



THUNDERBIRD ENERGY

Thunderbird Energy Corp.
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Consolidated Interim Financial Statements of

THUNDERBIRD ENERGY CORP.

July 31, 2010

The accompanying unaudited interim financial statements of Thunderbird Energy Corp. for the three and six months ended July 31, 2010 and 2009 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

THUNDERBIRD ENERGY CORP.

Consolidated Balance Sheets

	July 31, 2010 (Unaudited)	January 31, 2010 (Audited)
ASSETS		
CURRENT		
Cash	\$ 60,871	\$ 24,783
Accounts receivable	367,173	548,256
Prepaid expenses and deposits	50,330	35,897
	478,374	608,936
RESTRICTED CASH [note 3]	123,396	128,508
PROPERTY AND EQUIPMENT [note 4]	9,513,890	10,042,377
	\$ 10,115,660	\$ 10,779,821
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 819,705	\$ 1,053,652
Due to related parties [note 12]	1,314,854	849,060
Convertible debentures [note 6]	1,968,518	1,924,392
Short-term debt [note 7 and note 8]	4,704,683	4,759,716
	8,807,760	8,586,820
ASSET RETIREMENT OBLIGATION [note 5]	212,184	212,394
	9,019,944	8,799,214
SHAREHOLDERS' EQUITY		
Common shares [note 9]	18,575,047	18,575,047
Equity portion of convertible debentures [note 6]	164,241	164,241
Contributed surplus [note 9]	3,672,723	3,425,973
	22,412,011	22,165,261
Accumulated other comprehensive loss	(346,629)	(158,755)
Deficit	(20,969,666)	(20,025,899)
	(21,316,295)	(20,184,654)
	1,095,716	1,980,607
	\$ 10,115,660	\$ 10,779,821

NATURE OF OPERATIONS AND GOING CONCERN [note 1]

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 and six months ended July 31, 2010 and 2009

(Unaudited)	Three months ended July 31		Six months ended July 31	
	2010	2009	2010	2009
REVENUES				
Oil and gas	\$ 280,566	\$ 369,936	\$ 585,040	\$ 680,037
Royalties	(57,120)	(33,964)	(105,683)	(83,715)
	223,446	335,972	479,357	596,322
EXPENSES				
Operating costs	149,320	179,722	280,723	321,568
General and administrative	199,172	259,643	345,300	425,774
Interest, accretion and debt service costs	241,905	255,800	482,677	483,262
Depletion, depreciation and accretion	110,899	166,475	221,675	328,691
Stock-based compensation [note 9]	55,995	23,530	111,990	47,060
Unrealized foreign exchange (gain) loss	7,042	(48,424)	(18,809)	(54,706)
Interest income	(219)	(741)	(432)	(2,612)
	764,114	836,005	1,423,124	1,549,037
NET LOSS	(540,668)	(500,033)	(943,767)	(952,715)
DEFICIT, BEGINNING OF YEAR	(20,428,998)	(18,449,064)	(20,025,899)	(17,996,382)
DEFICIT, END OF YEAR	\$ (20,969,666)	\$ (18,949,097)	\$ (20,969,666)	\$ (18,949,097)
BASIC AND DILUTED LOSS PER SHARE	(0.008)	(0.008)	(0.014)	(0.014)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	67,079,000	67,079,000	67,079,000	67,079,000

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

THUNDERBIRD ENERGY CORP.
Consolidated Statements of Comprehensive Loss and Accumulated Other
Comprehensive Loss
For the three and six months ended July 31, 2010 and 2009

(Unaudited)	Three months ended July 31		Six months ended July 31	
	2010	2009	2010	2009
COMPREHENSIVE LOSS				
Net Loss	\$ (540,668)	\$ (500,033)	\$ (943,767)	\$ (952,715)
Other comprehensive income:				
Unrealized gain (loss) on translation of self-sustaining foreign operations	112,398	(655,331)	(187,874)	(759,804)
Comprehensive loss	\$ (428,270)	\$ (1,155,364)	\$ (1,131,641)	\$ (1,712,519)
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Accumulated other comprehensive gain (loss), beginning of period	\$ (459,027)	\$ 590,409	\$ (158,755)	\$ 694,882
Other comprehensive loss	112,398	(655,331)	(187,874)	(759,804)
Accumulated other comprehensive loss, end of period	\$ (346,629)	\$ (64,922)	\$ (346,629)	\$ (64,922)

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 July 31, 2010 and 2009

(Unaudited)	Three months ended July 31		Six months ended July 31	
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Net loss	\$ (540,668)	\$ (500,033)	\$ (943,767)	\$ (952,715)
Items not involving cash				
Stock-based compensation	55,995	23,530	111,990	47,060
Interest, accretion and debt service costs	87,942	105,016	178,886	213,399
Depletion, depreciation and accretion	110,899	166,475	221,675	328,691
Foreign exchange (gain) loss	7,042	(48,424)	(18,809)	(54,706)
	(278,790)	(253,436)	(450,025)	(418,271)
Changes in non-cash working capital	(53,730)	(58,629)	27,188	219,619
	(332,520)	(312,065)	(422,837)	(198,652)
FINANCING ACTIVITIES				
Increase in amounts due to related parties	168,728	126,260	426,882	89,223
Proceeds from short-term debt	128,538	-	128,538	-
Proceeds from convertible debentures	-	-	-	162,500
Changes in non-working capital	29,535	39,598	(91,567)	50,748
	326,801	165,858	463,853	302,471
INVESTING ACTIVITIES				
Oil and gas property exploration and acquisition costs	(20,505)	(341,571)	(20,505)	(334,901)
Acquisition of property and equipment	-	-	(6,600)	-
Changes in non-working capital	-	-	-	(3,873)
	(20,505)	(341,571)	(27,105)	(338,774)
FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH	(25,026)	365,709	22,177	19,795
INCREASE (DECREASE) IN CASH FOR THE PERIOD	(51,250)	(122,069)	36,088	(215,160)
CASH , BEGINNING OF PERIOD	112,121	164,462	24,783	257,553
CASH , END OF PERIOD	\$ 60,871	\$ 42,393	\$ 60,871	\$ 42,393
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	\$ 103,600	\$ 79,289	\$ 231,190	\$ 190,821

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

THUNDERBIRD ENERGY CORP.
Notes to the Consolidated Financial Statements
For the Three and Six Months Ended July 31, 2010 and 2009
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 in production and exploration in the United States of America. 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 and consolidation

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, 2010, 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, 2010.

Certain amounts in the prior period unaudited consolidated financial statements have been reclassified to conform to the July 31, 2010 unaudited consolidated financial statement presentation; such reclassifications had no effect on the prior period net loss.

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 \$123,396) for which a short-term investment in the same amount is held as collateral.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation/ Depletion	Net Carrying Value
July 31, 2010			
Oil and gas properties	\$ 11,324,784	\$ (1,869,264)	\$ 9,455,520
Property and equipment	136,693	(78,323)	58,370
	\$ 11,461,477	\$ (1,947,587)	\$ 9,513,890
January 31, 2010			
Oil and gas properties	\$ 11,714,760	\$ (1,736,560)	\$ 9,978,200
Property and equipment	133,475	(69,298)	64,177
	\$ 11,848,235	\$ (1,805,858)	\$ 10,042,377

During the first six months of fiscal 2011, the Company capitalized \$74,719 (year ended January 31, 2010 - \$1,118,700) of costs to oil and gas properties. Costs capitalized and associated with unproven properties excluded from costs subject to depletion for the quarter totalled \$1,314 (year ended January 31, 2010 - \$1,070,876).

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

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 \$364,675 (U.S. \$362,500) and are expected to be incurred in fifteen years. The asset retirement obligations have been recorded as liabilities at fair value, using a credit adjusted discount rate of 8% and a 3% inflation rate. The amounts of the liabilities are subject to re-measurement during each reporting period.

	Three months ended July 31		Six months ended July 31	
	2010	2009	2010	2009
Balance, beginning of period	\$ 203,512	\$ 226,233	\$ 212,394	\$ 217,961
Revision in estimate	-	-	-	6,670
Accretion expense	4,220	4,247	8,299	8,808
Foreign exchange translation adjustment	4,452	(23,360)	(8,509)	(26,319)
Balance, end of period	\$ 212,184	\$ 207,120	\$ 212,184	\$ 207,120

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.

	July 31, 2010	January 31, 2010
Balance, beginning of year	\$ 1,924,392	\$ 1,601,843
Face value of convertible debentures issued during the year	-	262,500
Equity component	-	(19,512)
Liability portion	1,924,392	1,844,831
Accretion	44,126	79,561
Liability portion of convertible debentures	1,968,518	1,924,392
Redemption of convertible debentures	-	-
Balance, end of period	\$ 1,968,518	\$ 1,924,392

7. SHORT-TERM DEBT

As of July 31, 2010, the Company owes U.S. \$215,462 (Cdn \$221,560) and Cdn\$145,000 pursuant to unsecured shareholder loans that bears interest at 10% per annum and are repayable on demand.

Pursuant to a pending joint venture agreement, Artola Energy, LLC provided the Company with a U.S. \$125,000 (Cdn \$128,538) non-interest bearing advance in order to acquire additional oil and gas rights in Carbon County Utah and for corporate purposes. In the event that the joint venture is terminated, the advance will be repayable within six months of termination and will bear interest at a rate of 8% if it is not repaid within 30 days.

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(Unaudited)

8. REVOLVING CREDIT FACILITY

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 until 2010. 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%.

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 July 31, 2010, U.S. \$4,093,733 (Cdn \$4,209,585) is owed under this facility.

At quarter-end the Company is not in compliance with all covenants, as a result the loan is in default. Since the loan is in default, and the Company has not subsequently received a waiver, it may be called by the lenders at anytime and therefore the entire amount of the loan is considered current. As a result of the non compliance with loan covenants, the Company is currently being charged an interest premium of 3% over the original contract rates.

9. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued:

	Number of Shares	Amount
Balance, January 31, 2009 and 2010	67,079,492	\$ 18,575,047
<i>No changes during the period</i>	-	-
Balance, July 31, 2010	67,079,492	\$ 18,575,047

Stock-based compensation plan:

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. 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:

	July 31, 2010	January 31, 2010
Weighted average fair value per share	\$ 0.23	\$ 0.20
Dividend yield	0%	0%
Interest rate	2.28%	2.28%
Expected life	4.45 years	4.45 years
Volatility	144%	144%

For the period ended July 31, 2010, the Company recorded stock-based compensation of \$111,990 (year ended January 31, 2010 - \$206,774) relating to the fair value of vested share options, and a corresponding increase to contributed surplus.

THUNDERBIRD ENERGY CORP.
Notes to the Consolidated Financial Statements
For the Three and Six Months Ended July 31, 2010 and 2009
(Unaudited)

9. SHARE CAPITAL (continued)

A summary of the status of the Company's stock options as of July 31, 2010 is presented below.

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2009	4,420,000	\$ 0.27
Issued	2,425,000	0.20
Forfeited and expired	(1,430,000)	0.30
Balance, January 31, 2010	5,415,000	0.23
<i>No changes during the period</i>	-	-
Balance, July 31, 2010	5,415,000	\$ 0.23

The following table summarizes the stock options outstanding at July 31, 2010:

Exercise price	Options outstanding			Options exercisable		
	Number of shares	Expiry Date	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 0.20	3,625,000	Jun 2013- Dec 2014	3.88	\$ 0.20	2,412,500	\$ 0.20
\$ 0.22 - \$0.25	1,100,000	Apr 2011	0.68	\$ 0.25	1,100,000	\$ 0.25
\$ 0.30	390,000	Jul 2011-Feb 2013	1.54	\$ 0.30	390,000	\$ 0.30
\$ 0.40	300,000	May 2012	1.81	\$ 0.40	300,000	\$ 0.40
	5,415,000		2.95	\$ 0.23	4,202,500	\$ 0.24

Share purchase warrants:

The following table summarizes the warrants outstanding at July 31, 2010:

	Exercise Price	Number of warrants	Weighted average exercise price
Balance, January 31, 2009		24,871,168	\$ 0.557
Expired	\$ 0.200 - \$ 0.500	(11,871,168)	\$ 0.282
Balance, January 31, 2010 and July 31, 2010		13,000,000	\$ 0.808

Pursuant to a private placement completed in March 2007, the Company issued warrants to purchase 1,749,918 common shares at a price of \$0.50 per share until March 16, 2009. These warrants expired March 16, 2009.

Pursuant to a private placement completed in June 2008, the Company issued units which included warrants to purchase 8,250,000 common shares at a price of \$0.25 per share until June 26, 2009. The selling brokers received warrants to purchase 1,247,500 of these units at a price of \$0.20 per unit until June 26, 2009. These broker's units included warrants to purchase 623,750 common shares at a price of \$0.25 per share. These warrants expired June 26, 2009.

THUNDERBIRD ENERGY CORP.
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For the Three and Six Months Ended July 31, 2010 and 2009
(Unaudited)

9. SHARE CAPITAL (continued)

<i>Contributed surplus:</i>	July 31, 2010	January 31, 2010
Balance, beginning of year	\$ 3,425,973	\$ 2,888,561
Stock-based compensation expense	111,990	206,774
Fair value of lender's warrants	134,760	330,638
	246,750	537,412
Balance, end of period	\$ 3,672,723	\$ 3,425,973

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity" "loans and receivables" or "other financial liabilities" as defined by the standard.

The Company's financial instruments recognized in the balance sheet consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, due to related parties, short term debt and convertible debentures. Cash and restricted cash are classified as held-for-trading and is measured at fair value which equals the carrying value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, due to related parties, short term debt and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of the financial instruments approximates fair value due to their short term to maturity with the exception of other financial liabilities, which is may be significantly less than carrying value due to credit risk of the Company.

All of the Company's cash and risk management contracts are transacted in active markets. The Company classifies the fair value of these transactions according to a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

The Company's cash and risk management contracts have been assessed on the fair value hierarchy described above as Level 1.

The Company is exposed to credit risk, liquidity risks and 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.

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.

THUNDERBIRD ENERGY CORP.
Notes to the Consolidated Financial Statements
For the Three and Six Months Ended July 31, 2010 and 2009
(Unaudited)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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.

The carrying amount of the accounts receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at July 31, 2010. As at July 31, 2010 and January 31, 2010, the Company's receivables were aged as follows:

Ageing	July 31, 2010	January 31, 2010
Not past due (less than 120 days)	\$ 279,393	\$ 457,943
Past due (120 days to one year)	87,780	90,313
Total	\$ 367,173	\$ 548,256

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, and short-term debt in less than one year through cash flows from operations and new financing. The timing of cash outflows relating to the financial liabilities is outlined below:

	Within 1 Year	After 1 Year	Total
Accounts payable and accrued liabilities	\$ 819,705	\$ -	\$ 819,705
Due to related parties [note 12]	1,314,854	-	1,314,854
Convertible debentures [note 6]	1,968,518	-	1,968,518
Short-term debt [note 7 and note 8]	4,704,683	-	4,704,683
Total	\$ 8,807,760	\$ -	\$ 8,807,760

The Company's capital programs are primarily funded by cash obtained through operations, equity issuances, convertible debentures, and a revolving reserve based credit facility as outlined in note 8, that is at least reviewed annually by the lender. The Company requires sufficient cash to fund capital programs necessary to maintain or increase production and develop reserves and to potentially acquire strategic assets. As there is uncertainty as to the ability of the Company to meet its obligations as they come due, there is significant doubt as to the appropriateness of the use of accounting principles applicable to a going concern. See note 1 – Nature of Operations and Going Concern.

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 July 31, 2010, if the Canadian dollar had depreciated five percent against the United States dollar with all other variables held constant, net income would and other comprehensive income would have been insignificant.

The Company had no forward exchange rate contracts in place as at or during the period ended July 31, 2010.

THUNDERBIRD ENERGY CORP.
Notes to the Consolidated Financial Statements
For the Three and Six Months Ended July 31, 2010 and 2009
(Unaudited)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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. The Company may enter into oil and natural gas contracts to protect its cash flow on future sales. The contracts reduce the volatility in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. As at July 31, 2010 the Company has fixed price contract to sell 10,000 Mcf/month at a fixed price of \$4.25 per Mcf from November 1, 2009 until October 31, 2010. The forward sales contract meets the qualifications of an expected use contract and therefore is not accounted for under the financial instruments standards.

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. The Company estimates that a one percent decrease in the interest rates would decrease the net loss and increase cash flows from operations for the quarter by approximately \$10,000 based on the average amount of debt outstanding during the year. 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 July 31, 2010.

11. CAPITAL DISCLOSURES

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 the following:

	July 31, 2010	January 31 2010
Revolving credit facility ⁽¹⁾	\$ 4,209,585	\$ 4,383,978
Convertible Debentures	1,968,518	1,924,392
Short Term Debt	495,098	375,738
Less: Cash	(60,871)	(24,783)
Net Debt ⁽²⁾	6,612,330	6,659,325
Total Shareholder's Equity	1,095,716	1,980,607
	\$ 7,708,046	\$ 8,639,932

⁽¹⁾ The Company's revolving credit facility imposes financial covenants which the company is not in compliance with at year-end. See note 8.

⁽²⁾ Net debt as calculated above are not standard terms/measures used by others.

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.
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For the Three and Six Months Ended July 31, 2010 and 2009
(Unaudited)

12. RELATED PARTY TRANSACTIONS

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

	Three months ended		Six months ended	
	2010	July 31, 2009	2010	July 31, 2009
Consulting fees paid or accrued to companies controlled by directors	\$ 64,400	\$ 70,800	\$ 123,275	\$ 144,750
General and administrative expenses reimbursed to companies with common directors	34,206	35,343	70,618	75,856

Amounts due to related parties include an unsecured short-term loan payable and accrued interest to directors of the Company for U.S. \$159,945 (Cdn \$164,471) (2009- U.S. \$141,943 (Cdn \$154,221)) and \$514,211 (2009- \$56,369). The loans carry a 12% interest rate and are payable on demand. Also included is \$636,172 (2009 - \$293,005) due to directors and companies with common directors.

All of the above noted transactions have been in the normal course of operations and are recorded at the exchange amount.