, totalling approximately $0.6 million consistent with the comparative period.

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 reasonable debt and equity balances 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 December 31, 2020, the Company had repaid the prior draws.
- 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 December 31, 2020, the Company had repaid the prior draws.
- 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 December 31, 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 December 31, 2020, the Company had drawn down $4.3 million.
- A $4.2 million revolving lease facility. This facility may be used to finance equipment purchases. As at December 31, 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 December 31, 2020, one of these facilities had been drawn upon, in the amount of $1.5 million.
- A $0.72 million foreign exchange line of credit to hedge against fluctuating exchange rates.

Under the terms of the RBC credit facilities, the Company is required to meet certain covenants. As at December 31, 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, 2020.

LEASE OBLIGATIONS

Lease obligations as at and for the six months ended December 31, 2020 are as follows:

		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**
Additions		172		2,991		-		3,163
Lease modifications		24		(137)		-		(113)
Amortization		(941)		(2,812)		(15)		(3,768)
Balance December 31, 2020	**$**	**20,207**		**5,867**		**70**		**26,144**

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 six months ended December 31, 2020, under the short-term exemption, $1,012 was expensed to rent, equipment rentals and office expenses and under the low-value exemption, $33 was expensed to office expense (year ended June 30, 2020 - $709 and $69, respectively).

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

		December 31, 2020		June 30, 2020
Within one year	$	5,330	$	6,684
Between one and five years		13,950		12,535
Beyond five years		13,700		15,183
Total undiscounted lease obligations		32,980		34,402
Less future interest charges		(6,836)		(7,540)
Total discounted lease obligations		26,144		26,862
Less current portion of lease obligations	**$**	**(5,161)**	**$**	**(5,419)**
Non-current portion of lease obligations	**$**	**20,983**	**$**	**21,443**

As at December 31, 2020, the total discounted lease obligations related to contracts with RBC amounted to $3,125, with $2,044 classified as current and $1,081 as non-current (year ended June 30, 2020 - $3,446, with $2,275 classified as current and $1,171 as non-current).

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.

For further details see "RISKS AND UNCERTAINTY", contained in Thunderbird Entertainment Group Inc. Management's Discussion and Analysis, for the years ended June 30, 2020 and 2019, filed October 15, 2020, on www.sedar.com.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial assets and liabilities consist of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, interim production financing 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, trade receivables and production financing. Trade receivables and production financing receivable are 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.

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 December 31, 2020.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation. The Company expects to satisfy obligations through cash on hand, cash flows from operations and refundable tax credit loans (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 interest rates and foreign exchange rates, will affect the Company's net income and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i. **Interest rate risk**

   Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its interim production financing which bears a floating interest rate. The Company has no interest rate hedges or swaps outstanding at December 31, 2020.

ii. **Foreign currency exchange risk**

   Foreign currency exchange risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company's activities which expose it to currency risk involve the holding of foreign currencies as well as earning revenues and incurring expenses that are denominated in foreign currencies. The Company has engaged in certain foreign exchange hedging activities (foreign 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.

TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES

	For the three months ended		For the six months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($000's)	$	$	$	$
Dividends[1]	2	2	4	4
Consulting fees[2]	101	154	202	255
Revenue[3]	-	(205)	-	(342)
Other	32	-	117	-
	135	**(49)**	**323**	**(83)**

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

In the three and six month periods ended December 31, 2020 and the comparative periods, dividends were paid to the President (Mark Miller). 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 in the comparative period from a company owned by the President (Mark Miller: Kah-kitowak Films (II) Inc.). Other fees for storage, composing and narration were paid to a company owned by the President (Mark Miller: Mark Miller Media Link).

At December 31, 2020, $456 (2019 - $475) was due from companies owned by the President (Mark Miller: Kah-kitowak Films (II) Inc.; Doctor Animal Productions Inc.); and $32 (2019 - $120) was payable to a director (Marni Wieshofer) and companies owned by directors (Frank Giustra: The Radcliffe Corporation; Brian Paes-Braga: Valola Holdings Corp., Quiet Cove Capital (UK) Corp Ltd.; and Tim Gamble: Plantation Capital Corp.)

The related party transactions are made on terms equivalent to those that prevail in arm's length transactions. At December 31, 2020, $456 of amounts due from companies owned by the President (Mark Miller: Kah-kitowak Films (II) Inc.; Doctor Animal Productions Inc.) carried interest at prime plus 1%. All other outstanding balances at period-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables/payables.

Key management personnel compensation

Key management includes all directors, as well as the 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 six months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($000's)	$	$	$	$
Short-term benefits	494	732	968	1,349
Share-based payments	41	103	105	208
Total key management personnel compensation	**535**	**835**	**1,073**	**1,557**

During the six months ended December 31, 2020, the Company issued 55,698 common shares to the Chief Executive Office (Jennifer Twiner McCarron) at a deemed price of $2.045 per share. The issuance reflects partial consideration for a performance bonus earned during the fiscal year ended June 30, 2020, in accordance with the terms of the CEO's employment agreement.

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 issued but not yet effective

There are no new standards issued but not yet effective as at July 1, 2020 that have a material impact to the Company's interim condensed consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at February 23, 2021 the Company had the following common and preferred shares and stock options outstanding.

Common Shares	48,348,265
Preferred Shares – redeemable[1]	1,054,000
Warrants	-
Stock Options	4,198,500

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

Directors and Officers as at December 31, 2020

Directors

Brian Paes-Braga	Chair, Director
Tim Gamble	Vice Chair, Director
Jennifer Twiner McCarron	CEO, 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
Barb Harwood	CFO
Tim Gamble	Vice Chair, Director
Cameron White	Corporate Secretary
Sarah Nathanson	General Counsel