



THUNDERBIRD ENERGY

Thunderbird Energy Corp.
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Consolidated Interim Financial Statements of

THUNDERBIRD ENERGY CORP.

October 31, 2010

The accompanying unaudited interim financial statements of Thunderbird Energy Corp. for the three and nine months ended October 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

	October 31, 2010 (Unaudited)	January 31, 2010 (Audited)
ASSETS		
CURRENT		
Cash	\$ 98,732	\$ 24,783
Accounts receivable	625,200	548,256
Prepaid expenses and deposits	281,731	35,897
	1,005,663	608,936
RESTRICTED CASH [note 3]	121,932	128,508
PROPERTY AND EQUIPMENT [note 4]	9,417,382	10,042,377
	\$ 10,544,977	\$ 10,779,821
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,047,143	\$ 1,053,652
Due to related parties [note 12]	206,945	849,060
Convertible debentures [note 6]	507,375	1,924,392
Short-term debt [note 7]	391,053	4,759,716
	2,152,516	8,586,820
ASSET RETIREMENT OBLIGATION [note 5]	213,860	212,394
LONG-TERM DEBT [note 8]	7,342,500	-
	9,708,876	8,799,214
SHAREHOLDERS' EQUITY		
Common shares [note 9]	19,300,047	18,575,047
Equity portion of convertible debentures	42,292	164,241
Contributed surplus [note 9]	3,850,667	3,425,973
	23,193,006	22,165,261
Accumulated other comprehensive loss	(431,221)	(158,755)
Deficit	(21,925,684)	(20,025,899)
	(22,356,905)	(20,184,654)
	836,101	1,980,607
	\$ 10,544,977	\$ 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 nine months ended October 31, 2010 and 2009

(Unaudited)	Three months ended October 31		Nine months ended October 31	
	2010	2009	2010	2009
REVENUES				
Oil and gas	\$ 271,559	\$ 305,716	\$ 856,599	\$ 985,753
Royalties	(39,681)	(35,382)	(145,364)	(119,097)
	231,878	270,334	711,235	866,656
EXPENSES				
Operating costs	178,770	200,181	459,493	521,749
General and administrative	408,592	160,204	753,892	585,978
Interest, accretion and debt service costs	437,884	251,420	920,561	734,682
Depletion, depreciation and accretion	111,958	154,269	333,633	482,960
Stock-based compensation [note 9]	55,995	18,074	167,985	65,134
Unrealized foreign exchange gain	(5,136)	(5,823)	(23,945)	(60,529)
Interest income	(167)	(6,861)	(599)	(9,473)
	1,187,896	771,464	2,611,020	2,320,501
NET LOSS	(956,018)	(501,130)	(1,899,785)	(1,453,845)
DEFICIT, BEGINNING OF PERIOD	(20,969,666)	(18,949,097)	(20,025,899)	(17,996,382)
DEFICIT, END OF PERIOD	\$ (21,925,684)	\$ (19,450,227)	\$ (21,925,684)	\$ (19,450,227)
BASIC AND DILUTED LOSS PER SHARE	(0.014)	(0.007)	(0.027)	(0.022)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	69,864,000	67,079,000	69,864,000	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 nine months ended October 31, 2010 and 2009

(Unaudited)	Three months ended October 31		Nine months ended October 31	
	2010	2009	2010	2009
COMPREHENSIVE LOSS				
Net Loss	\$ (956,018)	\$ (501,130)	\$ (1,899,785)	\$ (1,453,845)
Other comprehensive income:				
Unrealized loss on translation of self-sustaining foreign operations	(84,592)	(69,374)	(272,466)	(829,178)
Comprehensive loss	\$ (1,040,610)	\$ (570,504)	\$ (2,172,251)	\$ (2,283,023)
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Accumulated other comprehensive loss, beginning of period	\$ (346,629)	\$ (64,922)	\$ (158,755)	\$ 694,882
Other comprehensive loss	(84,592)	(69,374)	(272,466)	(829,178)
Accumulated other comprehensive loss, end of period	\$ (431,221)	\$ (134,296)	\$ (431,221)	\$ (134,296)

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

THUNDERBIRD ENERGY CORP.
Consolidated Statements of Cash Flows
For the three and nine months ended October 31, 2010 and 2009

(Unaudited)	Three months ended October 31		Nine months ended October 31	
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Net loss	\$ (956,018)	\$ (501,130)	\$ (1,899,785)	\$ (1,453,845)
Items not involving cash				
Stock-based compensation	55,995	18,074	167,985	65,134
Interest, accretion and debt service costs	23,857	100,488	202,742	313,886
Depletion, depreciation and accretion	111,958	154,269	333,633	482,960
Foreign exchange gain	(5,136)	(5,823)	(34,869)	(60,529)
	(769,344)	(234,122)	(1,230,294)	(652,394)
Changes in non-cash working capital	(197,221)	76,842	17,547	298,865
	(966,565)	(157,280)	(1,212,747)	(353,529)
FINANCING ACTIVITIES				
Issuance of shares, net of costs	725,000	-	725,000	-
Changes in amounts due to related parties	(1,109,748)	142,012	(650,267)	231,235
Proceeds from short-term debt	177,818	120,000	304,830	120,000
Repayment of short-term debt	(4,438,233)	-	(4,438,233)	-
Proceeds of long-term debt	7,342,500	-	7,342,500	-
Repayment of convertible debentures	(1,485,000)	-	(1,485,000)	-
Proceeds from convertible debentures	-	-	-	162,500
Changes in non-working capital	(62,054)	6,498	(341,586)	57,246
	1,150,283	268,510	1,457,244	570,981
INVESTING ACTIVITIES				
Oil and gas property exploration and acquisition costs	(122,379)	(597)	(197,511)	(331,152)
Acquisition of property and equipment	-	(1,100)	(6,600)	(1,100)
Changes in non-working capital	-	-	-	(3,914)
	(122,379)	(1,697)	(204,111)	(336,166)
FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH				
	(23,478)	(19,346)	33,563	(6,259)
INCREASE (DECREASE) IN CASH FOR THE PERIOD				
	37,861	90,187	73,949	(124,973)
CASH , BEGINNING OF PERIOD				
	60,871	42,393	24,783	257,553
CASH , END OF PERIOD				
	\$ 98,732	\$ 132,580	\$ 98,732	\$ 132,580
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	\$ 69,060	\$ 76,230	\$ 300,250	\$ 258,935

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 Nine Months Ended October 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 October 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 \$121,932) 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
October 31, 2010			
Oil and gas properties	11,312,804	(1,943,696)	9,369,108
Property and equipment	135,724	(87,450)	48,274
	11,448,528	(2,031,146)	9,417,382
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 nine months of fiscal 2011, the Company capitalized \$197,511 (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 nine months ended October 31, 2010 totalled \$1,299 (year ended January 31, 2010 - \$1,070,876).

THUNDERBIRD ENERGY CORP.
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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 \$368,336 (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 October 31		Nine months ended October 31	
	2010	2009	2010	2009
Balance, beginning of period	\$ 212,184	\$ 207,120	\$ 212,394	\$ 217,961
Revision in estimate	-	-	-	6,583
Accretion expense	4,256	4,098	12,555	12,906
Foreign exchange translation adjustment	(2,580)	(2,698)	(11,089)	(28,930)
Balance, end of period	\$ 213,860	\$ 208,520	\$ 213,860	\$ 208,520

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.

In October 2010, the Company completed financing of long-term debentures (note 8), partial proceeds of which were used to retire existing convertible debentures of \$1,455,000.

	October 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	67,983	79,561
Liability portion of convertible debentures	1,992,375	1,924,392
Redemption of convertible debentures	(1,485,000)	-
Balance, end of period	\$ 507,375	\$ 1,924,392

7. SHORT-TERM DEBT

As of October 31, 2010, the Company owes \$86,223 pursuant to an unsecured shareholder loan that bears interest at 10% per annum and is repayable on demand.

Pursuant to a joint venture letter of intent, Artola Energy, LLC provided the Company with a U.S. \$300,000 (Cdn \$304,830) 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 April 1, 2011 and will bear interest at a rate of 8% if it is not repaid within 30 days of termination.

THUNDERBIRD ENERGY CORP.
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8. LONG-TERM DEBT

On October 29, 2010, the Company issued three year, secured, natural gas linked debentures totalling \$7,342,500. The debentures bear interest at a base rate of 15% per annum with an adjustment provision whereby a 1% interest is added each quarter for every US\$0.50 by which the price of natural gas as published by the Henry Hub exceeds US\$5.00, capped at 25% per annum. One-half of each quarterly interest payment will be paid in fully paid common shares of the Company at a deemed price per interest share equal to the greater of (i) a 10% discount to the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange over the quarter and (ii) the discounted market price of the Company's common shares. The purchasers of the gas linked debentures were also issued two detachable transferable warrants for every \$1.00 of principal amount to purchase up to 14,685,000 common shares of the Company at escalating prices between \$0.30 and \$0.50 per share until October 31, 2013. The Company paid a 7.5% finder's fee in respect of a portion of the debenture issuance and issued non-transferable finder's warrants to purchase up to 1,381,250 common shares of the Company at a price of \$0.20 per share until October 31, 2013. All securities issued pursuant to the first tranche closing are subject to hold periods expiring March 1, 2011.

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
Shares issued for cash	4,833,334	725,000
Balance, October 31, 2010	71,912,826	\$ 19,300,047

Private placement

On September 11, 2010, the Company completed a brokered private placement of 4,833,334 units at a price of \$0.15 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 \$0.20 per share until September 11, 2012. If the closing price of the Company's shares exceeds \$0.30 for 20 consecutive trading days, the term of the warrants will be automatically reduced to a period of 30 days following the issuance of a press release announcing the reduced exercise term. The selling brokers received a cash commission of \$28,125 and broker's warrants exercisable to purchase 250,000 additional units at a price of \$0.150 per unit until September 11, 2012.

THUNDERBIRD ENERGY CORP.
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(Unaudited)

9. SHARE CAPITAL (continued)

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:

	October 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 October 31, 2010, the Company recorded stock-based compensation of \$167,985 (year ended January 31, 2010 - \$206,774) relating to the fair value of vested share options, and a corresponding increase to contributed surplus.

A summary of the status of the Company's stock options as of October 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, October 31, 2010	5,415,000	\$ 0.23

The following table summarizes the stock options outstanding at October 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	3.63	\$ 0.20	2,412,500	\$ 0.20
\$ 0.22 - \$0.25	1,100,000	Apr 2011	0.48	\$ 0.25	1,100,000	\$ 0.25
\$ 0.30	390,000	Jul 2011-Feb 2013	1.29	\$ 0.30	390,000	\$ 0.30
\$ 0.40	300,000	May 2012	1.55	\$ 0.40	300,000	\$ 0.40
	5,415,000		2.70	\$ 0.23	4,202,500	\$ 0.24

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

9. SHARE CAPITAL (continued)

Share purchase warrants:

The following table summarizes the warrants outstanding at October 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
Expired	\$ 0.200 - \$ 0.500	(13,000,000)	\$ 0.808
Issued	\$ 0.150 - \$ 0.300	21,149,584	\$ 0.269
Balance October 31, 2010		21,149,584	\$ 0.269

Pursuant to debenture financing completed October 29, 2010, the Company issued warrants to purchase 14,685,000 common shares at escalating prices between \$0.30 and \$0.50 per share until October 31, 2013. The Company issued non-transferable finder's warrants to purchase up to 1,381,250 common shares of the Company at a price of \$0.20 per share until October 31, 2013. All securities issued pursuant to the first tranche closing are subject to hold periods expiring March 1, 2011.

Pursuant to a private placement completed in September 11, 2010 the Company issued warrants to purchase 4,833,334 common shares at a price of \$0.20 per share until September 11, 2012. If the closing price of the Company's shares exceeds \$0.30 for 20 consecutive trading days, the term of the warrants will be automatically reduced to a period of 30 days following the issuance of a press release announcing the reduced exercise term. The selling brokers received warrants to purchase 250,000 units at a price of \$0.15 per share.

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.

<i>Contributed surplus:</i>	October 31, 2010	January 31, 2010
Balance, beginning of year	\$ 3,425,973	\$ 2,888,561
Stock-based compensation expense	167,985	206,774
Fair value of lender's warrants	134,760	330,638
Convertible debentures - equity portion (note 6)	121,949	-
	424,694	537,412
Balance, end of period	\$ 3,850,667	\$ 3,425,973

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

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, convertible debentures and long-term debt. 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, convertible debentures and long-term debt 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.
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(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 October 31, 2010. As at October 31, 2010 and January 31, 2010, the Company's receivables were aged as follows:

Ageing	October 31, 2010	January 31, 2010
Not past due (less than 120 days)	\$ 537,420	\$ 457,943
Past due (120 days to one year)	87,780	90,313
	\$ 625,200	\$ 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, convertible debentures 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	\$ 1,047,143	\$ -	\$ 1,047,143
Due to related parties [note 12]	206,945	-	206,945
Convertible debentures [note 6]	507,375	-	507,375
Short-term debt [note 7]	391,053	-	391,053
Long-term debt [note 8]	-	7,342,500	7,342,500
Total	\$ 2,152,516	\$ 7,342,500	\$ 9,495,016

The Company's capital programs are primarily funded by cash obtained through operations, equity issuances, convertible debentures, and long-term debt as outlined in note 8. 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 October 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 October 31, 2010.

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(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 October 31, 2010 the Company has not entered into a fixed price contract.

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 \$15,000 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 October 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:

	October 31, 2010	January 31 2010
Revolving credit facility ⁽¹⁾	\$ -	\$ 4,383,978
Long-term debt	7,342,500	-
Convertible debentures	507,375	1,924,392
Short-term debt	391,053	375,738
Less: Cash	(98,732)	(24,783)
Net Debt ⁽²⁾	8,142,196	6,659,325
Total Shareholder's Equity	836,101	1,980,607
	\$ 8,978,297	\$ 8,639,932

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

⁽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.
Notes to the Consolidated Financial Statements
For the Three and Nine Months Ended October 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		Nine months ended	
	October 31,		October 31,	
	2010	2009	2010	2009
Consulting fees paid or accrued to companies controlled by directors	\$ 60,550	\$ 56,400	\$ 183,825	\$ 201,150
General and administrative expenses reimbursed to companies with common directors	35,756	45,641	106,373	121,497

Amounts due to related parties include an unsecured short-term loan payable and accrued interest to directors of the Company for \$47,000 (2009 - \$214,444). The loans carry a 12% interest rate and are payable on demand. Also included is \$159,945 (2009 - \$418,045) 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.