



Thunderbird Entertainment Group Inc.

Management's Discussion and Analysis

For the three months ended September 30, 2020 ("Q1 2021")
and September 30, 2019 ("Q1 2020")

GENERAL

This Management's Discussion and Analysis ("MD&A") dated November 30, 2020 should be read in conjunction with the unaudited interim condensed consolidated financial statements of Thunderbird Entertainment Group Inc. ("Thunderbird" or "the Company") for the three months ended September 30, 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’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, 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 has allowed all 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 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, Sony, AppleTV+, Teletoon, Treehouse, Cartoon Network, Walt Disney, Mattel, Warner Bros., Marvel, Microsoft, Lego and NBCUniversal.

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.

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. 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 and on Netflix worldwide. The Company aired the 100th 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. *Heavy Rescue: 401* is a Top 5 series on Discovery Canada across all seasons in the A25-54 demo, and its most recent season averaged more than one 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* 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 *Save 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* 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 MONTHS ENDED SEPTEMBER 30, 2020

- Consolidated revenue for the three months ended September 30, 2020 was \$19.8 million as compared to \$16.5 million for the comparative period of fiscal 2020, an increase of \$3.3 million. The majority of this revenue increase over the comparative period in 2020 is related to growth in the kids and family division.
- Consolidated net income from continuing operations was \$1.5 million for the three months ended September 30, 2020, compared to \$1.3 million for the comparative period of fiscal 2020, an increase of \$0.2 million. Net income was \$1.4 million after loss from discontinued operations of \$0.1 million for the three months ended September 30, 2020 as compared to net income of \$1.2 million after loss from discontinued operations of \$0.1 million in the comparative period of fiscal 2020, an increase of \$0.2 million.
- Adjusted EBITDA was \$4.8 million for the three months ended September 30, 2020 compared to \$3.6 million for the comparative period of fiscal 2020, an increase of \$1.2 million. This increase was primarily due to growth in production services attributed to the kids and family division. 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 25 programs in various stages of production, and deals with Netflix, Peacock, Nickelodeon, Apple, Sony, PBS, Bell Media's Discovery, Disney+, Corus Entertainment and the CBC, among others.
- Throughout Q1, 27 half-hour episodes and 12 one-hour episodes were delivered collectively from the factual, scripted, and kids and family divisions. All of the one-hour episodes were Company IP.
- The Company announced the global premieres of its highly anticipated Fall 2020 and Winter 2021 content line-up, which includes seven new and returning, animated, scripted and factual series.
- Subsequent to the quarter, the Company began trading on the OTCQX® Best Market under the symbol THBRF. Thunderbird upgraded to the OTCQX from the Pink® market.

Thunderbird Kids and Family

- During the quarter, the Company was in various stages of production on 19 animated television programs, including *The Last Kids on Earth*, *Mighty Express*, *Molly of Denali*, *LEGO Jurassic World* and *Curious George: Go West, Go Wild* among others. These series reflect a blend of both proprietary and service-based work.
- The kids and family division was working with 12 major clients, four of which are new relationships from the comparative period in the previous fiscal.
- In addition to *Molly of Denali* winning an esteemed Peabody Award in June, the series was also recognized with a 2020 Television Critics Association (TCA) recognition for "Outstanding Achievement in Youth

Programming”.

- *The Last Kids on Earth* was awarded a Daytime Emmy in the Outstanding Special Class Animated Program category in July 2020.
- During the quarter, the kids and family division celebrated the launches of *LEGO Jurassic World: Double Trouble* (Nickelodeon), *Mighty Express* (with Spin Master for Netflix), *Curious George: Go West, Go Wild* (Peacock), and *The Last Kids on Earth* (Netflix).
- Further building on Thunderbird’s production partnerships, *The Lego Star Wars Holiday Special* premiered on November 17 on Disney+ (Lucasfilm and Disney) and *Trollstopia* premiered on November 19 on Peacock (Dreamworks).

Thunderbird Factual

- 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), *Save My Reno* (Season 4), *Mud Mountain Haulers* (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. Pre-production for Season 10 commenced during the quarter.
- *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. Pre-production work on Season 6 began in Q1.
- Second spin-off of hit series *Highway Thru Hell*, *Mud Mountain Haulers* was in post-production. 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.
- *Save My Reno* (Season 4) was in production for the upcoming season. The series airs on HGTV Canada and generates impressive ratings.
- *The Teenager and the Lost Mayan City* was in post-production for CBC’s *The Nature of Things*.

Thunderbird Scripted

- *Kim’s Convenience* was renewed by CBC for Seasons 5 and 6 in fiscal 2020. 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 CONSOLIDATED FINANCIAL INFORMATION

The selected comparative information set out below for the three months ended September 30, 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

<i>(\$000's)</i>	September 30,		June 30, 2020
	2020		
Total assets	\$ 162,740	\$	155,177
Total non-current liabilities	\$ 28,194	\$	28,154
Shareholders' equity	\$ 56,388	\$	53,661

Results of Operations

	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
<i>(\$000's, except per share data)</i>	\$	\$
Revenue	19,790	16,542
Expenses	18,321	15,202
Net income from continuing operations	1,469	1,340
Loss from discontinued operation	(80)	(147)
Net income for the period	1,389	1,193
Foreign currency translation adjustment	(3)	2
Loss on translation of discontinued operation	(44)	(6)
Comprehensive net income for the period	1,342	1,189
Basic income per share – continuing operations	0.031	0.029
Diluted income per share – continuing operations	0.030	0.027
Basic loss per share – discontinued operation	(0.002)	(0.003)
Diluted loss per share – discontinued operation	(0.002)	(0.003)

EBITDA, Adjusted EBITDA and Free Cash Flow

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Net income from continuing operations	1,469	1,340
Income tax expense	318	555
Deferred income tax expense	60	17
Finance costs		
Interest	477	300
Dividends on preferred shares	18	18
Amortization		
Property and equipment	324	128
Right-of-use assets	1,923	982
Intangible assets	67	67
	3,187	2,067
EBITDA	4,656	3,407
Share-based compensation	119	238
Unrealized foreign exchange gain	(285)	(94)
Severance costs	283	56
Other	-	11
	117	211
Adjusted EBITDA	4,773	3,618
Cash inflows from continuing operations	1,514	5,229
Purchase of property and equipment	(268)	(937)
Repayment of interim production financing	(18)	(291)
Free Cash Flow	1,228	4,001

Adjusted EBITDA was \$4.8 million for the three months ended September 30, 2020 compared to \$3.6 million for the comparative period of fiscal 2020, an increase of \$1.2 million. This increase was primarily due to growth in production services attributed to the Kids and Family division. Free cash flow was \$1.2 million as compared to \$4 million in the comparative quarter, a decrease of \$2.8 million, which represents the significant investment in content of \$3.6 million during the quarter, the benefits of which will be realized over the next two fiscal years. 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	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Production services	14,701	10,404
Licensing and distribution	5,053	6,122
Other	36	16
Total revenues	19,790	16,542

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 \$19.8 million in the first three months of fiscal 2021, an increase of 20% over the comparative quarter.

Production services revenue for the three months ended September 30, 2020 increased by 41% (\$4.3 million), 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 revenues decreased by 17% (\$1.1 million) for the three months ended September 30, 2020, over the comparative period, due mainly to the timing of delivery of an animation series in the comparative period. In the current quarter, the Company recognized revenue from 12 episodes of a factual series. In the comparative quarter, revenue was recognized from 13 episodes of two factual series and 3 episodes of an animation series and the distribution thereof.

Direct operating

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Direct costs	10,838	7,757
Amortization of investment in content	798	1,930
Other	45	51
Total direct operating	11,681	9,738

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

Direct costs for the three months ended September 30, 2020 increased 40% over the comparative period, consistent with the increase in the Company's animation production service revenue as described above in the revenues section.

Amortization of investment in content decreased in the three months ended September 30, 2020 as compared to the comparative period partially due to the timing of delivery of episodes in Q1 2021 versus Q1 2020 as described above in the revenues section.

Amortization

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Amortization of intangible assets	67	67
Amortization of property and equipment	324	128
Amortization of right-of-use assets	1,923	982
Total amortization	2,314	1,177

Amortization of property and equipment increased 153% (\$0.2 million) for the three months ended September 30, 2020 over the comparative period. This is due to computer hardware and equipment additions as well as leasehold improvements in the current quarter primarily in the LA animation studio.

Amortization of right-of-use assets increased 96% (\$0.9 million) for the three months ended September 30, 2020 over the comparative period. This is due to an increase of office and studio leases in the current period as compared to the three months ended September 30, 2019, as well as a significant increase in computer hardware, servers and equipment under capital lease.

General and administrative

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Salaries, employee benefits and contractors	2,544	1,977
Office and administrative	665	586
Legal and professional fees	373	197
Total general and administrative	3,582	2,760

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

Total general and administrative expenses increased 30% for the three months ended September 30, 2020 over the comparative period. Salaries and contracting fees increased 29% over the three months ended September 30, 2020 due to significant growth in the animation and factual divisions and severance paid to the former president of the factual division. Office and administrative expenses increased 13% over the three months ended September 30, 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 89% over the respective three month comparative period due mainly to an arbitration case in progress regarding a past production.

Distribution and marketing

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Total distribution and marketing	179	388

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 54% for the three months ended September 30, 2020 over the comparative period. The decreases were mainly due to a decrease in travel and meals and attendances at markets and conferences in the three months ended September 30, 2020 due to COVID-19.

Finance

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Dividends on redeemable preferred shares	18	18
Interest on loans	49	180
Interest on lease obligations ¹	495	191
Interest income	(67)	(71)
Unrealized foreign exchange gain	(286)	-
Total finance	209	318

¹Included in interest on lease obligations for the three months ended September 30, 2020 is interest related to non-finance leases of \$464 (three months ended September 30, 2019 - \$149).

Finance expenses include interest expense and dividends, net of interest income. Finance expenses decreased by 34% for the three months ended September 30, 2020 over the comparative period. 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.

Dividends on redeemable preferred shares

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Class A	18	18
Total dividends on redeemable preferred shares	18	18

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

Foreign Exchange Gain/Loss

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Realized foreign exchange (gain) loss	(97)	132
Unrealized foreign exchange gain	(44)	(121)
Total foreign exchange (gain) loss	(141)	11

Foreign exchange gain/loss includes both realized and unrealized gains and losses from foreign currency transactions. Foreign exchange gain increased by 1382% for the three months ended September 30, 2020 over the comparative period. The increase 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 decrease in unrealized foreign exchange gain 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:

	September 30, 2020	June 30, 2020
Cash	\$ 596	\$ 538
Trade receivables and other	219	586
Investment in content	97	98
Assets held for sale	912	1,222
Accounts payable and accrued liabilities	722	633
Deferred revenue	161	126
Liabilities associated with assets held for sale	883	759
Net assets held for sale	\$ 29	\$ 463

The cumulative foreign exchange losses recognized in accumulated other comprehensive income in relation to the discontinued operation as at September 30, 2020 were \$9 (June 30, 2020 - \$35).

Analysis of the results of discontinued operation is as follows:

		Three months ended September 30,	
		2020	2019
Revenue	\$	153	\$ 726
Expenses		233	873
Loss from discontinued operation		(80)	(147)
Loss on translation of discontinued operation		(44)	(6)
Other comprehensive loss from discontinued operation	\$	(44)	\$ (6)

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

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<i>(\$000's, except per share data)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	19,790	21,090	29,564	14,093	16,542	12,935	20,946	10,629
Net income (loss) from continuing operations	1,469	(265)	3,364	(308)	1,340	82	2,367	(5,657)
Basic earnings (loss) per share from continuing operations	0.031	(0.006)	0.072	(0.007)	0.029	0.002	0.051	(0.180)
Diluted earnings (loss) per share from continuing operations	0.030	(0.006)	0.068	(0.007)	0.027	0.002	0.048	(0.180)

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 third quarter of 2019 saw the highest delivery of IP projects during fiscal 2019. The increased net income from continuing operations in the third quarter of 2019 was due to the IP deliveries, in addition with not incurring RTO transaction costs of \$5.3 million, which the Company incurred as a one-time charge during the second quarter. This RTO transaction cost represented the difference between the net assets acquired and the fair value of the Golden Secret shares, options and warrants that were exchanged.

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.

LIQUIDITY

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

As at September 30, 2020 the Company has a cash balance of \$14.2 million, as compared to cash of \$12.8 million at June 30, 2020.

Net cash inflows

	Three months ended Sept 30	
	2020	2019
(\$000's)	\$	\$
Cash inflows (outflows) by activity:		
Operating activities	1,869	5,047
Financing activities	(122)	(1,301)
Investing activities	(268)	(939)
Effect of exchange rate changes on cash	(105)	84
Net cash inflows	1,374	2,891

Cash flows from operating activities in the three months ended September 30, 2020 provided cash of \$1.9 million, compared to cash provided of \$5.0 million in the comparative period. During Q1 2021 cash provided by operating activities included a working capital inflow of \$0.6 million, compared to \$0.9 million in Q1 2020, due in part to the collection of amounts receivable, timing of payments and other receipts. Investment in content included increased cash outflows of \$3.6 million, compared to \$0.2 million in Q1 2020, due to increased additions of content in production over Q1 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 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 \$0.1 million in the three months ended September 30, 2020 as compared to using \$1.3 million in the comparative period. The fluctuations are due predominantly to timing of loan proceeds versus loan repayments.

Cash flows from investing activities pertain to property and equipment purchases. During the three months ended September 30, 2020, the Company purchased property and equipment, primarily computer equipment, totalling approximately \$0.3 million as compared to purchasing \$0.9 million in 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 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 September 30, 2020, the Company had drawn down \$1.0 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 September 30, 2020, the Company had drawn down \$1.9 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 September 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 September 30, 2020, the Company had drawn down \$3.1 million.
- A \$4.2 million revolving lease facility. This facility may be used to finance equipment purchases. As at September 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 September 30, 2020, one of these facilities had been drawn upon, in the amount of \$1.5 million.
- A \$0.75 million foreign exchange line of credit to hedge against fluctuating exchange rates. As at September 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 September 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, 2020.

LEASE OBLIGATIONS

Lease obligations as at and for the three months ended September 30, 2020 are as follows:

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
Additions		401	2,321	-	2,722
Lease modifications		139	(137)	-	2
Amortization		(460)	(1,617)	(8)	(2,085)
Balance September 30, 2020	\$	21,032	6,392	77	27,501

On the date of initial adoption, the Company applied the practical expedient to designate leases with terms of less than 12 months as short-term. As a result, for the three months ended September 30, 2020, under the short-term exemption, \$711 was expensed to rent, equipment rentals and office expenses and under the low-value exemption, \$9 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 September 30, 2020 and June 30, 2020, to their present value for the Company's lease obligations:

	September 30, 2020	June 30, 2020
Within one year	\$ 6,174	\$ 6,684
Between one and five years	14,043	12,535
Beyond five years	14,520	15,183
Total undiscounted lease obligations	34,737	34,402
Less future interest charges	(7,236)	(7,540)
Total discounted lease obligations	27,501	26,862
Less current portion of lease obligations	\$ (5,489)	\$ (5,419)
Non-current portion of lease obligations	\$ 22,012	\$ 21,443

As at September 30, 2020, the total discounted lease obligations related to contracts with RBC amounted to \$3,353, with \$2,109 classified as current and \$1,244 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, 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 and trade receivables and production financing. Production financing receivable is mainly with Canadian broadcasters and large international distribution companies. For certain arrangements with licensees, the Company is considered the agent, and only reports the revenue net of the licensor's share. When the Company bills a third party in full where it is an agent for the licensor, the Company records an offsetting amount in accounts payable to the licensee when the amount is collected from

a third party. This reduces credit risk, as the Company is only exposed to the amounts receivable related to the revenue it records.

At September 30, 2020, one broadcaster/distributor individually accounted for more than 10% of trade receivables, net of loss allowance. Receivables from this broadcaster/distributor accounted for 57% of the total trade receivables, net of loss allowance.

The Company's customers are considered to have low default risk and the historical default rate and frequency of loss are low, therefore the lifetime expected credit loss allowance for trade receivables is nominal as at September 30, 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 \$423 change to net income for the three months ended September 30, 2020 (2019 - \$440). The Company has no interest rate hedges or swaps outstanding at September 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 three months ended September 30, 2020, revenue denominated in US dollars accounted for 40% (2019 - 34%) of total revenue and revenue denominated in GBP accounted for Nil% (2019 - 7%) of total revenue. As at September 30, 2020, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately \$215 (2019 - \$208) on net income and a 5% fluctuation in the GBP exchange rate would have an impact of approximately \$Nil (2019 - \$47) 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 three months ended September 30, 2020 of approximately \$156 (2019 - \$209).

TRANSACTIONS WITH RELATED PARTIES

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Dividends ¹	2	2
Consulting fees ²	101	101
Revenue ³	-	(137)
Other	86	-
	189	(34)

¹Paid to the President.

²Paid to companies owned by directors.

³Received from a company owned by the President.

In the three month period ended September 30, 2020 and the comparative period, 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 September 30, 2020, \$602 (2019 - \$155) was due from a company owned by the President (Mark Miller: Kah-kitowak Films (II) Inc.); \$18 (2019 - \$34) was payable to 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), and \$724 (2019 - \$Nil) 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 September 30, 2020, \$602 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 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:

(\$000's)	For the three months ended	
	Sept 30, 2020	Sept 30, 2019
	\$	\$
Short-term benefits	474	607
Share-based payments	63	105
Total key management personnel compensation	537	712

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 November 30, 2020 the Company had the following common and preferred shares and stock options outstanding.

Common Shares	48,184,515
Preferred Shares – redeemable ¹	1,054,000
Warrants	-
Stock Options	3,496,000

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

Directors and Officers as at September 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