

2018 HALF-YEAR (SEMI-ANNUAL) REPORT

2014 HALF-YEAR REPORT

HALF-YEAR REPORT 2013

Half-Year Report 2012

*(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 2018 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.

Table of Contents



Chapter 1:

**Letter from the CEO**

Dear Shareholders and Investors:

The below summarizes the Group’s performance through June 30, 2018. Because of the sale of Peru gaming operations in April 2018, through June 30, 2018 we report only Continuing Operations so that the reader might compare continuing business with the results of the same businesses through June 30, 2017.

1. **PERFORMANCE IN ACCORDANCE WITH our previously-stated goals**1
2. **Increase our EBITDA2**: Peru property EBITDA improved by $190 thousand for the six months ending June 30, 2018 as compared to the same period in 2017. During the same period, Nicaragua property EBITDA declined by $389 thousand as discussed on page 11. Corporate expense increased by $85 thousand due to one-time legal fees related to the Peru asset sale discussed herein. After netting out Corporate expense and expenses from our proportional ownership in a Costa Rican real estate holding company, Adjusted EBITDA decreased by $265 thousand as compared to through half-year 2017.
3. **Improve our Profit / (Loss)**: Based on Continuing Operations, our Loss worsened by $761 thousand for the period as compared to the same period in 2017. The decline was impacted by higher than projected Finance Costs, Net due to fees incurred in the April 2018 refinancing of our Peru senior debt, and by one-time Other losses related to restructuring costs from downsizing our Peru corporate team. Please note that a material gain from the sale of our Peru gaming assets is reflected in our “As reported” statements on page 21.
4. **Decrease our Net Debt**: Net debt3 decreased by $17.3 million as compared to year-end December 31, 2017. The Group refinanced approximately $4.5 million of its Peru senior debt, and deployed that debt in part to reduce costs at the Peru level, which has been reflected in the increased Peru property EBITDA. We also refinanced and added working capital debt at the corporate level.
5. **PERFORMANCE ON ASSET SALES**

In our September 21, 2016 Annual General and Special Shareholders’ Meeting, shareholders approved Special Resolutions that authorized the Board of Directors to:

* Sell “any or all remaining assets of the Corporation in such amounts and at such times as determined by the Board of Directors”.
* “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 BVI Business Companies Act in respect of the foregoing.”

Please note that 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 of Directors deem it to be in the best interest of Shareholders based on the circumstances at the time.

Taking all of the above into account, please kindly see specific notes on the Group’s key remaining assets:

1. **Peru Gaming Assets**: As of April 11, 2018, the Group completed the sale of its Peru gaming assets for a sale price of approximately $26 million. The Peruvian gaming operations sold included the Group’s local flagship Fiesta Casino consisting of approximately 680 gaming positions and 3 other gaming operations in Peru, with approximately 560 gaming positions. The sale also included approximately 7,000 m2 of gaming real estate and 150 parking spaces.
2. **Peru Real Estate Assets**: As of the publication of this 2018 Half-year Report, the Group continued to operate and wholly own a mixed-use tower containing a 66-suite hotel, approximately 6,008 m2 of rentable-sellable office space, and 158 underground parking spaces. The Group continues to evaluate the best means of optimizing shareholder value from these assets, and more is expected to be announced in this regard in the near future.
3. **Nicaragua Gaming and Real Estate Assets**: As of the publication date of this 2018 Half-year Report, the Group continued to own a 56% interest in a Nicaraguan holding company that owns the following assets: i) Gaming: Five full casinos and two slot parlors with a combined approximately 858 gaming positions; and ii) Real Estate: Approximately 4,562 m2 of land divided among 5 parcels, and some with tenant improvements as more fully detailed on page 11. Since March 2018, the Nicaraguan market has been disrupted by civil protests against and for the current administration, as well as by the government that has attempted to reduce protests and establish order. At this time, the Group believes that it is in the best interest of shareholders to continue to operate these assets for the foreseeable future given that any serious interest and recognition of value can only be achieved once there is more long-term clarity as to the market conditions.
4. **Costa Rica Real Estate Asset**: As of the publication of this 2018 Half-year Report, the Group continues to own a 50% interest in a Costa Rican entity that owns the 11.6-hectare real estate property known as “Tres Rios”. Tres Rios, with its own, dedicatedoff ramp, is located close to the country’s 2nd largest mall on the highway between the capital city of San Jose and the commuter city of Cartago. Due to the controversies described in Note 14, section b, to the attached Financial Statements, it is improbable that the Tres Rios property will be developed and/or sold in the near future.

We will continue to pursue decisions that will support the best interest of shareholders according to the shareholder mandate set forth in the September 21, 2016 Special Resolutions. We will keep you informed of any material events and progress as further developments take place.



Salomon Guggenheim

Chief Executive Officer and President

September 30, 2018

*1. Unless otherwise stated, all figures reported herein are in USD and report the results of those businesses that were continuing as of June 30, 2018 as compared to those same businesses through the six months ended June 30, 2017.*

*2. “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.*

*3.. Net debt equals total borrowings and finance lease obligations less cash, cash equivalents and other liquid assets.*

**Chapter 2:**

**June 30, 2018 Group Overview and**

**Updates by Country**

Group Overview for Half-year 2018

Below is our consolidated profit / (loss) summary for the six months ended June 30, 2018 as compared with the same period of 2017.



Group debt: Below is the Group’s Gross debt and Net debt on June 30, 2018.



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 $22 thousand variance with the total principal balance below.

The Group estimates its debt schedule as follows starting in July 2018:



Peru Update

**Description of Properties as of Half-year 2018**

In Peru, as of June 30, 2018, the Group operates one wholly-owned, mixed use tower containing a 66-suite hotel, approximately 6,008 m2 of rentable-sellable office space, and 158 underground parking spaces.

In April 2018, the Group sold all of its Peruvian gaming operations to Sun Dreams S.A. of Chile for a sale price of USD $26 million. The Peruvian gaming operations sold included the Group’s local flagship Fiesta Casino consisting of approximately 680 gaming positions and 3 other gaming operations in Peru, with approximately 560 gaming positions. The sale also included approximately 7,000 m2 of gaming real estate and 150 parking spaces.

**Summary Peru Half-year 2018 Consolidated P&L:**

Below is our Peru profit / (loss) summary for the six months ended June 30, 2018 as compared with the same period of 2017 (for Continuing Operations).



Nicaragua Update

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Location** | **Date Acquired** | **Type** | **Slots** | **Table Positions** |
| Pharaoh's Casino –  Highway to Masaya | Managua | 2000 | Casino | 153 | 63 |
| Pharaoh's Casino –  Camino Real | Managua | 2005 | Casino | 112 | 28 |
| Pharaoh's Casino –  Avenida Bolivar | Managua | 2015 | Casino | 111 | 21 |
| Zona Pharaoh's –  Bello Horizonte | Managua | 2008 | Casino | 100 | 21 |
| Pharaoh's Casino | Chinandega | 2012 | Casino | 95 | 21 |
| Pharaoh's Casino – Las Brisas | Managua | 2017 | Slot Parlor | 83 | - |
| Pharaoh's Casino - Esteli | Esteli | 2017 | Slot Parlor | 50 | - |
| Nicaragua Total |  |  |  | 704 | 154 |

**Description of Properties as of Half-year 2018**

In Nicaragua, the Group operates five standalone casinos and two standalone slot parlors. Below is a table that outlines information for each property as of June 30, 2018.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Location** | **Date Acquired** | **Type** | **Slots** | **Table Positions** |
| Pharaoh's – Masaya Highway | Managua | 2000 | Casino | 153 | 63 |
| Pharaoh's – Camino Real | Managua | 2005 | Casino | 112 | 28 |
| Pharaoh's – Bolivar | Managua | 2015 | Casino | 111 | 21 |
| Pharaoh's – Bello Horizonte | Managua | 2008 | Casino | 100 | 21 |
| Pharaoh's - Chinandega | Chinandega | 2012 | Casino | 95 | 21 |
| Pharaoh's – Las Brisas | Managua | 2017 | Slot Parlor | 83 | - |
| Pharaoh's Casino - Esteli | Esteli | 2017 | Slot Parlor | 50 | - |
| Nicaragua Total |  |  |  | 704 | 154 |

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.

Below is real estate that the Group has acquired in Nicaragua along with the most recent appraised values:



**Summary Nicaragua Half-year 2018 Consolidated P&L:**

Below is our Nicaragua profit / (loss) summary for the six months ended June 30, 2018 as compared with the same period of 2017. As per the table above listing the Group’s Nicaragua operations, the Group opened two new operations at the end of 2017, creating new opportunities for revenue, but also new expenses. As of January 2018, those operations were contributing positively to our Nicaragua property EBITDA. Since March 2018, the Nicaraguan market has been disrupted by civil protests against and for the current administration, as well as by government initiates to reduce protests and establish order. The unrest has reversed the EBITDA gains in early Q1 2018, by reducing revenues at the new locations as well as at ongoing operations. For this reason, there has been a material decrease in Nicaragua property EBITDA through June 30, 2018 as compared to the same period in 2017.



Other Group Updates

During the half-year ended June 30, 2018, the Group engaged in the following listed material events:

1. Pay-down and deferral of Unsecured Loans: The Group reached an agreement with a series of unsecured lenders to pay-down approximately $8.2 million in debt and defer payments on approximately $5.8 million of their respective loans effective between April and July 2018. To the extent that certain lenders were not paid off in full, these lenders agreed to defer payment of approximately $5.8 million to December 31, 2019. Any and all interest that accrues during this deferral period shall be added to the principal balance.
2. Cash flow management: In January 2016 the Company implemented a compensation plan for its officers in order to reduce the Group’s cost structure to a level that is sustainable. The Group was reduced to the following personnel: 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. These Officers continued to dedicate full-time employment to the Company but discounted a cash portion of their salaries by approximately $50,000 per month in order to preserve cash.  This “salary deferral” plan has been re-evaluated on a six-month basis and in each period, beginning July 1, 2016, January 1, 2017 and most recently July 1, 2018, the board has assessed and approved the plan based on 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.

The Company last held its AGM and Special meeting of shareholders on December 30, 2017. The Company’s Circular for that AGM/Special Meeting included a recap of the Company’s issued and outstanding shares and a reference to the “shares for salary deferral” as follows:

*Certain members of Management have entered into a salary deferral arrangement for the period January 1, 2017 to December 31, 2017. Under this arrangement which was approved by the Company’s compensation committee and the Board, the Management team has the option to accept additional shares in lieu of the cash that has been deferred. The potential number of shares range from approximately 1.5 million to 2.0 million depending on the average share price throughout 2016 and assuming that share price remains within the average range in which it has traded over the 90-day period previous to the publication of this Information Circular. In order to minimize the issuance of new shares in case Management opts to accept shares in lieu of cash, Management would first draw down on those 993,972 shares already purchased by the Company itself. Effective October 1, 2017, the Company’s compensation committee and its board approved the Officers’ election to collect unpaid compensation for the period January 1, 2016 to December 31, 2016, and for the period January 1, 2017 to approximately March 31, 2017, in stock at market rate.  This total cash deferral for 2016 amounted to $505,000.  The total cash deferral for January 1 to March 31, 2017 amounted to approximately $162,000. In October and November of 2017, Officers collectively received a total of approximately 2,533,923 shares in lieu of payment of the total of $667,000 of salary deferral. Of this 2,533,923 in shares, 993,972 already purchased by the Company (Thunderbird had previously purchased 283,972 of its own Shares under its Buy Back Program in 2013. Thereafter, Thunderbird purchased an additional 710,000 of its own shares separate and apart from its Buy Back program. The total shares that are owned by Thunderbird was 993,972 as of December 31, 2016) was transferred by the Company pro rata to the officers in keeping with the Company’s Circular for the September 22, 2016 Annual General Meeting. The balance of 1,539,951 was issued to the Officers as new shares.*

1. Amended and Fully Restated Employment Contracts for Management: Effective July 1, 2018, Management including Salomon Guggenheim, Peter LeSar and Albert Atallah (collectively “TRI Employees”) have proceeded to follow the dictates of the Company’s shareholders and the Board in fulfilling the spirit and intent of the Special Resolution dated September 21, 2016, wherein, the Company’s shareholders approved a special resolution as set forth herein in part as follows:
2. *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;*
3. *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;*
4. *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;*
5. *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;*
6. *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 of Directors 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 and dissolve, the company in due course intends to delist from Euronext Amsterdam in accordance with the rules and procedures of Euronext Amsterdam.*

Management in their respective roles as an officer and fiduciary continued to act in the best interest of the shareholders by fulfilling the Company’s public company obligations. On the other hand, the Company is obligated to fulfill all relevant employment and labor laws within the jurisdictions that Employee provides services to the Company. The Company’s Compensation Committee reviewed the TRI Employment contracts and recommended to the Board of Directors that the Company is best served by entering into the employment agreements with Salomon Guggenheim, Peter LeSar and Albert Atallah. The Company’s Board of Directors approved the employment agreements with Salomon Guggenheim, Peter LeSar and Albert Atallah.

**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, 2018, we had 636 employees, including 539 in Nicaragua, 90 in Peru and 7 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](http://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, 2018. 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 2018 Half-year Report.



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, 2018, 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 2018. No new material risks have been identified that have not already been disclosed in this 2018 Half-year Report or the 2017 Annual Report, Chapter 5, “Regulatory Environment,” Chapter 10, Risk Factors and Note 22 “Commitments and Contingencies.”

Chapter 4:

**Interim Consolidated Financial Statements**

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, 2018 and December 31, 2017



*- 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, 2018 and December 31, 2017



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, 2018



*- 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, 2018



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, 2018



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, 2018



*- 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, 2018



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, 2018, 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, 2017. These Interim Financial Statements have not been reviewed or audited.

1. **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 2017 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 filing date of this 2018 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 of third parties in the acquisition of certain operating assets, and status of genuine progress and probability of closing within the Going Concern period. The Directors have also considered certain critical factors that might affect continuing operations, as follows:

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

* Special Resolution: On September 21, 2016, the Group’s shareholders approved a special resolution that, among other items, authorized the Board of Directors of the Corporate to sell “any or all remaining assets of the Corporation in such amounts and at such times as determined by the Board of Directors.” This resolution facilitates the sale of any one or any combination of assets required to support maintaining of a going concern by the Group.
* Sellable Pricing of Assets; Asset Sale Schedules and Re-financing Scenarios: The Group now has sufficient market feedback, including offers for certain key assets, which have enabled the Group to incorporate market-determined pricing into its models; The Group has evaluated the progress of each transaction that it is working on and has looked at all reasonable scenarios for the combination and timing of different transactions in conjunction with sellable pricing.
* Secured debt Refinancing and Cash Flow: Debt service obligations continue to be a significant part of the Group’s outflow.
* Corporate Expense and Cash Flow: Corporate expense has decreased materially in recent years, but still must accommodate for compliance as a public company.
* Liquidity and Working Capital: As of the date of publication of this 2018 Half-year Report, the Group forecasts operating with higher levels of reserves and working capital through the end of 2018 as compared to the previous year. Certain scenarios in relation to asset sales will not create working capital, while others will. Selling all or virtually all Group real estate and reverting cash flow will be critical to creating a healthy level of working capital reserves for periods beyond the Going Concern period.

Considering the above, Management and Directors are satisfied that the consolidated Group has adequate resources to continue as a going concern for the 12 months following the reporting period of this 2018 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, 2017.

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, 2017.

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. Our Peru operating segment also operates a hotel. The Group sold its Gaming operations in Peru on April 11, 2018, 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. 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.

**Operating segments**



*- continued -*



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

**Other supplementary information**



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

**5. OTHER GAINS AND (LOSSES)**



1. **Restructuring costs**

During the six months ended June 30, 2018, in an effort to restructure Peru overhead, the Group reduced it's Peru head count. The restructuring costs are made up of severance settlements to liquidate employees totaling $217,000.

1. **Gain on sale and write off of assets**

Certain trade receivables in the Group’s Nicaragua subsidiary were determined to be uncollectable and an expense of $13,000 has been recorded. In addition, a gain of $90,000 was recognized on the sale of a trademark related to the Group's Costa Rica subsidiary, which was disposed of in 2015, and release of certain aged liabilities of $50,000 in Peru.

**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:



**7. PROPERTY, PLANT AND EQUIPMENT**



**Assets pledged as security**

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



The carrying value of assets held under finance leases and hire purchase contracts at June 30, 2018 was $Nil (December 31, 2017 - $404,000).

**8. DISCONTINUED OPERATIONS**

On April 11, 2018, the Group sold its entire economic interest and management rights in its four gaming operations plus the commercial real estate locale for its Fiesta Casino in Peru to SunDreams, S.A. of Chile (“SunDreams”). The enterprise valuation for these gaming operations including real estate was $26 million. The remaining gross proceeds have been allocated to taxes from the transaction, settlement of a tax case, hold backs and reserves. The Group continues to own a mixed-use, 19-story tower in Lima, Peru comprised of a 66 all-suite hotel, approximately 5,400 m2 of leasable offices and 158 of underground parking spaces.

Revenues and expenses, gains and losses relating to the Peru Casino operations have been eliminated from the Group’s statement of comprehensive income in both the current and the prior period and are shown in a single line item on the face of the statement of comprehensive income (see “Gain for the period from discontinued operations”).

The Operating profit of Peru Casino operation from January 1, 2018 up to the date of disposal and the gain on the sale and disposal of assets and liabilities are summarized as follows:



**Gain on disposal**

The transaction resulted in a gain on disposal to the Group of approximately $16.8 million. The consideration received included approximately $24 million in cash, a $2 million hold back for 24 months to cover potential contingent liabilities, of which the net present value on the side of the Group is $179 thousand, plus costs of sale and currency translation right offs as described below.



Cash flows generated by the Group’s Costa Rica operation for the reporting period can be summarized as follows:



**9. BORROWINGS**

Borrowings consist of loans payable detailed as follows:



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):



During the six months ended June 30, 2018, the Group has obtained new borrowings detailed as follows:



The following table provides additional detail of additions, refinancing, repayments, and disposals taking place during the six months ended June 30, 2018:



**Notes**

Additions

1. During the six months ended June 30, 2018, the Group, obtained financing from a private lender for $300,000. The loan bears interest at 30% and matures in in August 2018.
2. During the six months ended June 30, 2018, the Group’s Peruvian subsidiary, Thunderbird Hoteles Las Americas, S.A.C. obtained a senior secured loan for $4,800,000 to refinance a senior secured loan of $11,119,000. The new loan is secured with the property, bears interest at 6.33%, and matures in 6 years. Principal and interest payments are due monthly in 72 equal installments.

Interest Capitalization

During the year ended December 31, 2016, the Group executed various amendments to promissory notes with private lenders resulting in deferring principal and interest payments and capitalizing any interest accrued during 2018. Accrued interest of $386,000 was capitalized and added to outstanding principal balances of $9,410,000.

Repayments

During the six months ended June 30, 2018, the Group repaid a total of $21,783,000 of loan principal, consisting of 10,819,000 of loans with financial entities, $8,262,000 of loans with non-financial entities, and $2,702,000 of convertible loans with non-financial entities.

**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, 2018, future minimum lease payments under finance leases and hire purchase contracts of the Group are as follows:



Assets held under finance leases and hire purchase contracts as of June 30, 2018 and December 31, 2017:



**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.



**Options**

There are no outstanding options as of June 30, 2018.

Please refer to Note 18 in the Group’s consolidated financial statements for the year ended December 31, 2017 for additional discussion of the Group’s stock option plans.

**12. LOSS PER SHARE**

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



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.

**13. RELATED PARTY TRANSACTIONS**



**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.

Included in due from related parties is $1,846,000 (2017 – $1,849,000) 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 (2017 – $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.

Included in related parties are accrued wages owed to the Groups’ officers totaling $228,000 (2017 - $352,000) and accrued director fees owed to the Groups’ board members totaling $24,0000.

**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 $414,000 (2017 – $543,000) 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 2018 and 2017.

The outstanding loans are as follows:



**14. CONTINGENCIES**

Note 22 in the Group’s financial statements for the year ended December 31, 2017 provides a discussion of all of the Group’s commitments. There are no material changes in this disclosure, other than the following update.

1. **Costa Rica tax controversies**

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. In addition, the Group’s 50% ownership in King Lion Network is engaged in a tax controversy as described below.

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 2010. 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. A hearing in this matter took place in June 2018. The case was ruled in favor of the Costa Rican Tax Authority.  TGE filed a formal appeal of the tax court decision and the parties are awaiting the decision. Also, TGE is preparing an unconstitutional petition to the Constitutional Court to be filed in the ensuing months.

1. **San Diego Federal District Court controversy**
2. In June of 2015, Thunderbird Resorts 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. Thunderbird Resorts is seeking the following relief: awarding Thunderbird the damages it has sustained by reason of Mitchell, Zimmer et al 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. Thunderbird Resorts 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, Thunderbird Resorts was successful in having the court order approximately $420 thousand of the defendants’ funds to be sequestered in the Federal District Court bank account pending resolution of the case.

1. In March of 2017, Thunderbird Resorts Inc. obtained a default judgment in the approximate amount of $659 thousand against co-defendants Angular Investments S.A. and Taloma Zulu.
2. In May of 2017 Jack Mitchell filed a motion to have the claims made against him submitted to arbitration in Hong Kong alleging that is the proper forum for Thunderbird Resorts claim. In addition, Angular Investments S.A. filed a motion to set aside the $659 thousand default judgment. The Court also granted Thunderbird leave to file additional pleadings showing default damages above $657,975, and Thunderbird submitted additional pleadings showing damages and interest totaling $825,125. In addition to Angular’s motion to set aside the default judgment, Angular also filed a motion to dismiss for lack of jurisdiction which is still under submission.

Simultaneously with Thunderbird Resorts Inc. filing of the San Diego Federal District Court case, 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 $518 thousand. By way of background, in September 2012, Thunderbird Resorts 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, Thunderbird Resorts 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.

1. On September 27, 2017 the International Court of Arbitration of the International Chamber of Commerce approved its award against Thunderbird Resorts Inc. in the approximate amount of $518 thousand plus attorney’s fees and costs of approximately $220 thousand. Thunderbird Resorts intends to pursue all legal challenges to the award including motions for reconsideration, appeals and challenges to the award.

Thunderbird Resorts made several request to the Arbitrator that the decision in this matter be delayed pending submittal of further evidence from the related matter Thunderbird Resorts Inc. vs. Jo Murray Zimmer, Jack R. Mitchell, Angular Investments, S.A, Taloma Zulu, Mitzim case no. 15CV1304 JAH BGS filed in the United States District Court for the Southern District of California in which Mitchell and his co-defendants are being sued for approximately $1.28 million plus punitive damages which may rise to the level of three times the actual damages.

1. In March 30, 2018, San Diego Federal District Court Judge Houston issued an Order Granting Defendant Jack Mitchell’s Motion to Compel Arbitration which states in part that:

*“The action is* ***STAYED*** *as to Defendant Mitchell until such arbitration has been held in accordance with the terms of the agreement as set forth by this order. The parties shall file a joint status report regarding the progression of Arbitration proceedings no later than* ***September 28, 2018.*** *The Court addressed the issue of Thunderbird’s counterclaims, which Thunderbird contended should have been adjudicated by the U.S. Federal District Court, on pages 6, 7 and 8 of the Order. The Court’s Order states, in relevant part:The Court must next determine whether the parties intended to arbitrate the issue of waiver. The question of whether the remaining five causes of action have been waived as to Mitchell under the Release and Waiver provision (Clause 3.2) of the Settlement Agreement is also a “dispute[], claim[], [or] controvers[y] between the parties arising out of th[e] Release [and Settlement] Agreement.” The parties expressly agreed to arbitrate this issue. Therefore, it is for the arbitrator to decide which claims, or portions thereof, have or have not been waived, based on the alleged dates of Defendant’s conduct. Accordingly, the Court* ***GRANTS*** *Defendant’s Motion to Compel Arbitration whether Plaintiff waived its First, Third, Fourth, Fifth, and Sixth causes of action, or any portion thereof, against Mitchell upon execution of the Settlement Agreement. (Order, pg. 7:1-10.)Section 9.49 of the Arbitration Award dated September 26, 2017 outlined the Tribunal’s Findings, stating in pertinent part: “The Claimant [Mitchell] was not in breach of the Settlement Agreement.” Although the findings are decisive on the issues raised by Plaintiff in its Eighth Cause of Action for Breach of Contract, the Tribunal made no findings as to the issue of waiver. Not having Plaintiff’s counterclaims before it, the Arbitrator declined to make findings as to the proper interpretation of the release and waiver clause in paragraph 3.2 of the Settlement Agreement, stating:By reason of the Tribunal's findings in paragraphs [9.46] and [9.48] that the Claimant has not breached clauses 5 and 6 of the Settlement Agreement and was not in breach of the Settlement Agreement (paragraph 9.49[1]), it does not need to make a finding as to the proper construction of the release in clause 3.2 of the Settlement Agreement as no issue of the Claimant being entitled to rely on Clause 3.2 of the Settlement Agreement arises.Jack Ray Mitchell v. Thunderbird Resorts Inc., Int’l Ct. of Arb. Of the Int’l. Chamber of Commerce, Case No. 21243/CYK/PTA, Ch. 9, ¶ 9.50 (2017) (Rooney, Arb.). In light of this Court’s order granting Defendant’s Motion to Compel Arbitration as to the issue of waiver and all remaining claims Plaintiff chooses to pursue in arbitration, the Court finds Defendant Mitchell’s request to domesticate and enter the Arbitration Award against Plaintiff premature” (Order, pgs. 7:23-8:13.)*

1. On September 20, 2018, Thunderbird Resorts Inc., in pro per petitioned the ICC in respect of its application to the ICC to re-open the instant arbitration and allow Respondent to file a counterclaim against Mitchell. On September 24, 2018, The Secretariat replied to Thunderbird Resorts Inc. request to “re-open the [instant] arbitration and allow Respondent to file a counterclaim against Claimant” by stating that ICC Case 21243/CYK/PTA was closed after the notification of the decision and addendum on costs on January 25, 2018. Moreover, as the arbitration has ended, the case cannot be re-opened. The ICC advised that Thunderbird Resorts Inc. may initiate new proceedings to bring its claims against Jack Ray Mitchell. **Thunderbird Resorts Inc. initiated such proceedings by filing a claim with the ICC on September 27, 2018.**
2. These are the several pending Motions in the Federal District court proceedings that also impact the Mitchell Arbitration case:
   1. Angular’s Motion to set aside the default judgment and to dismiss for Lack of Jurisdiction. In April 2017, Thunderbird Resorts Inc. properly served Angular, and Angular failed to answer the complaint within the time period, and the court granted TRI a Default Judgement in the approximate amount of $657 thousand. On March 30, 2018 the Court has set aside the default judgment so the matter has to proceed to trial. As a prelude to the full scale trial on the matter, The Court ordered an “evidentiary hearing/mini trial” for May 29, 2018 to focus on these issues: Whether TRI has “standing” to make the claims against Angular or whether GTCR is the real proper party in interest. Angular raised a material issue as to whether Plaintiff was ‘directly’ injured by the alleged conduct of Zimmer or ‘indirectly’ injured as a result of its relationship with GTCR. The Court determined that Angular defense that TRI lacks standing to sue has merit and has ordered TRI and Angular to present its case in this evidentiary hearing to determine whether Angular’s conduct was directed at the forum, i.e., was San Diego the “nerve” center for TRI. The court’s ruling is now pending following the evidentiary hearing.
   2. Zimmer’s Motion to Dismiss for Lack of Jurisdiction. Thunderbird Resorts is diligently prosecuting its claims in the Zimmer et.al. San Diego Federal District Court Case and estimates that its monetary value of its claim against MITZIM, Mitchell and other defendants is $1,282,454.49. This estimate does not include damages based on other claims outside the scope of the parties’ arbitration agreement, including but not limited to other claims set forth in Thunderbird Resorts U.S. District Court action against Mitchell, Murray Jo Zimmer and others.
   3. **MITZIM** motion to quash writ of attachment.
3. **Costa Rica-CIRSA Escrow claim**

In a related matter to the San Diego Federal District Court action, in February 2015, the Group had previously consummated Stock Purchase Agreement (SPA) in which CIRSA acquired the shares of Grupo Thunderbird De Costa Rica from Thunderbird Resorts Inc. (TRI) and Angular Investments S.A. The SPA provided that a certain portion of the monies to be paid by CIRSA to TRI/Angular were to be held in escrow pursuant to the SPA. In February 2015, CIRSA delivered USD$2,125,000, to the Escrow Agent (the “Escrow Amount”) in accordance with the terms and conditions of the SPA. The Escrow Agreement provided for a claims procedure by which certain claims could be made by third parties/tax authorities, vendors to be paid from the Escrow. In December 2017 and in March 2018, ZIMMER AND FOX as employees of GTCR filed certain claims against CIRSA, GTCR and TRI. TRI position is that ZIMMER AND FOX are now claiming in bad faith that they are entitled to a series of labor rights, The SPA and all related documents supports the fact that ZIMMER AND FOX as a "seller shareholder" waived and released any and all claims, rights, etc. that each may have had, including social benefits under Costa Rica law. TRI believe ZIMMER AND FOX have waived all their respective claims and therefore their labor claim are without merit. Based on our information and belief, ZIMMER intended to file this labor complaint in response to TRI’s actions against him wherein TRI had filed the aforementioned lawsuit against ZIMMER in the Federal District Court of San Diego, California, Zimmer’s is acting in bad faith as he is attempting to retaliate against TRI for the actions that TRI has taken against him the USA litigation. TRI believes that ZIMMER’s claim is without merit and ultimately the labor tribunal made a ruling that ZIMMER’S claims against GTCR was without merit. In fact, the Costa Rica labor tribunal already ruled against Zimmer. ZIMMER filed an appeal of that decision. Nonetheless, TRI disputed each of the claims that CIRSA made against the Escrow. The general basis for disputing each of CIRSA’s claims, as well as, any claim that Thunderbird Resorts Inc. violated the Stock Purchase Agreement dated February 25, 2015 are completely without basis in law or in fact. Neither ZIMMER AND FOX are entitled to any payment as set forth in each of their respective labor cases. Moreover, TRI position in respect of the issues raised by CIRSA and so called breach of the SPA is that TRI is not jointly and severally liable with Angular, Zimmer and Fox. The Fox claim which has not been served on TRI but only against CIRSA was filed as a way to place pressure on Thunderbird to help Zimmer in his claim. In addition, Fox will lose his claim based on the claim being barred as the statute of limitations will foreclose Fox from succeeding in the courts.

**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.

As at June 30, 2018, the table set below shows the Group’s liabilities maturities per year:



**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, 2018.

**16. INVESTMENT IN JOINT VENTURES**

The Group has a material joint ventures in a Costa Rican company, King Lion Network, S.A. (“KLN”).



The investment in the Costa Rica joint venture is accounted for using the equity method in accordance with IAS 28.

A reconciliation of the financial information above to the carrying amount of the investment in the Group’s Costa Rica joint venture is set out below:



Financial statements for the Group’s Costa Rica joint venture is as follows:



**17. SUBSEQUENT EVENTS**

In 2018 year-to-date, the Group has announced or herein announces material events as follows:

1. **Continuing reduction of Officers’ salaries and employment contracts for officers:**

In January 2016 the Company implemented a compensation plan for its officers in order to reduce the Group’s cost structure to a level that is sustainable. The Group was reduced to the following personnel: 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. These Officers continued to dedicate full time employment to the Company but discounted a cash portion of their salaries by approximately $50,000 per month in order to preserve cash.

This “salary deferral” plan has been re-evaluated on a six month basis and in each period, beginning July 1, 2016, January 1, 2017 and most recently July 1, 2018, the board has assessed and approved the plan based on 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. Management in their respective roles as an officer and fiduciary continued to act in the best interest of the shareholders by fulfilling the Company’s public company obligations. On the other hand, the Company is obligated to fulfill all relevant employment and labor laws within the jurisdictions that Employee provides services to the Company. The Company’s Compensation Committee reviewed the TRI Employment contracts and recommended to the Board of Directors that the Company is best served by entering into the employment agreements with Salomon Guggenheim, Peter LeSar and Albert Atallah. The Company’s Board of Directors approved the employment agreements with Salomon Guggenheim, Peter LeSar and Albert Atallah.

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 2018 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 2018 Half-year Report and the interim financial statements for the six-month period ended June 30, 2018 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, 2018 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 2018 Half-year Report gives a true and fair view of the Group as of June 30, 2018 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.

September 30, 2018

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 2018 Half-year Report.

These risks and others are more fully described under “Risk Factors” in our 2017 Annual Report.

# IMPORTANT INFORMATION

**This is Thunderbird Resorts Inc.’s 2018 Half-year Report for the period ended June 30, 2018. Thunderbird Resorts Inc. is a designated foreign issuer with respect to Canadian securities regulations and this 2018 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 2018 Half-year Report and, if given or made, such information or representations must not be relied upon as having been authorized by us. This 2018 Half-year Report does not constitute an offer to sell or a solicitation of an offer to buy any securities. The delivery of this 2018 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 2018 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 2018 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 2018 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 2018 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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| **DIRECTORS**  Salomon Guggenheim, Zurich, Switzerland  George Gruenberg, Lima, Peru  Stephan Fitch, United States | **AUDITOR**  Baker Tilly Curacao  Snipweg 30  Willemstad  Curacao |
| **OFFICERS**  Salomon Guggenheim, President & CEO  Peter LeSar, Chief Financial Officer  Albert W. Atallah, General Counsel and Secretary | **TRANSFER AGENT**  Computershare  510 Burrard Street, 3rd Floor  Vancouver, BC V6C 3B9, Canada  **CAPITALIZATION**  Common shares issued: 27,103,735  as of September 30, 2018 |
| **REGISTERED AND RECORD OFFICE FOR SERVICE IN BRITISH VIRGIN ISLANDS**  Icaza, Gonzales-Ruiz & Aleman (BVI) Trust Limited  Vanterpool Plaza, Second Floor  Road Town, Tortola  British Virgin Islands | **SHARES LISTED**  Euronext Amsterdam  Common Stock Symbol: TBIRD  Frankfurt Stock Exchange  Common Stock Symbol: 4TR |

**WEBSITE**

[www.thunderbirdresorts.com](http://www.thunderbirdresorts.com)