



# THUNDERBIRD ENERGY

Thunderbird Energy Corp.  
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*Consolidated Financial Statements of*

**THUNDERBIRD ENERGY CORP.**

*April 30, 2008*

# THUNDERBIRD ENERGY CORP.

## Consolidated Balance Sheets

	April 30, 2008 (Unaudited)	January 31, 2008 (Audited)
<b>ASSETS</b>		
CURRENT		
Cash	\$ 104,799	\$ 74,150
Amounts receivable	482,345	269,193
Prepaid expenses and deposits	520,954	488,084
	1,108,098	831,427
RESTRICTED CASH [note 3]	121,620	119,640
PROPERTY AND EQUIPMENT [note 4]	32,178	25,429
OIL AND GAS PROPERTIES [note 4]	8,381,093	8,781,358
	\$ 9,642,989	\$ 9,757,854
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,672,927	\$ 2,398,448
Due to related parties [note 12]	433,519	326,855
Short-term debt [note 7]	226,512	226,512
Convertible debentures [note 6]	1,289,492	1,284,416
	3,622,450	4,236,231
ASSET RETIREMENT OBLIGATION [note 5]	43,112	41,578
LONG-TERM DEBT [note 8]	4,145,190	3,592,584
	7,810,752	7,870,393
<b>SHAREHOLDERS' EQUITY</b>		
Common shares [note 9]	16,848,986	16,696,368
Equity portion of convertible debentures [note 6]	64,937	64,937
Contributed surplus [note 9]	1,110,650	957,167
	18,024,573	17,718,472
Accumulated other comprehensive loss	(465,748)	(528,329)
Deficit	(15,726,588)	(15,302,682)
	(16,192,336)	(15,831,011)
	1,832,237	1,887,461
	\$ 9,642,989	\$ 9,757,854

NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS [note 1]  
SUBSEQUENT EVENTS [note 13]

Approved on Behalf of the Board:

"Cameron White"

Cameron White, Director

"Stephen Cheikes"

Stephen Cheikes, Director

The accompanying notes are an integral part of these consolidated financial statements

**THUNDERBIRD ENERGY CORP.**  
**Consolidated Statements of Loss and Deficit**  
**For the three months ended April 30, 2008 and 2007**

(Unaudited)	2008	2007
<b>REVENUES</b>		
Oil and gas	\$ 483,059	\$ 202,777
Royalties	(91,195)	(43,655)
	391,864	159,122
<b>EXPENSES</b>		
Operating costs	181,258	83,576
General and administrative	216,078	109,874
Interest, accretion and debt service costs	246,524	96,226
Depletion, depreciation and accretion	149,131	18,920
Stock-based compensation [note 9]	23,988	72,109
Interest income	(1,209)	-
	815,770	380,705
<b>NET LOSS</b>	(423,906)	(221,583)
<b>DEFICIT, BEGINNING OF PERIOD</b>	(15,302,682)	(12,849,055)
<b>DEFICIT, END OF PERIOD</b>	\$ (15,726,588)	\$ (13,070,638)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	(0.008)	(0.008)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	50,227,000	27,344,000

**Consolidated Statements of Comprehensive Loss and Accumulated  
Other Comprehensive Loss**  
**For the three months ended April 30, 2008 and 2007**

(Unaudited)	2008	2007
<b>Comprehensive loss</b>		
Net Loss	\$ (423,906)	\$ -
Other comprehensive income:		
Unrealized gain on translation of self-sustaining foreign operations	62,581	-
<b>Comprehensive loss</b>	\$ (361,625)	\$ -
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	\$ (528,329)	\$ -
Unrealized gain on translation of self-sustaining foreign operations	62,581	-
<b>Balance, end of period</b>	\$ (465,748)	\$ -

The accompanying notes are an integral part of these consolidated financial statements

**THUNDERBIRD ENERGY CORP.**  
**Consolidated Statements of Cash Flows**  
**For the three months ended April 30, 2008 and 2007**

(Unaudited)	2008	2007
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (423,906)	\$ (221,583)
Items not involving cash		
Stock-based compensation	23,988	72,109
Interest, accretion and debt service costs	137,189	19,539
Depletion, depreciation and accretion	149,131	18,920
Foreign exchange loss	18	50
Unrealized foreign exchange gain	(6,724)	-
	(120,304)	(110,965)
Changes in non-cash operating assets and liabilities		
Amounts receivable	(207,311)	(35,732)
Prepaid expenses and deposits	(24,714)	(3,552)
Accounts payable and accrued liabilities	(756,477)	167,859
	(1,108,806)	17,610
<b>FINANCING ACTIVITIES</b>		
Issuance of shares, net of costs	150,000	1,406,166
Increase in amounts due to related parties	106,664	18,576
Proceeds from long-term debt	493,150	-
	749,814	1,424,742
<b>INVESTING ACTIVITIES</b>		
Oil and gas property exploration and acquisition costs	400,073	(416,521)
Acquisition of property and equipment	(10,414)	(2,492)
	389,659	(419,013)
<b>FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH</b>		
	(18)	(50)
<b>INCREASE IN CASH FOR THE PERIOD</b>	<b>30,649</b>	<b>1,023,289</b>
<b>CASH , BEGINNING OF PERIOD</b>	<b>74,150</b>	<b>46,639</b>
<b>CASH , END OF PERIOD</b>	<b>\$ 104,799</b>	<b>\$ 1,069,928</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	89,078	83,879

The accompanying notes are an integral part of these consolidated financial statement

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2008 and 2007**  
**(UNAUDITED)**

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**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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*(a) Basis of Presentation*

These interim consolidated 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. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended January 31, 2008, except as disclosed below. The following disclosure is incremental to the disclosure included with the annual financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended January 31, 2008.

Certain amounts in the prior period unaudited consolidated financial statements have been reclassified to conform to the April 30, 2008 unaudited consolidated financial statement presentation; such reclassifications had no effect on the prior period net loss.

*(b) Change in Accounting Policies*

Effective February 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”).

- i) Section 1535, “Capital Disclosures”, establishes standards for disclosure of an entity’s objectives, policies and processes for managing capital. In addition, this standard requires disclosure of summary of quantitative and qualitative information about what an entity manages as capital; see note 11 to these consolidated financial statements.
- ii) Sections 3862, “Financial Instruments – Disclosures” and 3863, “Financial Instruments - Presentation”, replace CICA handbook section 3861 “Financial Instruments – Disclosure and Presentation” and specify a revised and enhanced disclosure on financial instruments. Increased disclosure is required on the nature and extent of risks arising from financial instruments and how the entity manages those risks; see note 12 to these consolidated financial statements.

**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 \$121,620) for which a short-term investment in the same amount is held as collateral.

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2008 and 2007**  
**(UNAUDITED)**

**4. PROPERTY AND EQUIPMENT**

<b>April 30, 2008</b>	Cost	Accumulated Depreciation/ Depletion	Net Carrying Value
Oil and gas properties	\$ 9,103,018	\$ (721,925)	\$ 8,381,093
Property and equipment	94,944	(62,766)	32,178
	<b>\$ 9,197,962</b>	<b>\$ (784,691)</b>	<b>\$ 8,413,271</b>

<b>January 31, 2008</b>	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
	<b>\$ 9,432,092</b>	<b>\$ (625,305)</b>	<b>\$ 8,806,787</b>

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

	April 30, 2008	January 31, 2008
Balance, beginning of period	\$ 8,781,358	\$ 2,676,978
Acquisition costs	33,850	3,331,680
Development costs	(438,476)	3,445,399
General & administrative	4,554	72,555
Asset retirement obligation	-	14,244
Depletion & depreciation	(144,395)	(403,680)
Foreign exchange translation adjustment	144,202	(355,818)
Balance, end of period	<b>\$ 8,381,093</b>	<b>\$ 8,781,358</b>

During the first quarter of 2009, the Company capitalized \$56,940 (2008 - \$394,569) of costs to oil and gas properties. Costs associated with unproven properties excluded from costs subject to depletion for 2009 totalled \$38,404 (2008 - \$nil). Costs of \$457,012 associated with work-in-progress of an unrelated working interest owner as at the January 31, 2008 year-end were removed from oil and gas properties in the quarter.

**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.

	Three months ended April 30, 2008	2007
Balance, beginning of period	\$ 41,578	\$ 29,114
Accretion expense	839	-
Foreign exchange translation adjustment	695	582
Balance, end of period	<b>\$ 43,112</b>	<b>\$ 29,696</b>

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
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**6. CONVERTIBLE 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) to the January 31, 2008 audited financial statements, the Company has written-off the remaining issuance costs to operations.

	<b>April 30, 2008</b>	<b>January 31, 2008</b>
Balance, beginning of period	\$ 1,284,416	\$ 3,077,766
Accretion up to face value	5,076	35,471
Liability portion of convertible debentures	1,289,492	3,113,237
Conversion into common shares	-	(1,850,000)
Remaining discount related to converted debentures	-	21,179
	1,289,492	1,284,416
Less current portion	(1,289,492)	(1,284,416)
Balance, end of period	\$ -	\$ -

**7. SHORT-TERM DEBT**

As of April 30, 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 initial availability limit of U.S. \$5,685,000. At April 30, 2008, U.S. \$4,089,975 (Cdn \$4,145,190) is owed under this facility. The Company is in compliance with all debt covenants as of April 30, 2008.

A quarterly commitment fee of \$U.S. 2,407 (\$Cdn 2,420) was charged during the period, and represents one half of one percent (0.5%) per annum on the daily average unused amount of the availability limit.

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2008 and 2007**  
**(UNAUDITED)**

**9. SHARE CAPITAL**

*Authorized:* Unlimited common shares without par value

*Issued:*

	Number of Shares	Amount
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
Warrants exercised	810,810	152,618
Balance, April 30, 2008	50,579,492	\$ 16,848,986

*Warrants exercised*

During the quarter, 810,810 shares were issued pursuant to warrants exercised at a price of \$0.185 per share for proceeds totalling \$150,000. The warrants were issued as part of the fiscal 2007 convertible debentures. The warrants' fair value of \$2,618, previously recorded in contributed surplus, was transferred to share capital.

*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:

	April 30, 2008	January 31, 2008
Weighted average fair value per share	\$ 0.32	\$ 0.30
Dividend yield	0%	0%
Interest rate	3.43% - 4.38%	3.93% - 4.38%
Expected life	4.35 - 5 years	5 years
Volatility	102% - 104%	102%

For the period ended April 30, 2008 the Company recorded stock-based compensation of \$23,988 (year-ended January 31, 2008 - \$273,092) relating to the fair value of vested share options.

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2008 and 2007**  
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**9. SHARE CAPITAL (continued)**

A summary of the status of the Company's stock options as of April 30, 2008 is presented below.

	Number of Options	Weighted Average Exercise Price
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
Issued	165,000	0.30
Cancelled	(300,000)	0.30
Balance, April 30, 2008	3,525,000	\$ 0.32

The following table summarizes the stock options outstanding at April 30, 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	2.93	\$ 0.24	1,505,000	\$ 0.24
\$ 0.30	1,215,000	Jul 2009-Feb 2013	2.13	\$ 0.30	1,028,750	\$ 0.30
\$ 0.40 - 0.45	530,000	Apr 2009-May 2012	2.72	\$ 0.42	380,000	\$ 0.31
\$ 0.55	275,000	Aug 2008	0.26	\$ 0.55	275,000	\$ 0.55
	3,525,000		2.42	\$ 0.32	3,188,750	\$ 0.31

*Share purchase warrants:*

The following table summarizes the warrants outstanding at April 30, 2008:

	Exercise Price	Number of warrants	Weighted average exercise price
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
Expired	\$0.30 - \$0.50	(524,975)	
Exercised	\$0.185	(810,810)	\$ 0.185
Balance, April 30, 2008		14,749,918	

During the quarter, 810,810 warrants were exercised at a price of \$0.185 for proceeds totalling \$150,000. The warrants were issued as part of the March 2006 convertible debentures.

Pursuant to a private placement completed in March 2007, the selling broker received 349,983 units at a price of \$0.30 per unit. Each unit consists of one common share and on-half of one non-transferable share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of \$0.50 per share. The broker warrants expired March 16, 2008.

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
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**(UNAUDITED)**

**9. SHARE CAPITAL (continued)**

<i>Contributed surplus:</i>	April 30, 2008	January 31, 2008
Balance, beginning of period	\$ 957,167	\$ 625,444
Stock-based compensation expense	23,988	339,148
Fair value of broker's warrants	132,113	55,645
Fair value of exercised options	-	(33,393)
Fair value of exercised warrants	(2,618)	(29,677)
	153,483	331,723
Balance, end of period	\$ 1,110,650	\$ 957,167

**10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

*(a) Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's joint venture partners and oil and natural gas marketers. As at April 30, 2008 the Company's accounts receivable consisted of \$232,865 from joint venture partners, \$232,650 from oil and natural gas marketers and \$16,830 from other trade receivables.

The carrying amount of the accounts receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at April 30, 2008 and January 31, 2008 and did not provide for any doubtful accounts, nor was it required to write-off any receivables during the three months ended April 30, 2008 and 2007.

*(b) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company expects to satisfy obligations under accounts payable, amounts due to related parties, convertible debenture and short-term debt in less than one year.

To facilitate the capital expenditure program, the Company has a revolving reserve based credit facility as outlined in note 8, that is at least reviewed annually by the lender. The Company also attempts to match its payment cycle with collections of petroleum and natural gas revenues on the 25<sup>th</sup> of each month.

Thunderbird anticipates it will have adequate liquidity to fund its financial liabilities as they come due.

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2008 and 2007**  
**(UNAUDITED)**

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**10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

*(c) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

*Foreign currency exchange rate risk*

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Company is exposed to foreign currency fluctuations on transactions conducted in foreign currencies and in the carrying value of its self-sustaining foreign subsidiary. As of April 30, 2008, if the Canadian dollar had depreciated five percent against the United States dollar with all other variables held constant, the effect on net income and other comprehensive income would have been insignificant.

The Company had no forward exchange rate contracts in place as at or during the three months ended April 30, 2008.

*Commodity price risk*

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. As of April 30, 2008, a one dollar change to the price per barrel of oil would have had an impact to the net earnings of approximately \$1,000 for the first quarter of 2009 and a one dollar change to the price per thousand cubic feet of natural gas would have had an impact to first quarter net earnings of approximately \$30,000.

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its long-term loan which bears a floating interest rate. The short-term debt and convertible debentures do not bear interest rate risk as they are at a fixed rate. A decrease in the interest rates of one percent would decrease the net loss and increase cash flows from operations for the three months ended April 30, 2008 by approximately \$10,000 based on the average amount of long-term debt outstanding during the quarter. An opposite impact would have occurred to loss and cash flows had interest rates increased one percent. The Company has no interest rate hedges or swaps outstanding at April 30, 2008.

**11. RISK MANAGEMENT**

The Company's objectives when managing capital are to ensure that the Company and its subsidiaries' will be able to continue as a going concern in order to pursue the exploration and development of its oil and gas properties and acquisitions while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements.

The capital structure consists of debt, cash and cash equivalents, convertible debentures and shareholders' equity excluding accumulated other comprehensive income loss.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and adjust its capital spending to manage current and projected debt levels.

**THUNDERBIRD ENERGY CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2008 and 2007**  
**(UNAUDITED)**

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**12. RELATED PARTY TRANSACTIONS**

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

	Three months ended April 30,	
	2008	2007
Consulting fees paid or accrued to a company controlled by a director	\$ 22,500	\$ 22,500
General and administrative expenses reimbursed to a company with common directors	29,661	20,876
Royalties paid or accrued to a partnership in which certain directors or their associates have an interest	-	5,207

Amounts due to related parties include an unsecured short-term loan payable and accrued interest to two directors and a related person of the Company for U.S. \$305,652 (Cdn \$326,947) (2007- \$nil). The loan carries a 12% interest rate and is payable on demand. Also included is \$43,096 (2008 - \$11,104) due to a company with common directors and \$63,476 (2008 - \$18,147) 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

**13. SUBSEQUENT EVENTS**

Subsequent to the quarter-end, the Company granted 1,200,000 stock options to directors of the Company at an exercise price of \$0.20 expiring in June 2013.