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Consolidated Financial Statements of

THUNDERBIRD ENERGY CORP.

January 31, 2008

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Shareholders of
Thunderbird Energy Corp.

We have audited the consolidated balance sheets of Thunderbird Energy Corp. as at January 31, 2008 and 2007 and the consolidated statements of loss and deficit, comprehensive loss and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

May 14, 2008

THUNDERBIRD ENERGY CORP.
Consolidated Balance Sheets
As at January 31, 2008 and 2007

		2008		2007
ASSETS				
CURRENT				
Cash	$	74,150	$	46,639
Amounts receivable		269,193		189,943
Prepaid expenses and deposits		488,084		1,790
		831,427		238,372
RESTRICTED CASH [note 3]		119,640		-
PROPERTY AND EQUIPMENT [note 4]		25,429		35,033
DEFERRED FINANCING COSTS [note 2b]		-		50,337
OIL AND GAS PROPERTIES [note 4]		8,781,358		2,676,978
	$	9,757,854	$	3,000,720
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	2,398,448	$	189,088
Due to related parties [note 10]		326,855		3,416
Short-term debt [note 7]		226,512		-
Convertible debentures [note 6]		1,284,416		344,000
		4,236,231		536,504
ASSET RETIREMENT OBLIGATION [note 5]		41,578		29,114
CONVERTIBLE DEBENTURES [note 6]		-		2,733,766
LONG-TERM DEBT [note 8]		3,592,584		-
		7,870,393		3,299,384
SHAREHOLDERS' EQUITY				
Common shares [note 9]		16,696,368		11,827,714
Equity portion of convertible debentures [note 6]		64,937		97,233
Contributed surplus [note 9]		957,167		625,444
		17,718,472		12,550,391
Accumulated other comprehensive loss [note 9]		(528,329)		-
Deficit		(15,302,682)		(12,849,055)
		(15,831,011)		(12,849,055)
		1,887,461		(298,664)
	$	9,757,854	$	3,000,720

NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS [note 1]
COMMITMENTS [note 12]
SUBSEQUENT EVENTS [note 14]

Approved on Behalf of the Board:

"Cameron White" — Cameron White, Director

"Stephen Cheikes" — Stephen Cheikes, Director

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENERGY CORP.
Consolidated Statements of Loss and Deficit
Years Ended January 31, 2008 and 2007

	2008	2007
REVENUES		
Oil and gas	$ 823,385	$ 422,711
DIRECT COSTS		
Operating costs	650,122	309,474
GROSS OPERATING INCOME	173,263	113,237
EXPENSES		
General and administrative	1,371,051	488,294
Interest, accretion and debt service costs	492,041	225,018
Depletion, depreciation and accretion	444,242	234,679
Impairment loss on oil and gas properties [note 4]	-	953,371
Impairment loss on mineral properties [note 4]	-	59,562
Stock-based compensation [note 9]	273,092	202,375
Interest income	(3,873)	(735)
	2,576,553	2,162,564
NET LOSS	(2,403,290)	(2,049,327)
DEFICIT, BEGINNING OF YEAR	(12,849,055)	(10,799,728)
Adjustment to deficit from adoption of new accounting policy [note 2b]	(50,337)	-
DEFICIT, BEGINNING OF YEAR, AS RESTATED	(12,899,392)	(10,799,728)
DEFICIT, END OF YEAR	$ (15,302,682)	$ (12,849,055)
BASIC AND DILUTED LOSS PER SHARE	(0.06)	(0.09)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	38,066,000	22,893,000

Consolidated Statements of Comprehensive Loss
Years Ended January 31, 2008 and 2007

	2008	2007
Net Loss	$ (2,403,290)	$ (2,049,327)
Other comprehensive loss:		
Unrealized loss on translation of self-sustaining foreign operations [note 9]	(528,329)	-
Comprehensive Loss	$ (2,931,619)	$ (2,049,327)

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENERGY CORP.
Consolidated Statements of Cash Flows
Years Ended January 31, 2008 and 2007

	2008	2007
OPERATING ACTIVITIES		
Net loss	$ (2,403,290)	$ (2,049,327)
Items not involving cash		
Stock-based compensation	273,092	202,375
Interest, accretion and debt service costs	101,527	43,955
Depletion, depreciation and accretion	444,242	234,679
Foreign exchange loss	99,720	7,345
Impairment loss on mineral properties and oil and gas properties	-	1,012,933
	(1,484,709)	(548,040)
Changes in non-cash operating assets and liabilities		
Amounts receivable	(114,292)	(188,732)
Prepaid expenses and deposits	(514,162)	195
Accounts payable and accrued liabilities	2,354,491	63,189
	241,328	(673,388)
FINANCING ACTIVITIES		
Issuance of shares, net of costs	3,000,113	697,050
Increase (decrease) in amounts due to related parties	323,439	(183,511)
Proceeds from short-term debt	265,979	-
Repayment of short-term debt	(39,467)	(50,000)
Proceeds from long-term debt	3,592,584	-
Repayment of long-term debt	(1,110,521)	-
Proceeds from convertible debentures	-	3,125,000
Convertible debenture financing costs	-	(62,000)
	6,032,127	3,526,539
INVESTING ACTIVITIES		
Mineral property exploration and acquisition costs	-	(52)
Oil and gas property exploration and acquisition costs	(6,266,850)	(2,878,086)
Acquisition of property and equipment	(30,983)	(28,574)
Release of reclamation bond	-	103,635
	(6,297,803)	(2,803,077)
FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH	51,859	(7,651)
INCREASE IN CASH FOR THE YEAR	27,511	42,423
CASH , BEGINNING OF YEAR	46,639	4,216
CASH , END OF YEAR	$ 74,150	$ 46,639
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Exchange of short-term debt for convertible debentures	-	50,000
Assumption of debt	1,364,781	-
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	390,514	189,718

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 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 properties is dependent upon various factors, including the existence of economically recoverable oil and gas 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, 2008, the Company had a working capital deficiency of $3,404,804 and an accumulated deficit of $15,302,682. 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 Thunderbird Energy Inc. ("TEI"), Gordon Creek, LLC and Horse Bench Gathering, LLC, all incorporated in the state of Nevada, and MBA Energy Corp. ("MBA"), incorporated in the province of British Columbia. All significant intercompany transactions and balances have been eliminated upon consolidation.

(b) Change in accounting policies

Effective February 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

i) Section 3855, "Financial Instruments - Recognition and Measurement". Section 3855 prescribes that all financial assets, except those classified as held-to-maturity and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held-for-trading; otherwise, they are measured at amortized cost. This section also specifies how financial instrument gains and losses are to be presented.

ii) Section 1530, "Comprehensive Income". Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. The adoption of the Financial Instrument Standards requires the presentation of a separate consolidated statement of comprehensive income, which is comprised of net income, and changes in unrealized gains or losses on translation of financial statements of self-sustaining foreign operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Change in accounting policies (continued)

iii) Section 3865, "Hedges". This standard specifies the criteria under which hedge accounting is permissible; how hedge accounting may be performed and where the impacts should be recorded. The standard introduces three specific types of hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. The Company had no hedging relationships as at February 1, 2007. There was no impact on the Company's consolidated financial statements upon adoption of this standard.

iv) Section 1506, "Accounting Changes". This revised standard requires that: (i) a voluntary change in accounting principles can be made only if the financial statements provide more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. There was no impact on the Company's consolidated financial statements upon adoption of this standard.

Adoption of these standards permits the Company to write-off deferred financing fees as a transition adjustment to opening deficit. Financing fees were previously treated as a deferred charge and capitalized on the balance sheet. Under the new standard, transaction costs associated with the acquisition of a financial asset or liability may be written-off completely, or if certain criteria are met, netted against the carrying costs of the asset or liability. The resultant impact of this change was a reduction in deferred financing costs of $50,377, and an increase in deficit of $50,377. The adoption of this new pronouncement has been accounted for retroactively without restatement.

(c) Measurement uncertainty

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. Such estimates primarily relate to stock-based compensation, deferred tax assets, financial liabilities and unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from those estimates.

Amounts recorded for depreciation and depletion and amounts used for ceiling test calculations are based on estimates of oil and natural gas reserves and future costs required to develop those reserves. The Company's reserves estimates are evaluated annually by an independent engineering firm. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the consolidated financial statements of future periods could be material.

The amounts recorded for asset retirement obligations were estimated based on the future costs to settle the asset retirement obligation, the timing of the cash flows to settle the obligation, and the future inflation rates. The impact of differences between actual and estimated costs, timing and inflation on the consolidated financial statements of future periods could be material.

(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, asset retirement costs 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Oil and gas properties (continued)

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.

(e) Property and equipment

Computer hardware, vehicles, 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. Computer software is amortized at 50% per annum.

(f) 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.

(g) Stock-based compensation

The Company recognizes stock-based compensation expense based on the fair value of stock options and warrants issued. The fair values of all share purchase options and warrants granted are expensed over their vesting periods with a corresponding increase to contributed surplus. Upon exercise of share purchase options and warrants, 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 pricing model to calculate the fair value of share purchase options and warrants 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments and financial risk

The Company has financial instruments which include cash, restricted cash, amounts receivable, accounts payable, accrued liabilities, due to related parties, short-term debt, long-term debt and convertible debentures. The carrying value of long-term debt approximates the fair value because interest charges under the terms of the debt are based upon current U.S. bank base and LIBOR rates. The carrying value of the remaining financial instruments approximates fair value due to their short term to maturity.

The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. The Company does not use derivative instruments to reduce its exposure.

(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 charged directly to operations.

(j) 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.

Effective November 1, 2007, the Company reclassified its U.S. operations from integrated to self-sustaining due to access to a U.S. dollar credit facility for its U.S. operations. Therefore, the Company translates foreign currency denominated assets and liabilities of its self-sustaining U.S. subsidiary using the current rate method. Under this method, assets and liabilities are translated at the exchange rates prevailing at the balance sheet date, while revenues and expenses are translated using the average rate during the period. Shareholders equity is translated at historical cost. The unrealized transaction gains and losses on the Company's net investment, including long-term intercompany advances, are accumulated in a separate component of shareholders' equity, reported in the balance sheet as part of other accumulated comprehensive loss.

(k) Revenue recognition

Revenues from the sale of oil and gas production are recognized when title passes, net of royalties. The Company may have interests 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.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Asset retirement obligations

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.

(n) 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.

(o) Comparative figures

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

(p) Recent accounting pronouncements

The CICA issued three new accounting standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning February 1, 2008. The Company will adopt the requirements commencing in the quarter ended April 30, 2008 and is considering the impact this will have on the Company's financial statements.

Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures", Section 3031, "Inventory" and Section 3863, "Financial Instruments – Presentation". These new standards will be effective on February 1, 2008.

Section 1535, "Capital Disclosures", establishes standards for disclosure of an entity's capital and how it is managed. Under this standard, the Company will be required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital. This Section is expected to have minimal impact on the Company's financial statements.

Section 3031, "Inventory", supersedes Section 3030 "Inventories" and establishes standards for measurements and disclosure of inventories. It provides the Canadian equivalent to International Accounting Standard IAS 2 "Inventories". The section establishes guidance on the realizable value and determination of cost.

Sections 3862 and 3863, "Financial Instruments", specify a revised and enhanced disclosure on financial instruments. Increased disclosure will be required on the nature and extent of risks arising from financial instruments and how the entity manages those risks.

A strategic plan has been adopted by the CICA Accounting Standards Board (''AcSB'') for the future direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (''IFRS''). In March 2007, the AcSB released an *''Implementation Plan for Incorporating IFRSs into Canadian GAAP''*, which assumes a convergence date of January 1, 2011. Following a progress review on February 13, 2008, the AcSB has confirmed this changeover date. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. RESTRICTED CASH

In connection with the Utah State bonding requirements, the Company posted a letter of credit in the amount of U.S. $120,000 (Cdn $119,640) for which a short-term investment in the same amount is held as collateral.

4. PROPERTY AND EQUIPMENT

2008	Cost	Accumulated Depreciation/ Depletion	Net Carrying Value
Oil and gas properties	$ 9,348,379	$ (567,021)	$ 8,781,358
Property and equipment	83,713	(58,284)	25,429
	$ 9,432,092	$ (625,305)	$ 8,806,787

2007	Cost	Accumulated Depreciation/ Depletion	Net Carrying Value
Oil and gas properties	$ 2,904,442	$ (227,464)	$ 2,676,978
Property and equipment	56,979	(21,946)	35,033
	$ 2,961,421	$ (249,410)	$ 2,712,011

Interest in oil and gas proven and unproven properties include the following acquisition, exploration and development costs.

		2008		2007
Balance, beginning of year	$	2,676,978	$	942,956
Acquisition costs		3,331,680		1,743,000
Development costs		3,445,399		1,108,824
General & administrative		72,555		35,327
Asset retirement obligation		14,244		27,706
Impairment loss		-		(953,371)
Depletion & depreciation		(403,680)		(227,464)
Foreign exchange translation adjustment		(355,818)		-
Balance, end of year	$	8,781,358	$	2,676,978

During 2008, the Company capitalized $6,863,879 (2007 - $2,913,290) of costs to oil and gas properties. Costs associated with unproven properties excluded from costs subject to depletion for 2008 totalled $379,450 (2007 - $nil), while costs associated with work-in-progress at year-end totalled $3,116,389 (2007 - $nil). Future development costs for proved reserves of $2,961,190 (2007 - $5,129,772) and asset retirement costs of $37,603 (2007 - $23,360) have been included in the depletion calculation.

The following table summarizes the prices used in the ceiling test calculation.

	Natural Gas ($U.S./mmbtu)	Oil ($U.S./bbl)
2009	8.475	88.23
2010	8.390	86.37
2011	8.535	80.14
2012	8.930	81.18
2013	8.833	82.81
Average Thereafter	9.377	87.91

Based on these assumptions, the undiscounted value of future net revenues from the Company's proved reserves exceeded the carrying value of oil and gas properties at January 31, 2008.

4. PROPERTY AND EQUIPMENT (continued)

Gordon Creek Natural Gas Project
On June 1, 2007, the Company purchased the remaining 50% working interest in a producing natural gas field in Carbon County, Utah known as the Gordon Creek Project from Fellows Energy, Ltd. ("Fellows"), a U.S. public company, for approximately U.S. $2,937,000. In the previous fiscal year, the Company had acquired the initial 50% working interest, subject to varying royalties, in the Gordon Creek Project for U.S. $1,500,000. The field comprises four gas wells that are currently producing and seven wells that are shut-in, as well as a gathering system and pipelines. Certain unrelated parties hold working interests ranging from 25% to 50% in two of the producing wells and three of the shut-in wells.

The purchase price was comprised of the following:

Cash	$	1,756,678
Assumption of debt		1,110,521
Payable to Fellows		254,260
	$	3,121,459

As part of the purchase, the Company assumed two 12% interest bearing debts payable to a company called Black Tusk Entertainment ("BTE") and payable to an individual. In January 2008, both loans were repaid.

In the initial acquisition of the 50% working interest in the Gordon Creek Project described above, Fellows acquired the other 50% interest. Fellows received U.S. $750,000 of its financing for the acquisition from BTE. TEI agreed to guarantee the BTE loan to Fellows and share 50% of a 5% overriding royalty payable to BTE on production from the eight 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.

TEI also agreed to provide a guarantee on a loan of up to U.S. $500,000 to be provided to Fellows by an individual. The Company was co-guarantor with Fellows to this second loan. The lender of the second loan received a 2% overriding royalty interest in the Gordon Creek Project.

During the year, the Company initiated a three well drilling project on the Gordon Creek Project, which was completed by January 31, 2008. The three wells are currently shut-in pending further analysis and tie-ins.

Weston County Project and Gordon Creek North Project
In fiscal 2008, the Company entered into an agreement to acquire a 50% working interest in oil and gas exploration leases covering approximately 19,000 acres located in Weston County, Wyoming and a further 5,000 acres located adjacent to the Company's Gordon Creek property, for a total consideration of U.S. $385,000. The Company also entered into a farm-in agreement whereby the Company's working interest in the Weston County acreage could be increased to 75% by drilling three wells on the prospect. This acquisition was completed by January 31, 2008.

Rush County, Kansas Oil and Gas Project
In fiscal 2007, the Company entered into a development agreement with an unrelated party pursuant to which the Company acquired a 50% working interest, subject to royalties and back-in interests, in seven oil and gas wells and associated spacing units in Rush County, Kansas, by funding 50% of the drilling and completion costs associated with these wells. Two of the seven wells were abandoned and five were completed as commercial producers. The cost for these wells was U.S. $1,273,923 ($Cdn 1,270,101). The Company holds an 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.

Dover and Gautreau Oil and Gas Project
The Company owns a 50% working interest in the Dover and Gautreau oil and gas prospects in Eastern New Brunswick. In fiscal 2007, the Company decided to focus the majority of its efforts on its U.S. projects over the next year, and therefore wrote-off the cumulative exploration and acquisition costs to operations totalling $953,371.

4. PROPERTY AND EQUIPMENT (continued)

S310 Gold Property
In fiscal 2007, the Company dropped its option to acquire the S310 mineral property in order to focus on oil and gas exploration. Consequently, $59,562 of costs, were charged to operations.

5. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligation relates to the restoration and closure of the Company's oil and gas properties. The total undiscounted amounts of the estimated obligations are approximately U.S. $124,000 and are expected to be incurred in fifteen years. The asset retirement obligations have been recorded as liabilities at fair value, using a discount rate of 5% and a 3% inflation rate. The amounts of the liabilities are subject to re-measurement during each reporting period.

	2008	2007
Balance, beginning of year	$ 29,114	$ -
Liabilities incurred	14,244	27,707
Accretion expense	3,061	1,407
Foreign exchange translation adjustment	(4,841)	-
Balance, end of year	$ 41,578	$ 29,114

6. CONVERTIBLE DEBENTURES

In March 2006, the Company completed a private placement of two year, 10% convertible debentures in the principal amount of $1,850,000. The principal amount of the debentures was convertible, at the option of the holders, into an aggregate of 9,999,994 common shares of the Company at a rate of one share for each $0.185 of principal converted. In July 2007, 100% of these debentures were converted into shares. In accordance with EIC-158, $32,295 of the equity component of the convertible debentures plus the carrying amount of the liability component was transferred to share capital. Quarterly interest on the debentures was paid up to the date of conversion. Holders of the debentures also received two year warrants to purchase an aggregate of 9,999,994 additional common shares at a purchase price of $0.185 per share, the majority of which were exercised during the year (note 9).

In November 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. The principal amount 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 at 12%, which is payable quarterly. 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 issuance costs of $58,992 related to the liability component of the convertible debentures were previously included in deferred financing charges and were amortized over the term of the convertible debenture. Upon adoption of new accounting standards as described in note 2(b), the Company has written-off the remaining issuance costs to operations.

6. CONVERTIBLE DEBENTURES (continued)

	2008	2007
Balance, beginning of year	$ 3,077,766	$ -
Face value of convertible debentures issued during the year	-	3,175,000
Equity component	-	(132,536)
Liability portion	3,077,766	3,042,464
Accretion up to face value	35,471	35,302
Liability portion of convertible debentures	3,113,237	3,077,766
Conversion into common shares	(1,850,000)	-
Remaining discount related to converted debentures	21,179	-
	1,284,416	3,077,766
Less current portion	(1,284,416)	(344,000)
Balance, end of year	$ -	$ 2,733,766

The equity component was recorded as follows:

	2008	2007
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

7. SHORT-TERM DEBT

As of January 31, 2008, the Company owes U.S. $215,462 (Cdn $226,512) pursuant to an unsecured shareholder loan that bears interest at 10% per annum and is repayable on demand.

8. LONG-TERM DEBT

The Company has a credit facility agreement with an Australian bank that provides up to a maximum commitment of U.S. $50 million, subject to an availability limit, for the development of the Company's existing oil and natural gas projects and future acquisitions. The facility operates as a revolving credit line with no principal repayments for the first three years. Accrued interest is due and payable monthly, and at the Company's option, is based on the U.S. Prime Rate plus 0.5% or LIBOR plus 3.5%.

The initial availability limit is U.S. $5,685,000 and will be re-determined by the lender every six months based on reserve estimates provided by independent engineers, subject to certain calculations. A quarterly commitment fee equal to one half of one percent (0.5%) per annum will be charged to the Company on the daily average unused amount of the availability limit.

On December 14, 2010, the credit facility converts to a term loan payable over twenty-four months. The term loan will be fully repaid on December 14, 2012. The facility is secured through a first mortgage and security interests in the Company's oil and gas mineral interests. At January 31, 2008, U.S. $3,603,395 (Cdn $3,592,584) is owed under this facility. The Company is in compliance with all debt covenants as of January 31, 2008.

Transaction costs included in general and administrative expenses pertaining to the closing of this facility, totalled $415,248. The transaction costs consisted of an arranger fee of U.S. $150,000 (Cdn $148,797) and legal fees of $266,451. All of these costs were expensed as described in Note 2(b).

Concurrent to the closing of the long-term debt financing, a first and second tranche of warrants was granted to the lender in the amount of 9,000,000 and 4,000,000, respectively (note 9).

9. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued:

	Number of Shares	Amount
Balance, January 31, 2006	18,764,672	$ 11,130,664
Shares issued for cash, net of issue costs	4,000,000	397,500
Warrants exercised	1,745,000	299,550
Balance, January 31, 2007	24,509,672	11,827,714
Shares issued for cash, net of issue costs	3,499,832	850,271
Warrants exercised	11,444,184	2,030,124
Options exercised	215,000	97,143
Conversion of debentures	9,999,994	1,861,116
Stock issued for compensation	100,000	30,000
Balance, January 31, 2008	49,768,682	$ 16,696,368

Private placement

On March 16, 2007, the Company completed a brokered private placement of 3,499,832 units at a price of $0.30 per unit for proceeds of $1,049,950. 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 of $79,241 and broker's warrants exercisable to purchase 349,983 additional units at a price of $0.30 per unit. A value of $55,645 was assigned to the brokers units, based on their fair value, and was computed using the Black-Scholes option pricing model. The Company incurred other cash share issuance costs of $64,793.

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.

Warrants exercised

During fiscal 2008, 3,335,000 shares were issued 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 fiscal 2007 private placement. Directors and other related parties exercised 1,975,000 of the warrants for proceeds of $296,250.

During fiscal 2008, 8,109,184 shares were issued pursuant to warrants exercised at a price of $0.185 per share for proceeds totalling $1,500,197. The warrants were issued as part of the fiscal 2007 convertible debentures. The warrants' fair value of $29,677, previously recorded in contributed surplus, was transferred to share capital. Directors and other related parties exercised 3,028,106 of the warrants for proceeds of $560,198.

In fiscal 2007, 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.

Options exercised

During fiscal 2008, 15,000 options were exercised at a price of $0.25 and 200,000 options were exercised at a price of $0.30 for proceeds totalling $63,750. Related prior compensation expense of $33,393 was also transferred to share capital from contributed surplus.

9. SHARE CAPITAL (continued)

Conversion of debentures
During fiscal 2008, $1,850,000 of convertible debentures were converted into an aggregate of 9,999,994 common shares of the Company at a rate of one share for each $0.185 of principal converted. The two year 10% convertible debentures were issued on March 13, 2006 and were convertible, at the option of the holders. In accordance with EIC-158, $32,295 of the equity component of the convertible debentures less an unamortized discount of the liability component of $21,179 were transferred to share capital.

Stock issued for compensation
During fiscal 2008, 100,000 shares were issued pursuant to an employment agreement at a value of $0.30 per share.

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 option plan is 6,000,000.

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

		2008		2007
Weighted average fair value per share	$	0.30	$	0.19
Dividend yield		0%		0%
Interest rate		3.93% - 4.38%		4.22% - 4.24%
Expected life		5 years		5 years
Volatility		102%		102%

For the year ended January 31, 2008, the Company recorded stock-based compensation of $273,092 (2007 - $202,375) relating to the fair value of vested share options.

A summary of the status of the Company’s stock options as of January 31, 2008 is presented below.

	Number of Options		Weighted Average Exercise Price
Balance, January 31, 2006	2,055,000	$	0.38
Issued	2,470,000		0.26
Cancelled	(675,000)		0.36
Balance, January 31, 2007	3,850,000		0.31
Issued	600,000		0.35
Cancelled	(575,000)		0.32
Exercised	(215,000)		0.30
Balance, January 31, 2008	3,660,000	$	0.32

9. SHARE CAPITAL (continued)

The following table summarizes the stock options outstanding at January 31, 2008:

	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
$ 0.22 - 0.25	1,505,000	Apr 2011	3.18	$ 0.24	1,505,000	$ 0.24
$ 0.30	1,350,000	Jul 2009-Mar 2012	2.41	$ 0.30	1,200,000	$ 0.30
$ 0.40 - 0.45	530,000	Apr 2009-May 2012	2.97	$ 0.42	380,000	$ 0.31
$ 0.55	275,000	Aug 2008	0.52	$ 0.55	275,000	$ 0.55
	3,660,000		2.66	$ 0.31	3,360,000	$ 0.31

Share purchase warrants:
The following table summarizes the warrants outstanding at January 31, 2008:

	Exercise Price	Number of warrants	Weighted average exercise price
Balance, January 31, 2006		-	$ -
Issued	$ 0.150 - 0.500	14,059,994	$ 0.150
Exercised	$ 0.150 - 0.185	(1,745,000)	$ 0.172
Balance, January 31, 2007		12,314,994	$ 0.147
Issued	$ 0.300 - 1.00	15,274,893	$ 0.626
Expired	$ 0.500	(60,000)	$ 0.500
Exercised	$ 0.150 - 0.185	(11,444,184)	$ 0.175
Balance, January 31, 2008		16,085,703	$ 0.581

Pursuant to a private placement completed in March 2007, the Company issued warrants to purchase 1,924,910 common shares at a price of $0.50 per share until March 16, 2008. The selling brokers received 349,983 broker's warrants as more fully described in *Private placement* above. As of January 31, 2008, none of these warrants were exercised. Subsequent to year-end, the Company received approval to extend the expiry date of the warrants until March 16, 2009.

Concurrent to the closing of the long-term debt financing (note 8), a first and second tranche of warrants was granted to the lender in the amount of 9,000,000 and 4,000,000, respectively. Each warrant entitles the lender to acquire one common share at price of $0.50 per share and $1.00 per share, respectively, expiring October 17, 2012. From the first tranche of warrants, 4,872,857 warrants vest over a 24 month period commencing December 14, 2007. The remaining first tranche of warrants will begin to vest over a 24 month period as the Company continues to draw down on the facility up to $10,500,000. The second tranche of warrants does not begin to vest until the Company has drawn down more than U.S. $15 million from the facility. As of January 31, 2008, 304,554 warrants relating to the first tranche had vested. These warrants were fair valued at $66,056 and charged to interest, accretion and debt service costs. The fair value of these warrants was computed using an interest rate of 4.31%, volatility of 102% and an expected life of three years.

Pursuant to a private placement completed in fiscal 2007, the Company issued warrants to purchase 4,000,000 common shares at a price of $0.15 per share until April 4, 2007. The remaining 3,335,000 warrants were exercised in fiscal 2008.

Pursuant to the issuance of convertible debentures completed in March 2006 (note 6), the Company issued warrants to purchase 9,999,994 common shares at a price of $0.185 per share until March 13, 2008. During fiscal 2008, 8,109,184 of these warrants were exercised. Subsequent to the year-end, the remaining 810,810 warrants related to this issuance were exercised.

9. SHARE CAPITAL (continued)

Share purchase warrants (continued):

Pursuant to the issuance of convertible debentures completed in November 2006 (note 6), the Company issued broker's warrants to purchase 60,000 common shares at a price of $0.50 per share which expired December 20, 2007.

Contributed surplus:		2008		2007
Balance, beginning of year	$	625,444	$	390,775
Convertible debentures - equity portion (note 6)		-		32,466
Convertible debenture issue costs - equity portion		-		(172)
Stock-based compensation expense		339,148		202,375
Fair value of broker's warrants		55,645		-
Fair value of exercised options		(33,393)		-
Fair value of exercised warrants		(29,677)		-
		331,723		234,669
Balance, end of year	$	957,167	$	625,444

Accumulated other comprehensive income

		Amount
Balance, January 31, 2007	$	-
Unrealized loss on translation of self-sustaining foreign operations		(528,329)
Balance, January 31, 2008	$	(528,329)

10. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements include the following:

		2008		2007
Consulting fees paid or accrued to a company controlled by a director	$	90,000	$	62,500
Consulting fees paid to an individual related to a director		8,432		228
General and administrative expenses reimbursed to a company with common directors		84,669		55,444
Royalties paid or accrued to a partnership in which certain directors or their associates have an interest		26,846		21,369

Related party transactions include an unsecured short-term loan payable to two directors and a related person of the Company for U.S. $294,571 (Cdn $315,751) (2007- $nil). The loan carries a 12% interest rate and is payable on demand. Also included is $11,104 (2007 - $3,416) due to a company with common directors. Included in accounts payable is $18,147 (2007 – nil) due to directors.

All of the above noted transactions have been in the normal course of operations and are recorded at the exchange amount, which is the consideration agreed upon by the related parties.

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 and liabilities are as follows:

		2008		2007
Future income tax assets:				
Non-capital losses	$	1,993,792	$	975,192
Capital losses		462,077		563,073
Resource pools		220,890		429,220
Loan acquisition costs		164,468		-
Property, equipment and other		15,006		4,502
Total gross future income tax assets		2,856,233		1,971,987
Valuation allowance		(2,856,233)		(1,971,987)
Net future income tax asset	$	-	$	-

As at January 31, 2008, the Company has non-capital loss carry-forwards in Canada and the U.S. of approximately $5,778,000 (2007 - $2,863,685), which are available to offset future taxable income. These non-capital loss carry-forwards expire as follows:

2009	$	34,000
2010		186,000
2011		605,000
2015		38,000
2025		1,000
2026		299,000
2027		1,020,000
2028		3,595,000
	$	5,778,000

a) Canadian exploration expenditures of $543,336 (2007 - $543,336) can be deducted against future years' taxable income.

b) Foreign exploration and development expenses of $698,488 (2007 - $776,098) are fully deductible against foreign mineral profits or 10% of taxable income in any given year.

c) U.S. resource property expenditures of $6,087,409 (2007 - $2,615,229) are amortized over a 60-month period against U.S. income.

d) The Company has a capital loss of $3,300,000 (2007 - $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.

11. INCOME TAXES (continued)

Income taxes differ from the amounts that would be obtained by applying the Canadian statutory income tax rate to the net loss for the year as follows:

	2008	2007
Canadian statutory income tax rate	34.12%	34.12%
Expected income tax recovery	$ 1,270,657	$ 737,415
Permanent differences	(19,662)	(411,279)
Change in valuation allowance	(884,245)	483,356
Rate reduction	(44,313)	(40,455)
Unrecognized tax losses expired	(205,828)	(232,059)
Other	(116,609)	(536,978)
Income tax recovery	$ -	$ -

12. COMMITMENTS

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

Fiscal		Amount
2009	$	30,666
2010		31,208
2011		32,290
2012		21,527
	$	115,691

The Company has entered into an agreement to acquire the BTE royalty interests in the Gordon Creek Project, as well as BTE's participation rights in further drilling, for $1.0 million, payable by way of $300,000 cash and the issuance of 2,000,000 shares at a deemed price of $0.35 per share. The acquisition is subject to regulatory approval. In conjunction with this acquisition, under the credit facility agreement with an Australian bank the Company will grant the creditor warrants to acquire 365,000 common shares at a price of $0.50 per share.

13. SEGMENTED INFORMATION

The Company operates in 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
2008			
Revenue	$ -	$ 823,385	$ 823,385
Property and equipment	10,068	8,796,719	8,806,787
2007			
Revenue	-	422,711	422,711
Property and equipment	9,752	2,702,259	2,712,011

14. SUBSEQUENT EVENTS

Subsequent to the year-end, the Company granted 165,000 stock options to employees of the Company at an exercise price of $0.30 expiring in March 2013.

Subsequent to the year-end, the Company cancelled 300,000 stock options at an exercise price of $0.30 issued to a former employee of the Company.

Subsequent to the year-end, the remaining 810,810 warrants related to the March 2006 convertible debenture issuance were exercised for proceeds of $150,000.

Subsequent to the year-end, the Company increased its long-term debt by U.S. $486,581 for a total amount outstanding of U.S. $4,089,976.

Subsequent to the year-end, the Company received an unsecured short-term loan of $50,000 from a company with common directors.

YEAR ENDED JANUARY 31, 2008
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 owns and 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. During the year, Thunderbird acquired a 50% interest in a 19,000 acre and a 100% interest in a 2,000 acre exploration project in Weston County, Wyoming. Subsequent to year-end, the Company has entered into agreements to expand property and property interest in Weston County, Wyoming and Gordon Creek, Utah.

On June 1, 2007, the Company purchased the remaining 50% interest in the Gordon Creek natural gas project. The initial 50% was purchased in the prior year. The field comprises four gas wells that are currently producing and seven wells that are shut-in, as well as a gathering system and pipelines. Certain unrelated parties hold working interests ranging from 25% to 50% in two of the producing wells and three of the shut-in wells. During the fourth quarter, the Company initiated a three well drilling program, which was completed by January 31, 2008. Also in the fourth quarter, the Company acquired a 50% working interest in a 5,000 acre land package adjacent to and immediately north of the Company’s existing Gordon Creek producing natural gas field – thereby increasing its net land position by approximately 50%.

Late in the fourth quarter of the fiscal year, the Company established a credit facility with Macquarie Bank Limited (“Macquarie”) whereby Macquarie will provide up to a maximum commitment of U.S. $50 million, subject to an availability limit, to finance the development of Thunderbird’s existing oil and natural gas projects, and to fund future acquisitions.

MHA Petroleum Consultants (“MHA”), 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, 2008. Specifically, the MHA Report covers the Company’s interests 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 13,123 MMCF of natural gas and 24,900 barrels of oil (149 MMCFE) representing a ration of approximately 1% oil and 99% 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, 2008 at U.S. $32 million, using forecasted prices and costs.

This Management’s Discussion and Analysis (“MD&A”) of the consolidated financial position and results of operations of Thunderbird, which includes its subsidiaries and partnership arrangements, was prepared as of May 27, 2008, and is for the years ended January 31, 2008 and 2007. For a full understanding of the consolidated 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 consolidated financial statements and MD&A.

RESOURCE PROPERTIES

Gordon Creek, Utah

The Company is the owner and operator of the Gordon Creek natural gas field located in Price, Utah. The Gordon Creek field includes four producing wells and seven shut-in wells, as well as an associated gas gathering system consisting of 10 km of pipeline and a scalable compression facility that services the project as well as adjacent production. Gas is marketed into a transmission pipeline operated by Questar Gas that crosses the project acreage. The property is adjacent to the Drunkards Wash natural gas field which is owned by ConocoPhillips and produces over 4 billion cubic feet (Bcf) of gas per month.

During the fourth quarter, Thunderbird completed a three well drilling program targeting the Ferron formation. The Ferron is a Cretaceous aged fluvial deltaic formation consisting of a sequence interbedded sands, shale, and coals. The Ferron is productive throughout the region including the adjacent Drunkards Wash field (ConocoPhillips) and Clear Creek field (Marion Energy).

Thunderbird holds a 100% working interest in two of the wells, the GSC 3-20-14-8 and the GCS 2-29-14-8, which have been logged, cased and completed, and are awaiting tie-in for production testing. The third well, GCS 1-30-14-8, which was drilled on a 50% working interest basis, was logged, equipped with a well head, and temporarily plugged pending further investigation.

Recently, Thunderbird has entered into an agreement, subject to certain conditions, 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, thereby increasing the net land position by approximately 50%.

Rush County, Kansas

All the Company's oil reserves are attributable to the Rush County, Kansas project. During the year, the Company completed a seven well drilling program whereby the Company earned a 50% working interest in five producing oil wells in Rush County, Kansas. The Company has the opportunity to participate in further drilling opportunities in Kansas, but has no present plans to drill any additional wells.

During the year production from two of the wells was partially restricted due to delays in permitting a water disposal well. These wells were connected to the disposal well at the year end.

Weston County, Wyoming

The Company acquired a 50% interest in approximately 19,000 acres and a 100% interest in an additional 2,000 acres in Weston County, Wyoming for an aggregate of U.S. $385,000. The Company has recently entered into an agreement to acquire an additional 45% interest in the 50% acreage in order to bring its aggregate interest in the 19,000 acres to 95%.

The Weston County project is located in a prolific oil and gas producing area of the Eastern Powder River Basin. The project has a number of conventional oil and natural gas targets in the Dakota and Minnelusa formations. The Cretaceous Dakota and Permo-Penn Minnelusa are both highly productive sandstone reservoirs when found in the trapping positions and have accounted for hundreds of millions of barrels of production in the Powder River Basin. Dakota and Minnelusa fields in the vicinity of the Weston County project have cumulative production to date of 100 million barrels of oil and 40 Bcf of natural gas.

Approximately 200 miles of 2D seismic data were shot over the subject lands in the early 1980's. Thunderbird is currently in the process of acquiring and re-processing certain of the 2D data and designing a 3D program to cover portions of the lands that appear highly prospective for both Dakota and Minnelusa production.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial data as of and for the years ended January 31, 2008, 2007 and 2006. This data was derived from the audited annual consolidated financial statements.

Balance Sheet	**As at January 31, 2008**	**As at January 31, 2007**	**As at January 31, 2006**
Current assets	831,427	238,372	119,753
Other assets	8,926,427	2,762,348	1,014,785
Total assets	**9,757,854**	**3,000,720**	**1,134,538**
Current liabilities	4,236,231	536,504	412,827
Other liabilities	3,634,162	2,762,880	-
Total liabilities	**7,870,393**	**3,299,384**	**412,827**

	Quarter ended January 31, 2008	**Year ended January 31, 2008**	**Year ended January 31, 2007**	**Year ended January 31, 2006**
Revenues	**$ 374,973**	**$ 823,385**	**$ 422,711**	**$ -**
Direct costs	356,297	650,122	309,474	-
Gross operating income	**18,676**	**173,263**	**113,237**	**-**
Expenses				
General and administrative	664,626	1,371,051	488,294	157,669
Interest, accretion and debt service costs	222,167	492,041	225,018	-
Depletion, depreciation and accretion	93,482	444,242	234,679	5,228
Impairment loss on oil and gas properties	-	-	953,371	131,699
Impairment loss on mineral properties	-	-	59,562	-
Stock-based compensation	27,746	273,092	202,375	138,394
Interest income	(2,559)	(3,873)	(735)	(1,304)
	1,005,462	**2,576,553**	**2,162,564**	**431,686**
Net loss	**$ (986,786)**	**$ (2,403,290)**	**$ (2,049,327)**	**$ (431,686)**
Basic and diluted loss per share	(0.02)	(0.06)	(0.09)	(0.02)
Weighted-average number of shares outstanding	49,769,000	38,066,000	22,893,000	18,737,000

Revenues

During the 2008 fiscal year, the Company's revenues continued to increase from its producing oil and natural gas wells from properties in Gordon Creek, Utah and Rush County, Kansas. The increase in revenues is notably due to the purchase of the remaining 50% in the Gordon Creek property as well as an income stream from both projects for the full year. Gordon Creek natural gas and other revenues represent 75% of total revenues, while the Rush County oil revenues represent 25% of the Company's revenues.

Production Summary

The following table summarizes the production for fiscal 2008 and 2007:

	Year ended January 31		Quarter ended January 31	
	2008	2007	2008	2007
Production:				
Natural gas (mcf)	158,071	99,265	77,060	22,205
Oil (bbls)	4,312	631	675	631
Total (mcfe) (1:6)	183,945	103,051	81,113	25,991
Production split:				
Natural gas (%)	86%	96%	95%	85%
Oil (%)	14%	4%	5%	15%

Operating costs

Operating expenses include all normal operating costs as well as workover costs for both the Gordon Creek and the Rush County projects. The costs were higher for fiscal 2008 compared to fiscal 2007 as the Company increased their interest in Gordon Creek along with the increase in production. In addition, severe winter conditions hampered operations and increased operating costs during the fourth quarter of fiscal 2008. Gordon Creek expenses were 88% of the total operating expenses, while Rush County operating expenses were 12% of the total operating expenses.

General and administrative

General costs include such items as office rent, accounting fees, legal fees, professional and consulting fees, filing fees, salaries and wages, transfer agent fees, travel costs, advertising and promotions, investor relations, and foreign exchange gain or loss, as well as general office expenses. G&A expenses increased 180% for the fiscal year ended January 31, 2008 to $1,371,051 from $488,294 in the previous fiscal year. Approximately $265,000 and $150,000 of the increases were due to legal fees and transaction costs, respectively, incurred during the due diligence related to the Macquarie loan facility. Salary and wages increased by approximately $220,000 with the addition of new employees. Along with the purchase of the remaining Gordon Creek Project, the Company also assumed 100% ownership in Gordon Creek, LLC, a company that operates the Gordon Creek Project. Increases in general costs related to this operating company amounted to approximately $140,000 during the year, of which $53,000 was attributable to salary and wages. Other increases during the year were in the areas of accounting fees, legal fees not related to the Macquarie financing, interest and bank charges, travel and rent.

Interest, accretion and debt service costs

Interest charges relate to the credit facility obtained by the Company during the fourth quarter ($72,326) and interest paid on the debt assumed in the acquisition of the remaining 50% of the Gordon Creek Property ($67,448) during the second quarter. Interest charges also include approximately $251,000 in interest paid on the March and November issuance of 10% and 12% convertible debentures, respectively. The $1,850,000 10% debenture was converted to equity during fiscal 2008. In the previous fiscal year, interest on the debentures totalled approximately $190,000. This increase is due to a full year of interest being incurred on the November (12%) debentures. For further details on the convertible debentures see “Liquidity and Capital Resources” below. Accretion costs relate to the accretion on the convertible debentures. Debt service costs relate to the fair value of warrants issued to Macquarie.

Depletion, depreciation and accretion

Depletion, depreciation, and accretion increased in the 2008 fiscal year due primarily to the acquisition of the remaining 50% of the Gordon Creek property. 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 estimated Thunderbird's reserves as of January 31, 2008 in accordance with NI 51-101.

Stock-based compensation

The Company granted 600,000 of stock options during the year priced between $0.30 and $0.40 to a director and an employee. 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 option pricing model for valuing shares, Thunderbird assumed a volatility rate of 102%, an expected life of 5 years, a risk-free rate between 3.93% and 4.38%, and a 0% dividend yield.

OUTLOOK

During fiscal 2008 Thunderbird expanded its production and land position in Utah (see "Gordon Creek, Utah" above) and has acquired a 50% interest in a 19,000 acre and a 100% interest in a 2,000 acre oil exploration property in Weston County, Wyoming. The Company's objectives for fiscal 2009 are to build production, cash flow and natural gas reserves at the Gordon Creek Project through workovers and drilling. The Company also intends to initiate an exploration program, consisting of 3D seismic and drilling, in Weston County, Wyoming.

Short-term constraints on pipeline capacity during the year had negative price differential for natural gas in the Rocky Mountain region. These supply constraints, combined with generally lower natural gas prices, severely impacted revenues for the second and third quarters. The basis price spread during these quarters (i.e. the negative differential price between Rockies and NYMEX prices), increased from its traditional $1 to $2 range to as high as $5. In January 2008, Phase two of the Rocky Mountain Express ("REX") pipeline was completed and the basis price spread returned to more traditional levels. The third and final phase of the REX pipeline is scheduled for completion in early 2009 and should help provide long-term price stability for natural gas produced in the Rockies. The Company is particularly impacted by these market price fluctuations as all of its gas is currently sold into the spot market. As the Company grows its production base, it intends to investigate a variety of marketing options in order to reduce or alleviate the negative short-term price fluctuations. These may include hedges and other forward sales techniques, long-term sales contracts and long-term firm capacity contracts.

RESERVES DATA

MHA evaluated the Company's reserves as of January 31, 2008. 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, 2008
Forecast Prices and Costs – BFIT ($USD)

	Oil		Gas	
Reserve Category	**Gross, MBBL**	**Net, MBBL**	**Gross, MMCF**	**Net, MMCF**
Proved Reserves				
Proved Developed Producing	13.2	9.8	473.0	330.9
Proved Developed Non-Producing	0.00	0.00	2,741.3	2,104.9
Proved Undeveloped	0.00	0.00	2,208.5	1,680.9
Total Proved Reserves (1P)	13.2	9.8	5,422.8	4,116.7
Probable Reserves	20.1	15.1	11,865.3	9,006.7
Total Proved + Probable Reserves (2P)	33.3	24.9	17,288.1	13,123.4
Possible Reserves	48.7	36.5	13,903.2	10,546.6
Total Proved + Probable + Possible Reserves (3P)	82.0	61.4	31,191.3	23,670.0

	Net Present Value Discounted at %/year				
Reserve Category	**0% MM$**	**5% MM$**	**10% MM$**	**15% MM$**	**20% MM$**
Proved Reserves					
Proved Developed Producing	1.953	1.677	1.498	1.364	1.257
Proved Developed Non-Producing	11.541	8.904	7.167	5.958	5.078
Proved Undeveloped	6.874	4.771	3.388	2.433	1.745
Total Proved Reserves (1P)	20.368	15.352	12.053	9.755	8.080
Probable Reserves	45.476	29.287	19.999	10.677	10.379
Total Proved + Probable Reserves (2P)	65.844	44.639	32.052	20.432	18.459
Possible Reserves	76.467	58.112	46.753	42.521	33.348
Total Proved + Probable + Possible Reserves (3P)	142.311	102.751	78.805	62.953	51.807

Natural gas prices underwent considerable fluctuation during fiscal 2008 and, in accordance with historical cycles, have generally trended lower from highs of $6 to $7 per Mcf at the start of the fiscal year to a low of approximately $1 to $2 during the 3rd quarter. In the fourth quarter, prices recovered to the $6 to $7 range. As at January 31, 2008 the NYMEX quoted price of natural gas was $8.07.

RISKS AND TRENDS

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. The primary driver for this cyclicality is the need for residential and commercial heating. 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. In addition, issues relating to pipeline capacity constraints, pipeline maintenance and unscheduled shut-downs, can temporarily impact regional pricing.

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 there from 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 from 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 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 hedges, the management of Thunderbird may use hedging contracts 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 numerous factors, both known and unknown, that could cause results or events to differ materially from forecast results.

SELECTED QUARTERLY RESULTS *(unaudited)*

Balance Sheet:	**Q4 2008**	**Q3 2008**	**Q2 2008**	**Q1 2008**	**Q4 2007**	**Q3 2007**	**Q2 2007**	**Q1 2007**
Current assets	831,427	1,736,002	2,287,937	1,300,945	238,372	129,314	41,520	200,959
Other assets	8,926,427	6,269,843	6,145,166	3,155,831	2,762,348	2,704,465	2,755,384	2,775,577
Total assets	**9,757,854**	**8,005,845**	**8,433,103**	**4,456,776**	**3,000,720**	**2,833,779**	**2,796,904**	**2,976,536**
Current liabilities	4,236,231	3,498,325	3,356,775	696,076	536,504	239,393	320,538	246,059
Other liabilities	3,634,162	1,151,244	1,145,742	2,802,672	2,762,880	1,636,865	1,629,605	1,622,556
Shareholders' equity	1,887,461	3,356,276	3,930,586	958,028	(298,664)	957,521	846,761	1,107,921
Total equity and liabilities	**9,757,854**	**8,005,845**	**8,433,103**	**4,456,776**	**3,000,720**	**2,833,779**	**2,796,904**	**2,976,536**

Income Statement:	**Q4 2008**	**Q3 2008**	**Q2 2008**	**Q1 2008**	**Q4 2007**	**Q3 2007**	**Q2 2007**	**Q1 2007**
Revenues	**374,973**	**141,136**	**157,232**	**150,044**	**121,171**	**83,998**	**128,537**	**89,005**
Direct costs	356,297	107,911	111,416	74,498	96,688	84,835	66,648	61,303
Gross operating income (loss)	**18,676**	**33,225**	**45,816**	**75,546**	**24,483**	**(837)**	**61,889**	**27,702**
Expenses:								
General and administrative	664,626	442,664	153,887	109,874	141,932	102,544	184,770	59,048
Interest, accretion and debt service costs	222,167	77,655	108,340	83,879	86,344	53,891	53,679	31,104
Depletion, depreciation and accretion	93,482	178,529	140,964	31,267	164,386	31,518	25,038	13,737
Impairment loss on oil and gas properties	-	-	-	-	953,371	-	-	-
Impairment loss on mineral properties	-	-	-	-	-	-	59,562	-
Stock-based compensation	27,746	80,893	92,344	72,109	202,375	-	-	-
Interest income	(2,559)	(1,314)	-	-	(1)	-	-	(734)
	1,005,462	**778,427**	**495,535**	**297,129**	**1,548,407**	**187,953**	**323,049**	**103,155**
Net loss for the period	**(986,786)**	**(745,202)**	**(449,719)**	**(221,583)**	**(1,523,924)**	**(188,790)**	**(261,160)**	**(75,453)**
Basic and diluted loss per share	**(0.019)**	**(0.015)**	**(0.014)**	**(0.008)**	**(0.06)**	**(0.008)**	**(0.011)**	**(0.004)**
Weighted average number of shares outstanding (thousands)	49,769	49,750	31,555	27,344	24,516	24,203	22,772	19,985

Operations

Thunderbird's increase in its oil and gas properties over the last eight quarters is a result of a series of property acquisitions and the resulting growth in the growth of the Company's energy related assets and operations. The overall increase in expenses during the past eight quarters is representative of the increased activity level of the Company.

Revenue for the first quarter of 2008 increased over the first quarter of 2007 due to revenues from the Rush County oil wells being reported as there were no revenues from this property earned in the first quarter of 2007. However, revenues had decreased from the Gordon Creek project due to decreases in production as a result of mechanical issues. The mechanical issues were addressed in connection with the workover operations in the second quarter. Operating expenses decreased in the first quarter of 2008 compared to the fourth quarter of 2007 primarily due to the fact that no workover expenditures were incurred during the quarter

During the second quarter of 2008 the Company completed the acquisition of the remaining 50% interest in Gordon Creek. 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.

Revenues in the second and third quarter of 2008 increased over the second and third quarter of 2007 respectively, due to revenues from the Rush County oil wells being reported for the entire period as well as the Company's acquisition of the remaining 50% interest in Gordon Creek being effective for the 2008 quarters. Revenues for the second and third quarters were negatively impacted by the depressed prices realized for natural gas during the second and third quarter (See "Outlook" above). In addition, production for the third quarter was negatively impacted by a shutdown of the Questar pipeline in the region for approximately three weeks. Gordon Creek operating expenses decreased in the third quarter of 2008 compared to the third quarter of 2007 primarily due to change in foreign exchange rates in the past year and reduced maintenance and workover expenses.

During the fourth quarter the Company completed the acquisition of the Weston County, Wyoming project (see "Weston County, Wyoming" above). In addition, the Company closed a financing facility with Macquarie whereby the bank intends to provide the Company with up to U.S. $50 million, subject to an availability limit, for the development of Thunderbird's existing oil and natural gas projects, and to fund future acquisitions.

Fourth quarter revenues increased over the previous quarters due to higher gas prices and increased production. Operating expenses increased in the fourth quarter over the third quarter primarily due to the workover costs incurred during the period. These costs were significantly higher than normal due to severe winter operating conditions, which included record low temperatures and high accumulations of snow.

General and administrative

General costs include such items as advertising and promotions, 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 50% from the third quarter due to the increase in legal fees incurred on the acquisition of the Weston County property and financing facility acquired and the fourth quarter accounting fees and audit accrual.

Interest accretion and debt service costs

Interest increased in quarter four over the previous quarter due to the issuance of long-term debt and the related interest and debt service costs. See "Liquidity and Capital Resources" below.

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 shares 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 year ended January 31, 2008, Thunderbird's additions to its oil and gas properties totalled $6,863,879. The Company acquired the remaining 50% interest in the Gordon Creek producing gas field and the Weston County project in Wyoming. These acquisitions were funded largely by the exercise of warrants and assumption of debt.

At January 31, 2008, the Company had cash of $74,150 and a working capital deficit of $3,404,804. The working capital deficit includes a current liability of $1,284,416, representing the current portion of the convertible debenture interest and repayment due in 2009. Insiders of Thunderbird are the holders of approximately 45% of the 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, 2008. The Company has no lines of credit or other sources of financing which have been arranged at this time, other than those listed below.

Long-Term Debt

During the fourth quarter, the Company obtained a long-term financing facility agreement with Macquarie that provides up to a maximum commitment of U.S. $50 million, subject to an availability limit, for the development of the Company's existing oil and natural gas projects and future acquisitions. The loan's interest rate is due and payable monthly, and at the Company's option, is based on the U.S. Prime Rate plus 0.5% or LIBOR plus 3.5%. The initial availability limit is $5,685,000 and will be re-determined by the lender every six months based on reserve estimates provided by independent engineers, subject to certain calculations. The credit facility operates as a revolving credit line with no principal repayments for the first three years. Thereafter, the facility is converted to a term loan payable over twenty-four months. The facility is secured through a first mortgage and security interests in the Company's oil and gas mineral interests. At January 31, 2008, U.S. $3,603,395 (Cdn $3,592,584) is owed under this facility. Subsequent to the year-end, the Company increased its long-term debt by U.S. $486,581 for a total amount outstanding of U.S. $4,089,976.

Convertible debentures

During the year, $1,850,000 of convertible debentures was converted into an aggregate of 9,999,994 common shares of the Company at a rate of one share for each $0.185 of principal converted. The two year 10% convertible debentures were issued on March 13, 2006 and were convertible, at the option of the holders. Debentures with the face value of $1,325,000 issued in November of 2006 at 12% interest, paid quarterly, are still outstanding and due in November 2008.

Private Placements

On March 16, 2007 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. The expiry date of the warrants was extended subsequent to the year-end to March 16, 2009.

Warrants Exercised
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 2006 private placement. Directors and associates exercised 1,975,000 of the warrants for proceeds of $296,250.

On July 31, 2007, 8,109,184 shares were issued pursuant to warrants exercised at a price of $0.185 per share for proceeds totalling $1,500,197. The warrants were issued as part of the March 2006 convertible debentures.

CRITICAL ACCOUNTING ESTIMATES

Oil and Natural Gas Properties
Under NI 51-101, "proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. 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, NI 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 NI 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 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 Oil and Natural Gas Assets
The Company is required to review the carrying value of all oil and natural gas assets for potential impairment. Impairment is indicated if the carrying value of the oil 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 oil and natural gas asset 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 U.S. $124,000 for the Company's asset retirement obligation is recorded in the period in which it is expected to be incurred between 2008 and 2023, discounted to its present value using the Company's 5% discount rate added to a 3% inflation rate. The offset to the liability is recorded in the carrying amount of oil 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.

ADOPTION OF NEW ACCOUNTING POLICIES

Effective February 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

"Financial Instruments - Recognition and Measurement" - Section 3855 prescribes that all financial assets, except those classified as held-to-maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held-for-trading; otherwise, they are measured at amortized cost. This section also specifies how financial instrument gains and losses are to be presented.

"Comprehensive Income" - Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. The adoption of the Financial Instrument Standards requires the presentation of a separate consolidated statement of comprehensive income, which is comprised of net income, and changes in unrealized gains or losses on translation of financial statements of self-sustaining foreign operations.

"Hedges" – Section 3865 specifies the criteria under which hedge accounting is permissible; how hedge accounting may be performed and where the impacts should be recorded. The standard introduces three specific types of hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. The Company had no hedging relationships as at February 1, 2007. There was no impact on the Company's consolidated financial statements upon adoption of this standard.

"Accounting Changes" – Revised Section 1506 requires that: (i) a voluntary change in accounting principles can be made only if the financial statements provide more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. There was no impact on the Company's consolidated financial statements upon adoption of this standard.

Adoption of these standards and transition provisions, with respect to the amortized cost using the effective interest rate method of financial liabilities, deferred financing costs of $50,377 previously included in deferred charges have been written-off to the opening deficit.

SIGNIFICANT ACCOUNTING PROUNOUNCEMENTS

The CICA issued three new accounting standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning February 1, 2008. The Company will adopt the requirements commencing in the quarter ended April 30, 2008 and is considering the impact this will have on the Company's financial statements.

Section 1535, "Capital Disclosures", establishes standards for disclosure of an entity's capital and how it is managed. Under this standard, the Company will be required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital.

Section 3031, “Inventory”, supersedes Section 3030 “Inventories” and establishes standards for measurements and disclosure of inventories. It provides the Canadian equivalent to International Accounting Standard IAS 2 “Inventories”. The section establishes guidance on the realizable value and determination of cost.

Sections 3862 and 3863, “Financial Instruments” specify a revised and enhanced disclosure on financial instruments. Increased disclosure will be required on the nature and extent of risks arising from financial instruments and how the entity manages those risks.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

A strategic plan has been adopted by the Canadian Accounting Standards Board ("AcSB") that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles (“GAAP”) with IFRS in 2011.

The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

TRANSACTIONS WITH RELATED PARTIES

Koele Capital Corp, of which the President and CEO is a shareholder, was paid $90,000 in consulting fees for the year ($22,500 in the fourth quarter). The Company has an ongoing contractual arrangement with Koele Capital Corp to pay consulting fees of $7,500 per month. An individual related to a director was also paid $8,432 in consulting fees in fiscal 2008.

Concurrent with the acquisition of the remaining 50% working interest in the Gordon Creek project described above, the Company received short-term financing from two directors and an unrelated individual.

Certain directors and officers also participated in the exercise of warrants during the year. Directors and other related parties exercised 1,975,000 of warrants for proceeds of $296,250. These warrants were issued as part of a private placement carried out in fiscal 2007. Directors and other related parties exercised 3,028,106 of warrants for proceeds of $560,198. These warrants were issued in connection with a 10% convertible debenture issue completed during fiscal 2007.

The Company paid royalties of $26,846 to Black Tusk Entertainment Ltd. (“BTE”), a partnership in which certain directors or their associates have an interest. The Company has entered into an agreement, subject to regulatory approval, to buy out the BTE royalty interests in the Gordon Creek Project, as well as BTE’s participation rights in further drilling, for $1 million, payable by way of $300,000 cash and the issuance of 2,000,000 shares at a deemed price of $0.35 per share.

Thunderbird Films Inc, a company that shares common directors with Thunderbird, was paid $84,669 in accounting fees, office reception, rent and supplies during the year ($21,703 in the fourth quarter), pursuant to a cost sharing arrangement between the two companies.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 27, 2008 the Company had the following common shares and stock options outstanding:

Common Shares	50,579,492
Share Purchase Warrants	15,274,893
Stock Options	3,525,000

There are no shares held in escrow.

As of May 27, 2008, there was $1,325,000 of two-year convertible debentures outstanding, convertible to common shares at rates of $0.50 per share and $0.60 per share.

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statement". All statements in this discussion, other than 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 from 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.

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

"STEPHEN CHEIKES"
Steven Cheikes, Director