# Thunderbird

RESORTS

2016 HALF-YEAR REPORT

*(Thunderbird Resorts Inc. is a British Virgin Islands company limited by shares with its registered office in Tortola, British Virgin Islands)*

# Cautionary Note on “forward-looking statements”

This 2016 Half-year Report contains certain forward-looking statements within the meaning of the securities laws and regulations of various international, national, and local jurisdictions. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential revenue, future plans, and objectives of Thunderbird Resorts Inc., are forward-looking statements that involve risk and uncertainties. There can be no assurances that such statements will prove to be accurate and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Group's forward-looking statements include competitive pressures, unfavorable changes in regulatory structures, and general risks associated with business, all of which are disclosed under the heading "Risk Factors" and elsewhere in the Group's documents filed from time-to-time with the Euronext Amsterdam exchange (“Euronext Amsterdam”) and other regulatory authorities.

Thunderbird Resorts Inc. is sometimes referred to herein as “Company” or “Group.” All currencies are in US dollars unless stated otherwise.

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# Chapter 1:
# Letter from the CEO

Dear Shareholders and Investors:

While we always give considerable thought to the Letter from the CEO, the letter in this 2016 Half-year Report is of particular importance, with a four-part agenda as follows. Sections 2 and 3 below are of particular relevance for shareholders who wish more insight into the Special Resolution that has been sent for consideration at our September 21, 2016 Annual General and Special Shareholders' Meeting.

1. Summarize progress through the 2016 Half-year period against our previously-stated goals.

2. Describe the rationale for the Special Resolution that has been sent to shareholders for consideration at our September 21, 2016 Annual General and Special Shareholders' Meeting. The resolution referred to is a Special Resolution that the Company may post-sale of its assets: Pay a liquidating distribution to shareholders and formally liquidate and dissolve the company.

3. Describe those factors that could impact the net value of the Group's assets as compared to its current market capitalization. Those items discussed herein are: i) Valuation metrics commonly used in our markets for the acquisition of gaming cash flows and for commercial real estate; and ii) Valuation adjustments that are most typical in these types of transactions such as asset transfer tax, capital gains tax, contingencies, escrows, potential litigation liabilities or assets and such working capital items as cash and cash equivalents, pre-paid expenses and deposits and borrowings.

4. Summarize our conclusions and offer key notes for consideration.

*Please refer to the section entitled "Forward Looking Statement" on page 2, which contains all of the admonitions concerning reliance on the information we provide to you.* In summary, none of the information described in points 2 and 3 in this letter should be relied on in your analysis of the net liquidation value of the Group. Rather, we would expect you as a shareholder to perform and rely on your own research and on the publicly-available financial information provided by the Group in 2016 and in previous years. Any and all "metric" information provided in points 2 and 3 of this letter should not be relied upon by potential acquirers of our assets as the Group will seek to sell assets at values that protect the interests of our shareholders. Any final pricing of any Group asset will be based on numerous factors, including the number of bidders, the terms of the particular transaction, time-value and on other considerations that the Group deems relevant to setting the final terms of a specific transaction.

## 1. PERFORMANCE UNDER OUR PREVIOUSLY-STATED GOALS

In the CEO Letter to Shareholders published in the 2015 Annual Report, the Group stated certain goals that support achieving profitability and building a healthy company. A detailed update can be found in the following chapters of this report. Below is a summary update on our progress through June 30, 2016.

A. **Increase our EBITDA**[1]: Adjusted EBITDA (after deducting Corporate-level expenses) reduced by $333 thousand or 18.1% on a USD basis as compared to Half-year 2015. However, under a currency neutral analysis (in which the same exchange rate would be applied to both periods), the Group's Adjusted EBITDA decreased by only $31 thousand or 2.0% as compared to 2015. The $333 thousand reduction of Adjusted EBITDA was driven by $1.5 million in decreased revenues for the Group, meaning that the Group has also made corresponding cuts in expense to offset the revenue loss as reported in US dollars. Moreover, under a currency neutral analysis (in which the same exchange rate would be applied to both periods), Group revenue would actually have reduced by only $37 thousand, meaning that a reduction in revenue was in fact primarily an issue of foreign exchange.

B. **Improve our Profit / (Loss)**: Our Loss from Continuing Operations improved by $906 thousand or 38.8%. The improvement is the result of reduced interest and financing costs and higher Other gains as compared to Half-year 2015. Other gains are mainly related to the sale of the office building in Panama.

C. **Reduce our borrowings**: Gross debt[2] has been reduced to $30.3 million on June 30, 2016 as compared to $32.1 million on December 31, 2015. Net debt (gross debt less cash and cash equivalents) has been reduced to $28.2 million on June 30, 2016 as compared to $29.3 million on December 31, 2015.

## 2. SPECIAL RESOLUTION PROVIDED TO SHAREHOLDERS FOR CONSIDERATION

On August 25, 2016, the Group sent to shareholders the supporting materials for our September 21, 2016 Annual General and Special Shareholders' Meeting. Included within those materials was a Special Resolution requesting that the Company's shareholders approve the following:

***BE IT RESOLVED THAT:***

- **i.** *The Board of Directors of the Corporation is hereby authorized, at a time to be determined by the Board of Directors of the Corporation, to voluntarily dissolve the Corporation pursuant to the BVI Business Corporate Act of 2004, which winding up process and dissolution application shall be commenced and implemented at such time as determined by the Board in their sole discretion;*
- **ii.** *The Board of Directors of the Corporation is hereby authorized to make provision for and to discharge all liabilities of the Corporation in conjunction with the winding up and dissolution of the Corporation and in connection with such winding up and dissolution, is authorized to make a pro rata distribution to shareholders of the net proceeds available to the Corporation (after adjusting for carrying costs and other winding up and dissolution related expenses) from the sale of any or all remaining assets of the Corporation in such amounts and at such times as determined by the Board of Directors;*
- **iii.** *Any one director or officer of the Corporation be and is hereby authorized and directed to do all such things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution, including but not limited to the filing of articles of dissolution under the BVI Business Corporations Act; and*
- **iv.** *The directors of the Corporation may, in their discretion, without further approval of the shareholders, revoke this special resolution at any time before the filing of articles of dissolution under the Business Corporations Act (BVI) in respect of the foregoing.*

Granting the Board of Directors the right to voluntarily dissolve the Corporation does **not** mean that the same will occur. Approval of shareholders in advance allows the Board the flexibility to undertake the same should the Board deem it to be in the best interest of shareholders based on the circumstances at the time, without the risk of delay of approval of specific transactions or the expense of calling another shareholder meeting to specifically approve such matter. In the event that the Company proceeds with its plan to liquidate, pay a liquidating distribution and to dissolve, the Company would in due course delist from the Euronext Amsterdam in accordance with the rules and procedures of the Euronext Amsterdam.

Also included within the materials for the Annual General and Special Shareholders' Meeting was a rationale for this Special Resolution, which we summarize immediately below.

As published in the Corporation's 2014 Half-year Report, 2014 Annual Report, 2015 Half-year Report, the Q3 2015 Interim Management Statement, and the 2015 Annual Report, the Board of Directors and

Management both believe that the market capitalization of Thunderbird Resorts Inc. is less than its intrinsic value, which we define as:

> *The net proceeds which the Group could achieve through liquidating all operating and real estate assets; plus the net proceeds achievable from completing all tax and non-tax litigations and fulfilling all escrow periods for escrows; and less carrying costs to manage process and operations while the Group remains a publicly-traded company*.

Moreover, the Board of Directors and Management believe that it is increasingly difficult to finance growth and to achieve accretive value for the following reasons:

A. The lack of liquidity in our stock means that we cannot use our stock as currency to acquire cash flow.

B. Banks are increasingly reticent and many now even prohibit working with gaming companies, which means that access to competitively priced debt and amortization schedules is now virtually impossible to achieve, and therefore bank financing is not a mechanism for investment in growth.

C. The Group has historically relied on high-yield bonds, but this market has dried up for two reasons: i) The gaming sector in our markets has matured in recent years, and the lack of growth means that we can no longer afford the double-digit interest rates and single-digit loan periods that are standard requirements of high-yield bonds; and ii) Even if the Group could afford to service high-yield bonds, since the financial crisis bond investors are more cautious about investing and there are fewer of them.

D. Our geographic markets have large concentrations of wealth in few hands, the number of potential acquirers for our real estate assets are small and the time to sell at a competitive price can be exceedingly long, which means we are not able to generate proceeds from real estate asset sales on a predictable basis to invest in growing our operating assets.

Because the Group believes that shareholders should achieve higher returns through a liquidating distribution as compared to the market cap at the date of publication of this 2016 Half-year Report and as compared to some future market cap given the lack of resources to invest in growth, we recommend that the shareholders carefully consider the Special Resolution as described. We also suggest that shareholders consider that there are periods of low levels of liquidity for the stock of Thunderbird Resorts Inc., and the difficulty that low demand creates for shareholders to achieve an exit via the market.

To view all of the materials for the Annual General and Special Shareholders' Meeting, including a copy of the resolution itself, please click on the following link: http://thunderbirdresorts.com/wp-content/uploads/2016/08/2016-AGM-press-release-aug-25-2016.pdf.

## 3. MARKET-BASED VALUATION METRICS

The Group operates in different markets, we have varied ownership levels in our assets, and we operate in sectors ranging from gaming to hospitality to real estate. Because there are many factors that could influence the realizable value of liquidated assets, shareholders may find it challenging to get comfortable with their own analyses of the net value of the Group's assets. By reviewing this section along with the full 2016 Half-year Report, the Information Circular (see link above) and relevant past disclosures, we hope you will have sufficient information to prepare your own analysis. Should you have follow-up questions, please kindly direct them to Albert Atallah, General Counsel via email to aatallah@thunderbirdresorts.com. We will publish any price sensitive information stemming from these questions and answers.

While it is not appropriate for the Board of Directors or Management to forecast net asset values or to forecast the possible ranges of liquidating distributions to shareholders, below we do provide metrics that are commonly used in markets in which we own assets.

A. Valuation of Gaming Cash Flows: Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") is widely used in the gaming industry in our markets as a substitute for operating cash flow. To determine the gross value of EBITDA in our markets, acquirers and sellers commonly reach a valuation based on a range of 4.5X to 6.0X historic EBITDA rather than a formula based on the net present value of forecasted future cash flows. Valuations below 5X EBITDA are generally reserved for poorly managed businesses that require material upgrades to sustain revenue. Valuations of 6X are generally reserved for premium locations with demonstrable growth potential. Our gaming EBITDAs for Peru and Nicaragua totaled $5.6 million in 2015 and our unaudited, preliminary gaming EBITDAs through half-year 2016 are approximately $2.5 million. Please remember that the Group is a 100% shareholder of all of its Peru real estate and operating assets and a 55.9% shareholder of all of its Nicaragua real estate and operating assets, so EBITDA multiples should be calculated on a pro rata basis.

B. Adjustments to the Valuation of Gaming Cash Flows: Common adjustments to the valuation of gaming EBITDA include: i) Add back adjustments for corporate shared services that could be redundant for a buyer, meaning that there could be a discussion of a price increase based on synergistic efficiencies to be passed to a buyer that operates in the market; ii) In the case of an operation sold that is not currently paying a lease because it operates within real estate we own, a lease amount might be negotiated based on cap rates similar to those provided in paragraph 3C below and deducted from the EBITDA calculation used to determine valuation of gaming cash flows as per paragraph 3A above; and iii) Typical working capital adjustments based on balance sheet items.

C. Valuation of Income-producing Real Estate: The value of income producing real estate in our operating countries and sectors is generally determined by capitalization rates ranging from 9% to 11% depending on the quality of the real estate and whether it supports hospitality, office or gaming operations. *Special Note on the Real Estate of Fiesta Hotel & Casino*: The Fiesta Hotel & Casino is a mixed-use hotel, office complex and retail real estate property in the heart of Miraflores, Lima in Peru. We are currently in discussions with several qualified investors, all of which are either financial investors or strategic investors who do not operate in the gaming sector. The April 2015 real estate valuation for this property was provided by a well-respected real estate appraisal firm that is commonly used by banks in Peru when evaluating real estate loan transactions. Regardless of the appraised value, final pricing for this asset will most likely be determined by the cash flow sold with the real estate, which most likely will be the hotel cash flows, office leases, parking garage cash flows and a lease to be negotiated for the retail gaming space. Based on the current levels of cash flow and on the practical reality that only a portion of the casino cash flow (via a lease back) would likely be made to a buyer of this real estate, the Group expects that the maximum realizable gross value of this real estate will be no more than $35 million based on the information available today.

D. <u>Other Valuation Inputs</u>: As referenced in the third bullet at the very top of this letter, it is important to take into account valuation adjustments that are most typical in these transactions such as asset transfer tax, capital gains tax, contingencies, escrows, potential litigation liabilities or assets and such working capital items as cash and cash equivalents, pre-paid expenses and deposits and borrowings. The point of this paragraph is to help the reader to better understand the impact of each of these items when evaluating the net liquidation value of the Group. Real estate and share transfer taxes, as well as capital gains taxes, should be available online through multiple sources. For information regarding Group escrows that could possibly be partially or wholly recovered, please refer to our 2015 Annual Report and specifically to Note 11 and to Chapter 2, "Other Group Updates." For information regarding tax contingencies, pre-paid taxes in cases that continue under dispute and litigation "liabilities / assets," please refer to the Notes 17 and 22 in the 2015 Annual Report. For information on Group debt, please kindly review this 2016 Half-year Report. Finally, we believe it is important to measure and understand the carrying costs of the Group, which we have referenced in Chapter 2, "Other Group Updates" of this 2016 Half-year Report. At this time, we cannot estimate: i) The number of months or possibly even years it could take for the Group to complete implementation of the Special Resolution should in fact it be approved and fully implemented; and ii) Which assets might be sold first and, if the Special Resolution is fully implemented, when it would be likely to make a liquidating distribution. Finally, the number of issued and outstanding shares of Thunderbird Resorts Inc. as of the publication of the 2016 Half-year Report is 25,054,371. In regards to the number of issued and outstanding shares, it is important to note that Officers are materially discounting their salaries so as to preserve Group cash, and it is possible that this discount could be re-paid in shares of the Group as described in Chapter 2 "Other Group Updates" of this 2016 Half-year Report.

## 4. CONCLUSIONS AND KEY NOTES FOR CONSIDERATION

We recognize that this is an unusual Letter from the CEO, but we strongly believe that shareholders should have the opportunity to learn about valuation metrics that are commonly used in our operating markets. Regardless, it is the responsibility of the shareholder to perform their own analysis of the market and of our reporting and to reach their own conclusions on the net liquidation value of the Group as compared to its current market capitalization. We offer the following conclusions and key notes for your consideration.

A. The Board of Directors and Management believe, but cannot be certain, that the intrinsic value as defined herein should be greater than the average market capitalization of the Group in the months leading up to this publication. For this reason, we are presenting to shareholders the Special Resolution to distribute from the sale of the Group's assets followed by the formal liquidation of company assets and dissolution of the company. Regardless, there can be no assurances whatsoever that any liquidating distribution, if paid (see next paragraph), will exceed the current market capitalization.

B. Should a Special Resolution be approved, it is possible that the Board of Directors and Management might <u>**not**</u> actually implement the Special Resolution if there were a change in circumstance that made it in the best interests of shareholders to postpone or cancel its implementation. For example, if the Group were able to sell a material portion of its real estate by early 2017, it is possible that the Group could become virtually debt free and could start to generate regular, material cash flows; in which case, it might at that point be in the interest of shareholders for the Group to spend time building accretive value and cancel or postpone the implementation of the Special Resolution. On the other hand, if the Group is not able to sell a material portion of its real estate by early 2017, then it would likely be in the interest of shareholders that the Group also pursue sales of its operating assets and fully implement the Special Resolution.

C. In the meantime, shareholders may choose to exit at prices set by the market at any time or retain their shareholding positions in order to benefit from a potential distribution should in fact shareholders approve the Special Resolution and should in fact the Group fully implement the Special Resolution.

We will keep you informed as there are material events and progress.

Salomon Guggenheim
Chief Executive Officer and President
August 31, 2016

[1.] *"EBITDA" is not an accounting term under IFRS, and refers to earnings before net interest expense, income taxes, depreciation and amortization, equity in earnings of affiliates, minority interests, development costs, other gains and losses, and discontinued operations. "Property EBITDA" is equal to EBITDA at the country level(s). "Adjusted EBITDA" is equal to property EBITDA less "Corporate expenses," which are the expenses of operating the parent company and its non-operating subsidiaries and affiliates.*

[2.] *Gross debt equals total borrowings and finance lease obligations.*

# Chapter 2:
# June 30, 2016 Group Overview and Updates by Country

# Group Overview for Half-year 2016

Below is our consolidated profit / (loss) summary for the six months ended June 30, 2016 as compared with the same period of 2015. In summary, Group revenue and adjusted EBITDA have reduced on a USD basis (see “Forex” note below), despite lower country-level operating expenses and reduced corporate expenses. See notes on certain key items below.

*(In thousands)*

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 | Variance | % change |
|---|---|---|---|---|
| Net gaming wins | $ 16,124 | $ 17,209 | $ (1,085) | -6.3% |
| Food and beverage sales | 1,429 | 1,501 | (72) | -4.8% |
| Hospitality and other sales | 1,923 | 2,313 | (390) | -16.9% |
| **Total revenues** | **19,476** | **21,023** | **(1,547)** | **-7.4%** |
| Promotional allowances | 2,474 | 2,282 | 192 | 8.4% |
| Property, marketing and administration | 13,777 | 14,724 | (947) | -6.4% |
| **Property EBITDA** | **3,225** | **4,017** | **(792)** | -19.7% |
| Corporate expenses | 1,723 | 2,182 | (459) | -21.0% |
| **Adjusted EBITDA** | **1,502** | **1,835** | **(333)** | **-18.1%** |
| Property EBITDA as a percentage of revenues | 7.7% | 8.7% | | |
| Depreciation and amortization | 1,514 | 1,836 | (322) | -17.5% |
| Interest and financing costs, net | 1,697 | 2,124 | (427) | -20.1% |
| Management fee attributable to non-controlling interest | 2 | - | 2 | 0.0% |
| Project development | - | 48 | (48) | -100.0% |
| Foreign exchange (gain) / loss | 294 | 466 | (172) | -36.9% |
| Other (gains) / losses | (716) | (470) | (246) | 52.3% |
| Income taxes | 143 | 169 | (26) | -15.4% |
| **Loss for the period from continuing operations** | **$ (1,432)** | **$ (2,338)** | **$ 906** | **-38.8%** |

Forex: The strengthening of the US dollar versus our operating currencies continues to have a material impact on our business as compared to the same period in 2015. Under a currency neutral analysis (in which the same exchange rate would be applied to both periods), Group revenue would have decreased by only $37 thousand or 0.2% (virtually no change), while Adjusted EBITDA would have reduced by just $31 thousand or 2.0%.

Consolidated Loss for the period is $1.4 million (an improvement of $906 thousand or 38.8% as compared to 2015), which primarily is the result of reduced interest and financing costs as well as lower non-cash items such as depreciation and amortization and Forex losses.

Group debt: Below is the Group’s Gross debt and Net debt on June 30, 2016.

*(In thousands)*

| | Jun-16 | Mar-16 | Dec-15 |
|---|---|---|---|
| Borrowings | $ 29,247 | $ 29,417 | $ 30,701 |
| Obligations under leases and hire purchase contracts | 1,038 | 1,150 | 1,432 |
| **Gross Debt** | **$ 30,285** | **$ 30,568** | **$ 32,133** |
| **Less:** cash and cash equivalents (excludes restricted cash) | 2,092 | 2,138 | 2,869 |
| **Net Debt** | **$ 28,193** | **$ 28,429** | **$ 29,264** |

Note: Gross debt above is presented net of debt issuance costs (costs of debt at time of issuance, which are currently non-cash and amortize over time) which is why there is an approximate $186 thousand variance with the total principal balance below.

The Group estimates its debt schedule as follows starting in July 2016:

| Principal Balance | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|---|---|---|
| Corporate | $ 5,798,892 | $ 5,177,458 | $ 2,207,631 | $ 1,375,026 | $ 1,534,143 | $ 1,711,672 | $ 151,290 | $ 17,956,112 |
| Peru | 1,213,286 | 1,749,279 | 1,420,385 | 6,497,237 | - | - | - | 10,880,187 |
| Nicaragua | 125,742 | 269,561 | 294,885 | 673,863 | 175,462 | 95,073 | - | 1,634,586 |
| **Total** | **$ 7,137,920** | **$ 7,196,298** | **$ 3,922,901** | **$ 8,546,126** | **$ 1,709,605** | **$ 1,806,745** | **$ 151,290** | **$ 30,470,885** |

| Interest Expense | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|---|---|---|
| Corporate | $ 843,977 | $ 931,841 | $ 623,971 | $ 456,979 | $ 297,863 | $ 120,334 | $ 1,387 | $ 3,276,352 |
| Peru | 491,414 | 803,430 | 595,615 | 213,110 | - | - | - | 2,103,569 |
| Nicaragua | 83,121 | 145,765 | 120,441 | 92,985 | 24,205 | 6,675 | - | 473,192 |
| **Total** | **$ 1,418,512** | **$ 1,881,036** | **$ 1,340,027** | **$ 763,074** | **$ 322,068** | **$ 127,009** | **$ 1,387** | **$ 5,853,113** |

# Peru Update

## Description of Properties as of Half-year 2016

In Peru, as of June 30, 2016, the Group operates one wholly-owned hotel anchored by a casino, manages two independently-owned hotels under the Thunderbird brand, and owns and operates four standalone gaming venues in addition to our flagship casino, which operates within the Fiesta Hotel & Casino. Below is a table that outlines key information for each property.

| Name | Province | Date Acquired | Date Sold | Type | Slots | Table Positions | Hotel Rooms |
|---|---|---|---|---|---|---|---|
| Fiesta Hotel & Casino | Lima | 2007 | NA | Hotel & Casino | 423 | 214 | 66 |
| Thunderbird Hotel Pardo (Management Contract) | Lima | 2007 | 2010 | Hotel under management | - | - | 64 |
| Thunderbird Hotel Carrera (Management Contract) | Lima | 2007 | 2011 | Hotel under management | - | - | 99 |
| Luxor | Lima | 2010 | NA | Casino | 179 | 58 | - |
| Mystic Slot | Cusco | 2010 | NA | Slot Parlor | 102 | - | - |
| El Dorado | Iquitos | 2010 | NA | Slot Parlor | 97 | - | - |
| Luxor | Tacna | 2010 | NA | Casino | 155 | 51 | - |
| **Peru Total** | | | | | **956** | **324** | **229** |

The Group's Fiesta Hotel & Casino property is an integrated resort anchored by a casino located in the heart of Lima's prime Miraflores district. The hotel has 66 suites, a spa, 3,750 square meters of office space and approximately 300 parking spaces. The casino is approximately 5,740 square meters with 423 slot machines and 214 table positions.

## Summary Peru Half-year 2016 Consolidated P&L:

Below is our Peru profit / (loss) summary for the six months ended June 30, 2016 as compared with the same period of 2015. In summary, Peru revenue is down by 12.5% (see note on Forex below) and property, marketing and administration expense has been reduced by 11.8% through concerted management efforts. Property EBITDA is down partially due to the revenue drop and partially due to Forex as discussed below.

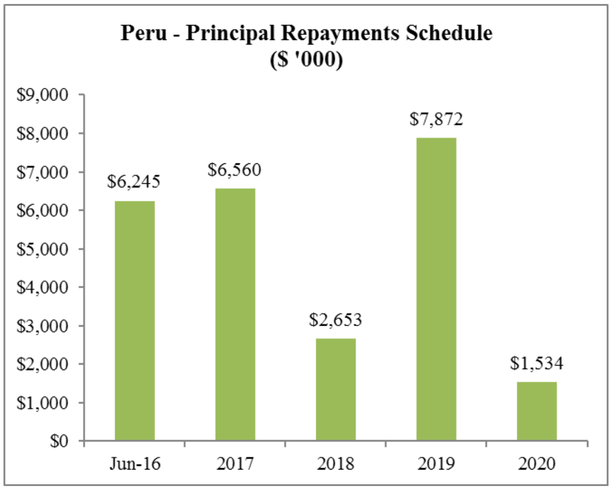
*(In thousands)*

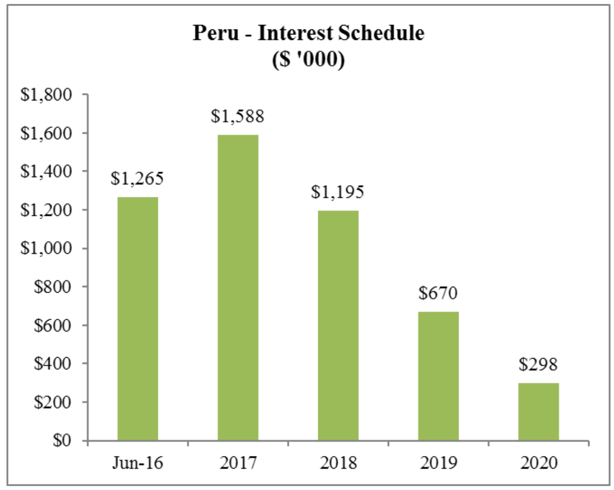
| | Six months ended June 30, 2016 | Six months ended June 30, 2015 | Variance | % change |
|---|---|---|---|---|
| Net gaming wins | $ 10,013 | $ 11,283 | $ (1,270) | -11.3% |
| Food and beverage sales | 411 | 562 | (151) | -26.9% |
| Hospitality and other sales | 1,872 | 2,212 | (340) | -15.4% |
| **Total revenues** | **12,296** | **14,057** | **(1,761)** | **-12.5%** |
| Promotional allowances | 1,601 | 1,433 | 168 | 11.7% |
| Property, marketing and administration | 8,441 | 9,565 | (1,124) | -11.8% |
| **Property EBITDA** | **2,254** | **3,059** | **(805)** | -26.3% |
| Property EBITDA as a percentage of revenues | 18.3% | 21.8% | | |
| Depreciation and amortization | 1,133 | 1,501 | (368) | -24.5% |
| Interest and financing costs, net | 559 | 620 | (61) | -9.8% |
| Management fee attributable to non-controlling interest | 5 | 4 | 1 | 25.0% |
| Foreign exchange (gain) / loss | (80) | 586 | (666) | -113.7% |
| Other (gains) / losses | 30 | (477) | 507 | -106.3% |
| **Profit for the period from continuing operations** | **$ 607** | **$ 825** | **$ (218)** | **-26.4%** |

Forex: Under a currency neutral analysis (in which the same exchange rate would be applied to both periods), Peru revenue would have reduced by $583 thousand or 4.5% and property EBITDA would have decreased by $549 thousand or 19.6%.

Profit for the period in Peru is $607 thousand, a reduction of approximately $218 thousand as compared to 2015, despite lower depreciation and amortization and financing costs and a Forex gain of $80 thousand.

Below are graphs exhibiting our expected principal and interest payments based on loan contracts effective as of June 30, 2016. The principal and interest scheduled in 2016 reflects those debt service payments that are scheduled for the second half of the year.




# Nicaragua Update

## Description of Properties as of Half-year 2016

In Nicaragua, the Group operates five standalone casinos. Below is a table that outlines information for each property as of June 30, 2016.

| Name | Location | Date Acquire d | Type | Slots | Table Positions | Hotel Rooms |
|---|---|---|---|---|---|---|
| Pharaoh's Casino – Highway to Masaya | Managua | 2000 | Casino | 152 | 91 | — |
| Pharaoh's Casino – Camino Real | Managua | 2005 | Casino | 115 | 21 | — |
| Zona Pharaoh's – Avenida Bolivar | Managua | 2006 | Casino | 111 | 21 | — |
| Zona Pharaoh's – Bello Horizonte | Managua | 2008 | Casino | 101 | 21 | — |
| Pharaoh's Casino | Chinandega | 2012 | Casino | 93 | 21 | — |
| Nicaragua Total | | | | 572 | 175 | 0 |

The Group's largest and most complete operation in Nicaragua is the Pharaoh's Casino on the highway to Masaya, which is the main thoroughfare in the heart of Managua. The property is located across from an Intercontinental Hotel and close to high-end shopping.

## Summary Nicaragua Half-year 2016 Consolidated P&L:

Below is our Nicaragua profit / (loss) summary for the six months ended June 30, 2016 as compared with the same period of 2015. In summary, Nicaragua revenue is up 3.1% on a USD basis (see Forex note below) and property, marketing and administration expenses are up by 3.4%. Property EBITDA has increased by 1.4%.

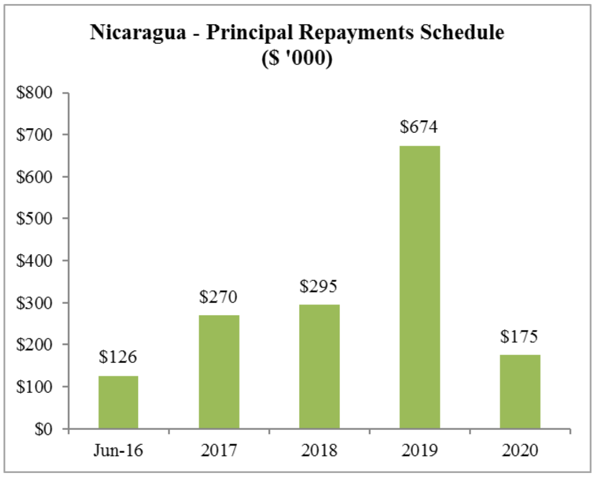
*(In thousands)*

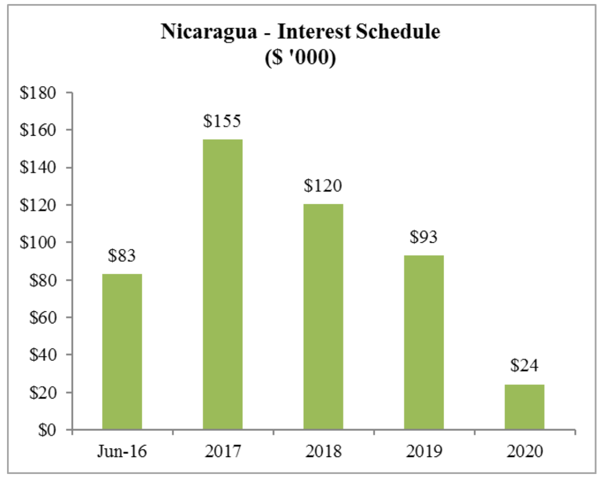
| | Six months ended June 30, 2016 | Six months ended June 30, 2015 | Variance | % change |
|---|---|---|---|---|
| Net gaming wins | $ 6,111 | $ 5,926 | $ 185 | 3.1% |
| Food and beverage sales | 1,018 | 939 | 79 | 8.4% |
| Hospitality and other sales | 51 | 101 | (50) | -49.5% |
| **Total revenues** | **7,180** | **6,966** | **214** | **3.1%** |
| Promotional allowances | 873 | 849 | 24 | 2.8% |
| Property, marketing and administration | 5,336 | 5,159 | 177 | 3.4% |
| **Property EBITDA** | **971** | **958** | **13** | 1.4% |
| Property EBITDA as a percentage of revenues | 13.5% | 13.8% | | |
| Depreciation and amortization | 373 | 318 | 55 | 17.3% |
| Interest and financing costs, net | 73 | 74 | (1) | -1.4% |
| Management fee attributable to non-controlling interest | 12 | 14 | (2) | -14.3% |
| Project development | - | 48 | (48) | -100.0% |
| Foreign exchange (gain) / loss | 81 | 95 | (14) | -14.7% |
| Other (gains) / losses | (1) | 3 | (4) | -133.3% |
| Income taxes | 141 | 145 | (4) | -2.8% |
| **Profit for the period from continuing operations** | **$ 292** | **$ 261** | **$ 31** | **11.9%** |

Forex: Under a currency neutral analysis (in which the same exchange rate would be applied to both periods), Nicaragua revenue would have grown by $546 thousand or 8.2% and property EBITDA would have increased by $59 thousand or 6.5%.

Profit for the period in Nicaragua is $292 thousand, an increase of approximately $31 thousand compared to 2015.

Below are graphs exhibiting our expected principal and interest payments based on loan contracts effective as of June 30, 2016. The principal and interest scheduled in 2016 reflects those debt service payments that are scheduled for the second half of the year.




# Other Group Updates

During the half-year ended June 30, 2016, the Group announced material events and entered into material contracts as follows:

- Temporary reduction of Officers' salaries: Effective January 1, 2016, Officers collectively discounted the cash portion of their salaries by approximately $50,000 per month in order to reserve cash. Officers agreed to do so until June 2016, at which time there would be an assessment of the needs of the Company on a go-forward basis. Officers have reserved the right to collect unpaid compensation either through stock at $0.50 per share or in cash against future liquidity events.

- Deferral of Unsecured Loans: The Group has reached an agreement with a series of unsecured lenders to defer payments on their loans effective January 1, 2016 through June 30, 2016. The total principal balance of these deferred loans as of January 1, 2016 was $8.4 million. Any and all interest that accrues during this deferral period shall be added to the principal balance effective June 30, 2016.

- Resignation of Director: Reto Stadelmann resigned his position as a board member effective February 15, 2016. Albert W. Atallah also resigned as director on February 15, 20165, but he retains his position as General Counsel.

- Settlement on loan obligation: As previously reported, the Group sold its interests in its Guatemala gaming operations to a local "Guatemalan Group" and later assigned the business to Fundacion Travelone Kids ("FTK") effective April 22, 2014. The sale of our interest of this negatively performing operation was financed by the Group with a $2.0 million installment note. In 2014, the Group wrote down the note due to non-payment caused by continued poor financial results. Regardless, the Group continued efforts to collect. Effective April 1, 2016, a settlement was reached with FTK wherein FTK agreed to the following: a) To pay Thunderbird Resorts Inc. $200 thousand in 24 equal monthly installments; b) If FTK defaults in the payments, then the original $2 million Promissory Note dated

April 22, 2014, and related documents would remain in full force and effect. In that case, Thunderbird Resorts Inc. could avail itself to any and all remedies provided therein; and c) In the alternative and to the extent that stipulated /consent judgments are enforceable under Guatemala laws, Thunderbird Resorts Inc. is authorized to enter judgment in its favor for $2 million plus all accrued, unpaid interest plus attorneys' fees.

- Sale of Panama Building: On March 21, 2016, the Group sold its office building in Panama City, Panama, for a gross price of $1.45 million and for net proceeds after taxes, debt and brokerage fees of approximately $512 thousand, reducing gross debt by approximately $800 thousand.

- Sale of Shares of Affiliate in Costa Rica: On April 28, 2016, Thunderbird has completed the sale of its 50% ownership in the shares of an affiliated company that in turn owns a 2.6-hectare parcel of land in Escazu, Costa Rica. The property was sold for approximately $3.2 million and after the payment of taxes, fees and other sale related costs (property was debt free), the net cash received for the Group's 50% share was approximately $1.5 million.

As Subsequent Events to the half-year ended June 30, 2016, the Group announced material events and entered into material contracts as follows:

- Continuing temporary reduction of Officers' salaries: Effective July 1, 2016, Officers continue to discount a cash portion of their salaries by approximately $50,000 per month in order to reserve cash to be effective until December 31, 2016, at which time there would be an assessment of the needs of the company on a go-forward basis. In consideration of the extension of the discounting on the cash portion of the salaries, Officers have reserved the right to collect unpaid compensation either through stock at market rate or in cash against future liquidity events.

- Expense Reduction: In order to reduce the Group's cost structure to a level that is sustainable, the Group will be reduced to the following personnel: a) CEO, CFO and General Counsel all working full time, but with a continued deferral of 50% or more of their compensation until such time as there are sufficient cash reserves to pay and/or until such time as these officers receive shares for their deferred time, which ongoing agreements will be subject to review by the board's Compensation Committee; and b) Controller, Consolidation Manager, Corporate Finance Manager and Regional Counsel will work in a combination of part-time or full-time, which structures have already been negotiated and would be implemented by September 2016. All other corporate personnel will be terminated in September 2016. We believe that Corporate expense will reduce to less than $2.0 million on an annualized run rate effective as of October 2016. This reduction in corporate personnel and structure has no impact on the structure of the Group's operations in Peru and Nicaragua.

# Chapter 3:
# Other Key Items

# Capital Resources and Liquidity

The Group measures its liquidity needs by:

- Monitoring short-term obligations on a country-by-country and global, consolidated basis, with short-term inflows and outflows forecasted for the financial year, updated weekly.
- Monitoring long-term, scheduled debt servicing payments.
- Rolling forward 5-year cash flow models each month based on the financial results year-to-date through the previous month.

The Group has the capacity to manage liquidity with different tools at its disposal, including:

- Raising of debt or equity capital at both the operations and Group levels.
- Selling of non-strategic assets.
- Restructuring or deferral of unsecured lenders.
- Restructuring of key personnel employment contract terms and staff reductions.
- Deferral or aging of accounts payables.
- Cost management programs at both the operations and Group levels.

Based upon our current expectations, we anticipate that our available cash balances, our cash flow from operations and available borrowing capacity under our existing credit arrangements will be sufficient to fund our liquidity requirements for at least the next 12 months.

### Management's statement on "going concern"

Please refer to Note 2 to the interim condensed consolidated financial statements.

### Access to Capital

The Group's long-term capital resources may include equity and debt offerings (public and/or private) and/or other financing transactions, in addition to cash generated from our operations. Accordingly, we may access the capital markets (equity and debt) from time-to-time to partially refinance our capital structure and to fund other needs including ongoing working capital needs.  Our ability to satisfy future capital needs in the long term may depend on our ability to raise additional capital (debt and/or equity at the parent or subsidiary level). No assurance can be made that we will be able to raise the necessary funds on satisfactory terms. After evaluating the Group performance, its markets, general market conditions, and the matters noted above, the Directors have a reasonable expectation that the Group has or will secure adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Group continues to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

# Business Status

### Employees

As of June 30, 2016, we had 1,365 valued employees, including 550 in Nicaragua, 800 in Peru and 15 elsewhere.

### Incorporation and Trading Market

Unless otherwise specified or the context so requires, "Thunderbird Resorts Inc.", "the Company", "the Group", "it" and "its" refer to Thunderbird Resorts Inc. and all its Group companies as defined in Article 24b Book 2 of the Dutch Civil Code.

The Group is registered in the British Virgin Islands with common shares traded under the symbol TBIRD on the Euronext Amsterdam, the regulated market of the Euronext Amsterdam N.V. ("Euronext"). The Group has adopted the U.S. dollar ("USD") as its reporting currency. As required by EU regulation, the Group's interim condensed consolidated financial statements have been prepared in accordance with international financial reporting standards ("IFRS") and IAS 34.

Our existing common shares are traded on the Euronext Amsterdam under the symbol TBIRD and on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the symbol 4TR. Our Group's external auditor for 2016 is Baker Tilly Curacao.

The Company is a British Virgin Islands corporation that is domiciled in the British Virgin Islands. The registered office is at Icaza, González-Ruiz & Alemán (BVI) Trust Limited, Vanterpool Plaza, Second Floor, Road Town, Tortola, BVI and our principal executive offices are located in Panama City, Republic of Panama, Apartado 0823-00514. Our telephone number is (507) 223-1234. Our website is www.thunderbirdresorts.com.

### Outlook

See Letter from the CEO on page 5.

# Indebtedness and Contractual Obligations

Our total long-term indebtedness, interest and other known contractual obligations are summarized below as of June 30, 2016. The contractual obligations for short-term and long-term debt reflect our historical debt levels and reflect the debt repayments that will actually be due under our capital structure as of the date of this 2016 Half-year Report.

| | Six months ended Dec 31, 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|---|---|---|
| Long-term bank loans | $ 2,805 | $ 6,407 | $ 5,249 | $ 9,309 | $ 2,032 | $ 1,934 | $ 153 | $ 27,889 |
| Finance lease obligations | 765 | 537 | - | - | - | - | - | 1,302 |
| Convertible debt notes | 5,028 | 2,079 | - | - | - | - | - | 7,107 |
| Trade and other payables | 5,287 | - | - | - | - | - | - | 5,287 |
| Due to related parties | 458 | - | - | - | - | - | - | 458 |
| **Total** | **$ 14,343** | **$ 9,023** | **$ 5,249** | **$ 9,309** | **$ 2,032** | **$ 1,934** | **$ 153** | **$ 42,043** |

Subsidiary debt arrangements and debt: Our joint ventures and operating subsidiaries typically finance their projects with indebtedness, either borrowed from us or from third party lenders.

Quantitative and qualitative disclosures about market risk: Market risk is the risk of loss arising from adverse changes to interest rates, foreign exchange rates, commodity prices and other market factors. Our primary exposure to market risk is exchange rate risk associated with the currencies of the jurisdictions in which we operate. Foreign currency translation gains and losses were material to our results of operations for the six months ended June 30, 2016, and may continue to be material in future periods. We do not currently hedge our exposure to foreign currency. We do not hold or issue financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions. We do not have any material floating-rate indebtedness. We may be subject to government policies that suppress foreign investment and economic development. In addition, governments may be provoked by religious or other organized groups to oppose casinos.

Off balance sheet arrangements and commitments: We have no off-balance sheet arrangements except for operating lease commitments described under “Indebtedness and contractual obligations.”

Inflation: We believe that the principal risk to us from inflation is the effect that increased prices may have on labor costs and on the costs associated with the development and construction of new projects. We believe that we are not exposed to extraordinary inflation risk.

Risks and Regulatory Environment: While the Group continually attempts to identify risks at all levels of the organization and to undertake corrective actions, constant changes in the business environment make it challenging to keep abreast of evolving conditions. Management has reviewed the risk and regulatory environment in the first half of 2016. No new material risks have been identified that have not already been disclosed in this 2016 Half-year Report or the 2015 Annual Report, Chapter 5, “Regulatory Environment,” Chapter 10, Risk Factors and Note 22 “Commitments and Contingencies.”

# Chapter 4:
# Interim Consolidated Financial Statements

# Financial Statements

**THUNDERBIRD RESORTS INC.**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in thousands of United States dollars)
As of June 30, 2016 and December 31, 2015

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| ***Non-current assets*** | | |
| Property, plant and equipment (Note 7) | $ 22,673 | $ 24,019 |
| Investment accounted for using the equity method (Note16) | 4,341 | 5,908 |
| Intangible assets | 5,947 | 5,985 |
| Deferred tax asset | 439 | 423 |
| Trade and other receivables | 1,736 | 1,629 |
| Due from related parties (Note 13) | 42 | 42 |
| Total non-current assets | 35,178 | 38,006 |
| ***Current assets*** | | |
| Trade and other receivables | 1,605 | 1,126 |
| Due from related parties (Note 13) | 1,778 | 2,070 |
| Inventories | 460 | 480 |
| Restricted cash | 1,548 | 1,534 |
| Cash and cash equivalents | 2,092 | 2,869 |
| Total current assets | 7,483 | 8,079 |
| **Total assets** | **$ 42,661** | **$ 46,085** |

*- continued –*

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

**THUNDERBIRD RESORTS INC.**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
(Expressed in thousands of United States dollars)
As of June 30, 2016 and December 31, 2015

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Equity and liabilities** | | |
| ***Capital and reserves*** | | |
| Share capital (Note 11) | 110,504 | 110,456 |
| Share option reserve | 89 | 89 |
| Retained earnings | (106,511) | (104,633) |
| Translation reserve | (4,804) | (5,209) |
| Equity attributable to equity holders of the parent | (722) | 703 |
| Non-controlling interest | 2,038 | 1,911 |
| Total equity | 1,316 | 2,614 |
| ***Non-current liabilities*** | | |
| Borrowings (Note 9) | 17,575 | 22,966 |
| Obligations under leases and hire purchase contracts (Note 10) | 209 | 441 |
| Deferred tax liabilities | 21 | 22 |
| Provisions | 569 | 616 |
| Trade and other payables | 495 | 1,133 |
| Total non-current liabilities | 18,869 | 25,178 |
| ***Current liabilities*** | | |
| Trade and other payables | 7,606 | 5,943 |
| Due to related parties (Note 13) | 900 | 983 |
| Borrowings (Note 9) | 11,672 | 7,735 |
| Obligations under leases and hire purchase contracts (Note 10) | 829 | 991 |
| Other financial liabilities | 373 | 379 |
| Current tax liabilities | 329 | 361 |
| Provisions | 767 | 1,901 |
| Total current liabilities | 22,476 | 18,293 |
| Total liabilities | 41,345 | 43,471 |
| **Total equity and liabilities** | **$ 42,661** | **$ 46,085** |

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

**THUNDERBIRD RESORTS INC.**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in thousands of United States dollars)
For the six months ended June 30, 2016

| | Six months ended June 30 (unaudited) | | Three months ended June 30 (unaudited) | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Net gaming wins | $ 16,124 | $ 17,209 | $ 7,983 | $ 8,736 |
| Food, beverage and hospitality sales | 3,352 | 3,814 | 1,790 | 1,966 |
| **Total revenue** | 19,476 | 21,023 | 9,773 | 10,702 |
| Cost of goods sold | (7,965) | (7,945) | (4,023) | (4,065) |
| **Gross profit** | 11,511 | 13,078 | 5,750 | 6,637 |
| **Other operating costs** | | | | |
| Operating, general and administrative | (10,011) | (11,243) | (5,156) | (5,783) |
| Project development | - | (48) | - | (47) |
| Depreciation and amortization | (1,514) | (1,836) | (750) | (923) |
| Other gains and (losses) (Note 5) | 716 | 470 | (26) | 344 |
| **Operating profit / (loss)** | 702 | 421 | (182) | 228 |
| Share of loss from equity accounted investments (Note 16) | (57) | (10) | (57) | (4) |
| **Financing** | | | | |
| Foreign exchange loss | (294) | (466) | (52) | (402) |
| Financing costs (Note 6) | (1,765) | (2,217) | (910) | (1,154) |
| Financing income (Note 6) | 75 | 106 | 48 | 80 |
| Other interest (Note 6) | (7) | (13) | (4) | (6) |
| Finance costs, net | (1,991) | (2,590) | (918) | (1,482) |
| **Loss before tax** | (1,346) | (2,179) | (1,157) | (1,258) |
| **Income taxes expense** | | | | |
| Current | (143) | (169) | (71) | (77) |
| Deferred | - | - | - | - |
| Income taxes expense | (143) | (169) | (71) | (77) |
| **Loss for the year from continuing operations** | **$ (1,489)** | **$ (2,348)** | **$ (1,228)** | **$ (1,335)** |
| Gain / (loss) for the year from discontinued operations (Note 8) | (261) | 6,690 | (266) | 820 |
| **Gain / (loss) for the year** | **$ (1,750)** | **$ 4,342** | **$ (1,494)** | **$ (515)** |

*- continued -*

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

**THUNDERBIRD RESORTS INC.**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in thousands of United States dollars)
For the six months ended June 30, 2016

| | Six months ended June 30 (unaudited) | | Three months ended June 30 (unaudited) | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Other comprehensive income (amounts, which will be recycled)** | | | | |
| Exchange differences arising on the translation of foreign operations | $ 405 | $ (1,723) | $ 2,945 | $ (204) |
| **Other comprehensive income for the year** | 405 | (1,723) | 2,945 | (204) |
| **Total comprehensive income for the year** | **$ (1,345)** | **$ 2,619** | **$ 1,451** | **$ (719)** |
| **Gain / (loss) for the year attributable to:** | | | | |
| Owners of the parent | (1,878) | 4,372 | (1,567) | (583) |
| Non-controlling interest | 128 | (30) | 73 | 68 |
| | $ (1,750) | $ 4,342 | $ (1,494) | $ (515) |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | (1,473) | 2,649 | 1,378 | (787) |
| Non-controlling interest | 128 | (30) | 73 | 68 |
| | $ (1,345) | $ 2,619 | $ 1,451 | $ (719) |
| **Basic loss per share (in $) : (Note 12)** | | | | |
| Loss from continuing operations | (0.07) | (0.10) | (0.05) | (0.06) |
| Gain / (loss) from discontinued operations | (0.01) | 0.29 | (0.01) | 0.03 |
| Total | (0.08) | 0.19 | (0.06) | (0.03) |
| **Diluted loss per share (in $) : (Note 12)** | | | | |
| Loss from continuing operations | (0.07) | (0.10) | (0.05) | (0.06) |
| Gain / (loss) from discontinued operations | (0.01) | 0.29 | (0.01) | 0.03 |
| Total | (0.08) | 0.19 | (0.06) | (0.03) |

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

# THUNDERBIRD RESORTS INC.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in thousands of United States dollars)
For the six months ended June 30, 2016

| | Attributable to equity holders of parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share options reserve** | **Currency translation reserve** | **Retained earnings** | **Total** | **Non-controlling interest** | **Total equity** |
| **Balance at January 1, 2015** | $ 110,144 | $ 289 | $ (1,725) | $ (106,552) | $ 2,156 | $ 6,404 | $ 8,560 |
| **Transactions with owners:** | | | | | | | |
| Issue of new shares | 96 | - | - | - | 96 | - | 96 |
| Options cancellation and expiration | - | (20) | - | 20 | - | - | - |
| Costa Rica disposal | - | - | - | - | - | (4,690) | (4,690) |
| | $ 96 | $ (20) | $ - | $ 20 | $ 96 | $ (4,690) | $ (4,594) |
| Profit / (loss) for the year | - | - | - | 4,373 | 4,373 | (30) | 4,343 |
| **Other comprehensive income:** | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | (1,723) | - | (1,723) | - | (1,723) |
| Total comprehensive income for the year | - | - | (1,723) | 4,373 | 2,650 | (30) | 2,620 |
| **Balance at June 30, 2015** | $ 110,240 | $ 269 | $ (3,448) | $ (102,159) | $ 4,902 | $ 1,684 | $ 6,586 |
| **Transactions with owners:** | | | | | | | |
| Issue of new shares | 536 | - | - | - | 536 | - | 536 |
| Shares buy-back | (320) | - | - | - | (320) | - | (320) |
| Options cancellation and expiration | - | (180) | - | 180 | - | - | - |
| Costa Rica disposal | - | - | - | - | - | 57 | 57 |
| | $ 216 | $ (180) | $ - | $ 180 | $ 216 | $ 57 | $ 273 |
| Profit / (loss) for the year | - | - | - | (3,301) | (3,301) | 170 | (3,131) |
| **Other comprehensive income:** | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | (1,761) | 647 | (1,114) | - | (1,114) |
| Total comprehensive income for the year | - | - | (1,761) | (2,654) | (4,415) | 170 | (4,245) |
| **Balance at December 31, 2015** | $ 110,456 | $ 89 | $ (5,209) | $ (104,633) | $ 703 | $ 1,911 | $ 2,614 |

| | Attributable to equity holders of parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share options reserve** | **Currency translation reserve** | **Retained earnings** | **Total** | **Non-controlling interest** | **Total equity** |
| **Balance at January 1, 2016** | $ 110,456 | $ 89 | $ (5,209) | $ (104,633) | $ 703 | $ 1,911 | $ 2,614 |
| **Transactions with owners:** | | | | | | | |
| Issue of new shares | 48 | - | - | - | 48 | - | 48 |
| | $ 48 | $ - | $ - | $ - | $ 48 | $ - | $ 48 |
| Profit / (loss) for the year | - | - | - | (1,878) | (1,878) | 127 | (1,751) |
| **Other comprehensive income:** | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | 405 | - | 405 | - | 405 |
| Total comprehensive income for the year | - | - | 405 | (1,878) | (1,473) | 127 | (1,346) |
| **Balance at June 30, 2016** | $ 110,504 | $ 89 | $ (4,804) | $ (106,511) | $ (722) | $ 2,038 | $ 1,316 |

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

**THUNDERBIRD RESORTS INC.**
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in thousands of United States dollars)
For the six months ended June 30, 2016

| | Six months ended June 30 (unaudited) 2016 | 2015 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Loss for the year | $ (1,489) | $ (2,348) |
| Items not involving cash: | | |
| Depreciation and amortization | 1,514 | 1,836 |
| Unrealized foreign exchange | (121) | 466 |
| Decrease in provision | (1,186) | (1,284) |
| Other losses / (gains) | 8 | (470) |
| Share based payments | 48 | 96 |
| Finance income | (75) | 2,217 |
| Finance cost | 1,765 | (106) |
| Other interests | 7 | 13 |
| Disposal of Equity accounted investments | (1,232) | - |
| Results from equity accounted investments | 57 | 10 |
| Tax expenses | 143 | 169 |
| **Net change in non-cash working capital items** | | |
| (Increase) / decrease in trade, prepaid and other receivables | (77) | (1,605) |
| Decrease / (increase) in inventory | 23 | (48) |
| Increase in trade payables and accrued liabilities | 1,167 | 642 |
| **Cash (used) from operations** | 552 | (412) |
| Total tax paid | (168) | (199) |
| Net cash generated by continuing operations | 384 | (611) |
| Net cash from discontinued operations | - | 77 |
| **Net cash (used) from operating activities** | **$ 384** | **$ (534)** |

*- continued -*

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

**THUNDERBIRD RESORTS INC.**
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
(Expressed in thousands of United States dollars)
For the six months ended June 30, 2016

| | Six months ended June 30 (unaudited) 2016 | 2015 |
|---|---|---|
| **Cash flow from investing activities** | | |
| Expenditure on property, plant and equipment | (226) | (2,754) |
| Proceeds on sale of property, plant and equipment | 1,273 | 44 |
| Proceeds on sale of Costa Rica Joint Venture | 1,534 | - |
| Proceeds on sale of Costa Rica operation | - | 8,077 |
| Cost of sale of Costa Rica operation | - | (165) |
| Interest received | 75 | 106 |
| **Net cash used from investing activities** | **$ 2,656** | **$ 5,308** |
| **Cash flow from financing activities** | | |
| Proceeds from issue of new loans | 100 | 870 |
| Repayment of loans and leases payable | (2,642) | (4,955) |
| Interest paid | (1,267) | (1,791) |
| **Net cash used from financing activities** | **$ (3,809)** | **$ (5,876)** |
| **Net change in cash and cash equivalents during the year** | (769) | (1,102) |
| **Cash and cash equivalents, beginning of the year** | 4,403 | 6,551 |
| Effect of foreign exchange adjustment | 6 | 3,867 |
| **Cash and cash equivalents, end of the year** | **$ 3,640** | **$ 9,316** |

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

# Notes to the Interim Consolidated Financial Statements

## 1. BASIS OF PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Nature of operations

The principal activities of Thunderbird Resorts Inc, and its subsidiaries "the Group" is to develop, own and operate gaming venues. The Group also owns and manages hotels principally as a support to the gaming operations.

These activities are grouped into the following service lines:

- Gaming – the provision of table and slot games within a number of operating locations in the Group's chosen markets. The Group also has a limited sportsbook offering, however, it is considered to be immaterial to the Group's performance.
- Hotel – the Group offers B2C services where revenue is generated directly from occupancy of rooms by customers as well as B2B hotel management services where revenues are generated based on the occupancy rates of the property being managed. Hotel revenues also include the relevant food, beverage and hospitality income.

### General information and statement of compliance with IFRS

Thunderbird Resorts Inc., the Group's parent company, is a corporation incorporated and registered in the British Virgin Islands, number 1055634.

Its headquarters is located at Apartado 0823-00514, Panama, Republic of Panama. The Group's common shares are listed on the Euronext Amsterdam under the symbol "TBIRD."

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended June 30, 2016, and have been prepared in accordance with IAS 34 "Interim Financial Reporting" (IAS 34). They do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015. These Interim Financial Statements have not been reviewed or audited.

## 2. MANAGEMENT STATEMENT ON "GOING CONCERN"

Management routinely plans future activities including forecasting future cash flows. Management has reviewed their plan with the Directors and has collectively formed a judgment that the Group has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months from the filing of our 2015 Annual Report. In arriving at this judgment, Management has prepared the cash flow projections of the Group, which incorporates a 5-year rolling forecast and detailed cash flow modeling through the current financial year. Directors have reviewed this information provided by Management and have considered the information in relation to the financing uncertainties in the current economic climate, the Group's existing commitments and the financial resources available to the Group. The expected cash flows have been modeled based on anticipated revenue and profit streams with debt funding programmed into the model and reducing over time. The model assumes no new construction projects during the forecast period. The model assumes a stable regulatory environment in all countries with existing operations. Sensitivities have been applied to this model in relation to revenues not achieving anticipated levels.

The Directors have considered the: (i) base of investors and debt lenders historically available to Thunderbird Resorts, Inc.; (ii) global capital markets; (iii) limited trading exposures to our local suppliers and retail customers; (iv) other risks to which the Group is exposed, the most significant of which is considered to be regulatory risk; (v) sources of Group income, including management fees charged to and income distributed from its various operations; (vi) cash generation, debt amortization levels and key debt service coverage ratios; (vii) fundamental trends of the Group's businesses; (viii) extraordinary cash inflows and outflows from one-time events forecasted to occur in the 12-month period following the reporting period of this 2016 Half-year Report; (ix) ability to re-amortize and unsecured lenders; (x) level of probability of refinancing of secured debt; (xi) liquidation of undeveloped and therefore non-performing real estate assets that have been held for sale; and (xii) level of interest by third parties in the acquisition of certain operating assets.

The Directors have also considered certain critical factors that might affect its continuing operations, as follows:

- Debt Repayment and Cash Flow: Debt service payments for secured bank loans in Peru and secured and unsecured loans at the Corporate-level continue to be a significant part of the Group's outflow. The Group has invested significant time and effort to refinance debt under longer-term amortizations, but the banking industry in Latin America is not easily amenable to financing our gaming operations or real estate that depend on gaming income. The Group may need to sell the majority of its real estate assets in order to pay down virtually all Group debt and revert the Group to positive cash flow.

- Corporate Expense and Cash Flow: Corporate expense has decreased materially in recent years, and is expected to continue to decrease. Combined with debt reduction, achieving the Group's announced Corporate expense targets is critical to achieving positive cash flow. Progress in this regard includes preliminary, unaudited Corporate expense in half-year 2016 of $1.7 million, and the Group is now targeting a Corporate Expense run rate of less than $2.0 million starting approximately in October 2016.

- Liquidity and Working Capital: The Group is currently operating with low levels of reserves and working capital. Selling all or virtually all Group real estate and reverting cash flow will be critical to creating a healthy level of working capital reserves.

Considering the above, Management and Directors are satisfied that the consolidated Group has adequate resources to continue as a going concern for at least the 12 months following the reporting period of this 2016 Half-year Report. For these reasons, Management and Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Changes in accounting policies

These interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last annual consolidated financial statements for the year ended December 31, 2015.

The preparation of the condensed set of Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2015.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these Interim Financial Statements. Management does not consider the impact of seasonality on operations to be significant.

## 4. SEGMENTAL INFORMATION

In identifying its operating segments, Management generally follows the Group's geographic country lines. These operating segments are monitored by the Group’s chief operating decision makers and strategic decisions are made on the basis of adjusted operating results.

The activities undertaken by each operating segment include the operation of casinos and related food, beverage and hospitality activities. Some of our operating segments also operate hotels, notably Peru and Costa Rica. The Group sold its Gaming and Hotel operations in Costa Rica on February 25, 2015, this segment has been accounted for as a discontinued operation in accordance with IFRS 5 “Non-current assets held for sale and discontinued operation”.

Each of these operating segments is managed separately by country managers as each country has a different regulatory environment and customs, as well as, different marketing approaches. All inter-segment transfers are carried out at arm's length prices when they occur.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that expenses relating to share-based payments are not included in arriving at the operating profit of the operating segments and results for the Group’s equity accounted joint venture are shown proportionally and in aggregate with the Group’s Costa Rican subsidiary. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Group's headquarters in Panama.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. No asymmetrical allocations have been applied between segments.

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

## Operating segments

| | Costa Rica | | Nicaragua | | Peru | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Continuing operations** | | | | | | |
| **Total revenue** | - | - | 7,180 | 6,965 | 12,296 | 14,058 |
| Operating profit / (loss) before: project development, depreciation, amortization and other gains and losses (Adjusted EBITDA) | - | - | 971 | 957 | 2,254 | 3,059 |
| Project development | - | - | - | (48) | - | - |
| Depreciation and amortization | - | - | (373) | (318) | (1,133) | (1,501) |
| Other gains and (losses) | - | - | 1 | (3) | (30) | 477 |
| **Segments result** | - | - | 599 | 588 | 1,091 | 2,035 |
| Foreign exchange gain / (loss) | - | - | (81) | (96) | 80 | (586) |
| Share of profit / (loss) from equity accounted investments | (57) | - | - | - | - | - |
| Finance costs | - | - | (78) | (78) | (553) | (665) |
| Finance income | - | - | 5 | 5 | 1 | 59 |
| Other interest | - | - | - | - | (7) | (13) |
| Management fees - intercompany charges | - | 1,907 | (12) | (14) | (5) | (4) |
| **Profit / (loss) before taxation** | (57) | 1,907 | 433 | 405 | 607 | 826 |
| Taxation | - | (28) | (141) | (145) | - | - |
| **Profit / (loss) for the year-continuing operations** | (57) | 1,879 | 292 | 260 | 607 | 826 |
| **Profit / (loss) for the year-discontinued operations** | (623) | (5,783) | - | - | - | - |
| **Profit / (loss) for the year** | (680) | (3,904) | 292 | 260 | 607 | 826 |
| Currency translation reserve | - | - | - | - | - | - |
| **Total comprehensive income for the year** | (680) | (3,904) | 292 | 260 | 607 | 826 |
| Non-controlling interest | - | (145) | 128 | 115 | - | - |
| **Total comprehensive income attributable to owners of the parent** | (680) | (3,759) | 164 | 145 | 607 | 826 |
| **Assets and liabilities** | | | | | | |
| Segment intangible assets: | | | | | | |
| Intangible assets with indefinite useful lives | - | - | 1,387 | 1,387 | 4,277 | 4,277 |
| Intangible assets with finite useful lives | - | - | 7 | 9 | 276 | 312 |
| Segment assets: | | | | | | |
| Property, plant and equipment | - | - | 6,109 | 6,499 | 16,560 | 16,997 |
| Other segment assets (including cash) | - | - | (997) | (1,096) | 14,912 | 14,814 |
| **Total segment assets** | - | - | 6,506 | 6,799 | 36,025 | 36,400 |
| Assets classified as held for sale | - | 8,009 | - | - | - | - |
| **Total assets** | - | 8,009 | 6,506 | 6,799 | 36,025 | 36,400 |
| **Total segment liabilities** | - | - | 2,920 | 3,419 | 17,597 | 18,650 |
| Liabilities associated with assets held for sale | - | 1,001 | - | - | - | - |
| **Total liabilities** | - | 1,001 | 2,920 | 3,419 | 17,597 | 18,650 |
| **Net assets / (liabilities)** | - | 7,008 | 3,586 | 3,380 | 18,428 | 17,750 |
| **Non-controlling interest** | - | - | 2,038 | 1,911 | - | - |
| **Other segment items** | | | | | | |
| Capital expenditure | - | - | 136 | 1,536 | 69 | 2,134 |
| Depreciation and amortization | - | - | 373 | 318 | 1,133 | 1,501 |
| Impairment losses for non-operating assets | - | - | - | - | - | - |

*- continued -*

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

| | Total Operation | | Corporate and non-allocated (1) | | Costa Rica IFRS 11 Adjustments (2) | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| **Continuing operations** | | | | | | | | |
| **Total revenue** | 19,476 | 21,023 | - | - | - | - | 19,476 | 21,023 |
| Operating profit / (loss) before: project development, depreciation, amortization and other gains and losses (Adjusted EBITDA) | 3,225 | 4,016 | (1,723) | (2,181) | - | - | 1,502 | 1,835 |
| Project development | - | (48) | - | - | - | - | - | (48) |
| Depreciation and amortization | (1,506) | (1,819) | (8) | (17) | - | - | (1,514) | (1,836) |
| Other gains and (losses) | (29) | 474 | 745 | (4) | - | - | 716 | 470 |
| **Segments result** | 1,690 | 2,623 | (986) | (2,202) | - | - | 704 | 421 |
| Foreign exchange gain / (loss) | (1) | (682) | (293) | 216 | - | - | (294) | (466) |
| Share of profit / (loss) from equity accounted investments | (57) | - | - | - | - | (10) | (57) | (10) |
| Finance costs | (631) | (743) | (1,134) | (1,474) | - | - | (1,765) | (2,217) |
| Finance income | 6 | 64 | 69 | 42 | - | - | 75 | 106 |
| Other interest | (7) | (13) | - | - | - | - | (7) | (13) |
| Management fees - intercompany charges | (17) | 1,889 | 15 | (1,889) | - | - | (2) | - |
| **Profit / (loss) before taxation** | 983 | 3,138 | (2,329) | (5,307) | - | (10) | (1,346) | (2,179) |
| Taxation | (141) | (173) | (2) | (24) | - | 28 | (143) | (169) |
| **Profit / (loss) for the year-continuing operations** | 842 | 2,965 | (2,331) | (5,331) | - | 18 | (1,489) | (2,348) |
| **Profit / (loss) for the year-discontinued operations** | (623) | (5,783) | 362 | 9,240 | - | 3,233 | (261) | 6,690 |
| **Profit / (loss) for the year** | 219 | (2,818) | (1,969) | 3,909 | - | 3,251 | (1,750) | 4,342 |
| Currency translation reserve | - | - | 405 | (1,723) | - | - | 405 | (1,723) |
| **Total comprehensive income for the year** | 219 | (2,818) | (1,564) | 2,186 | - | 3,251 | (1,345) | 2,619 |
| Non-controlling interest | 128 | (30) | - | - | - | - | 128 | (30) |
| **Total comprehensive income attributable to owners of the parent** | 91 | (2,788) | (1,564) | 2,186 | - | 3,251 | (1,473) | 2,649 |
| **Assets and liabilities** | | | | | | | | |
| Segment intangible assets: | | | | | | | | |
| Intangible assets with indefinite useful lives | 5,664 | 5,664 | - | - | - | - | 5,664 | 5,664 |
| Intangible assets with finite useful lives | 283 | 321 | - | - | - | - | 283 | 321 |
| Financial assets - investments | - | - | | | | | - | - |
| Segment assets: | | | | | | | | |
| Property, plant and equipment | 22,669 | 23,496 | 4 | 523 | - | - | 22,673 | 24,019 |
| Other segment assets (including cash) | 13,915 | 13,718 | (1,774) | (273) | 1,900 | 2,636 | 14,041 | 16,081 |
| **Total segment assets** | 42,531 | 43,199 | (1,770) | 250 | 1,900 | 2,636 | 42,661 | 46,085 |
| Assets classified as held for sale | - | 8,009 | - | - | - | (8,009) | - | - |
| **Total assets** | 42,531 | 51,208 | (1,770) | 250 | 1,900 | (5,373) | 42,661 | 46,085 |
| **Total segment liabilities** | 20,517 | 22,069 | 20,828 | 21,402 | - | - | 41,345 | 43,471 |
| Liabilities associated with assets held for sale | - | 1,001 | - | - | - | (1,001) | - | - |
| **Total liabilities** | 20,517 | 23,070 | 20,828 | 21,402 | - | (1,001) | 41,345 | 43,471 |
| **Net assets / (liabilities)** | 22,014 | 28,138 | (22,598) | (21,152) | 1,900 | (4,372) | 1,316 | 2,614 |
| **Non-controlling interest** | 2,038 | 1,911 | - | - | - | - | 2,038 | 1,911 |
| **Other segment items** | | | | | | | | |
| Capital expenditure | 205 | 3,670 | - | 3 | - | - | 205 | 3,673 |
| Depreciation and amortization | 1,506 | 1,819 | 8 | 17 | - | - | 1,514 | 1,836 |
| Impairment losses for non-operating assets | - | - | - | - | - | - | - | - |

(1) Includes non-operating entities
(2) Includes adjustment to Costa Rica segment results for equity accounting under IFRS 11.

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

## Other supplementary information

| | Gaming | | Hotel | | Corporate and non-allocated (1) | | Costa Rica IFRS 11 Adjustments (2) | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Continuing operations** | | | | | | | | | | |
| **Total revenue** | 17,509 | 18,690 | 1,967 | 2,333 | - | - | - | - | 19,476 | 21,023 |
| Operating profit / (loss) before: project development, depreciation, amortization and other gains and losses (Adjusted EBITDA) | 2,547 | 3,343 | 678 | 673 | (1,723) | (2,181) | - | - | 1,502 | 1,835 |
| Project development | - | (48) | - | - | - | - | - | - | - | (48) |
| Depreciation and amortization | (864) | (1,154) | (642) | (665) | (8) | (17) | - | - | (1,514) | (1,836) |
| Other gains and (losses) | (17) | 40 | (12) | 434 | 745 | (4) | - | - | 716 | 470 |
| **Segments result** | 1,666 | 2,181 | 24 | 442 | (986) | (2,202) | - | - | 704 | 421 |
| Foreign exchange gain / (loss) | (110) | (477) | 109 | (205) | (293) | 216 | - | - | (294) | (466) |
| Share of profit / (loss) from equity accounted investments | (57) | - | - | - | - | - | - | (10) | (57) | (10) |
| Finance costs | (440) | (483) | (191) | (260) | (1,134) | (1,474) | - | - | (1,765) | (2,217) |
| Finance income | 6 | 6 | - | 58 | 69 | 42 | - | - | 75 | 106 |
| Other interest | - | - | (7) | (13) | - | - | - | - | (7) | (13) |
| Management fees - intercompany charges | (17) | 1,889 | - | - | 15 | (1,889) | - | - | (2) | - |
| **Profit / (loss) before taxation** | 1,048 | 3,116 | (65) | 22 | (2,329) | (5,307) | - | (10) | (1,346) | (2,179) |
| Taxation | (141) | (173) | - | - | (2) | (24) | - | 28 | (143) | (169) |
| **Profit / (loss) for the year-continuing operations** | 907 | 2,943 | (65) | 22 | (2,331) | (5,331) | - | 18 | (1,489) | (2,348) |
| **Profit / (loss) for the year-discontinued operations** | (623) | (5,783) | - | - | 362 | 9,240 | - | 3,233 | (261) | 6,690 |
| **Profit / (loss) for the year** | 284 | (2,840) | (65) | 22 | (1,969) | 3,909 | - | 3,251 | (1,750) | 4,342 |
| Currency translation reserve | - | - | - | - | 405 | (1,723) | - | - | 405 | (1,723) |
| **Total comprehensive income for the year** | 284 | (2,840) | (65) | 22 | (1,564) | 2,186 | - | 3,251 | (1,345) | 2,619 |
| Non-controlling interest | 128 | (30) | - | - | - | - | - | - | 128 | (30) |
| **Total comprehensive income attributable to owners of the parent** | 156 | (2,810) | (65) | 22 | (1,564) | 2,186 | - | 3,251 | (1,473) | 2,649 |
| **Assets and liabilities** | | | | | | | | | | |
| Segment intangible assets: | | | | | | | | | | |
| Intangible assets with indefinite useful lives | 5,664 | 5,664 | - | - | - | - | - | - | 5,664 | 5,664 |
| Intangible assets with finite useful lives | 115 | 56 | 168 | 265 | - | - | - | - | 283 | 321 |
| Segment assets: | | | | | | | | | | |
| Property, plant and equipment | 11,135 | 10,304 | 11,534 | 13,192 | 4 | 523 | - | - | 22,673 | 24,019 |
| Other segment assets (including cash) | 10,821 | 10,844 | 3,094 | 2,874 | (1,774) | (273) | 1,900 | 2,636 | 14,041 | 16,081 |
| **Total segment assets** | 27,735 | 26,868 | 14,796 | 16,331 | (1,770) | 250 | 1,900 | 2,636 | 42,661 | 46,085 |
| Assets classified as held for sale | - | 8,009 | - | - | - | - | - | (8,009) | - | - |
| **Total assets** | 27,735 | 34,877 | 14,796 | 16,331 | (1,770) | 250 | 1,900 | (5,373) | 42,661 | 46,085 |
| **Total segment liabilities** | 14,782 | 16,134 | 5,735 | 5,935 | 20,828 | 21,402 | - | - | 41,345 | 43,471 |
| Liabilities associated with assets held for sale | - | 1,001 | - | - | - | - | - | (1,001) | - | - |
| **Total liabilities** | 14,782 | 17,135 | 5,735 | 5,935 | 20,828 | 21,402 | - | (1,001) | 41,345 | 43,471 |
| **Net assets / (liabilities)** | 12,953 | 17,742 | 9,061 | 10,396 | (22,598) | (21,152) | 1,900 | (4,372) | 1,316 | 2,614 |
| **Non-controlling interest** | 2,038 | 1,911 | - | - | - | - | - | - | 2,038 | 1,911 |
| **Other segment items** | | | | | | | | | | |
| Capital expenditure | 154 | 3,636 | 51 | 34 | - | 3 | - | - | 205 | 3,673 |
| Depreciation and amortization | 864 | 1,154 | 642 | 665 | 8 | 17 | - | - | 1,514 | 1,836 |
| Impairment losses for non-operating assets | - | - | - | - | - | - | - | - | - | - |

(1) Includes non-operating entities
(2) Includes adjustment to Costa Rica segment results for equity accounting under IFRS 11.

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

# 5. OTHER GAINS AND (LOSSES)

| | Six months ended June 30, | | Three months ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Sale of corporate property | 728 | - | - | - |
| Other | (12) | 70 | (26) | (56) |
| Peru sales tax credit | - | 400 | - | 400 |
| **Total** | **$ 716** | **$ 470** | **$ (26)** | **$ 344** |

## a. Sale of Panama Building:

On March 21, 2016, the Group sold its office building in Panama City, Panama, for a gross price of $1.45 million and for net proceeds after taxes, debt and brokerage fees of approximately $512 thousand, reducing gross debt by approximately $800 thousand. A gain on sale was recorded in other gains and losses of $728,000.

# 6. FINANCING COSTS AND REVENUES

Finance cost includes all interest-related income and expenses, other than those arising from financial assets at fair value through profit or loss. The following amounts have been included in profit or loss for the years presented:

| | Six months ended June 30, | | Three months ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Finance cost** | | | | |
| Bank loans | $ 234 | $ 673 | $ 168 | $ 380 |
| Other loans | 1,035 | 952 | 601 | 456 |
| Related party loans | 66 | 133 | 33 | 64 |
| Finance charges payable under finance leases and hire purchase contracts | 181 | 4 | 18 | 2 |
| Amortization of borrowing costs | 249 | 455 | 90 | 252 |
| **Total finance costs (on a historical cost basis)** | **$ 1,765** | **2,217** | **$ 910** | **1,154** |
| **Finance income** | | | | |
| Bank interest receivable | 9 | 14 | 5 | 10 |
| Third party interest receivable | 66 | 92 | 43 | 70 |
| **Total finance income (on a historical cost basis)** | **$ 75** | **$ 106** | **$ 48** | **$ 80** |
| **Other interest** | | | | |
| Other interest | 7 | 13 | 4 | 6 |
| **Total other interest** | **$ 7** | **$ 13** | **$ 4** | **$ 6** |

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

# 7. PROPERTY, PLANT AND EQUIPMENT

| | Property | Leasehold improvements | Gaming machines | Furniture and equipment | Construction in progress and advances | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As of January 1, 2016 | $ 24,959 | $ 2,065 | $ 21,215 | $ 9,291 | $ 79 | $ 57,609 |
| Foreign exchange adjustments | 591 | (13) | 584 | 98 | - | 1,260 |
| Additions | 7 | 12 | 66 | 38 | 81 | 204 |
| Disposals | (846) | 48 | - | (987) | - | (1,785) |
| Transfers | (1) | 4 | 13 | 53 | (69) | - |
| As of June 30, 2016 | 24,710 | 2,116 | 21,878 | 8,493 | 91 | 57,288 |
| **Depreciation** | | | | | | |
| As of January 1, 2016 | $ 8,279 | $ 1,633 | $ 16,124 | $ 7,554 | $ - | $ 33,590 |
| Foreign exchange adjustments | 295 | (18) | 460 | 79 | - | 816 |
| Charge for the year | 613 | 66 | 498 | 296 | - | 1,473 |
| Disposals | (301) | 10 | - | (973) | - | (1,264) |
| As of June 30, 2016 | 8,886 | 1,691 | 17,082 | 6,956 | - | 34,615 |
| **Net book value as of January 1, 2016** | 16,680 | 432 | 5,091 | 1,737 | 79 | 24,019 |
| **Net book value as of June 30, 2016** | $ 15,824 | $ 425 | $ 4,796 | $ 1,537 | $ 91 | $ 22,673 |

| | Property | Leasehold improvements | Gaming machines | Furniture and equipment | Construction in progress and advances | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As of January 1, 2015 | $ 26,910 | $ 7,009 | $ 23,473 | $ 12,209 | $ 588 | $ 70,189 |
| Foreign exchange adjustments | (2,949) | (115) | (2,659) | (851) | (17) | (6,591) |
| Additions | 41 | 6 | 1,117 | 148 | 2,361 | 3,673 |
| Disposals | - | - | (1,265) | (931) | - | (2,196) |
| Disposals - discontinued operations | - | (4,870) | (930) | (1,666) | - | (7,466) |
| Transfers | 957 | 35 | 1,479 | 382 | (2,853) | - |
| As of December 31, 2015 | 24,959 | 2,065 | 21,215 | 9,291 | 79 | 57,609 |
| **Depreciation** | | | | | | |
| As of January 1, 2015 | $ 8,031 | $ 3,969 | $ 19,607 | $ 9,804 | $ 58 | $ 41,469 |
| Foreign exchange adjustments | (1,038) | (87) | (2,125) | (653) | - | (3,903) |
| Charge for the year | 1,228 | 143 | 836 | 599 | - | 2,806 |
| Charge for the year - discontinued operations | - | 40 | - | 20 | - | 60 |
| Disposals | - | - | (1,264) | (856) | - | (2,120) |
| Disposals - discontinued operations | - | (2,432) | (930) | (1,360) | - | (4,722) |
| Transfers | 58 | - | - | - | (58) | - |
| As of December 31, 2015 | 8,279 | 1,633 | 16,124 | 7,554 | - | 33,590 |
| **Net book value as of January 1, 2015** | 18,879 | 3,040 | 3,866 | 2,405 | 530 | 28,720 |
| **Net book value as of December 31, 2015** | $ 16,680 | $ 432 | $ 5,091 | $ 1,737 | $ 79 | $ 24,019 |

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

### Assets pledged as security

Assets with the following amounts have been pledged to secure borrowings of the Group:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Cost | Amortized cost | Cost | Amortized cost |
| Property | $ 20,085 | $ 11,153 | $ 20,370 | $ 11,937 |
| Gaming equipment | 4,242 | 393 | 4,099 | 418 |
| **Total** | **$ 24,327** | **$ 11,546** | **$ 24,469** | **$ 12,355** |

The carrying value of assets held under finance leases and hire purchase contracts at June 30, 2016 was $1,955,000 (December 31, 2015 - $2,087,000).

## 8. DISCONTINUED OPERATIONS

The amounts presented in the statement of profit or loss under discontinued operations for the six months ended June 30, 2015 relate to the disposal of the Groups ownership interests in Grupo Thunderbird de Costa Rica “GTCR” (of which the Group owned 50%) and Thunderbird Gran Entretenimiento “TGE” (of which the Group owned 56%), for additional information please refer to Note 11, Discontinued Operations of the 2015 Annual Report.

On April 28, 2016, the Group disposed of its ownership interest in Importadores del Yukon “IDY” (of which the Group owned 50%). The property was sold for approximately $3.2 million and after the payment of taxes, fees and other sale related costs (property was debt free), the net cash received for the Group’s 50% share was approximately $1.5 million. A net loss of $261,000 is presented as discontinued operations for the period ended June 30, 2016

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

# 9. BORROWINGS

Borrowings consist of loans payable detailed as follows:

| | Schedule of principal re[ayments | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended Dec 30, 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Unamortized premiums, discounts & issuance costs | Total |
| **Interest Rate[1]:** | | | | | | | | |
| 13% to 14% | $ - | $ - | $ 400 | $ - | $ - | $ - | $ - | $ 400 |
| 11% to 12%[2] | 645 | 1,105 | 1,232 | 1,375 | 1,534 | 1,863 | - | 7,754 |
| <10% | 5,896 | 5,652 | 2,290 | 7,171 | 175 | 95 | (186) | 21,093 |
| **Total principal repayments** | **$ 6,541** | **$ 6,757** | **$ 3,922** | **$ 8,546** | **$ 1,709** | **$ 1,958** | **$ (186)** | **$ 29,247** |

1. Floating rate loans are calculated as of the effective rate on December 31, 2014.
2. Includes $6,309,153 of convertible loan notes with an embedded derivative of $NIL (December 30, 2014 - $NIL AR Note 24).

| | Six months ended Dec 30, 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Unamortized premiums, discounts & issuance costs | Total |
|---|---|---|---|---|---|---|---|---|
| **Country:** | | | | | | | | |
| Corporate | $ 5,799 | $ 5,178 | $ 2,207 | $ 1,375 | $ 1,534 | $ 1,863 | $ (88) | $ 17,868 |
| Nicaragua | 126 | 270 | 295 | 674 | 175 | 95 | (1) | 1,634 |
| Peru | 616 | 1,309 | 1,420 | 6,497 | - | - | (97) | 9,745 |
| **Total principal repayments** | **$ 6,541** | **$ 6,757** | **$ 3,922** | **$ 8,546** | **$ 1,709** | **$ 1,958** | **$ (186)** | **$ 29,247** |

| | Borrowing summary | |
|---|---|---|
| | June 30, 2016 | December 31, 2015 |
| Total borrowing | 28,703 | 30,701 |
| Less current portion of borrowings | (11,128) | (7,735) |
| **Borrowing non-current** | **$ 17,575** | **$ 22,966** |

The following table provides additional detail of corporate repayment of principal including the balances that are reimbursable by subsidiaries to the Group's parent entity (Corporate):

| | Schedule of Corporate principal repayments - reimbursable by subsidiaries | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended Dec 30, 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Unamortized premiums, discounts & issuance costs | Total |
| **Country:** | | | | | | | | |
| Corporate | $ 768 | $ 367 | $ 975 | $ - | $ - | $ - | $ (32) | $ 2,078 |
| Peru | 5,031 | 4,811 | 1,232 | 1,375 | 1,534 | 1,863 | (56) | 15,790 |
| **Total principal repayments** | **$ 5,799** | **$ 5,178** | **$ 2,207** | **$ 1,375** | **$ 1,534** | **$ 1,863** | **$ (88)** | **$ 17,868** |

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

During the six months ended June 30, 2016, the Group has obtained new borrowings detailed as follows:

| | Additions | Balance June 30, 2016 | Collateral | Interest rate | Maturity Date |
|---|---|---|---|---|---|
| **The Company and wholly owned subsidiaries** | | | | | |
| Loans with non-financial entities | 100 | 100 | | 8.50% | Nov-2017 |
| **Total** | **$ 100** | **$ 100** | | | |

The following table provides additional detail of additions, refinancing, repayments, and disposals taking place during the six months ended June 30, 2016:

| Additions Summary | Balance Dec 31, 2015 | Additions | Refinancing Additions | Refinancing Extinguishment | Repayments | Unamortized premiums, discounts & issuance costs | Balance June 30, 2016 |
|---|---|---|---|---|---|---|---|
| Loans with financial entities | $ 13,089 | $ - | $ - | $ - | $ (1,615) | $ (98) | $ 11,376 |
| Loans with non-financial entities | 11,395 | 100 | 102 | - | (501) | (50) | 11,046 |
| Convertible loan notes with non-financial entities | 6,505 | - | 260 | 98 | - | (38) | 6,825 |
| **Total** | **$ 30,989** | **$ 100** | **$ 362** | **$ 98** | **$ (2,116)** | **$ (186)** | **$ 29,247** |

## Notes

### Additions

During the six months ended June 30, 2016, the Group, obtained financing from a private lender for $100,000. The loan is unsecured, bears interest at 8.5% and matures in 18 months. Interest payments are due monthly with principal ballooning in month 18.

### Repayments

During the six months ended June 30, 2016, the Group repaid a total of $2,116,000 of loan principal, consisting of 1,615,000 of loans with financial entities and $501,000 of loans with non-financial entities.

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

# 10. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

## Obligations under finance leases and hire purchase contracts

The Group uses leases and hire purchase contracts to finance their vehicles and certain video lottery equipment. As at June 30, 2016, future minimum lease payments under finance leases and hire purchase contracts of the Group are as follows:

| | Future commitments due June 30, 2016 | | Future commitments due December 31, 2015 | |
|---|---|---|---|---|
| | Minimun Lease Payments | Present value | Minimun Lease Payments | Present value |
| Finance lease commitments | $ 1,242 | $ 829 | $ 1,082 | $ 991 |
| Not longer than one year | 209 | 209 | 441 | 441 |
| Sub total | 1,451 | 1,038 | 1,523 | 1,432 |
| **Present value of minimum lease payments** | **$ 1,451** | **$ 1,038** | **$ 1,523** | **$ 1,432** |
| Obligations under leases and hire purchase contracts current | | $ (829) | | $ (991) |
| Obligations under leases and hire purchase contracts non-current | | **$ 209** | | **$ 441** |

Assets held under finance leases and hire purchase contracts as of June 30, 2016 and December 31, 2015:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Cost | Amortized cost | Cost | Amortized cost |
| Autos | $ 38 | $ 14 | $ 60 | $ 30 |
| Gaming equipment | 2,894 | 1,941 | 2,860 | 2,057 |
| **Total** | **$ 2,932** | **$ 1,955** | **$ 2,920** | **$ 2,087** |

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

## 11. SHARE CAPITAL AND RESERVES

A majority of the Group's shareholders voted in favor of continuing the Group's charter from the Yukon, Canada to the British Virgin Islands ("BVI"). The Group formally continued its corporate charter into the BVI effective October 6, 2006, and filed "discontinuation documents" with the Yukon Registrar. Holders of common shares are entitled to one vote for each share held. There are no restrictions that limit the Group's ability to pay dividends on its common stock. The Group has not issued preferred shares. The Group's common stock has no par value.

| | Number of shares | Share capital ($USD in 000's) |
|---|---|---|
| Shares authorized | | |
| 500,000,000 common shares without par value | | |
| 500,000,000 preferred shares without par value | | |
| Shares issued | | |
| **Balance as at December 31, 2014** | **22,865,669** | **$ 110,144** |
| Share based payments | 1,493,301 | 632 |
| Treasury shares purchased | (710,000) | (320) |
| **Balance as at December 31, 2015** | **23,648,970** | **$ 110,456** |
| Share based payments | 411,429 | 48 |
| **Balance as at June 30, 2016** | **24,060,399** | **$ 110,504** |

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

## Options

The following table provides additional detail of share options exercised and cancelled during 2015 and the six months ended June 30, 2016:

| | Number of shares | Weighted average exercise price |
|---|---|---|
| **Balance as at December 31, 2014** | **93,400** | **$ 3.83** |
| Cancelled due to expiring | (66,716) | 3.91 |
| **Balance as at December 31, 2015** | **26,684** | **$ 3.33** |
| **Balance as at June 30, 2016** | **26,684** | **$ 48.00** |
| Number of options currently exercisable | 26,684 | $ 3.33 |

The following table provides additional detail of share options canceled during 2016 and 2015.

| Range of exercise prices | Number outstanding options | Weighted average remaining life | Weighted average exercise price |
|---|---|---|---|
| $2.01 - $3.00 | 15,334 | 0.63 years | $ 2.10 |
| $3.01 - $5.00 | 11,350 | 0.57 years | $ 4.98 |
| | 26,684 | 0.61 years | $ 3.33 |

Please refer to Note 18 in the Group's consolidated financial statements for the year ended December 31, 2015 for additional discussion of the Group's stock option plans.

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

## 12. LOSS PER SHARE

The following weighted average numbers of shares were used for computation of loss per share:

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Shares used in computation of basic earnings per share (000's) | 24,060 | 23,450 |
| Shares used in computation of diluted earnings per share (000's) | 24,060 | 23,450 |
| Loss for the period attributable to the parent | $ (1,877) | $ 4,372 |
| **Basic profit / (loss) per share** | **(0.08)** | **0.19** |
| **Diluted profit / (loss) per share** | **(0.08)** | **0.19** |

Basic and diluted loss per share is calculated by dividing the net loss for the year by the weighted average shares used in the computation of basic loss per share.

As a result of the loss for the six months ended June 30, 2016, the diluted loss per share is the same as the basic loss per share as the employee share options and the effect of convertible loan notes are anti-dilutive.

## 13. RELATED PARTY TRANSACTIONS

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Due from related parties | | | | |
| Nicaraguan Partners | $ - | $ 42 | $ - | $ 42 |
| Costa Rican Joint Venture | 1,778 | - | 2,070 | - |
| | 1,778 | 42 | 2,070 | 42 |
| Due to related parties | | | | |
| Nicaraguan Partners | 900 | - | 983 | - |
| | $ 900 | - | 983 | - |

### Due from related parties

#### Receivables from joint ventures and related party receivables

The Group charges management, marketing, administration and royalty fees to its subsidiaries and joint ventures. The income and expenses associated with management fees between subsidiaries have been eliminated in their entirety in these consolidated financial statements. The related party receivable represents amounts due from the Group's partners in its non-wholly owned subsidiaries. All receivables are non-interest bearing and are due on demand by the Group. The Group has not provided for an allowance against these amounts as these amounts are deemed collectible by the Group.

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Included in due from related parties is $1,778,000 (2015 – $2,070,000) due from our Costa Rica joint venture which is accounted for under the equity method, these receivables are non-interest bearing and are due on demand by the Group. Settlement is anticipated within a year, pending the sale of certain real estate in Costa Rica. Additionally, $42,000 (2015 – $42,000) is due from a shareholder in the Nicaraguan operation for their portion of the loan attributed to the purchase of the majority interest in Nicaragua in October 2004.

## Due to related parties

### Payable to joint ventures and related party payables

Included in due to related parties are amounts due to the Group's Nicaraguan partners of $900,000 (2015 – $983,000) for of the accrued, but not yet paid management fees from the Nicaraguan entity.

## Transaction with Officers and Directors included within borrowings

Salomon Guggenheim, who previous to the middle of 2013 only held the roles of Director and advisor to the Group, is a director and not a beneficial owner in a company called India Ltd. The Group has been loaned various amounts by India Ltd. Please see Officer related party in the table below for amount due and interest paid to India Ltd. during 2016 and 2015.

In addition, Directors have loaned various amounts to the Group. The outstanding loans are as follows:

| | | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|---|
| | | Amount due | Interest paid | Amount due | Interest paid |
| | **Country** | | | | |
| Director | Corporate | - | - | - | 65 |
| Officer related party | Corporate | 1,568 | - | 1,502 | 170 |
| | **Total** | **$ 1,568** | **$ -** | **$ 1,502** | **$ 235** |

# 14. CONTINGENCIES

Set out below is an overview of our ongoing contingencies, many of which are as a result of regulatory uncertainty. An estimate of the financial effect of each contingency is disclosed unless a reasonable estimate of the financial effect cannot be made.

## a. Peru tax controversies

Sun Nippon Company S.A.C. - “coin-in case”

On or about January 18, 2016, the Peruvian Administrative Tax Court (commonly known as the Tribunal Fiscal in Spanish) issued a negative ruling against the Group’s Peruvian subsidiary operation. The ruling is dated December 28, 2016 and covers a tax matter commonly known as the “2006 coin-in case” (hereafter “the December 28 2016 Coin in Ruling”. The basis of the negative ruling keyed in on whether “revenue” should be based on “net win” or on “coin in “as it relates to pre-payment of income tax.

After the issuance of the December 28 2016 Coin In Ruling”, Management learned that SUNAT had issued a report dated and executed on December 24, 2015 defining “revenue” for purposes of the relevant tax issues (Hereafter “the SUNAT Report”). This SUNAT Report was released to the public on February 18, 2016 and is in reply to a March 18, 2015 letter of the “Sociedad Nacional De Juegos De Azar (SONAJA)” in which SONAJA sought clarification from SUNAT on the definition of “revenue” in the “2006 coin-in case” (hereafter the “SONAJA Petition”). The SONAJA Petition sought an opinion from SUNAT to that the pre-payment of income tax should be based on “net win” and not on “coin-in”. The SUNAT Report opines that the pre-payment of income tax should be based on “net win” and not on “coin-in”. According to the Group’s tax counsel, this SUNAT Report is 100% legally binding on SUNAT, meaning that SUNAT will no longer audit and oppose the calculation of revenue based on “coin-in” as it relates to the pre-payment of income tax. The clear conclusion by outside counsel is that SUNAT recognizes the income tax base of calculation is “net win”.

Unfortunately, in spite of the February 18, 2016 SUNAT report, Management must continue its appeal of the Tribunal resolutions in the Sun Nippon 2006 coin-in case. Sun Nippon has filed its appeal on March 23, 2016, in this matter to the judicial court in which the court could review the entire tax case on a “de novo” basis, meaning that Sun Nippon will have the opportunity to present its case in full and most likely prevail on appeal in its position. One significant and material factor in the Tribunal negative ruling is that the tribunal did not take into account the main defenses that Sun Nippon presented but chose to ignore those defenses.

While the Appeal is pending Sun Nippon proceeded to pay the entire tax liability and is now seeking a refund of all taxes paid should Sun Nippon prevail on its case. As a result of the on-going uncertainty over the potential outcome of this appeal before the Peruvian judiciary, any and all payments made to SUNAT have been fully reserved.

Thunderbird Hoteles Las Americas, S.A. – Tax issue

In the latter part of 2011, the Group's wholly owned Peruvian subsidiary Thunderbird Hoteles Las Americas, S.A. ("THLA"), received a group of resolutions issued by the Peruvian tax authority, Superintendencia Nacional de Administración Tributaria ("SUNAT"), in relation to various major tax issues. The first set of resolutions encompassed a rejection of certain deductions in 2007 for interest payments made to lenders/investors domiciled abroad in relation to certain loans and investments. The second set of resolutions encompassed a rejection of certain tax credits in favor of THLA related to IGV (sales tax). In each of the first and second set of resolutions, these tax matters related to the acquisition of the six hotels by THLA in Peru. The third set of resolutions was issued by SUNAT relating to fines associated with the prior described tax issues.

THLA filed an administrative appeal with respect to these three sets of resolutions on November 21, 2011. On March 23, 2012, THLA was notified through a SUNAT resolution that the tax authority confirmed its three resolutions as described herein. The total potential exposure (including underlying tax, penalties and interest) is approximately S/. 7.0 million Peruvian Soles (US$ 2.33 million) for the first set of resolutions, S/.6.5 million Peruvian Soles (US$ 2.2 million) for the second set of resolutions and S/.6.1 million Peruvian Soles (US$ 2.0 million) for the third set of resolutions.

THLA thereafter filed an appeal on March 23, 2012, challenging the tax assessments as our Peruvian outside tax counsel has taken the position that THLA filed proper tax returns and that SUNAT assessments are inconsistent with the Peruvian tax laws.

Management intends to vigorously defend its position at all administrative and judicial levels. The Group is not responsible for payment until the administrative and judicial process decisions are final with no further rights of appeal. However, interest on these resolutions continues to accrue while the administrative and judicial process is completed and a final decision is rendered. As a result of the on-going uncertainty over the potential outcome of this matter no provision has been recorded.

Thunderbird Hoteles Las Americas, S.A. – "Alcabala" (Property Transfer Tax) process

On September 25, 2007, THLA received a notification in connection with a resolution issued by the Tax Administration Service (SUNAT) demanding payment of S/. 1,969,742.15 for a property transfer tax resulting from the purchase of the land and the building located at Alcanfores 475, Miraflores. SUNAT asserted that THLA wrongly calculated the tax on the first-time sale of such property (sold by La Caja Militar to THLA).

On October 24, 2007, THLA filed an appeal against the resolution issued by SUNAT. THLA asserts that it had paid the corresponding property transfer tax for the land, as well as the VAT for a part of the building. THLA argues that the property transfer tax was not paid for part of the building as the sale of such part of the building was a first-time sale performed by the contractor and was exempt from a tax. On October 17, 2014, the Tax Court ruled that the resolution issued by the SUNAT was void as it had not been properly supported (such resolution did not specify the reasons why the SUNAT considered that the total of the transfer was subject to property transfer tax).

On March 12, 2015, SUNAT issued a new resolution in respect of the same issues, but provided no additional evidentiary support for its position. SUNAT new resolution (Resolution Nº 045-012-00073684), demanded the payment of the property transfer tax for the same land and the same building for a total of S/. 1,052,993.83 (including interests and penalties). THLA argued once again that the resolution issued by SUNAT lacks the proper supporting documentation. SUNAT claims that THLA must pay the property transfer tax but does not explain the legal basis supporting such standpoint.

On April 13, 2015, THLA filed its opposition against Resolution Nº 045-012-00073684 asserting that THLA was not required to pay any property transfer tax and requesting that the new resolution be declared void as it lacked proper support. Such claim is currently under review. THLA contends that it is probable that the Tax Court, for a second time, will declare such resolution to be void.

### b. Costa Rica tax controversy

By way of background, the income tax in Costa Rica is collected by the General Income Tax Office. The Group's formerly owned Costa Rica subsidiaries, Thunderbird Gran Entretenimiento, S.A. ("TGE"), and Grupo Thunderbird de Costa Rica, S.A. ("GTCR") are engaged in two separate tax proceedings.

(i) TGE received a proposed income tax assessment in Q1-2012 of $600 thousand for the tax year ended December 31, 2009, and a proposed tax assessment of $800 thousand for the tax year ended December 31, 2010. Additional gaming taxes of $200 thousand were assessed for each tax year ended December 31, 2009 and 2011. The assessments for both tax years were related to certain expenses which were deemed to be non-allowable deductions by the General Income Tax Office and for the imputation of interest income on intercompany advance balances. These matters were appealed to the Tribunal Fiscal Administrative ("TFA") during Q3 and Q4 of 2012. On January 16, 2013, the Group was advised that the Administrator Tribunal Appeal was denied in regards to the TGE tax matter. The Group filed a lawsuit at the Court level in August 2014 to revoke the tax assessment. In February 2015, the Group paid the tax authorities $3.088 million on the alleged tax liability. The payment to the Costa Rican tax authority was required to be paid as a condition to closing the sale of the Group's interest in Costa Rica to CIRSA, as described below. The payment made by the Group was made without prejudice or admission of liability. The preliminary hearing of the case was heard in June 2015 and the Administrative file is being reviewed by the Court. Once finished, the Court will be setting up the trial date. The Group continues with the judicial procedure and its claim to revoke the tax assessment so TGE could recover a portion of the payment over time.

(ii) GTCR received a proposed tax assessment in the approximate amount of $340 thousand for the tax year ending December 31, 2009, related to certain expenses which were deemed to be non-allowable deductions by the General Income Tax Office and for the imputation of interest income on intercompany advance balances. A penalty resolution is still pending to be released by the TFA, which comprises an amount equal to 25% of the tax assessment or $113 thousand.

On February 27, 2015, the Group announced the sale of its entire economic interest and management rights in its Costa Rican operations (of which the Group had approximately a 50% share) to CIRSA International Gaming Corporation ("CIRSA"), for a net price (gross price less debt payoff less working capital adjustments) of approximately $8.1 million. The $8.1 million net amount received was also net of approximately $192 thousand contingent tax liability paid by the group to the Costa Rica tax authority to cover GTCR contested tax liability and for the approximate $3.088 million TGE contested tax liability paid to the Costa Rica tax authority. These contested tax liabilities are fully described above. These payments to the Costa Rican tax authority were required to be paid as a condition to closing the sale of the Group's interest in the Costa Rica operation. The payment made by the Group and its partner was made without prejudice or admission of liability and therefore, does not alter the Group's position of taking a provision for these contingent taxes in 2014. The Group will continue to contest these tax liabilities by way of a refund procedure of which the Group may recover up to $1.8 million representing its share of the already paid and contested tax liability over time. The Group's Costa Rican tax counsel believes that each of TGE and GTCR applied tax positions correctly.

### c. Daman Hospitality loan guarantees

On April 8, 2015, the Group entered into a series of settlements to resolve certain issues related to our prior India interests, the history of which is described below, in addition to a summary of the settlements.

The Group entered the India market in 2008 by initiating a hotel project in Daman, India, which is located just north of Maharashtra State whose capital is Mumbai (formerly Bombay). The project known as "Thunderbird Resorts – Daman" has faced both regulatory delays outside the Group's control, as well as cost overruns in construction and pre-operating interest / expense due to the delays.

From commencement through the change of control via the sale of DHPL shares to Delta Corp ("Delta"), the project was funded by the following sources (all amounts are approximate and have been subject to exchange rate fluctuations since funding):

- $18 million in cash and property contributed as equity ($9 million on our side) in a first round of equity funding.
- $26 million senior secured loan facility from four India banks, jointly and severally guaranteed by the Group.
- $13.5 million in fully convertible debentures ("FCDs") secured behind the senior lenders, of which approximately $9 million of principal plus any unpaid interest was to be jointly and severally guaranteed by the Group.
- $21 million in additional equity and junior debt required to be contributed by Bombay Stock Exchange traded Delta in a second round of equity funding. Post-closing, Delta became the 51% control partner and the Group and the original local partner share the remaining 49% share position.

In February 2012, the Group announced that the "Thunderbird Resorts – Daman" project had been largely completed as follows: a) approximately 176 hotel rooms; b) three bars and restaurants; c) pool and outdoor plaza areas; and d) approximately 50% of indoor meeting areas. The Group also announced at that time that the hotel was still waiting for its hotel occupancy permit to be granted by the relevant local authorities.

The Group previously announced that it had jointly and severally guaranteed the following (all figures based on recent exchange rates or were USD transactions): (i) Senior Secured Debt in the face amount of approximately $21.3 million to a consortium of Indian Banks; (ii) Fully convertible debentures to Madison India Real Estate Fund ("MIREF") in the face amount of $7.5 million (the "MIREF- FCD"); and (iii) Fully convertible debentures to Maravege Limited and one other party in the face amount of $2.9 million. In its Q3 2012 Interim Management Statement, the Group updated previous announcements stating that:

- Madison India Real Estate Fund ("MIREF"), called upon DHPL and/or its shareholders to purchase its fully convertible debentures ("FCDs") that DHPL had issued MIREF for a face amount of approximately $7.5 million plus accrued return. MIREF's FCDs contained conversion rights into a 76% voting equity shareholder in DHPL. Bombay Stock Exchange filings by Delta disclosed that Delta acquired MIREF's FCDs along with its converted shares to increase its total equity holding in DHPL to 87.16% from its earlier 51% ownership.
- As a result of the conversion of the MIREF FCDs into DHPL shares and the termination of all DPHL obligations to MIREF along with other factors, the Group no longer has any liability to MIREF. Furthermore, pursuant to the parties' Shareholders' Agreement, the Management believes its equity holding has been reduced to approximately 5.5% in DHPL and that, as a result, Delta and DHPL are now obligated to obtain a release of the Group's remaining guarantees of: i) senior secured debt in the face amount of approximately $21.3 million to a consortium of Indian Banks; and ii) fully convertible debentures to Maravege Limited and one other party in the face amount of $2.9 million. If no such releases are obtained, Management believes both DHPL and Delta are required to fully indemnify Thunderbird from any claims arising under said guarantees.

Global Settlement" on Daman, India project: On April 8 2015, for purposes of avoiding legal costs and creating certainty, Management entered into a separate, but simultaneous comprehensive settlements with Maravege, MIREF, DHPL and Delta pursuant to the following terms as summarized below:

- The Group settled a possible $6 million or greater exposure arising from a guarantee it provided in 2009 to a mezzanine lender (Maravege Holding Limited) to the Daman, India project. The total consideration for settlement is $2.425 million consisting of a cash payment of $1.325 million to be paid over 23 months and an offsetting credit for the $1.1 million to be paid by Maravege for the remaining 5.5% of shares the Group has in DHPL. The share transfer is subject to a certain first right process with an existing DHPL shareholder as described below.
- The Group will go through a process with KP Group, another shareholder of DHPL, giving them an opportunity to purchase the subject shares for the same $1.1 million. In the event KP Group matches the $1.1 million Maravege offer and does in fact purchase and pay for the shares, then the Group will sell its shares to KP Group and transfer cash to Maravege as part of the settlement.

- The Group obtained full release from DHPL and from its controlling shareholder Delta Corp Limited ("Delta") for any potential liabilities and claims.
- The Group received from Delta and DHPL proof that all senior lenders, whose loans totaled approximately $25 million and had been guaranteed by the Group, have been paid in full by DHPL/Delta.
- The Group obtained a full release from Madison India Real Estate Fund Limited ("MIREF"), whose mezzanine loan to DHPL of approximately $7.2 million had been guaranteed by Thunderbird.

### d. Canadian tax controversy

Thunderbird Gaming, Inc. ("TGI"), a wholly-owned subsidiary of the Group that has been inactive since 1996, received notification of a reassessment from the Canada Revenue Agency ("CRA") with respect to a transfer of assets in 1996 in relation to the California Indian gaming business previously operated by TGI. Specifically, this reassessment stems from a transfer of assets which CRA contends was undervalued. The reassessment is in the amount of Canadian dollar ("CDN") $380 thousand (US $381 thousand at December 31, 2010).

TGI submitted applications to CRA utilizing its net operating loss ("NOL") in a manner that reduced the actual tax liability to zero and is taking the position that the valuation of assets was accurate in order to preserve its NOL. By taking this position, TGI believes it avoids the imposition of interest on tax, which is the subject of the reassessment.

Further, TGI filed a fairness application with the appropriate Canadian taxing authority requesting a complete abatement of the alleged interest imposed on the alleged tax liability.

In this filing, management alleges that TGI received unconscionable and egregious treatment from CRA in addition to experiencing excessive delays in the reassessment process. TGI also filed an appeal of CRA's assessment with the tax courts in Canada in which TGI will attempt to establish that the underlying tax liability should never have been assessed.

The fairness application was rejected and in March 2007, TGI abandoned further appeal to the tax courts in Canada.

Although the Group believes CRA's case is without merit, the liability is contained within an insolvent subsidiary and consequently, even though TGI is responsible for the liability, the Group's parent and subsidiaries have no exposure to the TGI liability. The Group does not expect that CRA will collect the judgment as TGI is insolvent and therefore there is no accrual in this consolidated financial statements related to this reassessment.

### e. Guatemala controversy

Settlement on loan obligation: As previously reported, the Group sold its interests in its Guatemala gaming operations to a local "Guatemalan Group" and later assigned the business to Fundacion Travelone Kids ("FTK") effective April 22, 2014. The sale of our interest of this negatively performing operation was financed by the Group with a $2.0 million installment note. In 2014, the Group wrote down the note due to non-payment caused by continued poor financial results. Regardless, the Group continued efforts to collect. Effective April 1, 2016, a settlement was reached with FTK wherein FTK agreed to the following:

- To pay Thunderbird Resorts Inc. $200 thousand in 24 equal monthly installments.
- If FTK defaults in the payments, then the original $2 million Promissory Note dated April 22, 2014, and related documents would remain in full force and effect. In that case, Thunderbird Resorts Inc. could avail itself to any and all remedies provided therein.
- In the alternative and to the extent that stipulated /consent judgments are enforceable under Guatemala laws, Thunderbird Resorts Inc. is authorized to enter judgment in its favor for $2 million plus all accrued unpaid interest due as demanded in the complaint, less any sum paid on account, together with interest, costs, disbursements and attorneys' fees.

Tax cases: The Superintendencia de Administración Tributaria-SAT (the Guatemalan tax authority) is attempting to open up Thunderbird de Guatemala, S.A. to a tax audit for 2009 and 2010, which the Group is challenging since we believe the statute of limitations has expired for those years. Another case in relation to the 2009 tax year is currently before the Supreme Court, Administrative Section, and 3rd Tribunal. The case is related to income tax for the periods between January and December of 2009 for an approximate amount of $100 thousand. The Company is defending its position and currently the case is pending a decision.

Legal cases: As previously disclosed, litigation continues on a case involving the validity of the contract between Classenvil Management Inc. and the Autonomous Sports Confederation (Confederación Deportiva Autónoma de Guatemala), which derives in the authorization granted to Thunderbird de Guatemala, S.A., to develop video lottery rooms and more. The matter commenced at the administrative level with Sala Quinta del Tribunal de lo Contencioso Administrativos promoted by the Attorney General's Office. Simultaneously, Thunderbird de Guatemala, S.A. filed an action before the Supreme Court – Guatemala for protection of its right to conduct business under the license, questioning the Court jurisdiction on the case, action which was denied by the Supreme Court on August 2014. The Tribunal continued the analysis of the main case and declared the annulment of the Agreement between Classenvil Management Inc. and Confederacion Deportiva Autonoma de Guatemala. The decision was delivered to Classenvil on June 3, 2015. Classenvil Management Inc. filed Cassation appeal before the Supreme Court of Guatemala on June 23, 2015, which process is in its initial phase.

### f. Mitchell Arbitration

Jack R. Mitchell ("Mitchell"), a former employee of Thunderbird, brought an arbitration claim in Hong Kong under the International Court of Arbitration of the International Chamber of

Commerce against Thunderbird. The amount claimed is not less than USD$518 thousand. By way of background, in September 2012, the Group entered into a settlement with Mitchell, following his termination from the company. Part of that settlement included a payment to Mitchell of approximately $1.8 million to be paid in installments over the course of several years. On or about May 2015, the Group claimed that Mitchell was in default of his settlement agreement and stopped payment on the settlement amount. Mitchell instituted arbitration proceedings in Hong Kong pursuant to the terms of the settlement agreement. The Group engaged outside counsel to defend the claim. This arbitration proceeding is ongoing.

### g. Costa Rica Partner Dispute

In June of 2015, the Group filed a lawsuit in the Federal District Court, San Diego, against defendants Murray Jo Zimmer ("Zimmer"), Angular Investments Corp. ("Angular"), Mitzim Properties, Inc. ("Mitzim Properties") Taloma Zulu, S.A., ("Taloma Zulu") Jack R. Mitchell, ("Mitchell"). The lawsuit alleges breach of fiduciary duty against Zimmer, Angular and Mitchell; breach of contract against defendant Mitchell; aiding and abetting, breach of fiduciary duty against Taloma Zulu and Mitzim Properties; fraud Civil RICO 18 U.S.C. § 1961, conversion constructive trust and an accounting against defendants Zimmer, Angular and Taloma Zulu.

The basis of the various claims and allegations in the lawsuit stem from the following: In 2002, Thunderbird partnered with Angular to operate casinos and related businesses in Costa Rica. Grupo Thunderbird de Costa Rica, S.A. ("GTCR") was formed by Thunderbird and Angular, who agreed to split all profits from GTCR on an equal, "50/50" basis. Angular's principal, defendant Zimmer, became Thunderbird's "country manager" for its operations in Costa Rica. Between July 2007 and September 2014, Zimmer caused GTCR to pay over $2 million to defendant Taloma Zulu. Zimmer reported to Thunderbird's management that these amounts were being paid for legal and consulting expenses for GTCR to operate in Costa Rica. Upon further investigation, Thunderbird now believes and alleges that Zimmer and Mitchell caused Thunderbird's 50% share of the amounts paid to Taloma Zulu to be diverted, misappropriated, embezzled, and/or converted for defendants' own improper, personal uses. The Group is seeking the following relief: awarding Thunderbird the damages it has sustained by reason of defendants' conduct, and interest thereon as provided by law; awarding Thunderbird exemplary and/or punitive damages on account of defendants' willful, wanton, malicious, and/or oppressive conduct; awarding Thunderbird its costs of suit incurred therein. The Group is also seeking the imposition of a constructive trust in favor of Thunderbird, and against defendants, of the benefits improperly received by defendants and an order commanding defendants to return to Thunderbird the funds they improperly received by way of their wrongful conduct. So far, the Group was successful in having the court order approximately $420,000 of the defendants' funds to be sequestered in the Federal District Court bank account pending resolution of the case. The litigation is in the discovery stage and the parties are awaiting a trial date which is expected no earlier than 12 months from now.

# 15. FINANCIAL INSTRUMENTS

### Credit risk analysis:

The Group continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit rating and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's Management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### Liquidity risk analysis:

The Group measures its liquidity needs by:

- Monitoring short-term obligations on a country-by-country and global, consolidated basis, with short-term inflows and outflows forecasted for the financial year, updated weekly.
- Monitoring long-term, scheduled debt servicing payments.
- Rolling forward 5-year cash flow models each month based on the financial results year-to-date through the previous month.

The Group has the capacity to manage liquidity with a number of different tools at its disposal, including:

- Raising of debt or equity capital at both the operations and Group levels.
- Selling of non-strategic assets.
- Restructuring or deferral of unsecured lenders.
- Restructuring of salaries of key personnel.
- Deferral or aging of accounts payables.
- Cost management programs at both the operations and Group levels.

Based on the information available today and the liquidity tools at its disposal, Management anticipates that the Group can meet its liquidity needs over the next 12 months primarily from operational cash flows as set out in Note 2.

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

As at June 30, 2016, the table set below shows the Group's liabilities maturities per year:

| | Six months ending Dec 31, 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Long-term bank loans | $ 2,805 | $ 6,407 | $ 5,249 | $ 9,309 | $ 2,032 | $ 2,087 | $ 27,889 |
| Finance lease obligations | 765 | 537 | - | - | - | - | 1,302 |
| Convertible debt notes | 5,028 | 2,079 | - | - | - | - | 7,107 |
| Trade and other payables | 5,287 | - | - | - | - | - | 5,287 |
| Due to related parties | 458 | - | - | - | - | - | 458 |
| **Total** | **$ 14,343** | **$ 9,023** | **$ 5,249** | **$ 9,309** | **$ 2,032** | **$ 2,087** | **$ 42,043** |

### Derivative financial instruments:

During 2011 and 2012, the Group issued 8.5% convertible loan notes due in 2016 and 2017 (Note 9). Upon initial recognition embedded derivatives of $848,000 and $185,000 were issued in 2011 and 2012, respectively and were separately measured and recorded within derivative financial instruments. The fair value was $Nil at June 30, 2016.

## 16. INVESTMENT IN JOINT VENTURES

The Group has material joint ventures in two Costa Rican companies, King Lion Network, S.A. ("KLN") and Importadores Del Yukon, S.A. ("IDY"). Both companies were owned by Thunderbird de Costa Rica, S.A. ("GTCR") until February 25, 2015, when the holdings in both KLN and IDY were transferred directly to the Group and our joint venture partner, Angular Investments Corp.

The Group disposed of its 50% interest in GTCR on February 25, 2015. For details surrounding the disposal please see Note 8, discontinued operations.

| Name of the joint venture | Country of incorporation and principal place of business | Principal activity | Proportion of ownership held by the Group 2016 | 2015 |
|---|---|---|---|---|
| King Lion Network, S.A. | Costa Rica | Land Company | 50% | 50% |
| Importadores Del Yukon, S.A. | Costa Rica | Land Company | 0% | 50% |

(1) During 2014 the Group owned 50% of Thunderbird de Costa Rica, S.A., who owned 100% of King Lion Network, S.A. and Importadores Del Yukon, S.A.

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

The investment in KLN and IDY are accounted for using the equity method in accordance with IAS 28 Financial statements for the Group's joint ventures are as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Assets classified as held for sale | 12,265 | 16,018 |
| **Total assets** | 12,265 | 16,018 |
| **Equity and liabilities** | | |
| ***Capital and reserves*** | | |
| Share capital | 17,293 | 20,962 |
| Retained earnings | (5,207) | (5,984) |
| Translation reserve | (3,404) | (3,162) |
| Equity attributable to equity holders of the parent | 8,682 | 11,816 |
| Non-controlling interest | | - |
| Total equity | 8,682 | 11,816 |
| ***Liabilities*** | | |
| Liabilities associated with assets held for sale | 3,583 | 4,202 |
| Total liabilities | 3,583 | 4,202 |
| **Total equity and liabilities** | $ 12,265 | $ 16,018 |

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Net gaming wins | $ - | $ - |
| Food, beverage, hospitality and other sales | | - |
| **Total revenue** | - | - |
| Cost of goods sold | - | - |
| **Operating profit** | - | - |
| **Financing** | | |
| Foreign exchange gain | - | - |
| Finance costs, net | - | - |
| **Loss before tax** | - | - |
| **Income taxes expense** | | |
| Taxation | - | - |
| **Loss from operating activities** | - | - |
| Loss from discontinued operations | (115) | (20) |
| **Loss for the period** | **$ (115)** | **$ (20)** |

(Expressed in United States dollars)
(Tabular amounts expressed in thousands of dollars except per share amounts)

A reconciliation of the financial information above to the carrying amount of the investment in joint ventures is set out below:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Non-current assets | $ - | $ - |
| Assets classified as held for sale | 12,265 | 16,018 |
| Current assets | - | - |
| **Total assets** | 12,265 | 16,018 |
| Non-current liabilities | - | - |
| Liabilities associated with assets held for sale | (3,583) | (4,202) |
| Current liabilities | - | - |
| **Total liabilities** | (3,583) | (4,202) |
| Less: Non-controlling interest | | |
| **Total net assets** | **8,682** | **11,816** |
| Proportion of ownership interest held by Group | 50% | 50% |
| **Carrying amount of investment in Thunderbird de Costa Rica** | **4,341** | **5,908** |

## 17. SUBSEQUENT EVENTS

In 2016 year-to-date, the Group has announced or herein announces material events as follows:

Continuing temporary reduction of Officers' salaries: Effective July 1, 2016, Officers continue to discount a cash portion of their salaries by approximately $50,000 per month in order to reserve cash to be effective until December 31, 2016, at which time there would be an assessment of the needs of the company on a go-forward basis. In consideration of the extension of the discounting on the cash portion of the salaries, Officers have reserved the right to collect unpaid compensation either through stock at market rate or in cash against future liquidity events.

Expense Reduction: In order to reduce the Group's cost structure to a level that is sustainable the group will be reduced to the following personnel: a) CEO, CFO and General Counsel all working full time, but with a continued deferral of 50% or more of their compensation until such time as there are sufficient cash reserves to pay and/or until such time as these officers receive shares for their deferred time, which ongoing agreements will be subject to a coming review by the board's Compensation Committee; and b) Controller, Consolidation Manager, Corporate Finance Manager and Regional Counsel will work in a combination of part-time or full-time, which structures have already been negotiated and would be implemented in September 2016. All other corporate personnel will be terminated by September 2016. We believe that Corporate expense will reduce to less than $2.0 million on an annualized run rate effective as of October 2016. This reduction in corporate personnel and structure has no impact on the structure of the Group's operations in Peru and Nicaragua.

# Chapter 5: Reporting Responsibilities and Risks

## Related-Party Transactions

Related-party transactions are disclosed in Note 13 in the interim financial statements.

## Auditor’s Involvement

The content of this 2016 Half-year Report and the interim financial statements has not been audited or reviewed by an external auditor.

## Management’s Responsibility Statement

The Board of Management is responsible for preparing the 2016 Half-year Report and the interim financial statements for the six-month period ended June 30, 2016 in accordance with applicable law and regulations.

In conjunction with the EU Transparency Directive as implemented in the Dutch Financial Supervision Act, the Board of Management confirms to the best of its knowledge that:

- The interim financial statements for the six-month period ended June 30, 2016 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group’s companies; and

- The additional management information disclosed in the 2016 Half-year Report gives a true and fair view of the Group as of June 30, 2016 the state of affairs during the period to which the report relates and, in so far as this is not contrary to the Group's interests, the Group’s expectations of developments in relation to turnover and profitability for the remaining months of the financial year.

August 31, 2016

Panama City, Panama

Salomon Guggenheim, President, CEO and Director
Albert Atallah, General Counsel and Corporate Secretary
Peter LeSar, Chief Financial Officer

# Risks

Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global, political, economic, business, competitive, market and regulatory conditions as well as, but not limited to, the following:

- risks associated with the development, construction and expansion of projects;
- risks associated with governmental regulation of our businesses;
- competition within our industries;
- risks associated with our local partnerships;
- political and other risks associated with international operations, such as war or civil unrest,
- expropriation and nationalization, and changes in political, economic or legal conditions;
- our ability to retain or replace our key members of management;
- legal claims;
- difficulties in integrating future acquisitions;
- risks relating to acts of God (such as natural disasters), terrorist activity and war, some of which may be uninsured or underinsured;
- fraud by our employees or third parties;
- general economic and business risks, as well as specific business risks, such as the relative
- popularity of the gaming industry in general, and table and slot games in particular, changes in travel patterns, and changes in operating costs, including energy, labor costs (including minimum wage increases and unionization), workers' compensation and health-care related costs and insurance;
- the risk that we may not be able to obtain future capital on acceptable terms, if at all; and
- other risks identified in this 2015 Half-year Report.

These risks and others are more fully described under "Risk Factors" in our 2015 Annual Report.

## IMPORTANT INFORMATION

This is Thunderbird Resorts Inc.'s 2016 Half-year Report for the period ended June 30, 2016. Thunderbird Resorts Inc. is a designated foreign issuer with respect to Canadian securities regulations and this 2016 Half-year Report is intended to comply with the rules and regulations for the Euronext Amsterdam by Euronext Amsterdam, the regulated market of the Euronext Amsterdam N.V. and with Canadian securities laws.

No person has been authorized to give any information or to make any representation other than those contained in this 2016 Half-year Report and, if given or made, such information or representations must not be relied upon as having been authorized by us. This 2016 Half-year Report does not constitute an offer to sell or a solicitation of an offer to buy any securities. The delivery of this 2016 Half-year Report shall not under any circumstances, create any implication that there has been no change in our affairs or that information contained herein is correct as of any time subsequent to the date hereof.

Thunderbird Resorts Inc. accepts responsibility for the information contained in this 2016 Half-year Report. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this 2016 Half-year Report is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information included in this 2016 Half-year Report reflects our position at the date of this Half-year Report and under no circumstances should the issue and distribution of this 2016 Half-year Report after the date of its publication be interpreted as implying that the information included herein will continue to be correct and complete at any later date.

Thunderbird Resorts Inc. has adopted the U.S. Dollar ("USD") as its reporting currency. As required by EU regulation, Thunderbird Resorts Inc.'s interim financial statements have been prepared in accordance with international financial reporting standards ("IFRS") and interim financial statements IAS 34.

## CORPORATE OFFICE

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Salomon Guggenheim, President & CEO
Peter LeSar, Chief Financial Officer
Albert W. Atallah, General Counsel and Secretary

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### CAPITALIZATION

Common shares issued: 25,054,371
as of August 31, 2016

### SHARES LISTED

Euronext Amsterdam
Common Stock Symbol: TBIRD
Frankfurt Stock Exchange
Common Stock Symbol: 4TR

**WEBSITE**

www.thunderbirdresorts.com