THUNDERBIRD
ENERGY

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Financial Statements of

THUNDERBIRD ENERGY CORP. (formerly MBA Resources Corp.)

January 31, 2007

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Shareholders of
Thunderbird Energy Corp. (formerly MBA Resources Corp.)

We have audited the consolidated balance sheets of Thunderbird Energy Corp. (formerly MBA Resources Corp.) as at January 31, 2007 and 2006 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ MANNING ELLIOTT LLP

Chartered Accountants

Vancouver, British Columbia

May 14, 2007

THUNDERBIRD ENERGY CORP. (formerly MBA Resources Corp.)
Consolidated Balance Sheets
As at January 31, 2007 and 2006

	2007	2006
ASSETS		
CURRENT		
Cash	**$ 46,639**	$ 4,216
Restricted cash [note 4]	**-**	103,329
Amounts receivable	**189,943**	1,211
Prepaid expenses and deposits	**1,790**	1,985
Advances for exploration expenditures	**-**	9,012
	238,372	119,753
PROPERTY AND EQUIPMENT [note 5]	**35,033**	12,267
DEFERRED FINANCING COSTS [note 7]	**50,337**	-
MINERAL PROPERTIES [note 4]	**-**	59,510
OIL AND GAS PROPERTIES [note 3]	**2,676,978**	943,008
	$ 3,000,720	$ 1,134,538
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 189,088**	$ 125,900
Due to related parties [note 9]	**3,416**	186,927
Short-term debt	**-**	100,000
Current portion of convertible debentures [note 7]	**344,000**	-
	536,504	412,827
ASSET RETIREMENT OBLIGATIONS [note 6]	**29,114**	-
CONVERTIBLE DEBENTURES [note 7]	**2,733,766**	-
	3,299,384	412,827
SHAREHOLDERS' EQUITY (DEFICIT)		
Common shares [note 8]	**11,868,642**	11,171,592
Treasury stock	**(40,928)**	(40,928)
Convertible debentures, equity portion [note 7]	**97,233**	-
Contributed surplus [note 8]	**625,444**	390,775
Deficit	**(12,849,055)**	(10,799,728)
	(298,664)	721,711
	$ 3,000,720	$ 1,134,538

NATURE OF OPERATIONS AND CONTINUENCE OF BUSINESS [note 1]
COMMITMENT [note 12]
SUBSEQUENT EVENTS [note 14]

Approved on Behalf of the Board:

"Cameron White"	***"Stephen Cheikes"***
Cameron White, Director	Stephen Cheikes, Director

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENERGY CORP. (formerly MBA Resources Corp.)
Consolidated Statements of Loss and Deficit
Years Ended January 31, 2007 and 2006

		2007		2006
REVENUES				
Oil and gas	**$**	**422,711**	**$**	**-**
DIRECT COSTS				
Operating costs		**309,474**		-
GROSS OPERATING INCOME		**113,237**		**-**
EXPENSES				
General and administrative		**488,294**		157,669
Interest charges		**189,718**		-
Convertible debenture accretion [note 7]		**35,300**		-
Accretion, depletion, depreciation and amortization		**234,679**		5,228
Impairment loss on oil and gas properties [note 3]		**953,371**		-
Impairment loss on mineral properties [note 4]		**59,562**		131,699
Stock-based compensation [note 8]		**202,375**		138,394
Less: Interest income		**(735)**		(1,304)
		2,162,564		431,686
NET LOSS		**(2,049,327)**		(431,686)
DEFICIT, BEGINNING OF THE YEAR		**(10,799,728)**		(10,368,042)
DEFICIT, END OF THE YEAR	**$**	**(12,849,055)**	$	(10,799,728)
LOSS PER SHARE		**(0.09)**		(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**22,893,000**		18,737,000

THUNDERBIRD ENERGY CORP. (formerly MBA Resources Corp.)
Consolidated Statements of Cash Flows
Years Ended January 31, 2007 and 2006

		2007		2006
OPERATING ACTIVITIES				
Net loss	$	**(2,049,327)**	$	(431,686)
Items not involving cash				
Stock-based compensation		**202,375**		138,394
Convertible debenture accretion		**35,300**		-
Debt issue cost amortization		**8,655**		-
Accretion, depletion, depreciation and amortization		**234,679**		5,228
Foreign exchange loss		**7,345**		7,169
Impairment loss on mineral and oil and gas properties		**1,012,933**		-
		(548,040)		(280,895)
Changes in non-cash operating assets and liabilities				
Amounts receivable		**(188,732)**		14,459
Prepaid expenses and deposits		**195**		-
Accounts payable and accrued liabilities		**63,189**		107,535
		(673,388)		(158,901)
FINANCING ACTIVITIES				
Issuance of shares		**699,550**		-
Share issuance costs		**(2,500)**		-
Increase (decrease) in amounts to related parties		**(183,511)**		166,927
Short-term debt		**(50,000)**		90,000
Proceeds from convertible debentures		**3,125,000**		-
Financing costs re convertible debentures		**(62,000)**		-
		3,526,539		256,927
INVESTING ACTIVITIES				
Mineral property exploration and acquisition costs		**(52)**		(10,880)
Oil and gas property exploration and acquisition costs		**(2,878,086)**		(258,000)
Acquisition of property and equipment		**(28,574)**		-
Release of reclamation bond		**103,635**		-
		(2,803,077)		(268,880)
FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH		**(7,651)**		922
(INCREASE) DECREASE IN CASH FOR THE YEAR		**42,423**		(169,932)
CASH, BEGINNING OF YEAR		**4,216**		174,148
CASH, END OF YEAR	$	**46,639**	$	4,216
NON-CASH FINANCING AND INVESTING ACTIVITIES				
Shares issued for acquisition of mineral property		**-**		16,000
Exchange of short-term debt for convertible debentures		**50,000**		-
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid		**189,718**		-
Income taxes paid		**-**		-

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Thunderbird Energy Corp. "the Company" is primarily engaged in the acquisition and development of oil and gas properties and the production of oil and gas through participation agreements.

The Company has interests in oil and gas and mining assets at the production, exploration and development stage, the economic viability of which has not been assessed. The realization of the Company's investment in oil and gas and mineral properties is dependent upon various factors, including the existence of economically recoverable oil and gas and mineral reserves, the ability to obtain the necessary financing to complete the exploration and development of the properties, future profitable operations, or, alternatively, upon disposal of the investment on an advantageous basis.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2007, the Company had a working capital deficiency of $298,132 and an accumulated deficit of $12,849,055. The ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its future exploration commitments and to complete the development of its properties and/or realizing proceeds from the sale of one or more of the properties. These factors raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments related to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation and consolidation*

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries MBA Energy Corp, incorporated in the province of British Columbia and Thunderbird Energy Inc. (formerly Manele Bay Goldfields Inc.), incorporated in the state of Nevada. Additionally, in accordance with CICA Handbook Section 3055, "Interests in Joint Ventures", these consolidated financial statements also include the Company's 50% proportionate share of the assets, liabilities, revenues and expenses of the Gordon Creek Project (Utah) (the "Joint Venture"), formed as at March 13, 2006, and Gordon Creek LLC (Utah) (the "Joint Venture's operator"), formed on May 18, 2006. All significant intercompany transactions and balances have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates 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. Significant areas requiring the use of estimates relate to but are not limited to, accounting for doubtful accounts, income taxes, the carrying value of long-lived assets, asset retirement obligations, estimating the equity component of debt and stock-based compensation. Actual results may differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Mineral Properties

Mineral property acquisition, exploration and development costs are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated life of the property following commencement of commercial production, or will be written off if the property is sold, allowed to lapse or abandoned or becomes impaired.

Once commercial production has commenced, the net costs of the applicable property will be charged to operations using the unit-of-production method based on reserves. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Impairment may occur in the carrying value of the mineral interests when one of the following conditions exists:

(i) the Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;

(ii) exploration results are not promising and no more work is being planned in the foreseeable future; or

(iii) the remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, a portion of the carrying value will be written-down to net realizable value. Amounts shown for mineral properties reflect costs incurred to date, less write-downs, and are not intended to reflect present or future values.

(d) Oil and gas properties

The Company follows the full-cost method of accounting for oil and gas properties whereby all costs relating to the acquisition, exploration and development activities are capitalized. These costs include land acquisition costs, geological and geophysical expenses, the cost of drilling both productive and non-productive wells and directly related overhead. Proceeds from the disposal of properties are deducted from the full cost pool without recognition of a gain or loss unless such a sale would significantly alter the rate of depletion and depreciation. Upon commercial production, the related accumulated costs are amortized against future income using the unit-of-production method based on production volumes before royalties in relation to total estimated proved reserves as determined by independent engineers.

(e) Depletion and Depreciation

Depletion of petroleum and natural gas properties is provided for each cost center using the unit-of-production method based on production volumes before royalties in relation to total estimated proved reserves as determined by independent engineers calculated in accordance with National Instrument 51-101. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

The costs of acquiring and evaluating unproved properties are excluded from depletion calculations. Properties are assessed periodically to ascertain whether impairment has occurred. When a property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

The Company applies a ceiling test to capitalized costs to ensure that such costs are recoverable and do not exceed their fair value. The test is applied in a two-stage process. The first stage requires the carrying amounts of cost centres to be tested for recoverability using undiscounted future cash flows from proved reserves and management's best estimate of forward indexed prices. When the carrying amount of a cost centre is not recoverable, the second stage of the process will determine the impairment whereby the cost centre would be written down to its fair value. The second stage requires the calculation of discounted future cash flows from proved plus probable reserves. The fair value is estimated using accepted present value techniques, which incorporate risks and other uncertainties when determining expected cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property and equipment

Computer, furniture and equipment are recorded at cost and are amortized using the declining balance method at 30% per annum. Leasehold improvements are amortized on a straight-line basis over five years. Property, equipment and software are amortized at one half the amortization rate in year of acquisition.

(g) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(h) Stock-based compensation

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". The fair values of all share purchase options granted are expensed over their vesting periods with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the related amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

(i) Share and debt issue costs

Direct costs relating to the issuance of shares are charged directly to share capital. Direct costs relating to debt financing are deferred and amortized over the life of the debt.

(j) Flow-through Shares

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and the shareholders' equity is reduced. The Company has not issued flow through shares in 2007 or 2006.

If the Company has sufficient unused tax loss carryforwards or other assets to offset all or part of this future income tax liability and these future income tax assets have not been previously recognized, a portion of such unrecognized tax assets is recorded as income up to the amount of the future income tax liability that would otherwise be recognized on the renounced expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign currency translation

The accounts of the Company are expressed in Canadian dollars. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Other balance sheet items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Translation gains and losses relating to monetary items are included in operations.

The Company's US subsidiary is considered an integrated subsidiary which is financially and operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated US operation into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

(l) Revenue Recognition

Revenues from the sale of oil and gas production are recognized when title passes, net of royalties. The Company may have interest with other producers in certain properties, in which case the Company uses the sales method to account for gas imbalances. Under this method, revenue is recorded on the basis of gas actually sold by the Company.

(m) Income (loss) per share

Income (loss) per share is calculated using the weighted-average number of common shares outstanding during the year. The treasury stock method is used in the calculation of diluted earnings per share. Diluted earnings per share are computed using the weighted-average number of common and common equivalent shares outstanding during the year. Common equivalent shares consist of the incremental common shares exercisable upon the exercise of stock options and are excluded from the computation if their effect is anti-dilutive.

(n) Long-Lived Assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's records an impairment loss in the period when it is determined that the carrying amount of the assets may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the undiscounted estimate of future cash flows from the asset.

(o) Asset Retirement Obligations

Effective January 1, 2004, the Company adopted a new Canadian accounting standard for asset retirement obligations. Under the new standard, the Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of the Company's oil and gas properties, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is accreted for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Actual costs to retire oil and gas properties are deducted from the accrued liability as these costs are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Joint Interests

Substantially all of the Company's exploration, development and production related to oil and gas activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(q) Comparative figures

Comparative figures have been reclassified, where applicable, to conform to the current period's presentation.

3. OIL AND GAS PROPERTIES

Gordon Creek Natural Gas Project

On March 13, 2006 the Company acquired a 50% working interest, subject to varying royalties, in a producing natural gas field in Carbon County, Utah known as the Gordon Creek Project for U.S. $1,500,000. The field comprises 5,953 gross acres (4,879 net acres) with four gas wells currently producing and four wells that are shut in, as well as a gathering system and pipelines. The Project is jointly operated by the Company and the party that holds the other 50% working interest and is accounted for as a joint venture.

Cumulative acquisition and exploration costs for Gordon Creek are as follows:

2007		
Balance, Beginning of Year	$	-
Deferred during the year		
Asset retirement obligation		16,894
Geological contractors and consulting		6,300
Leases and property		455,649
Legal		14,661
Production equipment		1,287,351
Travel and accommodation		6,944
		1,787,799
Less - Depletion		(140,095)
Balance, End of Year	$	1,647,704

Concurrent with the acquisition of the 50% working interest in the Gordon Creek project described above, Fellows Energy, Ltd. ("Fellows") acquired the other 50% interest. Fellows is a U.S. public company that has one member of its board of directors in common with the Company. Fellows received U.S. $750,000 of its financing for the acquisition from a private British Columbia Company called Black Tusk Entertainment Ltd. ("BTE"). Thunderbird Energy Inc., a wholly-owned subsidiary of fhe Company, agreed to guarantee the BTE loan to Fellows and share 50% of a 5% over riding royalty payable to BTE on production from the 8 wells currently drilled on the property. BTE also has the option to participate as to a 10% working interest in future drilling on the property. Three directors of the Company provided a portion of the BTE loan.

Thunderbird Energy Inc. also agreed to provide a guarantee of up to U.S. $500,000 to be provided to Fellows Energy Ltd. by an individual. The Company is co-guarantor to this second loan. The lender of the second loan will receive a 2% overriding royalty interest in the Gordon Creek project. In addition, the lender of the second loan will receive 50,000 shares of Fellows.

3. OIL AND GAS PROPERTIES (continued)

Gordon Creek Natural Gas Project (continued)

In the event that the second loan is increased by a further $500,000 to $1,000,000, Fellows will grant the lender an additional 1.5% overriding royalty interest.

The lenders of these loans have a first charge over the Gordon Creek Project.

The Company's proportionate share of its interest in and results from the Gordon Creek LLC as at and for the year ended January 31, 2007:

		2007
Assets	$	127,139
Liabilities		(129,338)
Joint Venture Deficit	$	(2,199)

		2007
General, administration and selling	$	1,802
Other income		(1,253)
Operating Expenses		1,650
Net loss	$	2,199

Rush County, Kansas Oil and Gas Project

On November 7, 2006 the Company entered into a development agreement with an unrelated party to acquire a 50% working interest, subject to royalties and back in interests in six oil and gas wells and associated spacing units in Rush County, Kansas. The Company funded 100% of the cost of three wells in order to earn its 50% working interest in all six wells. The Company will hold the option to earn up to a 100% working interest in subsequent wells to be drilled on the project as well as projects in neighbouring counties.

Cumulative acquisition and exploration costs for the Rush County Project are as follows:

2007		
Balance, Beginning of Year	$	-
Deferred during the year		
Asset retirement obligation		10,812
Drilling		1,099,812
Geological contractors and consulting		2,625
Travel and accommodation		1,827
		1,115,076
Less - Depletion		(87,369)
Balance, End of Year	$	1,027,707

3. OIL AND GAS PROPERTIES (continued)

Dover and Gautreau Oil and Gas Project (continued)

On August 18, 2004 the Company entered into an oil and gas farm-in agreement with Contact Exploration Inc. (TSX-V: CEX) of Calgary, Alberta whereby the Issuer earned a 50% working interest in the Dover and Gautreau oil and gas prospects in Eastern New Brunswick by incurring 100% of the costs of drilling and completing an initial exploration well on each prospect. As of January 31, 2007, the Company decided to focus the majority of its efforts on its U.S. projects over the next year, and has therefore written off the cumulative exploration and acquisition costs of $953,371 to operations.

Cumulative exploration and acquisitions costs for Dover and Gautreau are as follows:

2007		
Balance, Beginning of Year	$	943,008
Deferred during the year		
Drilling		9,012
Geological contractors and consulting		1,351
		953,371
Impairment charge		(953,371)
Balance, End of Year	$	-

2006		
Balance, Beginning of Year	$	410,035
Deferred during the year		
Drilling		503,472
Finder’s fee		17,500
Geological contractors and consulting		7,625
Legal		1,873
Storage and other		773
Travel and accommodation		1,730
		532,973
Balance, End of Year	$	943,008

4. MINERAL PROPERTIES

Worldbeater Gold Project

The Company acquired an option from Compass Minerals NL, NSW, Australia (“Compass”) to acquire up to a 60% interest in the Worldbeater Gold Project. The Worldbeater Gold Project is located in the Panamint Ranges, near Ballarat, Inyo County, California. The Company earned a 30% interest in the project by carrying out an exploration program exceeding U.S. $500,000. As a condition of entering into the agreement with Compass, the Company posted a letter of credit in the amount of U.S. $90,000 (Cdn $103,329) for which a short-term investment in the same amount was held as collateral. The Company has relinquished its interest in the Worldbeater Gold Project and, as at January 31, 2006 had a net obligation of U.S. $100,000 relating to the reclamation requirements. This amount was accrued and charged to operations and included in accrued liabilities as at January 31, 2006. Subsequent to year end, this amount was paid to the underlying landowner who assumed the reclamation obligations. The U.S. $90,000 letter of credit (Cdn $103,329) that the Company had posted as security was cancelled and the short term investment held as collateral for the letter of credit was released to the Company.

4. MINERAL PROPERTIES (continued)

S310 Gold Property

The Company, through its wholly-owned subsidiary Thunderbird Energy Inc., (formerly Manele Bay Goldfields Inc.) ("TBI"), acquired an option to acquire a 100% interest in a group of 12 unpatented mining claims in Humboldt County, Nevada. The Company made three cash payments totalling U.S. $15,000 and issued 125,000 common shares related to this project. In order to maintain the option in good standing the Company was required to pay a further U.S. $7,500 and issue an additional 50,000 shares over each of the next two years and incur exploration expenditures of not less than U.S. $75,000 by July 31, 2006, an aggregate of not less than U.S. $200,000 by July 31, 2007 and an aggregate of U.S. $400,000 by July 31, 2008. As of July 31, 2006, the Company dropped its option to acquire the S310 property in order to focus on oil and gas exploration. Consequently, the costs associated with the property totalling $59,562 were charged to operations.

Cumulative exploration and acquisitions costs are as follows:

2007		
Balance, Beginning of Year	$	59,510
Deferred during the year		
Legal		52
		59,562
Impairment charge		(59,562)
Balance, End of Year	$	-

2006		
Balance, Beginning of Year	$	32,630
Deferred during the year		
Geological contractors and consulting		1,813
Property payments		25,067
		26,880
Balance, End of Year	$	59,510

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2007 Net carrying value	2006 Net carrying value
Computer equipment	$ 19,169	$ 12,748	$ 6,421	$ 7,363
Computer software	27,083	1,802	25,281	-
Furniture and equipment	8,683	5,966	2,717	3,882
Leasehold improvements	2,044	1,430	614	1,022
	$ 56,979	$ 21,946	$ 35,033	$ 12,267

6. ASSET RETIREMENT OBLIGATIONS

The Company follows CICA Handbook section 3110 *"Asset Retirement Obligations"*, which requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it was incurred if a reasonable estimate of fair value could be made. The asset retirement obligations have been recorded as liabilities at fair value, using a discount rate of 5% and a 3% inflation rate. The obligations relate to the restoration and closure of the Company's oil and gas properties, and are capitalized as part of the carrying amount of the long-lived asset. The total undiscounted amounts of the estimated obligations are approximately $91,000 and are expected to be incurred in fifteen years. The amounts of the liabilities are subject to re-measurement during each reporting period.

The information below reconciles the value of the asset retirement obligation for the periods presented:

	Year ended January 31, 2007	Year ended January 31, 2006
Balance, beginning of year	$ -	$ -
Liabilities incurred	27,707	-
Revision in estimated cash flows	-	-
Accretion expense	1,407	-
Balance, end of year	$ 29,114	$ -

7. CONVERTIBLE DEBENTURES

On March 13, 2006 the Company completed a private placement of two year, 10% convertible debentures in the principal amount of $1,850,000. The debentures will have a first charge over the assets of the Company. The principal amount of the debentures is convertible, at the option of the holders, into an aggregate of 10,000,000 common shares of the Company at a rate of one share for each $0.185 of principal converted. Holders of the debentures will also receive two year warrants to purchase an aggregate of 10,000,000 additional common shares at a purchase price of $0.185 per share. The debentures bear interest, which is payable quarterly. Proceeds of the placement were used to acquire the Gordon Creek Project described above. Three directors and an associate of the Company purchased a total of $960,000 principal amount of these debentures.

On November 29, 2006, the Company completed a private placement of two year, 12% convertible debentures in the principal amount of $1,325,000. The debentures will have a floating charge over the assets and undertaking of the Company, subordinate to the existing convertible debentures described above. The principal amounts of the debentures are convertible, at the option of the holders, into one common share for each $0.50 principal amount of debentures converted during the first year and one common share for each $0.60 principal amount of debentures converted during the second year. The Company will have the right to provide debenture holders with a notice of redemption in the event that the weighted average trading price of the Company's shares exceed $1.00 per share for a period of ten consecutive trading days. In such event, debenture holders will have a further period of ten trading days within which they can elect to convert their debentures, prior to redemption. The debentures bear interest, which is payable quarterly. Proceeds of the placement were used to fund drilling of the Rush County Kansas wells described above. Three directors of the Company each purchased $200,000 principal amount of these debentures.

In accordance with EIC-158 and CICA 3860, the Company has separately valued the conversion option and the warrants on each issuance from the convertible debentures. The liability component represents the present value of the principal payment of the debentures and the future interest payments and the equity component represents both the fair value of the holder's conversion feature and the warrants. The convertible debenture discount is accreted to interest expense over the term of the loan. The majority of issuance costs of $62,000 related to the convertible debentures are included in deferred financing charges and are amortized over the term of the convertible debenture. As of January 31, 2007, a total of $8,655 of issue costs had been amortized. The remaining amount of financing charges has been allocated to the equity portion of the convertible debentures.

7. CONVERTIBLE DEBENTURES (continued)

Balance, January 31, 2006	$ -
Face value of convertible debentures issued during the year	3,175,000
Equity component	(132,536)
Liability portion	3,042,464
Accretion up to face value	35,302
Liability portion of convertible debentures	3,077,766
Less current portion	(344,000)
Balance, January 31, 2007	$ 2,733,766

The $132,536 equity component was recorded as follows:

Allocated to contributed surplus representing fair value of warrants	$ 32,466
Allocated to equity amount of debentures (gross of issue costs of $2,837)	100,070
	$ 132,536

8. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issued

	Common shares		Treasury Stock	
	Number of Shares	Amount	Number of Shares	Amount
Balance, January 31, 2005	18,721,498	$ 11,155,592	(6,826)	$ (40,928)
Shares issued for mineral property [note 3]	50,000	16,000	-	-
Balance, January 31, 2006	18,771,498	$ 11,171,592	(6,826)	$ (40,928)
Private Placement				
Shares issued for cash	4,000,000	400,000	-	-
Share issue costs		(2,500)	-	-
Warrants exercised	1,745,000	299,550	-	-
Balance, January 31, 2007	24,516,498	$ 11,868,642	(6,826)	$ (40,928)

Private Placement

On April 4, 2006 the Company completed a private placement of 4,000,000 units at $0.10 per unit for gross cash proceeds of $400,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at price of $0.15 per share. The warrants associated with this private placement expire April 4, 2007 and were exercised subsequent to year end (note 14(b)). Proceeds of the placement were used for working capital.

8. SHARE CAPITAL (continued)

Warrants exercised

During the year, 665,000 and 1,080,000 of warrants were exercised by directors of the Company at a price of $0.15 and $0.185, respectively.

(c) Contributed Surplus

Contributed surplus is comprised of the following:

2007		
Balance, Beginning of Year	$	390,775
Convertible debentures - equity portion (note 7)		32,466
Convertible debenture issue costs - equity portion		(172)
Stock-based compensation expense [(d) below]		202,375
		234,669
Balance, End of Year	$	625,444

(d) Stock-based compensation plans

The Company has established a Share Option Plan (the "option plan") which provides for options to purchase common shares to be granted by the Company to directors, officers, employees and consultants of the Company. At the date options are granted, the exercise price for an option shall not be less than the fair value of common shares of the Company. Options vest over a period of 18 months. The maximum number of common shares issuable under the plan is 4,500,000.

The following assumptions were used for the Black-Scholes model:

	2007	2006
Dividend yield	0%	0%
Interest rate	4.22% - 4.24%	3.85%
Expected life (in years)	5 years	5 years
Expected volatility	102.00%	70.00%

The weighted average fair value at the date of grant for stock options is as follows:

		2007		2006
Weighted average fair value per share	$	0.19	$	-
Total options granted		2,470,000		
Total weighted average fair value of options granted	$	391,916	$	-

For the year ended January 31, 2007, the Company recorded stock-based compensation of $202,375 (2006 - $138,394).

8. SHARE CAPITAL (continued)

(d) Stock-based compensation plans (continued)

A summary of the status of the Company's stock option plan as of January 31, 2007 is presented below.

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2005	2,150,000	$ 0.38
Cancelled	(70,000)	0.45
Cancelled	(25,000)	0.15
Balance, January 31, 2006	2,055,000	0.38
Issued	1,720,000	0.25
Issued	100,000	0.22
Issued	650,000	0.30
Cancelled	(25,000)	0.55
Cancelled	(250,000)	0.45
Cancelled	(400,000)	0.30
Balance, January 31, 2007	3,850,000	$ 0.31

The following table summarizes the stock options outstanding at January 31, 2007:

Options outstanding					Options exercisable	
Exercise price	Number of shares	Expiry Date	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.55	275,000	August 2008	1.52	$ 0.55	275,000	$ 0.55
$ 0.45	405,000	April 2009	2.22	$ 0.45	405,000	$ 0.45
$ 0.30	1,100,000	July 2009	2.45	$ 0.30	1,100,000	$ 0.30
$ 0.25	1,720,000	April 2011	4.18	$ 0.25	860,000	$ 0.25
$ 0.22	100,000	April 2011	4.18	$ 0.22	50,000	$ 0.22
$ 0.30	250,000	July 2011	4.48	$ 0.30	125,000	$ 0.30
	3,850,000		3.31	$ 0.31	2,815,000	$ 0.33

(e) Share purchase warrants

The following table summarizes the warrants outstanding at January 31, 2007:

	Exercise Price	Number of warrants	Weighted average exercise price	Expiry	Weighted average remaining life
Balance, January 31,2005	$ 0.250	5,000,000	$ 0.250	December 31, 2005	
Expired	$ 0.250	(5,000,000)	$ 0.250		
Balance, January 31, 2006		-	-		
Issued	$ 0.185	10,000,000	$ 0.185	March 18, 2008	0.13
Issued	$ 0.150	4,000,000	$ 0.150	April 4, 2007	0.17
Issued	$ 0.500	60,000	$ 0.500	December 20, 2007	0.83
Exercised	$ 0.150	(665,000)	$ 0.150		
Exercised	$ 0.185	(1,080,000)	$ 0.185		
Balance, January 31, 2007		12,315,000	$ 0.177		2.13

8. SHARE CAPITAL (continued)

(e) *Share purchase warrants (continued)*

Pursuant to a private placement completed in December 2004, the Company issued warrants to purchase 5,000,000 common shares at a price of $0.25 per share. The warrants associated with this private placement expired unexercised December 16, 2005.

Pursuant to the issuance of convertible debentures completed in March 2006 (note 7), the Company issued warrants to purchase 10,000,000 common shares at a price of $0.185 per share until March 13, 2008. As of January 31, 2007, 1,080,000 were exercised.

Pursuant to a private placement completed in April 2006, the Company issued warrants to purchase 4,000,000 common shares at a price of $0.15 per share until April 4, 2007. As of January 31, 2007, 665,000 were exercised and the balance were exercised subsequently (note 14(b)).

Pursuant to the issuance of convertible debentures completed in November 2006 (note 7), the Company issued broker warrants to purchase 60,000 common shares at a price of $0.50 per share until December 20, 2007. As of January 31, 2007 none were exercised.

9. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed include the following:

		2007		2006
Consulting fees paid or accrued to directors during the year	$	62,500	$	40,000
Accounting fees, office reception, rent and office supplies paid or accrued to a company with common directors		55,444		15,520

10. FINANCIAL INSTRUMENTS

(a) *Fair value*

The Company had financial instruments which include cash, amounts receivable, accounts payable, accrued liabilities, due to related parties, short term debt and convertible debentures. The carrying value of these financial instruments approximated fair value at January 31, 2007 and 2006 due to their short term to maturity.

(b) *Price risk*

The Company undertakes transactions denominated in United States dollars and as such is exposed to price risk due to fluctuations in foreign exchange rates. The Company does not use derivative instruments to reduce its exposure.

11. INCOME TAXES

In assessing the realization of the Company's future income tax assets, management considers whether it is more likely than not that some portion or all of the Company's future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. It is management's opinion that the Company's future tax assets are unlikely to be realized. Based upon this assessment, the Company has provided fully against these assets.

The significant components of the Company's future tax assets are as follows:

	2007	2006
Future income tax assets:		
Non-capital losses	$ 975,192	$ 843,000
Capital losses	563,073	563,073
Resource pools	429,220	153,000
Property, equipment and other	4,502	5,517
Total gross future income tax asset	1,971,987	1,564,590
Valuation allowance	(1,971,987)	(1,564,590)
Net future tax asset	$ -	$ -

As at January 31, 2007, the Company has non-capital loss carryforwards in Canada and the U.S. of approximately $2,863,685, which are available to offset future taxable income. These non-capital loss carryforwards expire as follows:

	Canada
2008	$ 603,000
2009	34,000
2010	186,000
2011	605,000
2015	38,500
2026	339,360
2027	1,057,805
	$2,863,665

a) Canadian Exploration Expenditures of $543,336 (2006 - $532,973) can be deducted against future year's taxable income.

b) Foreign exploration and development expenses of $776,098 (2006 - $862,331) are fully deductible against foreign mineral profits or 10% of taxable income in any given year.

c) U.S. resource property expenditures of $2,615,229 which will be amortized over a 60-month period against US income.

d) The Company has a capital loss of $3,300,000 available to reduce future years' capital gains.

The value of these tax assets has been reduced to $Nil because of a valuation allowance.

12. COMMITMENT

The Company sub-leases its office premises for which minimum lease payments are due to September 30, 2011:

Fiscal	Amount
2008	$ 30,666
2009	30,666
2010	31,208
2011	32,290
2012	21,527
	$ 146,357

13. SEGMENTED INFORMATION

The Company operates in two industries and two geographic segments, being Canada and the United States. The accounting policies of the segments are the same as those described in note 2.

	Canada	United States		Total
	Oil & Gas	Oil & Gas	Mineral Exploration	
2007				
Revenue	-	422,711	-	422,711
Depletion, depreciation, amortization and accretion	5,808	228,871	-	234,679
Impairment loss on mineral properties	953,371	-	59,562	1,012,933
Segment operating loss	(1,050,674)	(939,091)	(59,562)	(2,049,327)
Segment assets	119,945	2,880,775	-	3,000,720
2006				
Revenue	-	-	-	-
Amortization	2,614	-	2,614	5,228
Impairment loss on mineral properties	-	-	131,699	131,699
Segment operating loss	(217,315)	-	(214,371)	(431,686)
Segment assets	971,700	-	162,838	1,134,538

14. SUBSEQUENT EVENTS

Subsequent to the year the Company has:

a) completed a brokered private placement of 3,499,832 units (“Units”) of the Company at a price of $0.30 per Unit, each Unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant is exercisable to purchase one common share of the Company at a price of $0.50 per share until March 16, 2008. The selling brokers received a cash commission equal to 8% of the gross proceeds from the sale of the Units, and broker’s warrants exercisable to purchase 349,983 additional Units at a price of $0.30 per until March 16, 2008;

b) issued 3,335,000 shares pursuant to warrants exercised at a price of $0.15 per share for proceeds totalling $500,250. The warrants were issued as part of the April 4, 2006 private placement described in Note 8(b). Directors and other related parties exercised 1,975,000 of the warrants for proceeds of $296,250;

c) granted 300,000 stock options to an employee of the Company at an exercise price of $0.30 expiring in February 2012.

14. SUBSEQUENT EVENTS (continued)

d) the Company signed a tentative offer to acquire oil and gas parcels for US$385,000. This acquisition is subject to due diligence by the Company and was pending finalization as at January 31, 2007.

THUNDERBIRD ENERGY

YEAR ENDED JANUARY 31, 2007
MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW AND HIGHLIGHTS

Thunderbird Energy Corp. (the "Company" or "Thunderbird") is a Canadian based natural resource company focused on the exploration, exploitation, acquisition and production of natural gas and crude oil, primarily in the United States. The Company operates a producing natural gas field in Carbon County Utah, known as the Gordon Creek field, and holds a 50% interest in a producing light oil project located in Rush County Kansas. Thunderbird's other holdings include an oil and gas exploration project adjacent to the Stoney Creek field in New Brunswick, Canada.

Thunderbird has also recently acquired the right to purchase a 50% interest in a 19,000 exploration project in Weston County, Wyoming, as well as the right to double the land position at the Gordon Creek field.

During fiscal 2007 the Company underwent a significant transition as it moved from an exploration company to a company with two producing assets. The Company had no production revenues during the prior year and had no reserves as of its January 31, 2006 year end.

The Gordon Creek natural gas project was acquired effective February 1, 2006 and the results of operations reflect income from the project for the full year. Preliminary workover operations were conducted during the second and third quarters, the costs of which were fully expensed during the year.

The Company participated on a 50% working basis in an initial seven well drilling program which commenced in December 2006. Five of the initial seven wells were successfully drilled and two commenced production in January 2007. Accordingly, the Company recognized revenues from this project for less than one month.

MHA Petroleum Consultants, Inc. of Denver, Colorado prepared a reserves report (the "MHA Report" on the Company's oil and gas interests in accordance with NI 51-101 effective January 31, 2007. Specifically, MHA's report covers Thunderbird's 50% interest in the Gordon Creek natural gas project and its 50% working interest in the Rush County, Kansas light oil project. MHA estimated the Company's total proved and probable (2P) reserves at 10,297 MMCF of natural gas and 195,000 barrels of oil (1,170 MCFE) representing a ration of approximately 10% oil and 90% gas. The MHA Report estimated the Net Present Value of Future Net Revenue discounted at 10% (PV10) of the Company's combined oil and gas interests as of January 31, 2007 at US$19.3 million, using forecasted prices and costs.

PRODUCTION SUMMARY

	Year ended January 31		**Quarter ended January 31**	
	2007	**2006**	**2007**	**2006**
Production:				
Natural gas (mcf)	99,265	-	22,205	-
Oil (bbls)	631	-	631	-
Total (mcfe) (1:6)	103,051	-	25,991	-
Average realized price:				
Natural gas ($/mcf)	3.96	-	4.13	-
Oil ($/bbls)	46.85	-	46.85	-
Combined average ($/mcfe)	4.10	-	4.66	-
Production split				
Natural gas (%)	96%	-	85%	-
Oil (%)	4%	-	15%	-

This Management's Discussion and Analysis (MD&A) of the consolidated financial position and results of operations of Thunderbird Energy Corp. (Thunderbird or the Company), which includes its subsidiaries and partnership arrangements, was prepared as of May 29, 2007, and is for the year ended January 31, 2007 and 2006. For a full understanding of the financial position and results of operations of the Company, the MD&A should be read in conjunction with the documents filed on SEDAR, including historical financial statements and press releases. These documents are available at www.sedar.com. The selected financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting principles, and are expressed in Canadian dollars, unless otherwise noted.

Thunderbird's Board of Directors and Audit Committee have reviewed and approved the financial statements and MD&A.

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statement". All statements in this discussion, other that statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially form those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Petroleum and natural gas reserves and volumes are converted to a common unit of measure, referred to as a mcfe (thousand cubic feet equivalent), on the basis of 1 bbls of oil being equivalent to 6 thousand cubic feet of natural gas.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial data as of and for the years ended January 31, 2007, 2006 and 2005. This data was derived from our audited annual consolidated financial statements.

Balance Sheet	**Quarter ended January 31, 2007**	**As at January 31, 2007**	**As at January 31, 2006**	**As at January 31, 2005**
Current assets	238,372	238,372	119,753	475,788
Other assets	2,762,348	2,762,348	1,014,785	571,580
Total assets	**3,000,720**	**3,000,720**	**1,134,538**	**1,047,368**
Current liabilities	536,504	536,504	412,827	48,365
Other liabilities	2,762,880	2,762,880	-	-
Total liabilities	**3,299,384**	**3,299,384**	**412,827**	**48,365**

	Quarter ended January 31, 2007	**Year ended January 31, 2007**	**Year ended January 31, 2006**	**Year ended January 31, 2005**
Revenues	**$ 121,171**	**$ 422,711**	**$ -**	**$ -**
Direct costs	96,688	309,474	-	-
Gross operating income	**24,483**	**113,237**	**-**	**-**
Expenses				
General and administrative	141,932	488,294	157,669	347,272
Interest charges	69,595	189,718	-	
Convertible debenture accretion	16,749	35,300		
Depletion, depreciation and amortization	164,386	234,679	5,228	6,974
Impairment loss on oil and gas properties	953,371	953,371	131,699	961,407
Impairment loss on mineral properties	-	59,562	-	-
Stock-based compensation	202,375	202,375	138,394	231,740
Interest (income)	(1)	(735)	(1,304)	(538)
	1,548,407	**2,162,564**	**431,686**	**1,546,855**
Net Loss	**$ (1,523,924)**	**$ (2,049,327)**	**$ (431,686)**	**$ (1,546,855)**
Basic and diluted loss per share	(0.06)	(0.09)	(0.02)	(0.11)
Weighted-Average Shares Outstanding	24,516,000	22,893,000	18,737,000	14,379,000

Operations

During the 2007 fiscal year, the Company commenced production on its first producing oil and natural gas wells from its properties in Gordon Creek, Utah and Rush County, Kansas. Gordon Creek natural gas revenues represent 93% of total revenues, or $393,151, while the Rush County oil revenues represent the remaining 7%. The first month of reported revenues for Rush County was January 2007. Thunderbird had no production from oil or gas wells in 2006 or 2005.

Operating expenses include all normal operating costs, as well as workover costs for both the Gordon Creek project and the Rush County project. Gordon Creek expenses were 98% of the total operating expenses at $302,880, while Rush County operating expenses were $6,594. Fiscal 2007 was the first year Thunderbird commenced commercial production; therefore there were no operating expenses in either fiscal 2006 or 2005. There were also no expensed research and development costs during the last two years.

General and administrative

General costs include such items as office rent, accounting fees, legal fees, professional and consulting fees, filing fees, transfer agent fees, travel costs, advertising and promotions, debt issue costs, investor relations, and foreign exchange gain or loss, as well as general office expenses. G&A expenses increased 210% for the fiscal year ended January 31, 2007 to $488,294 from $157,669 in the previous fiscal year. This increase reflects an increased level of activity caused by the purchases of the Gordon Creek and Rush County properties during the year. Increases in specific categories are detailed below:

> *Advertising and promotions* increased from $0 to $6,466 in the January 31, 2007 fiscal year due to increased costs in printing, brochures and presentations to potential investors. *Debt issue costs* increased from $0 to $8,655 due to the issuance of convertible debentures during the year and the related accretion of issue costs. *Investor relations* increased from $778 in the January 31, 2006 year-end to $75,959 due to a monthly retainer paid to an investor relations firm to promote the Company, and amounts paid to a company involved in Thunderbird's listing on the Frankfurt stock exchange. *Conferences, travel* and *meals* increased to $62,462 from $4,183 in the 2006 fiscal year due to increased travel to the U.S. related to the Gordon Creek and Rush County properties, and the Company's Frankfurt stock exchange listing. In 2007, the Thunderbird also incurred increased *Legal*, *Accounting, Transfer Agent* and *Filing Fee* costs due to both the purchase of oil and gas properties during the year, the various financings undertaken during the year as described below in "Liquidity and Capital Resources" and the increase in activity during the year.

Interest charges and Convertible debenture accretion

Interest charges relate to the March 2006 issuance of $1,850,000 of convertible debentures with an interest rate of 10% paid quarterly, and the November 2006 issuance of $1,325,000 of convertible debentures with an interest rate of 12%, also paid quarterly, both of which are detailed more fully below in "Liquidity and Capital Resources". In accordance with CICA 3860, the principal payments of the debentures are recorded at fair value. The convertible debenture accretion represents the convertible debenture discount that is accreted to interest expense over the term of the loan.

Depletion, depreciation and amortization

Depletion, depreciation, amortization and asset abandonment accretion increased in the January 31, 2007 fiscal year due to the commencement of commercial oil and gas production during the year. The Company follows the full-cost method of accounting for oil and gas properties, whereby all capitalized costs relating to the acquisition, exploration and development of oil and gas activities are amortized against future income using the unit-of-production method. This method is based on production volumes before royalties in relation to total estimated proved reserves as determined by independent engineers.

Impairment loss on oil and mineral properties

During the year, Thunderbird dropped its option to acquire the *S310 Gold* project (as described below in "Resource Properties", and subsequently wrote down $59,562 of capitalized expenditures related to the project, in order to focus its efforts and resources on its energy related assets. The Company also decided to write-down $953,371 in capitalized expenditures on the *Dover and Gautreau* project based in New Brunswick in order to focus its efforts on its U.S. based projects. *Dover and Gautreau* had not incurred any significant expenditures in the 2007 fiscal year.

Stock-based compensation

The Company granted 2,470,000 of stock options during the year priced between $0.22 and $0.30 to officers, directors and employees. In accordance with CICA handbook section 3870, the fair value of the stock options granted are expensed over their vesting period with a corresponding increase to contributed surplus. Using the Black Scholes model for valuing shares, TBD assumed a volatility rate of 102%, an expected life of 5 years, a risk-free rate between 4.22% and 4.24%, and a 0% dividend yield.

RESOURCE PROPERTIES

Gordon Creek, Utah

On March 13, 2006 the Company acquired a 50% working interest, subject to varying royalties, in a producing natural gas field in Carbon County, Utah known as the Gordon Creek Project for U.S. $1,500,000. The field comprises 5,953 gross acres (4,879 net acres) with four producing natural gas wells (1.625 net wells) and four shut in wells (1.5 net wells). The Gordon Creek field also includes an associated gas gathering system consisting of 10 km of pipeline and a scaleable compression facility that services the project as well as adjacent production. Gas is marketed into a transmission pipeline operated by Questar Gas Resources that crosses the project acreage. The property is adjacent to the Drunkard’s Wash natural gas field which is presently owned and operated by Conocco/Phillips and produces over three billion cubic feet of gas per month.

No exploration activity was carried out on the Gordon Creek project during the year. Preliminary workover operations were conducted on certain of the producing wells during the year which were funded through cash flow from operations. None of these expenditures were capitalized and all were fully expensed during the year. During the initial part of fiscal 2008 the Company will focus its activities on conducting workovers of the existing producing wells and certain of the shut in wells. Permits have been received to drill an initial six wells on the property. Of the six permitted wells, three would be considered development wells and the Company’s intention is to drill these three wells first.

Thunderbird has entered into an agreement, subject to due diligence, to expand the Gordon Creek land position by acquiring a 50% working interest in approximately 5,000 acres located adjacent to and immediately North of the Gordon Creek prospect.

Rush County, Kansas

During 2006 the Company entered into a farm in arrangement with EHM Energy Inc. (“EHM”) whereby the Company participated in a drilling program targeting Arbuckle formation light oil, in Rush County, Kansas. The Company will pay 50% of the drilling costs for up to ten initial wells and thereby earn a 50% working interest in the wells. EHM will retain a 10% net profits interest in the initial drilling program which will progressively increase to 40% of net profits and a 2.5% overriding royalty once Thunderbird has recovered 250% of its drilling costs.

All the Company’s oil reserves are attributable to the Rush County, Kansas project.

During the year ended January 31, 2007 the Company incurred exploration costs of U.S. $940,000 by funding 50% of the costs of drilling six wells (three net wells). Two of the wells (one net well) were completed as oil producers in January 2007, two wells (one net well) were abandoned, and two wells (one net well) were awaiting completion as oil wells as of the year end. Subsequent to the year end, one additional well (0.5 net to the Company) was successfully drilled. The Company is currently assessing additional drilling opportunities in Rush County and in surrounding counties in Kansas.

Weston County, Wyoming

Subsequent to the year end, the Company entered into an agreement to acquire a 50% interest in approximately 19,000 acres in Weston County, Wyoming, subject to the completion of due diligence. The Company feels that these lands are prospective for oil and natural gas and may initiate an exploration program on these lands during the latter half of the year, following a complete technical review.

Dover and Gautreau, New Brunswick

Thunderbird holds a 50% working interest in the 2500 acre Dover/Gautreau oil and gas prospect in Eastern New Brunswick, which was earned by incurring 100% of the costs of drilling and completing an initial exploration well in fiscal 2006. Thunderbird's working interest is shared with Contact Exploration Inc. (TSX-V: CEX) of Calgary, Alberta. The Dover/Gautreau prospect is adjacent to the Stoney Creek field which produced approximately one million barrels of oil and thirty billion cubic feet of gas from 1909 to 1990. Contact Exploration has conducted an extensive seismic program in the Stoney Creek region over the last two years and has drilled two horizontal wells. Additional wells are planned for Stoney Creek and for neighboring properties in the future.

Although the initial well encountered both oil and natural gas, flows rates and pressures were not sufficient, to be considered economic and no reserves have been assigned. Further stimulation techniques are being considered. The Company is not planning any immediate exploration on the Dover/Gautreau property pending the results of further work by Contact Exploration and other companies in the area. Consequently, Thunderbird decided to write-down $953,371 in capitalized expenditures as at January 31, 2007 and will focus its efforts over the next year on its U.S. based properties as well as new opportunities.

S310, Nevada

On September 29, 2004 the Company optioned a 100% interest in a group of eleven unpatented lode mining claims (the "S310 Property") adjacent to the Sleeper Gold Mine in Humboldt County, Nevada. To date, the Company has made cash payments of U.S. $15,000 and issued 125,000 common shares in connection with the acquisition. The Company did not incur any exploration expenditures on this property during the year and effective July 31, 2006, dropped its option to acquire the S310 Gold prospect in order to focus its efforts and resources on its energy related assets.

Worldbeater, California

On November 5, 2002 the Company entered into an agreement with Compass Minerals Ltd., ("Compass"), whereby the Company had the option to acquire up to a 60% interest in the Worldbeater Gold Project. During the 2006 fiscal year, Thunderbird relinquished its interest in the project, accruing U.S. $100,000 relating to the reclamation requirements. In 2007, this amount was paid to the underlying landowner who assumed the reclamation obligations. The U.S. $90,000 letter of credit (Cdn $103,329) that the Company had posted as security was cancelled and the short term investment held as collateral for the letter of credit was released to the Company.

RESERVES DATA

MHA Petroleum Consultants ("MHA"), a firm of independent petroleum engineers, evaluated the Company's reserves as of January 31, 2007. All of Thunderbird's reserves are located within the continental United States. The reserve estimates contained in the MHA Report were developed using public geological and engineering data as well as certain factual data supplied by Thunderbird. Reserve estimates are inherently imprecise and remain subject to revisions based on production history, results of additional exploration and development drilling results of secondary and tertiary recovery applications, prevailing oil and natural gas prices, and other factors.

Summary of Thunderbird Energy Oil & Natural Gas Reserves
As of January 31, 2007
Forecast Prices and Costs – BFIT ($USD)

Reserve Category	Oil Gross, MBBL	Oil Net, MBBL	Gas Gross, MMCF	Gas Net, MMCF
Proved Reserves				
Proved Developed Producing	16.1	12.8	251.2	202.8
Proved Developed Non-Producing	16.4	13.1	516.5	451.9
Proved Undeveloped	32.8	26.2	2,840.7	2,485.6
Total Proved Reserves (1P)	65.3	52.1	3,608.4	3,140.3
Probable Reserves	178.5	143.0	8,224.8	7,157.5
Total Proved + Probable Reserves (2P)	243.8	195.1	11,833.2	10,297.8
Possible Reserves	276.0	220.8	11,737.6	4,621.7
Total Proved + Probable + Possible Reserves (3P)	519.8	415.9	25,300.9	21,998.8

Reserve Category	Net Present Value Discounted at %/year 0% MM$	5% MM$	10% MM$	15% MM$	20% MM$
Proved Reserves					
Proved Developed Producing	1.129	0.987	0.884	0.806	0.743
Proved Developed Non-Producing	1.794	1.415	1.155	0.967	0.827
Proved Undeveloped	5.291	3.456	2.223	1.360	0.734
Total Proved Reserves (1P)	8.214	5.858	4.262	3.133	2.304
Probable Reserves	27.391	19.432	15.069	11.956	9.604
Total Proved + Probable Reserves (2P)	35.605	25.290	19.331	15.089	11.908
Possible Reserves	63.802	46.452	38.754	33.499	29.564
Total Proved + Probable + Possible Reserves (3P)	99.407	71.742	58.085	48.588	41.472

Demand for natural gas has traditionally been highly cyclical and somewhat predictable. Demand for and pricing of natural gas has traditionally been highest during the coldest months of winter and lowest during the warmest months of summer. The primary driver for this cyclicality is the need for residential and commercial heating. As expected, heating requirements are highest during the coldest months and lowest during the warmest months. Because natural gas is increasingly being used to generate electricity increased electrical demand often means increased natural gas demand and pricing. This results in a smaller spike in natural gas demand during the warmest months of the year as electrical demand for space cooling increases. Accordingly, the spring and fall “shoulder seasons” are typically becoming the periods of lowest natural gas prices. The magnitude of this summer spike in natural gas prices is expected to increase in future years as natural gas continues to replace coal as a clean source of electrical power generation.

Natural gas prices underwent considerable fluctuation during fiscal 2007 and, in accordance with historical cycles, have generally trended lower from highs of $9 to $10 per Mcf at the start of the fiscal year to a low of approximately $3 to $4 during the 3rd quarter. In the fourth quarter, prices recovered to the $7 to $8 range.

RISKS AND TRENDS

Oil and natural gas operations involve many risks that even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Thunderbird depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Thunderbird may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Thunderbird's reserves will depend not only of the Company's ability to explore and develop any properties it may have form time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by Thunderbird.

Thunderbird's principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the required capital programs. The Company's need for capital is both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-tem assets, while the acquisition and development of oil and natural gas properties require large amounts of long-term capital. Thunderbird anticipates that future capital requirements will be funded through a combination of internal cash flow, debt and/ or equity financing. There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements. If any components of the Company's business plan are missing, the Company may not be able to exercise the entire business plan.

Although Thunderbird has no set policy concerning financial instruments, the management of Thunderbird may use financial instruments to reduce corporate risk in certain situations. Thunderbird currently has no hedging commitments in place and has no present intention to implement any hedging commitments.

These risk factors should not be construed as exhaustive. There are a numerous factors, both know and unknown, that could cause results or events to differ materially from forecast results.

OUTLOOK

During fiscal 2007 Thunderbird established itself as a producer of both oil and natural gas and has assembled a significant land holding in the Rocky Mountain region of the United States.

The Company's objectives for 2007 are to maximize the exploration and development opportunities at the Gordon Creek Project in Utah, as well as the opportunities surrounding the Rush County Kansas light oil project. The Company will also continue to seek out new acquisition opportunities which have the potential to substantially add to the Company's cash flows and reserves.

Thunderbird has secured the right to acquire a significant land position in Weston County, Wyoming and is also reviewing a number of other opportunities in the Western and Central United States.

QUARTERLY RESULTS

Balance Sheet:	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Current assets	238,372	129,314	41,520	200,959	119,753	5,851	16,855	86,189
Other assets	2,762,348	2,704,465	2,755,384	2,775,577	1,014,785	1,135,797	1,109,953	1,044,864
Total assets	**3,000,720**	**2,833,779**	**2,796,904**	**2,976,536**	**1,134,538**	**1,141,648**	**1,126,808**	**1,131,053**
Current liabilities	536,504	239,393	320,538	246,059	412,827	242,722	225,902	178,336
Other liabilities	2,762,880	1,636,865	1,629,605	1,622,556	-	-	-	-
Shareholders' equity	(298,664)	957,521	846,761	1,107,921	721,711	898,926	900,906	952,717
Total equity and liabilities	**3,000,720**	**2,833,779**	**2,796,904**	**2,976,536**	**1,134,538**	**1,141,648**	**1,126,808**	**1,131,053**

Income Statement:	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenues	**121,171**	**83,998**	**128,537**	**89,005**	**-**	**-**	**-**	**-**
Direct costs	96,688	84,835	66,648	61,303				
Gross operating income (loss)	**24,483**	**(837)**	**61,889**	**27,702**				
Expenses:								
General and administrative	141,932	102,544	184,770	59,048	38,980	23,116	50,594	44,979
Interest charges	69,595	46,630	46,630	26,863	-	-	-	-
Convertible debenture accretion	16,749	7,261	7,049	4,241	-	-	-	-
Depletion, depreciation and amortization	164,386	31,518	25,038	13,737	1,668	1,036	1,217	1,307
Impairment loss on oil and gas properties	953,371	-	-	-	-	-	-	-
Impairment loss on mineral properties	-	-	59,562	-	131,699	-	-	-
Stock-based compensation	202,375	-	-	-	138,394	-	-	-
Interest income	(1)	-	-	(734)	(1,304)	-	-	-
	1,548,407	**187,953**	**323,049**	**103,155**	**309,437**	**24,152**	**51,811**	**46,286**
Loss for the period	**(1,523,924)**	**(188,790)**	**(261,160)**	**(75,453)**	**(309,437)**	**(24,152)**	**(51,811)**	**(46,286)**
Basic Loss per Share	**(0.06)**	**(0.008)**	**(0.011)**	**(0.004)**	**(0.02)**	**(0.001)**	**(0.003)**	**(0.002)**
Weighted average number of common shares (thousands)	24,516	24,203	22,772	19,985	18,771	18,721	18,721	18,721

Operations

Thunderbird has seen a decrease in its investment in Mineral Properties and an increase in its investment in Oil and Gas Properties over the last eight quarters, reflecting a change in the Company's business focus to energy related assets and operations. The overall increase in expenses during the past eight quarters are representative of the increased activity of the Company, especially during the last four quarters.

During the first quarter of 2007 the Company completed the acquisition of the Gordon Creek natural gas field in Utah, as well as completing a convertible debenture issuance and private placement financing. Accordingly, the Company began to recognize revenues from the project, but also incurred higher costs resulting from the acquisition and financing activities as well as costs associated with the transfer of operations from the previous owner to a new operating Company that is 50% owned by Thunderbird. Revenues were negatively impacted by declining natural gas prices during the quarter.

In the second quarter, the Company initiated the first phase of a workover program on two of the producing wells on the property which was completed late in the quarter.

During the third quarter, workover operations were expanded to include one additional producing well and one shut in well. Work subsequent to the end of the quarter also included maintenance and repairs to the down hole pumps which had caused temporary production decreases subsequent to the completion of the initial workover operations. Revenues in the third quarter were negatively impacted by lower natural gas prices during the quarter, particularly during September and October.

Fourth quarter revenues increased 44% over the previous quarter due to higher gas prices, a higher exchange rate between the Canadian and U.S. dollar and the Company's acquisition of a 50% working interest in oil wells in Rush County, Kansas. The Company reported its first revenues from these oil wells in the month of January 2007. Operating expenses increased 14% in the fourth quarter over the third quarter primarily due to the increase in the foreign exchange rate between the Canadian and the U.S. dollar from the previous period. The fourth quarter increase was also due to the operating expenses related to the Rush County, which represents 7% of the fourth quarter operating expenses.

General and administrative

General costs include such items as advertising and promotions, debt issue costs, investor relations, office rent, accounting fees, legal fees, professional and consulting fees, filing fees, transfer agent fees, travel costs and foreign exchange gain or loss, as well as general office expenses. During the fourth quarter, general costs increased 38% from the third quarter. Most general costs decreased due to higher conference, travel, professional fees and investor relation costs related to the Company's listing on the Frankfurt stock exchange in the previous two quarters. The increase was primarily due to the fourth quarter audit and accounting accrual of $50,000.

Interest charges and Convertible debenture accretion

Interest increased in quarter four over the previous two quarters due to the issuance of convertible debentures in the amount of $1,325,000, paying interest at 12%, quarterly. See "Liquidity and Capital Resources" below.

Depletion, depreciation and amortization

The Company follows the full-cost method of accounting for oil and gas properties, whereby all capitalized costs relating to the acquisition, exploration and development of oil and gas activities are amortized against future income using the unit-of-production method. This method is based on production volumes before royalties in relation to total estimated proved reserves as determined by independent engineers. MHA Petroleum Consultants ("MHA"), a firm of independent petroleum engineers, estimated Thunderbird's reserves as of January 31, 2007.

Impairment loss on oil and mineral properties

In fiscal 2005 the Company acquired an interest in its 2nd mineral exploration property, the *S310* Property in Humboldt County, Nevada. No exploration expenditures have been incurred on the *S310* property to date, and in the second quarter, the Company dropped its option in the project, and wrote-down $59,562 in capitalized costs. Also in fiscal 2005, the Company acquired an interest in the *Dover and Gautreau* oil and gas project based in New Brunswick, Canada, and drilled an initial exploration well. In the fourth quarter of 2007, the Company decided to write-down its capitalized expenditures on the *Dover and Gautreau* project in order to focus its efforts on its U.S. based projects. Thunderbird had not incurred any significant expenditures in the 2007 fiscal year on the *Dover and Gautreau* project.

LIQUIDITY AND CAPITAL RESOURCES

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company has issued common share capital pursuant to private placement financings and exercise of warrants and options. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of the continued access to significant equity financing.

During the fiscal year ended January 31, 2007, Thunderbird's additions to its oil and gas properties totaled $2,877,000. The Company acquired the Gordon Creek producing gas field and the Rush County oil producing wells which have started to generate positive cash flows for the Company. These acquisitions were funded largely by two convertible debenture issues completed in March and December of 2006 and discussed under the heading "Convertible Debentures" below. It is the Company's immediate intention to increase these cash flows by re-working existing wells and drilling additional wells, but the immediate costs of these activities may exceed the available cash flow from the project from time to time. Accordingly, additional near term funding will be required and there is no guarantee that such funding will be available. As the Company expands its cash flow from Gordon Creek and other projects, funding requirements for future acquisitions and exploration programs will be mitigated.

At January 31, 2007, the Company had cash of $46,639 and a working capital deficit of approximately $298,000. The working capital deficit includes a current liability of $344,000, representing the current portion of the convertible debenture interest due in 2008. Subsequent to the year-end, the Company raised approximately $1,050,000 (less 8% broker commission and expenses) through a private placement of 3,499,832 units of common stock and $500,250 through the conversion of $3,350,000 warrants as detailed below. This cash will be used for working capital purposes.

The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations, other than convertible debentures. The Company has no "Purchase Obligations" defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the proximate timing of the transaction.

The Company had no commitments for capital expenditures as of January 31, 2007. The Company has no lines of credit or other sources of financing which have been arranged at this time.

Convertible debentures

On March 13, 2006 the Company completed a private placement of two year, 10% convertible debentures in the principal amount of $1,850,000. The debentures have a first charge over the assets of the Company. The principal amounts of the debentures are convertible, at the option of the holders, into an aggregate of 10,000,000 common shares of the Company at a rate of one share for each $0.185 of principal converted. Holders of the debentures will also receive two year warrants to purchase an aggregate of 10,000,000 additional common shares at a purchase price of $0.185 per share. Proceeds of the placement were used to acquire the Gordon Creek Project described above.

In November of 2006, the Company completed a private placement of two year, 12% convertible debentures in the principal amount of $1,325,000. The debentures have a floating charge over the assets and undertaking of the Company, subordinate to the existing convertible debentures described above. The principal amounts of the debentures are convertible, at the option of the holders, into one common share for each $0.50 principal amount of debentures converted during the first year and one common share for each $0.60 principal amount of debentures converted during the second year. The Company will have the right to provide debenture holders with a notice of redemption in the event that the weighted average trading price of the Company's shares exceed $1.00 per share for a period of ten consecutive trading days. In such event, debenture holders will have a further period of ten trading days within which they can elect to convert their debentures, prior to redemption. Proceeds of the placement will be used to fund drilling of the Rush County Kansas wells described above. Three directors of the Company each purchased $200,000 principal amount of these debentures.

Private Placements

On April 4, 2006 the Company completed a private placement of 4,000,000 units at a price of $0.10 per unit. Each unit consists of one common share and a one year share purchase warrant. Each warrant entitles the holder to purchase an additional common share at price of $0.15 per share. Proceeds of the placement are to be used for working capital.

In the first quarter of 2008, 3,335,000 of warrants were exercised at a price of $0.15 for proceeds totalling $500,250. The warrants were issued as part of the April 4, 2006 private placement described above. Directors and associates exercised $1,975,000 of the warrants for proceeds of $296,250.

Subsequent the year end, the Company completed a brokered private placement of 3,499,832 Units of the Company at a price of $0.30 per Unit, each Unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant is exercisable to purchase one common share of the Company at a price of $0.50 per share until March 16, 2008. The selling brokers received a cash commission equal to 8% of the gross proceeds from the sale of the units, and broker's warrants exercisable to purchase 349,983 additional Units at a price of $0.30 per until March 16, 2008.

CRITICAL ACCOUNTING ESTIMATES

Oil and Natural Gas Reserves

Under National Instrument 51-101 (N.I. 51-101), "proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable, i.e., that it is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. In accordance with this definition, the level of certainty targeted by the reporting corporation should result in at least a 90% probability that the quantities actually recovered will equal or exceed the estimated reserves. In the case of "probable" reserves, which are obviously less certain to be recovered than proved reserves, N.I. 51-101 states that it must be equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. With respect to the consideration of certainty, in order to report reserves as proved plus probable, the reporting company must believe that there is at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves. The implementation of N.I. 51-101 has resulted in a more rigorous and uniform standard of reserve evaluation.

The oil and natural gas reserve estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's plans. The effect of changes in proved oil and natural gas reserves on the financial results and position of the Company is described next under depletion expense and impairment of petroleum and natural gas properties.

Depletion Expense

The Company uses the full cost method of accounting for exploration and development activities. In accordance with this method of accounting, all costs associated with exploration and development are capitalized whether or not the activities funded were successful. The aggregate of net capitalized costs and estimated future development costs, less estimated salvage values, is amortized using the unit-of production method based on estimated proved oil and natural gas reserves. An increase in estimated proved oil and natural gas reserves would result in a corresponding reduction in depletion expense. A decrease in estimated future development costs would result in a corresponding reduction in depletion expense.

Impairment of Petroleum and Natural Gas Assets

The Company is required to review the carrying value of all petroleum and natural gas assets for potential impairment. Impairment is indicated if the carrying value of the petroleum and natural gas assets is not recoverable by the future undiscounted funds from operations. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the property, plant and equipment is charged to earnings. The assessment of impairment is dependent on estimates of reserves, production rates, prices, future costs and other relevant assumptions.

Asset Retirement Obligations

The Company is required to provide for future removal and site restoration costs. The Company must estimate these costs in accordance with existing laws, contracts or other policies. The fair value of the liability of $91,000 for the Company's asset retirement obligation is recorded in the period in which it is expected to be incurred between 2007 and 2022, discounted to its present value using the Company's 5 percent discount rate added to a 3 percent inflation rate. The offset to the liability is recorded in the carrying amount of petroleum and natural gas properties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of funds from operations or to the original estimated undiscounted cost could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

Stock-Based Compensation

The Company uses the fair value method for valuing stock option grants. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. A zero dividend yield is used as the Company does not issue dividends; the volatility is a calculation based on past trading history and the risk-free rate is from the Bank of Canada. An increase in dividends would decrease the option expense and an increase in the volatility or the risk-free rate would increase the calculated expense.

TRANSACTIONS WITH RELATED PARTIES

Koele Capital Corp, of which the President and CEO is a shareholder, was paid $62,500 in consulting fees for the year ($17,500 in the fourth quarter). The Company has an ongoing contractual arrangement with Koele Capital Corp to pay consulting fees of $7,500 per month.

Concurrent with the acquisition of the 50% working interest in the Gordon Creek project described above, Fellows Energy, Ltd. ("Fellows") acquired the other 50% interest. Fellows is a U.S. public company that has one member of its board of directors in common with Thunderbird. Fellows received U.S. $750,000 of its financing for the acquisition from a private British Columbia Company called Black Tusk Entertainment Ltd. ("BTE"). Thunderbird Energy Inc., a wholly-owned subsidiary of Thunderbird, agreed to guarantee the BTE loan to Fellows and share 50% of a 5% over riding royalty payable to BTE on production from the 8 wells currently drilled on the property. BTE also has the option to participate as to a 10% working interest in future drilling on the property. Three directors of Thunderbird or their associates provided a portion of the BTE loan.

Certain directors and officers also participated in the convertible debenture financing and in the private placement completed after the year end as described under the heading "Liquidity and Capital Resources" above.

a) In April 2006 the Company completed a private placement of 4,000,000 Units at a price of $0.10 per Unit, each Unit consisting of one common share and a one year non-transferable warrant to purchase an additional common share at a price of $0.15 per share. Certain directors and associates thereof purchased 2,640,000 of these Units. During the year, directors exercised 665,000 of these warrants. Subsequent to the year-end, directors and associates exercised the remaining 1,975,000 of these warrants.

b) In March of 2006 the Company completed a private placement of $1,850,000 two year 10% convertible debentures. The principal value of the debentures are convertible into common shares of the Company at a price of $0.185 per share until March of 2008 and the holders received two year warrants to purchase a corresponding number of additional common shares at a price of $0.185 per share. Certain directors and associates thereof purchased $760,000 of these debentures. During the year, directors exercised 1,080,000 of the warrants related to the above private placement.

Thunderbird Films Inc, a company that shares common directors with Thunderbird, was paid $55,444 in accounting fees, office reception, rent and supplies during the year ($16,464 in the fourth quarter), pursuant to a cost sharing arrangement between the two companies.

PROPOSED TRANSACTIONS

As disclosed under the heading "Weston County Wyoming" above, Thunderbird has entered into an agreement to acquire a 50% interest in approximately 19,000 acres in Weston County, Wyoming, subject to the completion of due diligence. The Company feels that these lands are prospective for oil and natural gas.

As disclosed under the heading "Gordon Creek, Utah" above, Thunderbird has entered into an agreement to acquire a 50% interest in approximately 5,000 acres located adjacent to and immediately North of the Gordon Creek, Prospect.

DISCLOSURE OF OUTSTANDING SHARE DATA

Securities issued during the year:

	Shares	Amount
Balance as at January 31, 2006	18,771,498	$ 11,171,592
Shares issued for cash	4,000,000	400,000
Shares issued on exercise of warrants	1,745,000	299,550
Less: Share issue costs	-	(2,500)
Balance as at January 31, 2007	24,516,498	$ 11,868,642
Subsequent to year-end		
Shares issued for cash	3,499,832	1,049,950
Shares issued on exercise of warrants	3,335,000	500,250
Less: Share issue costs	-	(144,034)
Balance as at May 29, 2007	31,351,330	$ 13,274,808

Summary of options granted and cancelled during the year:

Options	Number	Exercise Price	Expiry Date
Issued	1,720,000	$ 0.25	April 2011
Issued	100,000	$ 0.22	April 2011
Issued	400,000	$ 0.30	May 2011
Issued	250,000	$ 0.30	July 2011
Cancelled	25,000	$ 0.55	Cancelled
Cancelled	250,000	$ 0.45	Cancelled
Cancelled	400,000	$ 0.30	Cancelled

Summary of securities as at May 29, 2007.

Authorized capital:

Class	Par Value	Number
Common	No par value	Unlimited

Issued and outstanding capital:

Number	Amount
31,351,330	$ 13,274,808

Summary of options, warrants and convertible securities outstanding as of May 29, 2007:

Security	Number	Exercise Price	Expiry Date
Options	275,000	$ 0.55	August 2008
Options	405,000	$ 0.45	April 2009
Options	1,100,000	$ 0.30	July 2009
Options	1,720,000	$ 0.25	April 2011
Options	100,000	$ 0.22	April 2011
Options	250,000	$ 0.30	July 2011
Options	300,000	$ 0.30	February 2012
Options	300,000	$ 0.40	May 2012
Warrants	10,000,000	$ 0.185	March 2008
Warrants	60,000	$ 0.50	December 2007
Warrants	1,924,910	$ 0.50	March 2008
Warrants	349,983	$ 0.30	March 2008

There are no shares held in escrow.

As of May 29, 2006, there were $1,850,000 of two year convertible debentures outstanding, convertible to common shares at a rate of $0.185, and $1,325,000 of two year convertible debentures outstanding, convertible to common shares at a rate of $0.50 for the first year and at a rate of $0.60 for the second year.

DISCLOSURE CONTROLS AND PROCEDURES

In conformance with the Canadian Securities Administrators Multilateral Instrument 52-109, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, deal with the matter of disclosure controls and procedures.

Disclosure Control Risks

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as at January 31, 2007 and, based on that evaluation, believe them to be effective given the size and nature of the Company's operations. All control systems by their nature have inherent limitations and, therefore, Thunderbird's disclosure controls and procedures are believed to provide reasonable, but not absolute, assurance that:

(a) the communications by the Company with the public are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements;

(b) non-publicly disclosed information remains confidential; and

(c) trading of the Company's securities by directors, officers and employees remains in compliance with applicable securities laws.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer have supervised the design of internal controls over financial reporting and these controls were in place as at January 31, 2007. The Chief Executive Officer and the Chief Financial Officer believe the internal controls, including compensating controls to overcome the lack of certain segregation of duties, and reliance on specialists for complex, non-routine transactions, are designed appropriately given the nature and size of the Company's operations, and that a material deficiency in design does not exist. While management believes the Company's internal controls and procedures provide a reasonable level of assurance that they are reliable, because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

"CAMERON WHITE"
Cameron White, President & Chief Executive Officer

"STEPHEN CHEIKES"
Steven Cheikes, Director