



# THUNDERBIRD ENERGY

Thunderbird Energy Corp.  
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*Financial Statements of*

**THUNDERBIRD ENERGY CORP. (formerly MBA  
RESOURCES CORP.)**

*October 31, 2006*

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Consolidated Balance Sheets

Unaudited – Prepared by Management

As at October 31, 2006 and January 31, 2006

	October 31, 2006	January 31, 2006
<b>ASSETS</b>		
CURRENT		
Cash	\$ 73,505	\$ 4,216
Restricted cash [note 4]	-	103,329
Amounts receivable	53,824	1,211
Prepaid expenses and deposits	1,985	1,985
Advances for exploration expenditures	-	9,012
	<b>129,314</b>	<b>119,753</b>
PROPERTY AND EQUIPMENT [note 6]	1,256,735	12,267
DEFERRED FINANCING COSTS	6,353	-
MINERAL PROPERTIES [note 4]	-	59,510
OIL AND GAS PROPERTIES [note 5]	1,441,377	943,008
	<b>\$ 2,833,779</b>	<b>\$ 1,134,538</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 59,678	\$ 125,900
Due to related parties [note 9]	12,962	186,927
Short-term debt	-	100,000
Current portion of convertible debentures [note 7]	166,753	-
	<b>239,393</b>	<b>412,827</b>
CONVERTIBLE DEBENTURES [note 7]	1,636,865	-
	<b>1,876,258</b>	<b>412,827</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common shares [note 8]	11,868,215	11,171,592
Treasury stock	(40,928)	(40,928)
Convertible debentures, equity portion	32,295	-
Contributed surplus	423,070	390,775
Deficit	(11,325,131)	(10,799,728)
	<b>957,521</b>	<b>721,711</b>
	<b>\$ 2,833,779</b>	<b>\$ 1,134,538</b>

### NATURE OF OPERATIONS AND CONTINUENCE OF BUSINESS

[note 1]

COMMITMENT [note 11]

SUBSEQUENT EVENTS [note 12]

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. (formerly MBA RESOURCES CORP.)

## Consolidated Statements of Loss and Deficit

Unaudited – Prepared by Management

For the Three and Nine Months Ended October 31, 2006 and 2005

	3 months ended		9 months ended	
	October 31, 2006	October 31, 2005	October 31, 2006	October 31, 2005
REVENUES				
Oil and gas	\$ 113,112	\$ -	\$ 330,653	\$ -
Royalties	(29,114)	-	(29,114)	-
	<b>83,998</b>	<b>-</b>	<b>301,539</b>	<b>-</b>
EXPENSES				
Operating	84,835	-	212,786	-
General and administrative	102,544	23,116	346,361	112,517
Interest charges	46,630	-	120,123	-
Convertible debenture accretion	7,261	-	18,551	-
Depletion and depreciation	31,518	1,036	70,293	3,560
Impairment loss on mineral properties	-	-	59,562	-
Less: Interest income	-	-	(734)	-
	<b>272,788</b>	<b>24,152</b>	<b>826,942</b>	<b>116,077</b>
NET LOSS	(188,790)	(24,152)	(525,403)	(116,077)
DEFICIT, BEGINNING OF THE PERIOD	(11,136,341)	(10,459,967)	(10,799,728)	(10,368,042)
DEFICIT, END OF THE PERIOD	\$ (11,325,131)	\$ (10,484,119)	\$ (11,325,131)	\$ (10,484,119)
BASIC LOSS PER SHARE	(0.008)	(0.001)	(0.022)	(0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING	24,203,000	18,726,715	24,203,000	18,726,715

See accompanying notes to the consolidated financial statements

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

For the Three and Nine Months Ended October 31, 2006 and 2005

	3 Months Ended		9 Months Ended	
	October 31, 2006	October 31, 2005	October 31, 2006	October 31, 2005
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (188,790)	\$ (24,152)	\$ (525,403)	\$ (116,077)
Items not involving cash				
Convertible debenture accretion	7,261	-	18,551	-
Depletion and depreciation	31,518	1,036	70,293	3,560
Foreign exchange loss (gain)	(7)	-	4,793	1,089
Impairment loss on mineral properties	-	-	59,562	-
	<b>(150,018)</b>	<b>(23,116)</b>	<b>(372,204)</b>	<b>(111,428)</b>
Changes in non-cash operating assets and liabilities				
Amounts receivable	(20,279)	8,362	(52,613)	14,814
Accounts payable and accrued liabilities	(72,560)	6,178	(66,222)	(10,643)
	<b>(242,857)</b>	<b>(8,576)</b>	<b>(491,039)</b>	<b>(107,257)</b>
<b>FINANCING ACTIVITIES</b>				
Decrease (increase) in deferred financing costs	1,186	-	(6,353)	-
Issuance of shares, net of costs	299,550	16,000	696,623	16,000
Increase (decrease) in amounts to related parties	(8,585)	15,000	(173,965)	115,000
Short-term debt	-	-	(100,000)	90,000
Proceeds from convertible debentures, net of costs	(1)	-	1,849,657	-
	<b>292,150</b>	<b>31,000</b>	<b>2,265,962</b>	<b>221,000</b>
<b>INVESTING ACTIVITIES</b>				
Exploration and acquisition costs on mineral properties	-	(26,880)	(52)	(26,880)
Exploration and acquisition costs on oil and gas properties	44,134	-	(489,357)	(258,001)
Property and equipment	(25,919)	-	(1,314,761)	-
	<b>18,215</b>	<b>(26,880)</b>	<b>(1,804,170)</b>	<b>(284,881)</b>
<b>INCREASE IN CASH (DECREASE)</b>	<b>67,508</b>	<b>(4,456)</b>	<b>(29,247)</b>	<b>(171,138)</b>
<b>FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH</b>	<b>7</b>	<b>-</b>	<b>(4,793)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>5,990</b>	<b>7,466</b>	<b>107,545</b>	<b>174,148</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>73,505</b>	<b>3,010</b>	<b>73,505</b>	<b>3,010</b>

See accompanying notes to the consolidated financial statements

# **THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)**

## **Notes to the Consolidated Financial Statements**

**Unaudited – Prepared by Management**

**For the Nine Months Ended October 31, 2006**

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### **1. NATURE OF OPERATIONS**

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. 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**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries MBA Energy Corp, incorporated in the province of British Columbia and Thunderbird Energy Inc. (formerly Manele Bay Goldfields Inc.), incorporated in the state of Nevada. All intercompany transactions and balances have been eliminated upon consolidation.

#### *(b) Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. Estimates are used for, but not limited to, accounting for doubtful accounts, income taxes, the carrying value of long-lived assets, and contingencies. Actual results may differ from those estimates.

#### *(c) Mineral Properties*

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

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

- (i) the Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- (ii) exploration results are not promising and no more work is being planned in the foreseeable future; or
- (iii) the remaining lease terms are insufficient to conduct necessary studies or exploration work.

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

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(d) Oil and gas properties*

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

#### *(e) Property and equipment*

Computer, furniture and equipment are recorded at cost and are amortized using the declining balance method at 30% per annum. Leasehold improvements are amortized on a straight-line basis over five years. Computer software is amortized using the declining balance method at 100% per annum. Property, equipment and software are amortized at one half the amortization rate, in year of acquisition. Equipment related to the Gordon Creek purchase (note 5) is amortized on a straight-line basis over a period between two and twenty years.

#### *(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 in accordance with CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". When stock or stock options are issued to non-employees, compensation expense is recognized based on the fair value of the stock or stock options issued. In February 2004, the Company changed its accounting policy related to employee stock options, and began to recognize compensation expense for stock or stock option grants to employees, based on the fair value of the stock or stock options issued. See Note 3 and 7(d). Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised the exercise price proceeds together with the amount initially recorded as contributed surplus are credited to share capital.

#### *(h) Share issue costs*

Direct costs relating to the issuance of shares are charged directly to share capital.

#### *(i) Flow-through Shares*

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and the shareholders' equity is reduced.

If the Company has sufficient unused tax loss carryforwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carryforwards, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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 were translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Translation gains and losses relating to monetary items are included in operations.

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

#### (k) 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.

#### (l) Long-Lived Assets

The CICA issued CICA Handbook, section 3063, *Impairment of long-lived assets* effective January 1, 2004. It provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets. It replaces the provisions in section 3061 of the CICA Handbook, *Property, plant and equipment*.

The determination of when to recognize an impairment loss for a long-lived asset to be held and used is made when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the amount over its fair value.

#### (m) Asset Retirement Obligations

The CICA issued CICA Handbook, section 3110, *Asset retirement obligations* effective January 1, 2004. This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. See note 4 for an asset retirement obligation settled subsequent to January 31, 2006.

#### (n) Comparative figures

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

# **THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)**

## **Notes to the Consolidated Financial Statements**

**Unaudited – Prepared by Management**

**For the Nine Months Ended October 31, 2006**

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### **3. CHANGE IN ACCOUNTING POLICY**

In February 2004 the Company adopted the provisions of CICA Handbook Section 3870, “Stock-based Compensation and Other Stock Based Payments”, as it relates to employee stock options. In accordance with the provisions of this section, the Company has accounted prospectively for all employee stock options granted, settled, or modified since February 1, 2004 as a charge to operations based upon the fair value method. The fair value method requires the Company to expense the fair value, as determined using the Black Scholes option-pricing model, of the employee options granted or modified during a period. Accordingly, the Company has recorded an amount in respect of employee options granted in 2005 (see note 7(d)).

### **4. MINERAL PROPERTIES**

#### **Worldbeater Gold Project**

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

#### **S310 Gold Property**

The Company, through its wholly-owned subsidiary Thunderbird Energy Inc., (formerly Manele Bay Goldfields Inc.) (“TBI”), acquired an option to acquire a 100% interest in a group of 12 unpatented mining claims in Humboldt County, Nevada. The Company made three cash payments totalling U.S. \$13,500 and issued 125,000 common shares related to this project. In order to maintain the option in good standing the Company was required to pay a further U.S. \$7,500 and issue an additional 50,000 shares over each of the next two years and incur exploration expenditures of not less than U.S. \$75,000 by July 31, 2006, an aggregate of not less than U.S. \$200,000 by July 31, 2007 and an aggregate of U.S. \$400,000 by July 31, 2008. As of July 31, 2006, the Company dropped its option to acquire the S310 property in order to focus on oil and gas exploration. Consequently, the costs associated with the property were written down at the end of the second quarter.

Cumulative exploration and acquisitions costs are as follows:

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

### 4. MINERAL PROPERTIES (continued)

#### S310 Gold Property (continued)

2007	Worldbeater	S310 Gold	Total
Balance – Beginning of Period	\$ –	\$ 59,510	\$ 59,510
Deferred during the period			
Legal	–	52	52
	–	59,562	59,562
Impairment charge	–	59,562	59,562
Balance – End of Period	\$ –	\$ –	\$ –

  

2006	Worldbeater	S310 Gold	Total
Balance – Beginning of Year	\$ –	\$ 32,630	\$ 32,630
Deferred during the year			
Geological contractors and consulting	–	1,813	1,813
Property payments	–	25,067	25,067
	–	26,880	26,880
Balance – End of Year	\$ –	\$ 59,510	\$ 59,510

### 5. OIL AND GAS PROPERTIES

#### Dover and Gautreau Oil and Gas Project

On August 18, 2004 the Company entered into an oil and gas farm-in agreement with Contact Exploration Inc. (TSX-V: CEX) of Calgary, Alberta whereby the Issuer has the right to earn a 50% working interest in the Dover and Gautreau oil and gas prospects in Eastern New Brunswick by incurring 100% of the costs of drilling and completing an initial exploration well on each prospect.

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

2007	
Balance – Beginning of Year	\$ 943,008
Deferred during the period	
Drilling	9,012
Geological contractors and consulting	1,350
	10,362
Balance – End of Period	\$ 953,370

  

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

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

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### 5. OIL AND GAS PROPERTIES (continued) Gordon Creek Natural Gas Project

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

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

2007	
Balance – Beginning of Year	\$ -
Deferred during the period	
Leases and property	455,649
Geological contractors and consulting	6,300
Legal	14,661
Travel and accommodation	6,944
	483,554
Balance – End of Period	\$ 483,554

The remainder of the purchase price has been allocated to production equipment (see note 6).

### Rush County, Kansas Oil and Gas Project

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

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

2007	
Balance – Beginning of Year	\$ -
Deferred during the period	
Geological contractors and consulting	2,625
Travel and accommodation	1,828
	4,453
Balance – End of Period	\$ 4,453

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

### 6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	October 31, 2006 Net book value	January 31, 2006 Net book value
Computer equipment	\$ 19,169	\$ 12,122	\$ 7,047	\$ 7,363
Computer software	25,919	6,480	19,439	
Furniture and equipment	8,683	5,675	3,008	3,882
Leasehold improvements	2,044	1,328	716	1,022
Production equipment	1,287,351	60,827	1,226,524	-
	\$ 1,343,166	\$ 86,432	\$ 1,256,734	\$ 12,267

### 7. CONVERTIBLE DEBENTURES

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

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 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 related to the convertible debentures are included in deferred financing charges and are amortized over the term of the convertible debenture.

Balance – January 31, 2006	-
Face value of convertible debentures issued during the year	1,850,000
Less: Shareholder's equity component	(64,932)
Liability component of subordinated debentures	1,785,068
Add: Accretion of liability component of debenture	31,104
Less: Interest paid on debenture	(26,863)
Balance – April 30, 2006	1,789,309
Add: Accretion of liability component of debenture	53,679
Less: Interest paid on debenture	(46,630)
Balance – July 31, 2006	1,796,358
Add: Accretion of liability component of debenture	53,890
Less: Interest paid on debenture	(46,630)
Sub-total	1,803,618
Less: Current portion	(166,753)
Balance – October 31, 2006	1,636,865

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

### 8. SHARE CAPITAL

#### (a) Authorized

Unlimited common shares without par value.

#### (b) Issued

	Common shares		Treasury Stock	
	Number of Shares	Amount	Number of Shares	Amount
Balance – January 31, 2005	18,721,498	\$ 11,155,592	(6,826)	\$ (40,928)
Shares issued for mineral property [note 4]	50,000	16,000	-	-
Balance – January 31, 2006	18,771,498	\$ 11,171,592	(6,826)	\$ (40,928)
Private Placement [(c) below]				
Shares issued for cash	4,000,000	400,000	-	-
Share issue costs		(2,927)	-	-
Warrants exercised [(d) below]	1,745,000	299,550	-	-
Balance – October 31, 2006	24,516,498	\$ 11,868,215	(6,826)	\$ (40,928)

#### (c) Private Placement

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

#### (d) Warrants exercised

During the period, 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.

#### (e) Stock-based compensation plans

The Company has established a Share Option Plan (the “option plan”) which provides for options to purchase common shares to be granted by the Company to directors, officers, employees and consultants of the Company. At the date options are granted, the exercise price for an option shall not be less than the fair value of common shares of the Company. Options vest over a period of 18 months. The maximum number of common shares issuable under the plan is 3,600,000.

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

### 8. SHARE CAPITAL cont.

(e) *Stock-based compensation plans cont.*

A summary of the status of the Company's stock option plan as of October 31, 2006 is presented below.

	Number of Options	Weighted Average Exercise Price
Balance - January 31, 2005	2,150,000	\$ 0.38
Cancelled	(70,000)	0.45
Cancelled	(25,000)	0.15
Balance - January 31, 2006	2,055,000	0.38
Issued	1,720,000	0.25
Issued	100,000	0.22
Cancelled	(25,000)	0.55
Cancelled	(250,000)	0.45
Balance - April 30, 2006	3,600,000	0.31
Issued	400,000	0.30
Issued	250,000	0.30
Balance – October 31, 2006	4,250,000	\$ 0.31

The following table summarizes the stock options outstanding at October 31, 2006:

Exercise price	Options outstanding			Options exercisable	
	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.55	275,000	1.83	\$0.55	275,000	\$0.55
\$0.45	405,000	2.50	\$0.45	405,000	\$0.45
\$0.30	1,100,000	2.75	\$0.30	1,100,000	\$0.30
\$0.25	1,720,000	4.50	\$0.25	1,720,000	\$0.25
\$0.22	100,000	4.50	\$0.22	100,000	\$0.22
\$0.30	400,000	4.58	\$0.30	400,000	\$0.30
\$0.30	250,000	4.75	\$0.30	250,000	\$0.30
	4,250,000	3.71	\$0.31	4,250,000	\$0.31

The expiry date of the Company's stock options are as follows:

	Price	Outstanding	Expiry Date
Options	\$0.55	275,000	August 2008
Options	\$0.45	405,000	April 2009
Options	\$0.30	1,100,000	July 2009
Options	\$0.25	1,720,000	April 2011
Options	\$0.22	100,000	April 2011
Options	\$0.30	400,000	May 2011
Options	\$0.30	250,000	July 2011
		4,250,000	

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

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### 8. SHARE CAPITAL cont.

#### (f) Share purchase warrants

	Number of warrants	Exercise Price
Balance, January 31, 2005	5,000,000	0.25
Expired	(5,000,000)	0.25
Balance, January 31, 2006	-	-
Issued	10,000,000	0.185
Issued	4,000,000	0.150
Exercised	(665,000)	0.150
Exercised	(1,080,000)	0.185
Balance, October 31, 2006	12,255,000	0.15 – 0.185

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

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

Pursuant to a private placement completed in April 2006, the Company issued warrants to purchase 4,000,000 common shares at a price of \$0.15 per share until April 4, 2007. As of October 31, 2006, 665,000 were exercised.

### 9. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed include the following:

	October 31, 2006	October 31, 2005
Consulting fees paid or accrued to directors during the period	\$ 15,000	\$ 7,500
Accounting fees, office reception and rent paid or accrued to a company with common directors.	13,770	-

# THUNDERBIRD ENERGY CORP. (formerly MBA RESOURCES CORP.)

## Notes to the Consolidated Financial Statements

Unaudited – Prepared by Management

For the Nine Months Ended October 31, 2006

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### 10. FINANCIAL INSTRUMENTS

(a) *Fair value*

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

(b) *Price risk*

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

### 11. COMMITMENT

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

2007	\$ 14,413
2008	30,666
2009	30,666
2010	31,208
2011	32,290
2012	21,527
	\$ 160,770

### 12. SUBSEQUENT EVENTS

Subsequent to the period, the Company completed a private placement of two year, 12% convertible debentures in the principal amount of \$1,350,000. The debentures will have a floating charge over the assets and undertaking of the Company, subordinate to the existing convertible debentures described above. The principal amounts of the debentures are convertible, at the option of the holders, into one common share for each \$0.50 principal amount of debentures converted during the first year and one common share for each \$0.60 principal amount of debentures converted during the second year. The Company will have the right to provide debenture holders with a notice of redemption in the event that the weighted average trading price of the Company's shares exceed \$1.00 per share for a period of ten consecutive trading days. In such event, debenture holders will have a further period of ten trading days within which they can elect to convert their debentures, prior to redemption. Proceeds of the placement will be used to fund drilling of the Rush County Kansas wells described above. Three directors of the Company each purchased \$200,000 principal amount of these debentures.