

# Thunderbird

R E S O R T S

2019 ANNUAL 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”

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This Annual Report contains certain forward-looking statements within the meaning of the securities laws and regulations of various international, federal, and state jurisdictions. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential revenue, future plans, and objectives of the 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 “the Company” or “the Group.” All currencies are in US dollars unless stated otherwise.

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## Chapter 1: Letter from the CEO

**Dear Shareholders and Investors:**

The below summarizes the Group's performance through December 31, 2019. Because of the sale of the Group's Peru gaming operations in April 2018, we report only continuing operations so that the reader might compare continuing business with the results of the same businesses through December 31, 2018.

**1. PERFORMANCE IN 2019**

- A. **EBITDA<sup>1</sup>:** Peru property EBITDA improved by \$135 thousand through December 31, 2019 as compared to the same period in 2018. During the same period, Nicaragua property EBITDA improved by \$996 thousand. Corporate Expense was reduced by \$743 thousand in 2019 as compared to 2018. Adjusted EBITDA increased by approximately \$1.9 million in 2019 as compared to 2018.
- B. **Profit / (Loss):** Based on Continuing Operations, our Loss improved by approximately \$2.8 million for the period as compared to 2018. The improvement was due primarily to: i) Reduced Interest and Finance Costs, Net; and ii) Decreased income tax.
- C. **Net Debt:** Due to a change in accounting policy as required by IFRS 16, the Group is now required to account for the net present value of real estate operating lease contracts as Obligations under leases and hire purchase contracts. Gross borrowings increased by approximately \$290 thousand as of December 31, 2019 as compared to the same date in 2018. However, because of IFRS 16, Gross debt increased by approximately \$5.1 million and Net debt increased by approximately \$6.1 million as cash and cash equivalents reduced by approximately \$0.9 million.

**2. IMPACT OF COVID-19 ON 2020 AND BEYOND**

The world is faced with a level of instability that reduces, though does not eliminate the Group's ability and flexibility to mitigate risks and solve challenges.

In this sense, we have materially updated our Management Statement on Going Concern, which we recommend that all shareholders review on page 23. We also recommend that shareholders carefully review Other Group Updates on page 15, where we detail the work underway to offset the current challenges.

Here is how the Group's operations have been impacted in 2020 since the outbreak of Covid-19:

- A. Revenue in Nicaragua fell by approximately 40% in Q2 as compared to Q1 2020.
- B. Revenue in Peru fell by approximately 17% in Q2 as compared to Q1 2020.
- C. In both cases, we have materially restructured the organizations to stabilize cash flow as much as possible. We have also further reduced Corporate Expense, as described in Other Group Updates. These restructurings are still ongoing and revenue is still unpredictable in the coming months, so we are currently uncertain as to the stability of cash flows.

### 3. SHAREHOLDER MANDATE AND OUR ASSETS

We 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 the status of which is summarized below on the Group's key remaining assets:

- A. **Peru Real Estate Assets:** As of the publication of this 2019 Annual Report, the Group continued to operate and wholly own a mixed-use tower containing a 66-suite hotel, approximately 6,703 m2 of rentable-sellable office space, and 158 underground parking spaces.
- B. **Nicaragua Gaming and Real Estate Assets:** As of the publication date of this 2019 Annual 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 13.
- C. **Costa Rica Real Estate Asset:** As of the publication of this 2019 Annual 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, dedicated off 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 22, section c, 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.



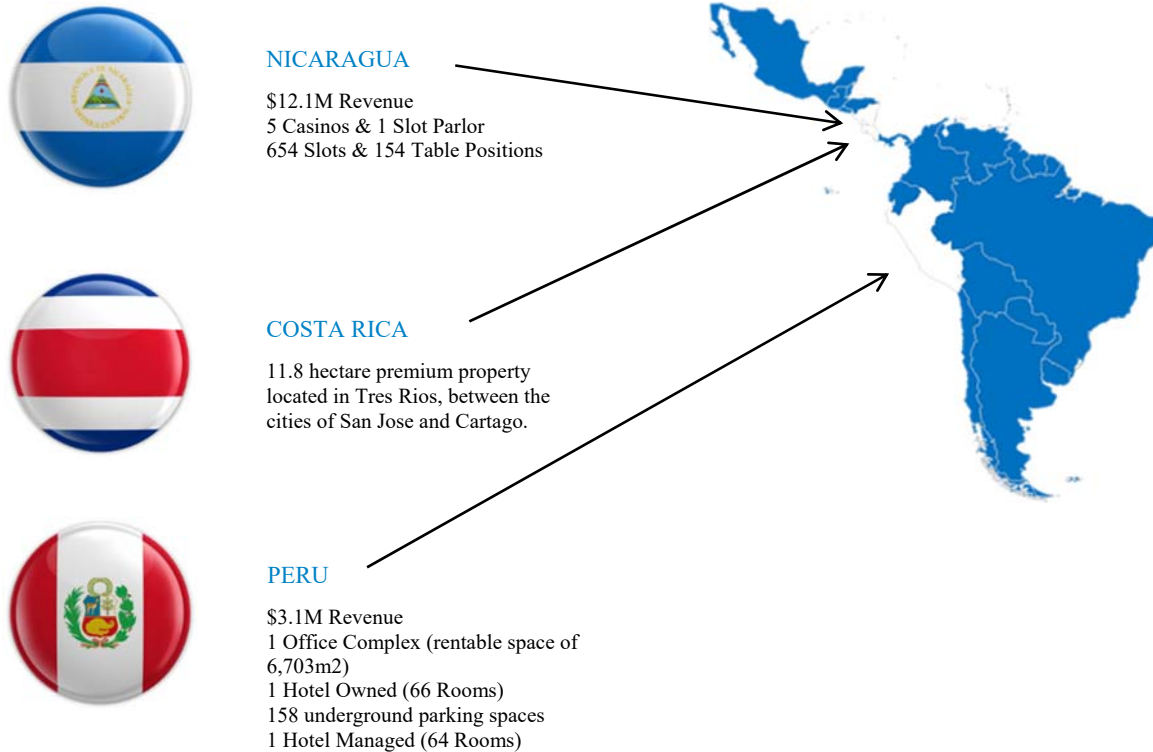
Salomon Guggenheim  
Chief Executive Officer and President  
June 30, 2020

<sup>1</sup>. "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.

## Chapter 2: 2019 Overview and Updates

## Our Operations and Real Estate

Thunderbird Resorts Inc. ([www.thunderbirdresorts.com](http://www.thunderbirdresorts.com)) is publicly traded on the Euronext Amsterdam (“TBIRD”). After years of downsizing, our core remaining businesses are a mix of real estate, hospitality and gaming businesses. As of year-end 2019, the Group operated in Peru and Nicaragua. We also retain a 50% ownership in certain real estate as described in the real estate table below.



As of December 31, 2019, Thunderbird owned the following real estate:

Amounts in Thousands of USD

Country	Property	Type of Real Estate	Type of Property	Area in m <sup>2</sup>	Appraised Value	Appraised Value Proportional to TRI	Appraisal Date	TRI Ownership
Peru	Fiesta Hotel	Mixed use building	Income producing	8,367	\$ 12,557	\$ 12,557	March 2019	100%
	Thunderbird Offices		Income producing	6,703	\$ 10,061	\$ 10,061		
Costa Rica	Tres Rios Project	Land	Non-income producing	81,971	\$ 15,573	\$ 7,786	July 2014	50%
Nicaragua	Warehouse & Other Offices	Office building	Non-income producing	1,164	\$ 600	\$ 335	June 2014	56%
	Administrative Offices	Office building	Income producing	800	\$ 600	\$ 335	February 2016	
	Pharaohs Bolivar	Casino	Income producing	1,242	\$ 1,400	\$ 783	February 2016	
	Pharaohs Chinandega	Casino	Income producing	1,671	\$ 1,530	\$ 855	February 2016	
	Carretera a Masaya	Land	Non-income producing	14,333	\$ 6,108	\$ 3,414	December 2016	
<b>Total</b>				<b>116,251</b>	<b>\$ 48,429</b>	<b>\$ 36,128</b>		

**Note:** “Appraised Value” excludes FF&E (Furniture, Fixtures and Equipment), and should only be treated as an indicator. There has proven to be lower liquidity in certain markets that could result in downward price adjustments for each real estate at time of sale. Moreover, since year-end 2019, global events have further impacted on our ability to properly assess real estate values as further discussed in Other Group Updates on pages 15 and 16.



## Group Overview for 2019

Below is our consolidated profit / (loss) summary for the twelve months ended December 31, 2019, as compared with the same period of 2018. In summary, Group revenue reduced by \$2.0 million or 11.8%, while adjusted EBITDA increased by \$1.9 million or 199.6%. Consolidated Loss for the period is \$1.8 million, an improvement of \$2.8 million or 60.5% compared to 2018 results.

(In thousands)

	Twelve months ended			
	December 31,			%
	2019	2018	Variance	change
Net gaming wins	\$ 10,727	\$ 11,967	\$ (1,240)	-10.4%
Food and beverage sales	1,552	1,896	(344)	-18.1%
Hospitality and other sales	2,921	3,377	(456)	-13.5%
<b>Total revenues</b>	<b>15,200</b>	<b>17,240</b>	<b>(2,040)</b>	<b>-11.8%</b>
Promotional allowances	1,539	1,709	(170)	-9.9%
Property, marketing and administration	9,485	12,486	(3,001)	-24.0%
<b>Property EBITDA</b>	<b>4,176</b>	<b>3,045</b>	<b>1,131</b>	<b>37.1%</b>
Corporate expenses	1,363	2,106	(743)	-35.3%
<b>Adjusted EBITDA</b>	<b>2,813</b>	<b>939</b>	<b>1,874</b>	<b>199.6%</b>
Property EBITDA as a percentage of revenues	18.5%	5.4%		
Depreciation and amortization	2,255	2,097	158	7.5%
Interest and financing costs, net	1,705	2,162	(457)	-21.1%
Management fee attributable to non-controlling interest	-	17	(17)	-100.0%
Foreign exchange loss / (gain)	490	(581)	1,071	-184.3%
Other losses	217	203	14	6.9%
(Profit) / Loss from equity investee	(72)	171	(243)	-142.1%
Income taxes	44	1,487	(1,443)	-97.0%
<b>Loss for the period from continuing operations</b>	<b>\$ (1,826)</b>	<b>\$ (4,617)</b>	<b>\$ 2,791</b>	<b>-60.5%</b>

**Group debt:** Below is the Group's Gross debt and Net debt on December 31, 2019. Please note that as of 2019 and based on IFRS 16, the Group is now required to account for the net present value of real estate operating lease contracts as Obligations under leases and hire purchase contracts. Virtually all of the variance in that line item between 2018 and 2019 reflects this change in accounting, meaning that Gross Debt variance would have been equal to several hundred thousand US dollars on an apple-to-apple basis.

(In thousands)

	Dec-19	Dec-18
Borrowings	\$ 12,461	\$ 12,170
Obligations under leases and hire purchase contracts	4,831	6
<b>Gross Debt</b>	<b>\$ 17,292</b>	<b>\$ 12,176</b>
<b>Less:</b> cash and cash equivalents (excludes restricted cash)	1,467	2,414
<b>Net Debt</b>	<b>\$ 15,825</b>	<b>\$ 9,762</b>

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 a \$40 thousand variance with the total principal balance below.

The Group estimates its debt schedule as follows starting in January 2020:

Principal Balance	2020	2021	2022	2023	2024	Thereafter	Total
Corporate	\$ 7,004,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,004,616
Peru	719,234	764,882	815,310	869,062	1,626,182	-	4,794,670
Nicaragua	543,373	567,766	641,470	846,343	1,057,908	1,876,375	5,533,235
<b>Total</b>	<b>\$ 8,267,223</b>	<b>\$ 1,332,648</b>	<b>\$ 1,456,780</b>	<b>\$ 1,715,405</b>	<b>\$ 2,684,090</b>	<b>\$ 1,876,375</b>	<b>\$ 17,332,521</b>

Interest Expense	2020	2021	2022	2023	2024	Thereafter	Total
Corporate	\$ 96,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,284
Peru	286,913	238,728	188,300	134,548	39,386	-	887,875
Nicaragua	785,501	707,098	619,046	507,906	367,952	429,255	3,416,758
<b>Total</b>	<b>\$ 1,168,698</b>	<b>\$ 945,826</b>	<b>\$ 807,346</b>	<b>\$ 642,454</b>	<b>\$ 407,338</b>	<b>\$ 429,255</b>	<b>\$ 4,400,917</b>

## Peru Update

### Description of Properties

In Peru, as of December 31, 2019, the Group operated one wholly-owned, mixed-use tower containing a 66-suite hotel, approximately 6,703 m2 of rentable-sellable office space, and 158 underground parking spaces, and manages one independently-owned hotel under the Thunderbird brand.

Name	Province	Date Acquired	Date Sold	Type	Hotel Rooms
Fiesta Hotel	Lima	2007	NA	Hotel	66
Thunderbird Offices	Lima	2007	NA	Office Space for Rent/Sale	-
Thunderbird Hotel Pardo (Management Contract)	Lima	2007	2010	Hotel under management	64
<b>Peru Total</b>					<b>130</b>

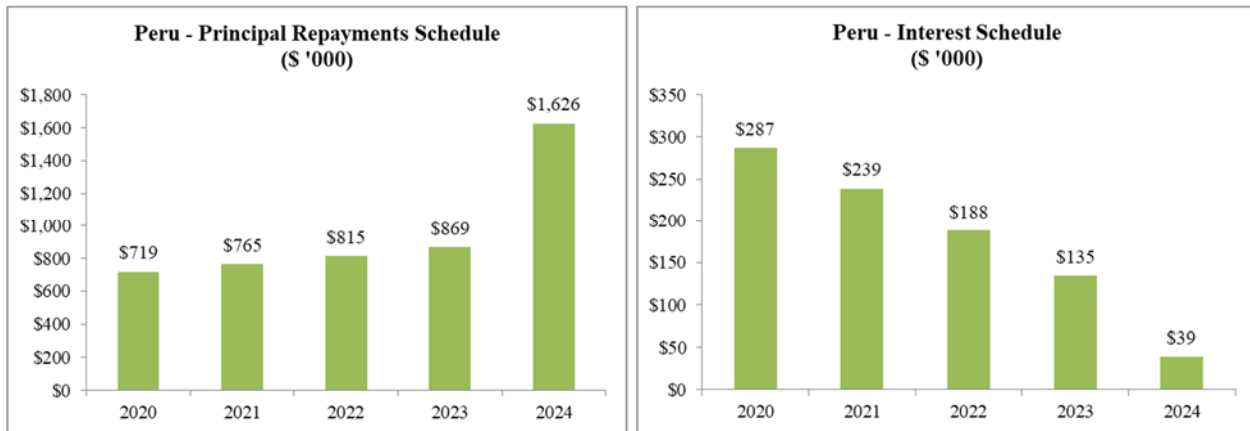
### Summary of Peru 2019 Consolidated P&L:

Our Peru profit / (loss) summary for the twelve months ended December 31, 2019, as compared with the same period of 2018 is set out below. In summary, Peru revenue reduced by \$489 thousand or 13.7%, while property EBITDA increased by \$135 thousand or 12.5%. Loss for the period is -\$1.5 million, an improvement of \$242 thousand or 19.4% as compared to 2018.

(In thousands)

	Twelve months ended December 31,		Variance	% change
	2019	2018		
Net gaming wins	\$ -	\$ -	\$ -	0.0%
Food and beverage sales	161	200	(39)	-19.5%
Hospitality and other sales	2,920	3,370	(450)	-13.4%
<b>Total revenues</b>	<b>3,081</b>	<b>3,570</b>	<b>(489)</b>	<b>-13.7%</b>
Promotional allowances	-	-	-	0.0%
Property, marketing and administration	1,869	2,493	(624)	-25.0%
<b>Property EBITDA</b>	<b>1,212</b>	<b>1,077</b>	<b>135</b>	<b>12.5%</b>
Property EBITDA as a percentage of revenues	39.3%	30.2%		
Depreciation and amortization	697	872	(175)	-20.1%
Interest and financing costs, net	377	818	(441)	-53.9%
Management fee attributable to non-controlling interest	520	6	514	8566.7%
Foreign exchange loss / (gain)	298	(744)	1,042	-140.1%
Other losses	954	210	744	354.3%
Income taxes	(145)	1,162	(1,307)	-112.5%
<b>Loss for the period from continuing operations</b>	<b>\$ (1,489)</b>	<b>\$ (1,247)</b>	<b>\$ (242)</b>	<b>19.4%</b>

Below are graphs exhibiting our Peru and Peru-related expected principal and interest payments based on loan contracts effective as of December 31, 2019. The principal and interest payments scheduled in the tables below reflects those debt service payments that are scheduled starting in January 1<sup>st</sup>, 2020.



## Nicaragua Update

### Description of Properties

In Nicaragua, the Group operates five standalone casinos. Below is a table that outlines information for each property as of December 31, 2019.

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 - Esteli	Esteli	2017	Slot Parlor	50	-
Nicaragua Total				654	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.

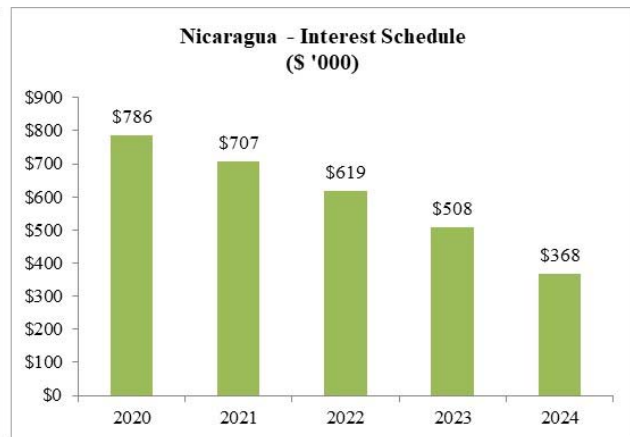
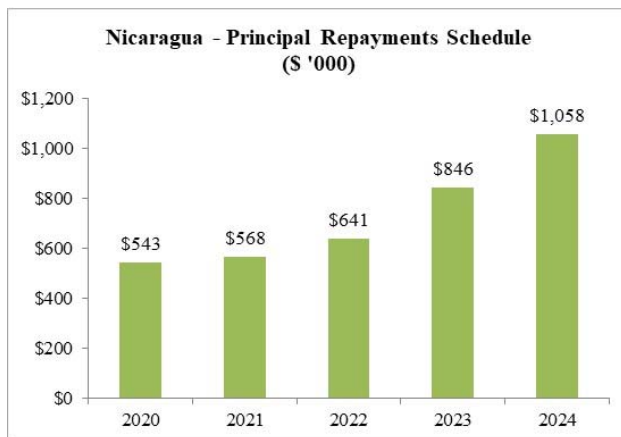
### Summary of Nicaragua 2019 Consolidated P&L:

Below is our Nicaragua profit / (loss) summary for the twelve months ended December 31, 2019, as compared with the same period of 2018. In summary, Nicaragua revenue reduced by \$1.5 million or 11.3%, while property EBITDA increased by \$996 thousand or 50.6%. Profit for the period is \$270 thousand, an improvement of \$122 thousand or 82.4% as compared to 2018.

(In thousands)

	Twelve months ended December 31,		Variance	% change
	2019	2018		
Net gaming wins	\$ 10,727	\$ 11,967	\$ (1,240)	-10.4%
Food and beverage sales	1,391	1,696	(305)	-18.0%
Hospitality and other sales	1	7	(6)	-85.7%
<b>Total revenues</b>	<b>12,119</b>	<b>13,670</b>	<b>(1,551)</b>	<b>-11.3%</b>
Promotional allowances	1,539	1,709	(170)	-9.9%
Property, marketing and administration	7,616	9,993	(2,377)	-23.8%
<b>Property EBITDA</b>	<b>2,964</b>	<b>1,968</b>	<b>996</b>	<b>50.6%</b>
Property EBITDA as a percentage of revenues	24.5%	14.4%		
Depreciation and amortization	1,558	1,225	333	27.2%
Interest and financing costs, net	950	166	784	472.3%
Management fee attributable to non-controlling interest	-	16	(16)	-100.0%
Foreign exchange loss	33	89	(56)	-62.9%
Other gains	-	(1)	1	-100.0%
Income taxes	153	325	(172)	-52.9%
<b>Profit for the period from continuing operations</b>	<b>\$ 270</b>	<b>\$ 148</b>	<b>\$ 122</b>	<b>82.4%</b>

Below are graphs exhibiting our expected principal and interest payments based on loan contracts effective as of December 31, 2019. The principal and interest payments scheduled in the tables below reflects those debt service payments that are scheduled starting in January 1<sup>st</sup>, 2020.



## Other Group Updates

This section describes the impact of the corona virus pandemic on our business and how the Group has responded to stabilize the business.

On March 27, 2020, the Group disclosed the impact of the coronavirus pandemic on its overall business. The Group advised that on March 15, 2020 Peru's national government declared a state of national emergency, lasting 15 days, that places strict controls on people's movement within the country. The decree required all of Peru's borders closed as of 11:59 p.m. March 16, as well as prohibiting domestic travel between Peru's 196 provinces. The Group now believes that these restrictions will be continued, resulting in virtually nil revenue for its hotel owner/operator and management business for period that remains unknown. Moreover, even when restrictions are lifted, the Group cannot accurately assess at this time on the hotels' ability to return to normal operations given the international travel bans in effect around the world. The Nicaraguan government has enforced few restrictions to date, but consumption has reduced in the market considerably given that there are now known infections in that market. Thunderbird is waiting to evaluate the financial incentives that could be produced by either government to support the hospitality industry.

On April 17, 2020, the Group announced the impact of the coronavirus pandemic on the Group's year-end filings anticipating that its Annual Report, including financial statement for year-end December 31, 2019, would not be filed by its due date of April 30, 2020 and estimates the filing to be completed by June 30 2020 or as soon as possible. The basis for the extension is due to the coronavirus pandemic and "stay-at-home" orders and other restrictions which are making it impossible to comply with filing requirements on a timely basis. The Group has also postponed its originally scheduled Annual General Meeting of Shareholders from May 22, 2020 to an undetermined date in the future.

Since our April 17, 2020 announcement, the following events have occurred.

1. In the second quarter of 2020, our Nicaragua operations generated revenues at approximately 60% of the revenues of our more normalized first quarter 2020 revenues. At the same time, we have restructured the business with the goal to stabilize cash flow at this new level of revenue. This process seems to have worked, but is still ongoing. We do not know if revenues are stabilized or have bottomed.
2. In the second quarter of 2020, our Peru operations generated revenues at approximately 83% of the revenues of our more normalized first quarter 2020 revenues. To mitigate the fall of revenue, we have temporarily converted the hotel into a residence for quarantined Peruvians generating approximately \$305,000 in revenues. We do not believe this quarantine business is sustainable in the second half of the year and are actively exploring alternate revenues for a hotel business that will be competing for a highly-limited supply of guests in the months to come. On another note, our Peru operations have secured approximately \$345 thousand in debt guaranteed by the Peruvian government, which required uses are to support payroll and working capital. The loan terms are 1.0% interest rate payable over 36 months, with a grace period on both principal and interest for the first 12 months. We have also begun to negotiate a significant interest-only period to our approximate \$4.0 million senior debt in Peru, and are hopeful of a positive outcome.

3. In the second quarter of 2020, our Corporate operations have continued to reduce costs with the goal to stabilize our cash on hand given that disbursements from our operations have been vastly reduced. This is a work in progress. At the same time, we have been sourcing other types of income to replace lost cash flow with work still in progress. Finally, as in the past, the Group is working with its unsecured lenders to defer payments until there is liquidity event and/or until there is sufficient cash flow. Any and all interest that accrues during this deferral period shall be added to the principal balance.

## Other Key Items

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### MARKETING

The Group's marketing strategy is focused on two primary objectives: attracting new players and expanding the Group's relationship with existing players. We attract new players through general brand recognition programs and the attraction of entertainment offerings like daily live music and choreographed dance shows. We introduce new customers to gaming through their visits to the Group's bars and restaurants that are adjacent to the gaming floor. Once a person becomes a gaming player, we seek to deepen the Group's relationship with that customer. We offer free food and beverages to identified players, frequent raffles and giveaways and frequent special events all supported by personalized attention from service personnel. We maintain information on the Group's clients' preferences through the Group's player tracking programs.

### EMPLOYEES

As of December 31, 2019, we employed 626, including 539 in Nicaragua, 87 in Peru, and 7 elsewhere. As of May 31, 2020, the number of employees has reduced to 600.

Labor laws in Latin America are generally more protective of employees than employers. Latin America has laws protecting employees from having their employment terminated without proper cause or without paying such employees severance compensation in established statutory amounts and, in some Latin American countries the law establishes a minimum number of vacation days. Each Thunderbird subsidiary has its own country-level training and development programs according to the Group's corporate guidelines. We offer opportunities for employees to be personally challenged with educational assistance now available at some of the Group's locations. Most of the Group's subsidiaries offer life and health insurance with a preferred provider network and co-payment methods to the Group's upper/middle management as well as for the Group's staff and operational employees.



## INSURANCE

We typically obtain the types and amounts of insurance coverage that we consider appropriate for companies in similar businesses. We currently maintain certain insurance policies, including, without limitation, general commercial and liability, property (including earthquake coverage in certain markets), and employee compensation coverage, for all of the Group's properties. In addition, for certain of the Group's properties, we carry business interruption insurance.

## LITIGATION AND CONTROVERSIES

The Group has disclosed ongoing litigation in Notes 17 and 22 of the financial statements. In addition to the litigation described in these Notes, we are subject to legal proceedings arising in the ordinary course of business or related to the Group's discontinued business operations.

Other than as described in this 2019 Annual Report in Notes 17 and 22 of the 2019 Consolidated Financial Statement, there are not and have not been any governmental, legal or arbitration proceedings that may have or have had significant effects on the Group's financial position or profitability.

## Chapter 3: Regulatory Environment

## GOVERNMENT REGULATION

The Group's gaming operations are subject to extensive regulation, and each of the Group's subsidiaries and joint ventures holds registrations, approvals, gaming licenses or permits in each jurisdiction in which it operates gaming activities. Gaming laws are based upon declarations of public policy designed to protect gaming consumers and the viability and integrity of the gaming industry, including prevention of cheating and fraudulent practices. Gaming laws may also be designed to protect and maximize state and local revenues derived through taxation and licensing fees imposed on gaming industry participants and enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness, or suitability. The limitation, conditioning, suspension, revocation or non-renewal of gaming licenses, or the failure to reauthorize gaming in certain jurisdictions would materially and adversely affect the Group's gaming operations in that jurisdiction. Statutes and regulations can require us to meet various standards relating to, among other things, business licenses, registration and background investigations of employees, floor plans, building, fire and accessibility requirements, payment of gaming taxes, and regulations concerning equipment, machines, tokens, gaming participants and ownership interest. Civil and criminal penalties can be assessed against us and/or the Group's Officers to the extent of their individual participation in, or association with, a violation of certain gaming statutes or regulations. We are also subject to safety and health, employment and environmental laws, regulations and ordinances that apply to the Group's operations. For example, rules and regulations regarding the service of alcoholic beverages are often strict, and the loss of a license that permits such service would significantly impair the Group's operations. Local building, parking and fire codes also affect the Group's operations. We believe that we are currently in compliance with all applicable gaming and non-gaming regulations in the jurisdictions where we operate. The following is an overview of the gaming regulations in each of the Group's current jurisdictions of operation. We are not subject to any material environmental regulation.

### NICARAGUA

The Nicaraguan Casino Law was published in The Gazette, Official Newspaper Number 124, on July 5, 2011. Its full name is Law 766 Special Law for the Control and Regulation of Casinos and Slot Parlors. This law (Article 5) appoints the Nicaraguan Institute of Tourism ("INTUR") as the Application Authority, with the express obligation to enforce the law, through the creation of a new Casino Commission, headed by a Director to be designated by the INTUR Executive President. The Law creates four categories for the casinos in Nicaragua:

1. Category A: Every casino with 71 slots machines or more and three or more table games will be considered an "A" class casino. The Group's operations in Nicaragua are all Category A.
2. Category B: Every casino with 25 to 70 slots machines and/or two table games at least will be considered a "B" class casino.
3. Category C: A slots operator with 16 to 24 slot machines operating in one slot parlor will be considered a "C" Class casino, in counties with 30,000 inhabitants or less.
4. Category D: A slot parlor with 10 to 15 slot machines in counties with 30,000 inhabitants or less.

This Nicaraguan Casino Law was reformed by the recently approved Law 884 "Law for the reform and addition to Law 766 Special Law for the Control and Regulation of Casinos and Slot Parlors", which was published in The Gazette, Official Newspaper Number 215 on November 12<sup>th</sup>, 2014.

By this Law 884 (Article 4), the Application Authority was changed from the Nicaraguan Institute of Tourism (INTUR) to the Nicaraguan Ministry of Finance and Public Credit, with the express obligation to enforce this law through the creation of a special Office for the Casinos and Slot Parlors, headed by a Director to be appointed by the Minister of Finance and Public Credit.

Article 5 of the Law 884 mandates the creation of a Board of Control and Regulation of Casinos and Slot Parlors, consisting of the Minister of Finance and Public Credit (President of this Board), the General Director of Income or his deputy, the General Director of the National Police or his (her) deputy, the General Director of the Financial Analysis Unit or his deputy and the Director from the Office for the Casinos and Slot Parlors, with voice but no vote in the meetings of this Board.

This Board is in charge of hearing the appeals from the members of the Casinos and Slot Parlors, issuing rules and regulations for the industry, and supervision of tax payments.

The Nicaraguan government applies specific taxes including corporate income tax, which apply to the Group's operations as follows:

- a. Municipal tax of 1% of gross revenue, payable monthly.
- b. Advance monthly income tax payment of \$400 per table; plus, advance monthly income tax payment of \$25 per slot machine for the first 100 slots, \$35 from 101 to 300 slots, and \$50 from 301 or more per slot machine and per location or 1% of net win, whichever is higher.
- c. Income tax of 30% of taxable net income, payable annually, which is reduced by the amounts paid as monthly advance income tax payment; if the advance payments are higher than the 30% the higher amount paid becomes your tax obligation.
- d. We must pay the annual matriculate tax to the municipal government for the Group's operating licenses, which is 2% of the average monthly revenue for the months of October, November and December. The matriculate tax applies to all companies in Nicaragua not just casinos.

In 2013, the Financial Analysis Unit of Nicaragua issued certain regulations intended to strengthen the efforts to deter money laundering in certain businesses including casinos. With the new regulations effective on or about January 1, 2014, gaming companies are required to appoint a "compliance officer" to be the direct liaison between the company and the regulator. The compliance officer is responsible for presenting quarterly reports regarding the compliance efforts of the company with respect to these regulations and certain aspects of the company's operations, before the regulator.

## PROVISIONS AND OTHER CONTINGENCIES

See Notes 17 and 22 of the Group's Financial Statements that describe certain matters such as the Costa Rica tax controversy, the Daman Hospitality loan guarantee, the Canadian tax controversy, the Guatemala controversy, the San Diego Federal District Court case, and the Costa Rica-CIRSA Escrow claim. Please note that effective February 25, 2015, and in conjunction with the sale of our Costa Rican operations, the Group's Costa Rican subsidiaries paid in protest approximately \$3.3 million (50% of which relates to the Group's 50% stake in those subsidiaries at time of sale) to the Costa Rican tax authorities. The Group continues to dispute the validity of the Costa Rican contingent taxes as described in Note 22, as per our agreements with the buyers of our interests in our Costa Rican operations, any recovery is the benefit of the former shareholders, meaning 50% of any recovery will be to the benefit of the Group.

## Chapter 4: Management Compliance Statement

The management of risks, internal controls, integrity and compliance forms an integral part of the business management within the Group and continues to be strengthened and embedded into the Group's business objectives setting processes and its operations. It also documents the necessary disclosures as required by Management under the most recent best practice provisions of the EU Transparency Directive as incorporated in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

## **THE GROUP'S APPROACH TO RISK MANAGEMENT, INTERNAL CONTROL, AND COMPLIANCE INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Implement technology-based infrastructure and controls.** The Group's technology-based infrastructure and controls include, but are not limited to the following:

- Daily and per-shift reporting and reconciliation of casino gaming activities;
- Daily drop and win reports by game type and slot type and denomination, as well as food and beverage sales;
- Weekly closing cycles for basic reconciliations and reporting of cash positions;
- Monthly income statements versus budgets by casino property, as well as reviews of capital expenditures and cash position;
- High quality, interlinked communication and monitoring systems to allow real-time monitoring of operations, which permits us to market the Group's facilities, and manage the Group's people and assets, more effectively;
- Country-level accounting with budget compilation and variance reporting at the property and country levels;
- Daily, detailed sales reports compared to budgets for all pertinent gaming and hospitality sales; and
- Digital surveillance, online slot security systems, online liquor inventory control and custom cash management systems.

The Group's internal controls in each country are monitored by the Group's principal operations office for that country. We implement similar standards in each of the Group's properties to ensure consistency in security of assets and protection against theft. In addition, in many of the Group's operations, communication and monitoring systems (such as the Group's point of sale monitoring system) provide the ability to monitor cash inflows on a real-time basis. We believe that operating the Group's properties using a consistent, high standard of controls provides us with a higher-quality operation, and we believe that the Group's patrons recognize that higher quality.

## RISK MANAGEMENT

For more detail on Risk Factors, see Chapter 8 of this Annual Report.

## MANAGEMENT STATEMENT ON “GOING CONCERN”

This statement is made taking into account the global health crisis and economic fallout caused by the pandemic Covid-19. There is instability in our markets and globally that could impact on Group activities in ways that are currently unpredictable. We have taken measures already to adjust for the current conditions, which measures can be found on pages 15-16 under Other Group Updates. To account for the unpredictable conditions, in forecasting future cash flows in our assessment of Going Concern, Management has made certain extraordinary assumptions. Specifically, we have:

1. Forecasted a materially negative impact on revenue for the years 2020 and 2021, with revenues returning to 2019 levels only as of 2022.
2. Forecasted expenses to remain approximately at the levels they are as on date of publication of this 2019 Annual Report, meaning we are assuming (for Going Concern assessment only) that the Group has no more flexibility to drive down expenses further.
3. Assumed that: a) A portion of our secured debt will be restructured as an interest-only loan through 2021; and b) Our remaining unsecured debt will be deferred and repaid against liquidity events.
4. Assumed no development nor material construction, but do assume some repurposing of existing real estate to accommodate for changes in demand.
5. Forecasted no extraordinary one-time events that may impact positively or negatively on the Group’s cash flows, though such events are possible particularly given the environment.
6. Assumed a stable regulatory environment in all countries with existing operations, and have forecasted receiving no governmental support apart from what has already been received as described in Other Group Updates on pages 15 and 16.

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 this 2019 Annual Report. In arriving at this judgment, Management has prepared the cash flow projections of the Group.

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. Specifically, Directors have considered: (i) there are probably no sources of new financing available to the Group; (ii) the Group has limited trading exposures to our local suppliers and retail customers; (iii) other risks to which the Group is exposed, the most significant of which is considered to be regulatory risk; (iv) sources of Group income, including management fees charged to and income distributed from its various operations; (v) cash generation and debt amortization levels; (vi) fundamental trends of the Group’s businesses; (vii) ability to re-amortize and unsecured lenders; and (viii) 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:

- **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 Corporation 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.
- **Corporate Expense and Cash Flow:** Corporate expense has decreased materially in recent years, and continues to decrease, but still must accommodate for compliance as a public company.
- **Liquidity and Working Capital:** As of the date of publication of this 2019 Annual Report, the Group forecasts operating with lower levels of reserves and working capital through the end of 2020 as compared to the previous year. Selling assets 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 at least the 12 months following the filing date of this report. For these reasons, Management and Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

## MANAGEMENT'S RESPONSIBILITY STATEMENT

The Directors and the Officers are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations, as promulgated by the Euronext and the AFM.

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

- The consolidated financial statements for the year ended December 31, 2019, give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Group's consolidated companies;
- The additional management information disclosed in the Annual Report gives a true and fair view of the Group as at December 31, 2019, and the state of affairs during the financial year to which the report relates; and
- The Annual Report describes the principal risks facing the Group. These are described in detail in Chapter 8, "Risk Factors."



June 30, 2020

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



## Chapter 5: Report of the Board of Directors

## Senior Management, Directors and Director Nominees

The following table sets forth certain information about the persons who serve on the Group's Board of Directors as of December 31, 2019. Members of the Group's Board of Directors serve for a one-year term, which expires at each annual meeting. Unless otherwise indicated, the business address of each person listed below is Apartado 0823-00514 Zona 7, Panama City, Panama.

There is no familial relationship between any of our senior management or members of the Group's Board of Directors.

Name	Age	Position	Date of Birth
Salomon Guggenheim	59	President, CEO and Director	4-Mar-60
Georg Gruenberg	81	Director	1-Mar-38
Stephan Fitch	61	Director	30-Aug-58

The following table sets forth certain information about persons who serve as key management personnel that are not on our board of directors (see above):

Name	Age	Position	Date of Birth
Albert Atallah	63	General Counsel and Corporate Secretary	9-Apr-56
Peter LeSar	51	Chief Financial Officer	14-Jun-68

## SENIOR MANAGEMENT

**Salomon Guggenheim – President and CEO:** Mr. Guggenheim joined us in 2002 as a Director. In 1987, he joined Gutzwiller & Partner Ltd., Zurich, a portfolio management company, where he was responsible for Investments and Trading. In 1991, he took over Gutzwiller & Partner from E. Gutzwiller & Cie., Banquiers, Basle (a privately-held Swiss bank) together with the senior management of Gutzwiller & Partner, through a management buy-out and sold the company in 1997. Gutzwiller & Partner was renamed Rabo Investment Management Ltd., where Mr. Guggenheim worked as a Managing Director until December 2001. From 2001 until 2012 he has owned and operated his own company, IC Day Trading Consulting Corp., a Swiss corporation focused on the advisement of private individuals in portfolio management and daily trading activities in different markets worldwide. From 2002 until 2011 he was also the Chief Executive Officer for Ecopowerstations Ltd., a Swiss corporation dealing with pollutant and emission-free wind power stations. Furthermore, he serves in various Companies as a board member and advisor. Mr. Guggenheim became the President and CEO of Thunderbird in January 2013.

**Albert Atallah – Corporate Secretary and General Counsel:** Mr. Atallah has been the Group's General Counsel and a Director since 2000, and is also the Corporate Secretary, having served as a consultant for

us from 1997 to 2000. Before joining us, he was a partner with the California law firm of LaRocque, Wilson, Mitchell & Skola. He was admitted to the California and Michigan bars and is licensed to practice before the U.S. District Courts of California and Michigan, the U.S. Tax Court, and the U.S. Supreme Court. He received a B.B.A. in 1978 from the University of Michigan, a Juris Doctorate in 1981 from the University of Detroit School of Law, and an L.L.M. in Taxation from the University of San Diego School of Law in 1989. Mr. Atallah is a tax specialist certified by the California Board of Legal Specialization.

**Peter LeSar – CFO.** Mr. LeSar has been the CFO of Thunderbird since June 2011. Previously, he has worked for the Group as President of Thunderbird Philippines and as Vice President of Business Development. Previous to Thunderbird, Mr. LeSar was the founding Executive Director of the Council for Investment & Development, which represented the Group in its successful bid in the privatization of Panama's state-owned casinos. Mr. LeSar has also been the General Manager of MinAmerica Corporation, a publicly-traded mining company, and the Founder & CEO of iSpeak, a VC funded internet-based translation and localization venture.

## INDEPENDENT BOARD OF DIRECTORS

**Georg Gruenberg.** Mr. Gruenberg joined us as a Director in December 2013. Mr. Gruenberg was born in Switzerland although, his family moved to Peru just a year later. Mr. Gruenberg returned to Switzerland for his education. Thereafter, he became a successful entrepreneur in Peru. Mr. Gruenberg is the Chairman of the board of the following companies: Banco Financiero del Peru, Sociedad Suizo Peruana de Embutidos, S.A. (“SUPEMSA”), Sindicato Energetico, S.A. (“SINERSA”), Sociedad Agricola Curumuy, S.A. and Eximortec, S.A.

**Stephan Fitch.** Mr. Fitch joined us as a Director in September 2016. Mr. Fitch was born in the United States of America and is the co-founder and Managing Director of the London based IAG Holdings Ltd. (IAGH), a private company which specializes in international merchant banking activities. Mr. Fitch has been involved in international corporate finance/investment banking activities for over 27 years specializing primarily in start-up, venture capital and small-capitalized public companies.

## FURTHER INFORMATION ON THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

None of the members of the Group's Board of Directors or the Group's senior management has been convicted in relation to any fraudulent offenses, served as a member of the administrative, management or supervisory body, been a partner with unlimited liability, founder or senior manager of any company currently subject to bankruptcy proceedings, receiverships or liquidations, or been disqualified by any court from acting as a member of the administrative, management or supervisory body of any issuer or from participating in the management or conduct of the affairs of any issuer, or has been subject to any public incrimination and/or sanctions by statutory or regulatory authorities or bodies.

## MANAGEMENT ON THE BOARD OF DIRECTORS

For information regarding Salomon Guggenheim see above.

## Board of Directors - Governance

### GENERAL

The Group's Board of Directors consists of 3 Directors as of the date of this Annual Report, of whom 2 (Messrs. Gruenberg and Fitch) are independent. Independence determinations were made by the Group's Board of Directors using the current guidelines of the Euronext for companies listed on that exchange. Members of the Group's Board of Directors serve for a one-year term, which expires at each annual meeting.

### COMMITTEES OF THE BOARD

The Group's Board of Directors has established an Audit Committee, a Nominating and Governance Committee, a Compensation Committee and an Investment Committee. Each such committee has at least 2 independent Directors except the Investment Committee that is composed of three members of senior management and one independent Director.

#### AUDIT COMMITTEE

The Group's Audit Committee consists of Messrs. Fitch, Gruenberg and LeSar as advisory member. Mr. Fitch is the Chairman of the Group's Audit Committee. The audit committee is responsible for engaging independent public accountants, reviewing with the independent public accountants the plans and results of the audit engagement, approving professional services provided by the independent public accountants, reviewing the independence of the independent public accountants, considering the range of audit and non-audit fees the Group's compliance with legal and regulatory requirements and reviewing the adequacy and integrity of the Group's internal accounting controls.

#### COMPENSATION COMMITTEE

The Group's Compensation Committee consists of Messrs. Gruenberg, Fitch and Guggenheim. Mr. Gruenberg is the Chairperson of this committee, which reviews and approves, or makes recommendations to the Board of Directors with respect to senior Management and Director (who are not employees) compensation, and the Group's long-term incentive compensation program and equity incentive plans.

#### NOMINATING AND GOVERNANCE COMMITTEE

The Group's Nominating and Governance Committee consists of Messrs. Fitch, Gruenberg and Guggenheim. Mr. Fitch is the Chairman of this committee, which is responsible for, among other things, seeking, considering and recommending to the Board of Directors qualified candidates for election as Directors and recommending nominees for election at the Group's annual meeting, recommending the composition of committees of the Group's Board, developing the Group's corporate governance guidelines and policies and adopting a code of business conduct and ethics. In March 2012, the Group Board of Directors amended the Group's articles of association, authorizing the Nominating and Governance

Committee to adopt procedures and rules for the nomination and election of Directors, which completed in Q1 2012, and such procedures and rules are now reflected in the Committee's charter, which is available upon request to [info@thunderbirdresorts.com](mailto:info@thunderbirdresorts.com).

## INVESTMENT COMMITTEE

The Group's Investment Committee is composed of at least three members of senior management (currently Salomon Guggenheim, Albert Atallah and Peter LeSar) and one independent director (Mr. Stephan Fitch), who acts as Chairman for the Committee and as liaison to the full Board (the "Liaison").

The purpose of the Investment Committee is to set investment policy and strategy, review proposals from management, set limits and structure with regard to investment authority, establish annual goals and objectives for investment concepts and the like. To that end, the Committee shall identify, consider, evaluate, analyze, prioritize material investments, material contracts, material loans and all guaranties granted by the Group, and shall make recommendations to the Board and implement the Board's decisions.

## VACANCIES ON OUR BOARD OF DIRECTORS

The Group's charter provides that any and all vacancies on the Group's Board of Directors may be filled only by the affirmative vote of a majority of the remaining Directors in office, even if the remaining Directors do not constitute a quorum, and any Director elected to fill a vacancy shall serve for the remainder of the full term of the Directorship in which the vacancy occurred and until a successor is elected.

Any Director may resign at any time and may be removed with cause by our stockholders upon the affirmative vote of at least two-thirds of all the votes entitled to be cast for the election of Directors or without cause by the Group's stockholders upon the affirmative vote of at least two-thirds of all the votes entitled to be cast for the election of Directors.

## Compensation to Senior Management and Directors

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### SENIOR MANAGEMENT COMPENSATION

Senior management is defined as officers and directors of the parent company. The following table sets forth the compensation of each of the Group's senior management for 2019. For a discussion of the compensation of certain of senior management going forward, please see "Employment Agreements."

	Parent Company	Salary	Aggregate other compensation	Total compensation
Salomon Guggenheim <sup>(1)</sup>	Director-Employee	\$ 180,000	\$ -	\$ 180,000
Albert Atallah <sup>(2)</sup>	Director-Employee	180,000	35,878	215,878
Peter Lesar <sup>(3)</sup>	Employee	180,000	21,931	201,931
Georg Gruenberg <sup>(4)</sup>	Director	24,000	-	24,000
Stephan Fitch	Director	24,000	-	24,000
<b>Total</b>		<b>\$ 588,000</b>	<b>\$ 57,809</b>	<b>\$ 645,809</b>

- (1) During the year ended December 31, 2019, \$60,000 of total compensation was accrued within Due to Related Parties. This amount shall be repaid as cash flow permits and/or there are cash events.
- (2) Aggregate other compensation includes life, health, dental and disability insurance (\$35,878). During the year ended December 31, 2019, \$60,000 of total compensation was accrued within Due to Related Parties. This amount shall be repaid as cash flow permits and/or there are cash events.
- (3) Aggregate other compensation includes health insurance (\$3,931) and housing allowance of (\$18,000). During the year ended December 31, 2019, \$60,000 of total compensation was accrued within Due to Related Parties. This amount shall be repaid as cash flow permits and/or there are cash events.
- (4) During the year ended December 31, 2019, \$24,000 of total compensation was accrued within Due to Related Parties. This amount shall be repaid as cash flow permits and/or there are cash events.

In a series of Board Resolutions dated effective December 31, 2015, July 1, 2016, and January 1, 2017 the board resolved that the Company would compensate management beginning January 1, 2016 and continuing to June 30, 2017, that due to the financial condition of the Company, and to make the best use of the Company's cash flow, Salomon Guggenheim, Peter LeSar, and Albert W. Atallah, as officers and members of the Company's management team, agreed to be paid part in cash in the amount of \$10,000 per month (or less as cash flow permitted) with the remainder of the salary portion of their compensation to be paid either in cash in the event of a sale of assets or in the Company's shares. Effective January 1, 2019, the board approved the plan that in consideration of Management continuing to defer salary for up to another 6 months to June 30, 2019. Throughout the period January 1, 2016, and up to December 31, 2017, the Board has recognized and considered the risk that Management is taking for deferring salary, and agreed that if Management opted to receive the remainder of the salary portion of their compensation in the Company's shares for the deferral period, the share price used to determine the number of shares to be issued shall be the amount of foregone salary for each specific month divided by the 30-day average share price for that same specific month as published on the [www.euronext.com](http://www.euronext.com).

## BOARD OF DIRECTOR COMPENSATION

Director's fees for Independent Directors is equal to \$24,000 annually. The level of compensation and method will be reviewed annually. We also reimburse the Group's Directors for their travel, hotel and other expenses incurred in the performance of their duties as Directors, including expenses incurred in attending Board of Directors meetings, Committee meetings and shareholder meetings. We do not have any pension programs for the Group's Board of Directors, senior management or other employees.

## 2007 EQUITY INCENTIVE PLAN

The Group's 2007 Equity Incentive Plan (the "Equity Plan") is designed to enable us and the Group's affiliates to obtain and retain the services of the types of employees, consultants and Directors who will contribute to the Group's long-term success and to provide incentives that are linked directly to increases in share value which will inure to the benefit of all of the Group's shareholders. We have reserved up to 5% of our currently issued and outstanding common shares (as of any given date) for the issuance of awards under the Equity Plan.

The Equity Plan is administered by the Group's Board of Directors or a committee designated by the Board of Directors (in either case, referred to as the "Administrator"). The Administrator has the power and authority to select Participants (as defined below) in the Equity Plan and grant Awards (as defined below) to such Participants pursuant to the terms of the Equity Plan. All decisions made by the Administrator pursuant to the provisions of the Equity Plan shall be final and binding on us and the Participants.

Awards may be in the form of options (incentive stock options and non-statutory stock options), restricted stock, restricted stock units, performance compensation awards and stock appreciation rights (collectively, "Awards"). Awards may be granted to employees, Directors and, in some cases, consultants ("Participants"), provided that incentive stock options may be granted only to employees.

Notwithstanding the shares issued to directors as payment for Board of Director Compensation (see section above), there has been no equity issued to employees, consultants and/or directors in 2019 under the 2007 Equity Incentive Plan.

## PERFORMANCE COMPENSATION AWARDS

The Equity Plan provides the Administrator with the authority, at the time of grant of any Award (other than options and stock appreciation rights granted with an exercise price or grant price equal to or greater than the fair market value per share of stock on the date of the grant), to designate such Award as a performance compensation award in which case, the vesting of such award shall be based on the satisfaction of certain pre-established performance criteria.

## STOCK APPRECIATION RIGHTS

Stock appreciation rights may be granted either alone ("Free Standing Rights") or, provided the requirements of the Equity Plan are satisfied, in tandem with all or part of any option granted under the Equity Plan ("Related Rights"). Upon exercise thereof, the holder of a stock appreciation right would be entitled to receive from us an amount equal to the product of (i) the excess of the fair market value of the Group's common shares on the date of exercise over the exercise price per share specified in such stock appreciation right or its related option, multiplied by (ii) the number of shares for which such stock appreciation right is exercised. The exercise price of a Free Standing Right shall be determined by the Administrator, but shall not be less than 100% of the fair market value of the Group's common shares on the date of grant of such Free Standing Right. A Related Right granted simultaneously with or subsequent to the grant of an option shall have the same exercise price as the related option, shall be transferable only upon the same terms and conditions as the related option, and shall be exercisable only to the same extent as the related option. A stock appreciation right may be settled, at the sole discretion of the Administrator, in cash, common shares or a combination thereof. No stock appreciation rights are currently outstanding.

## CHANGE IN CONTROL

The Group has entered into various loan agreements in which a change in control (as defined in certain Loan Agreements) will result in such loan(s) becoming due and payable immediately upon the occurrence of a change of control. “Change of control” in these various loan agreements in general includes one or more of the following: a) Acquisition of more than 20% of shares by a shareholder or a shareholder group; b) An involuntary change in more than 1/6<sup>th</sup> of the directors; c) An involuntary termination of 2 of 3 persons currently holding positions of General Counsel, Chief Financial Officer and VP Corporate Development (excluding resignations, retirements or terminations for cause); or d) Involuntary removal of more than one incumbent board of directors under certain circumstances.

## AMENDMENT AND TERMINATION

The Group’s Board of Directors may, at any time and from time to time, amend or terminate the Equity Plan. However, except as provided otherwise in the Equity Plan, no amendment shall be effective unless approved by the Group’s shareholders to the extent shareholder approval is necessary to satisfy any applicable law or securities exchange listing requirements. The Administrator at any time, and from time to time, may amend the terms of any one or more Awards; provided, however, that the Administrator may not affect any amendment which would otherwise constitute an impairment of the rights under any Award unless we request the consent of the Participant and the Participant consents in writing.

## EMPLOYMENT AGREEMENTS

This section describes employment agreements that are currently in place effect for Senior Management as defined in the section on Senior Management Compensation.

Albert W. Atallah and Peter LeSar entered into “at will” contracts that are terminable at any time with or without cause with various notice requirements.

Mr. Guggenheim entered into an employment agreement with the Group for a two-year term commencing January 3, 2013 and ending on December 31, 2014. Since January 1, 2015, Mr. Guggenheim is now employed on the same basic terms of his previous contract, which is now subject to a negotiation for extension. Meanwhile, he continues his position as President and CEO in accordance with Board direction.

As previously stated in order to reduce the Group’s cost structure to a level that is sustainable, the Group has taken the following actions in relation to the Executive compensation and employment contracts: The CEO, CFO and General Counsel continue to work 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.

## 2019 PERFORMANCE BONUSES

No performance bonuses were paid to officers during 2019.



## Chapter 6: Investor Relations, Shares & Dividends

The following table sets forth information regarding the beneficial ownership of the Group's common shares as of December 31, 2019 by:

- Each person or entity that we know is more than a 5% beneficial owner;
- Each Director or executive officer who beneficially owns more than 1% equity interest; and
- All of the Group's Directors and executive officers as a group (including those that are no longer executive officers as of December 31, 2019).

All holders of the Group's common stock have the same voting rights. Beneficial ownership generally includes any interest over which a person exercises sole or shared voting or investment power.

<b>Name</b>	<b>Country of residence</b>	<b>Position</b>	<b>Approximate # of common shares beneficially owned, directly or indirectly, or controlled or directed <sup>(4)</sup></b>	<b>Percentage of issued and outstanding shares as of December 31, 2019 <sup>(1)</sup></b>
Salomon Guggenheim <sup>(3)</sup>	Switzerland	President-Director	2,838,353	10.10%
Albert Atallah	United States	General Counsel	1,274,837	4.54%
Peter LeSar	United States	Chief Financial Officer	1,290,836	4.59%
George Gruenberg <sup>(2)</sup>	Peru	Independent Director	615,063	2.19%
Stephan Fitch <sup>(2)</sup>	United Kingdom	Independent Director	183,956	0.65%
<b>Total</b>			<b>6,203,045</b>	<b>22.07%</b>

<sup>(1)</sup> Percentage based on 28,103,707 issued and outstanding shares as of December 31, 2019.

<sup>(2)</sup> Member of the Audit, Compensation, Investment and Nominating and Governance Committees.

<sup>(3)</sup> Member of the Investment Committee.

<sup>(4)</sup> Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at December 31, 2019, is based on information furnished to Thunderbird by individual Directors and officers.

## Conflicts of Interest

There are no conflicts of interest or potential conflicts of interest exist between the private interests of any other officer or director of the Group and their duties to the Group.

## Related Party Transactions

Below are the related party transactions involving Officers and Directors.

**Salomon Guggenheim (Director).** Mr. Guggenheim was a Director of the Group in all of 2012 and Chairman from June 2012 through December 2012. In such capacity, he received aggregate advisor fees of \$78,000 in 2012. In addition, Mr. Guggenheim is a director and not a beneficial owner in a company called India Ltd., a corporation formed under the laws of St. Vincent and the Grenadines. India Ltd. entered into several transactions with the Group's various subsidiaries including: a) Direct lender to the Group's affiliate operations in the amount of \$100 thousand to Daman Hospitality Private Limited, an India company; and b) Taking assignment of loans made by certain lenders to several of the Group's subsidiaries, including \$500 thousand to Poland, \$120 thousand to corporate entities, \$1.0 million to Peru and \$8.2 thousand to Costa Rica.

**Other Related Party Transactions.** For information regarding related party transactions with joint ventures and with partners in the Group's operating entities, see Note 20 to the Group's consolidated financial statements for the year ended December 31, 2019, incorporated herein by reference.

## Description of Securities

### GENERAL

The Group was registered in the British Virgin Islands on October 6, 2006 as a British Virgin Islands Business Company, number 1055634. Prior to such registration, the Group was incorporated under the laws of the Province of British Columbia, Canada, on September 4, 1987 under the name "Winters Gold Hedley Ltd." On August 26, 1993, the Group changed its name to "Regal Gold Corporation." On June 23, 1994, the Group changed its name to "International Thunderbird Gaming Corporation." On February 5, 1999, the Group converted, by continuing its charter documents, from a British Columbia, Canadian corporation to a Yukon, Canadian corporation. On July 12, 2005, the Group changed its name to "Thunderbird Resorts Inc." On October 6, 2006 the Company moved its domicile and reincorporated (by continuing its charter documents) in the British Virgin Islands.

We comply with the British Virgin Islands' corporate governance requirements. Pursuant to our Memorandum of Association, the Group has the authority to issue an aggregate of 1.0 billion shares of capital stock, consisting of 500 million no par value common shares, and 500 million no par value preferred shares. The shares are governed by the laws of the British Virgin Islands. The Group's common shares are listed on Euronext Amsterdam under the symbol "TBIRD."

## COMMON SHARES AND OPTIONS

As of December 31, 2019, we had 28,103,707 common shares outstanding, ISIN VGG885761061; each common share is fully paid. The Group's common shares do not have a conversion feature. The number of outstanding common shares as stated above may be impacted in the future by issuance of common shares available for future issuances under the Group's 2007 equity incentive plan.

## Organizational Documents

The Group's organizational documents consist of the Group's Memorandum of Association and the Group's Articles of Association which contain relevant information, including without limitation, meeting of the board or directors, meeting of shareholders, distributions, issuance of stock (both preferred and common) liability and indemnification of officers and directors, borrowing of money, election and removal of directors, the lack of pre-emptive rights for shareholders, limited rights for shareholders to call a meeting, and distribution of assets on liquidation. Certain material provisions are set forth below:

- Holders of common shares are each entitled to cast one vote for each share held at a meeting of the shareholders or on any resolution of the shareholders. We have not provided for cumulative voting for the election of Directors in our Memorandum and Articles of Association. This means that the holders of a majority of the shares voted can elect all of the Directors then standing for election. The holders of outstanding common shares are entitled to receive an equal share in any dividend paid out of assets legally available for the payment of dividends at the times and in the amounts as the Group's Board of Directors from time to time may determine. Upon the Group's liquidation, holders of common shares are entitled to an equal share in the distribution of surplus assets. The Group's common shares are not entitled to preemptive rights and are not subject to conversion into any other class of shares. We may purchase, redeem, or otherwise acquire any of our own shares for fair value. However, no purchase, redemption, or other acquisition of shares can be made unless the Directors determine that, immediately after the acquisition, the value of our assets will exceed our liabilities, and we will be able to pay our debts as they fall due.
- Preferred shares may be issued in one or more series, and our Board of Directors is authorized to provide for the issuance of preferred shares in series, to establish the number of shares to be included in each series, to fix the rights, designation, preferences and powers of the shares of each series and its qualifications, limitations and restrictions.
- If the Group's common or preferred shares are divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of the shares of that class) may be changed only with the consent in writing of the holders of a majority of the issued shares of that class or series and of the holders of a majority of the issued shares of any other class or series of shares which may be affected by such variation.
- **Dividend Policy:** We have never paid any cash dividends on the Group's common shares, and we do not expect to declare or pay any cash or other dividends in the foreseeable future. We may enter into credit agreements or other borrowing arrangements in the future that restrict the Group's ability to declare cash dividends on our common shares. If our Board of Directors ever elects to declare a

dividend, such dividend will be paid to shareholders of record out of legally available funds, and may be paid annually, semi-annually or quarterly, as determined by the Group's Board of Directors. Any such declaration of dividends and any other payments by us, as determined by the Group's Board of Directors, will be announced by us in a national daily newspaper distributed throughout the Netherlands, and in the Official Daily List of Euronext.

- **Compulsory Transfer of Shares:** The Group's Board of Directors has the ability under certain circumstances to force a transfer of common shares in the manner described below, provided, however, that such forced transfer (including any change to the Company's register of members) would occur at the direction of the Group without interference with the purchase, sale, or settlement of the Company's common shares on Euronext Amsterdam or without interference with the settlement of such shares through any settlement system, including Euroclear Nederland and Euroclear Bank (for the sake of clarity, as a result of the foregoing there will be no null and void trades on Euronext Amsterdam or settlement of such trades through Euroclear Nederland and/or Euroclear Bank). If it comes to the notice of the Group's Board of Directors that any common shares:
  - a) Are or may be owned or held directly or beneficially by any person in breach of any law, rule, regulation or requirement applicable to us of any jurisdiction in which we operate or by virtue of which such person is not qualified to own those shares and, in the sole and conclusive determination of the Board of Directors, such ownership or holding or continued ownership or holding of those shares (whether on its own or in conjunction with any other circumstance appearing to the board to be relevant) would in the reasonable opinion of the Board of Directors, cause a significant pecuniary disadvantage to us which we might not otherwise have suffered or incurred; or
  - b) Are or may be owned or held directly or beneficially by any person that is an "employee benefit plan" subject to the fiduciary provisions of Title I of ERISA, a plan subject to the prohibited transaction provisions of Section 4975 of the Code, a person or entity whose assets include the assets of any such "employee benefit plan" or "plan" by reason of the DOL Plan Asset Regulations or otherwise, or any other employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code and their ownership of the shares means that the investor is a Benefit Plan Investor as that term is defined by the U.S. DOL Plan Asset Regulations and the investor's interest is "significant" under those Regulations, or will result in a non-exempt "prohibited transaction" as defined in ERISA or section 4975 of the Code, the Board of Directors may serve written notice (a "Transfer Notice") upon the person (or any one of such persons where shares are registered in joint names) appearing in the register as the holder (the "Vendor") of any of the shares concerned (the "Relevant Shares") requiring the Vendor within thirty days (or such extended time as in all the circumstances the Board of Directors consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Group's Board of Directors, would not fall within paragraphs (a) or (b) above (such a person being hereinafter called an "Eligible Transferee"). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Shares to which it relates pursuant to the provisions referred to in this paragraph or the following paragraph, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise. If within thirty days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Board of Directors considers reasonable), the Transfer Notice has not been complied with to the satisfaction of the Board of Directors, we may sell the Relevant Shares on behalf of the holder at the best price

reasonably obtainable at the time of sale to any one or more Eligible Transferees. To give effect to a sale, the Board of Directors may authorize in writing the Group's officers or employees to transfer the Relevant Shares on behalf of the holder thereof (or any person who is automatically entitled to the shares by transmission or by law) or to cause the transfer of the Relevant Shares to the Eligible Transferee. An instrument of transfer executed by that person will be as effective as if it had been executed by the holder of or the person entitled by transmission to, the Relevant Shares. An Eligible Transferee is not bound to see to the application of the purchase money and the title of the Eligible Transferee is not affected by any irregularity in or invalidity of the proceedings connected to the sale. The net proceeds of the sale of the Relevant Shares, after payment of our costs of the sale, shall be received by us, and receipt shall be a good discharge for the purchase moneys, and shall belong to us and, upon their receipt, we shall become indebted to the former holder of the Relevant Shares, or the person who is automatically entitled to the Relevant Shares by transmission or by law, for an amount equal to the net proceeds of transfer, in the case of certificated shares, upon surrender by him or them of the certificate for the Relevant Shares which the Vendor shall forthwith be obliged to deliver to us. We are deemed to be a debtor and not a trustee in respect of that amount for the member or other person. No interest is payable on that amount and we are not required to account for money earned on it. The amount may be employed in our business or as we think fit. We may register or cause the registration of the Eligible Transferee as holder of the Relevant Shares and thereupon the Eligible Transferee shall become absolutely entitled thereto. A person who becomes aware that he falls within any of paragraphs (a) or (b) above shall forthwith, unless he has already received a Transfer Notice either transfer the shares to one or more Eligible Transferees or give a request in writing to the Directors for the issue of a Transfer Notice. Every such request shall, in the case of certificated shares, be accompanied by the certificate(s) for the shares to which it relates. Subject to the provisions of our Articles of Association, our Board of Directors will, unless any Director has reason to believe otherwise, be entitled to assume without inquiry that none of the shares are held in such a way as to entitle the Board of Directors to serve a Transfer Notice in respect thereof. The Board of Directors may, however, at any time and from time-to-time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of shares by notice in writing to provide such information and evidence as they require upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than thirty calendar days after service of the notice requiring the same) as may be specified by the Board of Directors in the said notice, the Board of Directors may, in its absolute discretion, treat any share held by such a holder or joint holders or person who is automatically entitled to the shares by transmission or by law as being held in such a way as to entitle them to serve a Transfer Notice in respect thereof. The Board of Directors will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the Board of Director's powers with respect to the compulsory transfer of shares may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of shares by any person or that the true direct or beneficial owner or holder of any shares was otherwise than as appeared to the Board of Directors at the relevant date provided that the said powers have been exercised in good faith.

## BRITISH VIRGIN ISLANDS LAW

The laws of the British Virgin Islands do not contain any limitations on the right of nonresident or foreign owners to hold or vote the Group's common shares. There are no laws, decrees, statutes or other provisions

of the laws of the British Virgin Islands which would operate to prohibit or regulate the remittance of dividends, interest and other payments to nonresident holders of common shares. British Virgin Islands law permits the Group's Board of Directors to modify any of the Group's governing documents without shareholder approval, so long as such modification does not have an adverse effect on the rights of the Group's shareholders. Any modification that would have such an adverse effect requires the approval of holders of at least a majority of our outstanding shares.

## CANADIAN LAW

Prior to July 1, 2009, the Group's common shares were listed on the CNSX. Effective July 1, 2009 and thereafter, at the request of the Company, the Group's shares have been delisted from the CNSX. Though delisted, we continue to be a "reporting issuer" subject to securities laws of British Columbia and Ontario due to the number of the Group's existing Canadian shareholders. Those laws require any 10% holder of a reporting issuer to file reports disclosing that holder's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer, and any changes in that ownership. If they acquire 10% or more of our outstanding common shares, they will be required to file an "insider report form" within ten business days from the date their ownership exceeded 10%, and then within ten business days after any trades or other changes in their holdings of common shares. They would also be required to issue a press release and file a report every time they acquire an additional 2% or more of the Group's common shares.

If a person or entity acquires 20% or more of our outstanding common shares, it would be a "control person" of ours. As such, it would be deemed to be not only knowledgeable about our affairs, but to have the ability, by virtue of its significant equity position, to direct the Group's affairs. Thereafter, any sale by that holder of common shares would be deemed under provincial law to be a distribution, requiring the filing of a prospectus and compliance with other securities disclosure laws.

In addition, if a person or entity acquires 20% or more of the Group's common shares, it will be deemed under provincial securities laws to have made a "take-over bid" and, accordingly, unless it can obtain an exemption, or unless an exemption exists by virtue of the Company's status as a "designated foreign issuer" as described below, that holder would be required to comply with detailed rules governing bids. 20% holders are also required to file insider reports within three calendar days versus the normal 10-day requirement that applies to all other parties required to file insider reports. The provincial securities commission has the right to veto the individual or entity from remaining an insider or control person if the individual or entity is deemed unsuitable to be involved in the Canadian public markets.

Additionally, as a "designated foreign issuer" under Canadian securities laws, the Group's financial reporting requirements can be met by filing on SEDAR the same financial information we provide to and file with the Euronext Amsterdam. Since January 1, 2009, the Group's financial information prepared under IFRS is sufficient to meet the requirements of Canadian securities laws.

## YEARLY AND HALF-YEARLY INFORMATION

As a result of the implementation of the EU Directive 2004/109 of December 15, 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "Transparency Directive"), the Group is required to make its annual financial report available to the public 4 months after the end of each financial year. The annual financial information consists of the audited annual accounts, the annual report, a description of the main risks and



uncertainties facing the Group and a statement by persons within the Group designated by the latter as the “responsible persons,” indicating (i) that the annual accounts give a fair view of the assets and financial position of the Group and, in the case of consolidated accounts, of the enterprises included in the consolidation, and (ii) that the annual report gives a fair view of the Group’s condition on the balance sheet date, the development of the Group and its affiliated companies during the previous financial year and all material risks to which the Group is exposed.

The Group must publish its half-yearly information within two months after the end of the first six months of its financial year. Both the annual and half-yearly financial information must be filed with the AFM and Euronext Amsterdam and must remain publicly available for at least five years.

## INTERIM MANAGEMENT STATEMENTS

As of January 1, 2016 the Group is no longer obligated to publish and file Q1 and Q3 reports. If the Group wishes to publish Q1 and Q3 reports, those interim reports are to be filed as Price-Sensitive Statements via the Portal: <https://www.afmextranet.nl/AFMPortal/logon.aspx?LanguageID=ENG>

## DUTCH TAKEOVER ACT

On October 28, 2007, the Dutch Act implementing the European Directive 2004/25/EC of April 2004 relating to public takeover bids (the “Dutch Takeover Act”) and the rules promulgated thereunder came into force. The provisions of the Dutch Takeover Act are included in the Financial Supervision Act and the rules promulgated thereunder apply to us. In general, under these provisions, we cannot launch a public offer for securities that are admitted to trading on a regulated market, such as the Group’s shares unless an offer document has been approved by the Association of Futures Markets (“AFM”) and has subsequently been published. These public offer rules are intended to ensure that in the event of such a public offer, sufficient information will be made available to the holders of the Group’s securities, that the holders of the Group’s securities will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period. The provisions in the Dutch Takeover Act regarding mandatory takeover bids will not be applicable to us.

## MARKET ABUSE REGIME

The market abuse regime set out in the Financial Supervision Act, which implements the European Union Market Abuse Directive (2003/6/EC), is applicable to us, our Directors, officers, other key employees, the Group’s insiders and persons performing or conducting transactions in the Group’s securities. Market abuse rules set out in the Financial Supervision Act that are relevant for investors are described hereunder.

We make public price-sensitive information, which is information that is concrete and that directly concerns us which information has not been publicly disclosed and whose public disclosure might significantly affect the price of the shares or derivative securities, such as the options and warrants. We must also provide the AFM with this information at the time of publishing the Prospectus. Further, we must immediately publish the information on the Group’s website and keep it available on the Group’s website for at least one year.

## DISCLOSURE OF HOLDINGS

The following provisions apply to us and to the Group’s shareholders:



- If the substantial holding or short position of a shareholder equals or exceeds 3% of the issued capital, the shareholder should report this. Subsequently, the shareholder should notify the AFM again when the substantial holding or short position consequently reaches, exceeds or falls below a threshold. This can be caused by the acquisition or disposal of shares by the shareholder or because the issued capital of the issuing institution is increased or decreased. Thresholds are: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. The duty to notify applies to legal entities and to natural persons.
- We are required to notify the AFM of any changes in the Group's outstanding share capital, including in the case of redemption of shares, and any amendment to the Group's Articles of Association regarding voting rights. The AFM will publish any notification in a public registry. If, as a result of such change, a person's interest in the Group's capital or voting rights passively reaches or crosses the thresholds mentioned in the above paragraph, the person in question must immediately give written notice to the AFM no later than the 4<sup>th</sup> trading day after the AFM has published the Group's notification.

## TRANSFER AGENT AND REGISTRAR

The Group's transfer agent and registrar for the Group's common shares is Computershare, Inc., 510 Burrard Street, 3<sup>rd</sup> Floor, Vancouver, British Columbia, Canada V6C 3B9.

## PAYING AGENT

ING Commercial Banking, Paying Agent Services, location code: TRC 01.013, Foppingadreef 7, 1102 BD Amsterdam, the Netherlands.

## SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

We are incorporated under the laws of the British Virgin Islands. Certain members of the Group's Board of Directors are not residents of the United States, and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for the Group's shareholders to effect service of process in the United States on persons who are not U.S. residents or to enforce in the United States judgments obtained in the United States against us or persons who are not U.S. residents based on the civil liability provisions of the U.S. securities laws. We have been advised by the Group's British Virgin Islands counsel, O'Neal Webster, that there is doubt as to the direct enforceability in the British Virgin Islands of civil liabilities predicated upon the securities laws of other foreign jurisdictions.

## AVAILABILITY OF DOCUMENTS

This Annual Report may also be inspected through the Euronext website ([www.euronext.com](http://www.euronext.com)) by Dutch residents only or through the website of the Netherlands Authority for the Financial Markets ([www.afm.nl](http://www.afm.nl)). This Annual Report may be obtained on the Group's website ([www.thunderbirdresorts.com](http://www.thunderbirdresorts.com)). In addition, for so long as common shares are listed for trading on Euronext Amsterdam, the following documents (or copies thereof), where applicable, may be obtained free of charge (1) by sending a request in writing to us at Apartado 0823-00514, Panama City, Panama, (2) by emailing us at the following address [info@thunderbirdresorts.com](mailto:info@thunderbirdresorts.com), or (3) at the offices of the Group's local paying agent ING Commercial Banking, location code: TRC 01.013, Foppingadreef 7, 1102 BD Amsterdam, the Netherlands (Tel: + 31 20 563 6619, Fax: + 31 20 563 6959, Email: [iss.pas@ing.nl](mailto:iss.pas@ing.nl))

- (a) This Annual Report and the Group's Memorandum and Articles of Association.
- (b) All reports, letters, other documents, historical financial information (such as the Group's 2019, 2018, 2017, 2016, 2015 and 2014 consolidated financial statements), valuations and statements prepared by an expert at the Group's request, any part of which is included or referred to in this Annual Report.

## Chapter 7: 2019 Consolidated Financial Statements & Report of the Independent Auditors

## Report of the Independent Auditors

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To the Shareholders and Board of Directors of Thunderbird Resorts Inc, British Virgin Island

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Thunderbird Resorts Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

#### Emphasis of Matters – going concern and Covid-19 pandemic

We draw attention to Note 2 Management Statement on Going Concern and Note 29 Subsequent Events of the consolidated financial statements, which sets out the uncertainties relating to the going concern assumptions and the impact of the Covid-19 pandemic on the Group's activities. We have assessed the considerations related to the impact of the outbreak and the uncertainties involved and concluded that these have been adequately disclosed under the circumstances. Due to the uncertainty about what the ultimate economic impact of the Covid-19 pandemic will be, there is also much uncertainty surrounding this note.

Based on our work performed and the audit information obtained, taking into consideration the uncertainties that exist at the time of issue of this auditor's opinion, we believe that management has assessed the situation and its impact on the consolidated financial statements adequately and has correctly prepared the consolidated financial statements on the going concern basis. Based on this, and in accordance with the applicable auditing standards, we provided an unqualified opinion with an emphasis of matter paragraph.

We have not modified our report in this respect.

#### Emphasis of Matters – contingencies

We draw your attention to Note 22 – Contingencies to the consolidated financial statements which describes the regulatory and tax legislation in the jurisdictions in which the Group operates. The ultimate outcome of the matters disclosed in note 22 cannot presently be determined, and no provision for any liability has been made in the consolidated financial statements, except for those for which a settlement has been reached.

We have not modified our report in this respect.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

### Key Audit Matters

### How we responded to these matters

#### Gaming revenue recognition

The Group enters in to high volumes of cash due to gaming revenues generated in the casinos, which is approximately 76% of the total revenue. Auditing standards prescribe a presumed risk of fraud in revenue recognition in that revenue may be misstated through improper recognition.

We have therefore identified gaming revenue recognition as a key audit matter requiring special audit consideration.

- Evaluating design, effectiveness and implementation of internal procedures and internal controls relating to the Group's gaming revenues.
- Compliance testing of key controls relating to the Group's gaming revenues.
- Reviewing internal controls tested by Internal Audit Department and reviewing surveillance and security reports
- Reconciling revenues from slot machines and table games with accounting records and bank receipts.
- Performing substantive analytical review based on actual figures in relation to expectations and the forecast.

#### Food, beverage and hospitality revenue recognition

The remaining revenue is from renting hotel rooms and office spaces and sale of food and beverage. Auditing standards prescribe a presumed risk of fraud in revenue recognition in that revenue may be misstated through improper recognition.

- Evaluating design, effectiveness and implementation of internal procedures and internal controls relating to the Group's revenues from food, beverage and hospitality.

We have therefore identified revenue recognition from the above-mentioned services and sales as a key audit matter requiring special audit consideration

- Compliance testing of key controls relating to the Group's revenues from food, beverage and hospitality.
- Performing substantive analytical review based on actual figures in relation to expectations and the forecasts.

### Impairment of intangible assets, goodwill and non-current assets

Intangible assets and goodwill – the value of goodwill may be overstated and therefore irrecoverable.

Property, Plant and Equipment is stated at acquired cost less depreciation and impairment.

As the Going concern is a key audit matter as set out below, a yearly assessment of impairment and forecasting models and available appraisal report is done by management. Therefore, we consider impairment testing a key audit matter requiring special audit consideration.

- We have reviewed the models used by management to determine the value in use for assets tested for impairment. We have assessed the appropriateness of the assumptions used, including support for the assumptions.
- We have concluded that the models used are appropriate and consistently applied. We have determined that the data arrays are consistent with current year's performance and that growth assumptions are acceptable. The determination of discount rates used are consistent with prior years.
- We have also performed a sensitivity analysis.
- We have also used recent appraisals to determine the market value of the Property, Plant and Equipment in order to assess possible impairments.

### Going concern

The Group has a negative equity and a negative result for this year. A yearly assessment of the going concern assumption is a key audit matter. The recent outbreak of the Covid-19 has impacted mayor parts of the world and has affected the economies of the countries in which the Group operates. Management has performed an assessment of the Group's ability to continue as a going concern, taking into consideration the developments and uncertainties related to the Covid-19, in addition to its yearly assessment of the going concern assumption. Management performed a sensitivity analysis and disclosed the possible impact of these scenarios on its financial position and its performance in note 2 Management Statement on Going Concern and note 29 Subsequent Events. Management is of the opinion that the going concern basis of accounting is acceptable.

We have therefore identified the Going concern as a key audit matter requiring special audit consideration.

We have discussed the developments with management and management's considerations related to the Covid-19 virus and its impact on the Group's operations and possible impact on the consolidated financial statements and going concern basis of accounting. Given the unpredictability and uncertainties of the potential impact of the coronavirus outbreak, an assessment about the future is difficult due to limited information. Based on our work performed and our discussions with management we conclude that the event and its possible impact have been adequately disclosed in the consolidated financial statements in the subsequent events note. Given the inherent uncertainties related to the outbreak, it is not possible to determine the impact on the Group. We believe that management has assessed the situation and its impact on the consolidated financial statements adequately and has correctly prepared the consolidated financial statement on the going concern basis.

## Materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We have determined materiality for the audit of the Group's consolidated financial statements as a whole to be US\$221,000, which is based on gross revenues. This basis is considered the most appropriate because this is a key performance measure used by the directors to report to investors on the financial position of the Group.

To each component in our audit scope, we allocate, based on our judgement, materiality that is less than our overall group materiality. The range of materiality allocated across components was between US\$ 80,000 and US\$ 95,000.

We have determined the threshold at which we will communicate misstatements to the audit committee to be US\$25,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

## Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Curacao, June 30, 2020

A handwritten signature in blue ink, appearing to read "Baker Tilly", is positioned above the printed name.

Baker Tilly

V.T.M. Bergisch RA

## Financial Statements

### THUNDERBIRD RESORTS, INC.

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of United States dollars)

For the year ended December 31, 2019

	2019	2018
<b>Assets</b>		
<i>Non-current assets</i>		
Property, plant and equipment (Note 10)	\$ 15,596	\$ 13,523
Investment accounted for using the equity method (Note 27)	2,505	2,293
Intangible assets (Note 9)	1,428	1,479
Deferred tax asset (Note 8)	614	31
Trade and other receivables (Note 12)	819	804
Due from related parties (Note 20)	305	297
Total non-current assets	21,267	18,427
<i>Current assets</i>		
Trade and other receivables (Note 12)	774	1,834
Due from related parties (Note 20)	1,949	1,906
Inventories (Note 13)	213	185
Restricted cash (Note 14)	1,137	861
Cash and cash equivalents (Note 14)	1,467	2,414
Total current assets	5,540	7,200
<b>Total assets</b>	<b>\$ 26,807</b>	<b>\$ 25,627</b>

- continued -

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

**THUNDERBIRD RESORTS, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
 (Expressed in thousands of United States dollars)  
 For the year ended December 31, 2019

	2019	2018
<b>Equity and liabilities</b>		
<i>Capital and reserves</i>		
Share capital (Note 18)	111,673	111,673
Retained earnings	(107,513)	(105,236)
Translation reserve	(6,906)	(7,349)
Equity attributable to equity holders of the parent	(2,746)	(912)
Non-controlling interest	2,785	2,800
Total equity	39	1,888
<i>Non-current liabilities</i>		
Borrowings (Note 16)	4,570	5,989
Obligations under leases and hire purchase contracts (Note 21)	4,464	2
Deferred tax liabilities (Note 8)	47	19
Provisions (Note 17)	1,467	1,539
Trade and other payables (Note 15)	226	224
Total non-current liabilities	10,774	7,773
<i>Current liabilities</i>		
Trade and other payables (Note 15)	5,417	5,961
Due to related parties (Note 20)	1,121	1,377
Borrowings (Note 16)	7,891	6,181
Obligations under leases and hire purchase contracts (Note 21)	367	4
Other financial liabilities (Note 24)	426	396
Current tax liabilities	476	1,539
Provisions (Note 17)	296	508
Total current liabilities	15,994	15,966
Total liabilities	26,768	23,739
<b>Total equity and liabilities</b>	<b>\$ 26,807</b>	<b>\$ 25,627</b>

The consolidated financial statements were approved by the Board of Directors on June 30, 2020.



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

**THUNDERBIRD RESORTS, INC.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 (Expressed in thousands of United States dollars)  
 For the year ended December 31, 2019

	2019	2018
Net gaming wins	\$ 10,727	\$ 11,967
Food, beverage and hospitality sales	4,473	5,273
<b>Total revenue</b>	<b>15,200</b>	<b>17,240</b>
Cost of goods sold	(4,681)	(5,240)
<b>Gross profit</b>	<b>10,519</b>	<b>12,000</b>
<b>Other operating costs</b>		
Operating, general and administrative	(7,706)	(11,078)
Depreciation and amortization	(2,255)	(2,097)
Other losses (Note 5)	(217)	(203)
<b>Operating profit / (loss)</b>	<b>341</b>	<b>(1,378)</b>
Share of profit / (loss) from equity accounted investments (Note 27)	72	(171)
<b>Financing</b>		
Foreign exchange (loss) / gain	(490)	581
Financing costs (Note 7)	(1,850)	(2,307)
Financing income (Note 7)	201	146
Other interest (Note 7)	(56)	(1)
Finance costs, net	(2,195)	(1,581)
<b>Loss before tax</b>	<b>(1,782)</b>	<b>(3,130)</b>
<b>Income taxes expense</b>		
Current	(402)	(1,522)
Deferred	358	35
Income taxes expense	(44)	(1,487)
<b>Loss for the year from continuing operations</b>	<b>\$ (1,826)</b>	<b>\$ (4,617)</b>
Gain for the year from discontinued operations (Note 11)	-	16,634
<b>(Loss) / profit for the year</b>	<b>\$ (1,826)</b>	<b>\$ 12,017</b>

- continued -

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

**THUNDERBIRD RESORTS, INC.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**  
 (Expressed in thousands of United States dollars)  
 For the year ended December 31, 2019

	<b>2019</b>	<b>2018</b>
<b>Other comprehensive income (amounts, which will be recycled)</b>		
Exchange differences arising on the translation of foreign operations	\$ 443	\$ (1,965)
Remeasurement of employee benefits	(46)	-
Income tax relating to remeasurement of employee benefits	154	-
<b>Other comprehensive income for the year</b>	<b>551</b>	<b>(1,965)</b>
<b>Total comprehensive income for the year</b>	<b>\$ (1,275)</b>	<b>\$ 10,052</b>
<b>(Loss) / Gain for the year attributable to:</b>		
Owners of the parent	(1,945)	11,952
Non-controlling interest	119	65
	<b>\$ (1,826)</b>	<b>\$ 12,017</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	(1,442)	9,987
Non-controlling interest	167	65
	<b>\$ (1,275)</b>	<b>\$ 10,052</b>
<b>Basic and diluted loss per share (in \$) : (Note 19)</b>		
Loss from continuing operations	(0.07)	(0.16)
Gain from discontinued operations	-	0.59
<b>Total</b>	<b>(0.07)</b>	<b>0.43</b>

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

**THUNDERBIRD RESORTS, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(Expressed in thousands of United States dollars)  
For the year ended December 31, 2019

	Attributable to equity holders of parent							Non-controlling interest	Total equity
	Share capital	Share options reserve	Currency translation reserve	Retained earnings	Total				
<b>Balance at January 1, 2018</b>	\$ 111,721	\$ -	\$ (5,384)	\$ (117,188)	\$ (10,851)	\$ 2,735		\$ (8,116)	
<b>Transactions with owners:</b>									
Release of share commitments	(48)	-	-	-	(48)	-		(48)	
	<u>\$ (48)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48)</u>	<u>\$ -</u>		<u>\$ (48)</u>	
Profit for the year	-	-	-	11,952	11,952	65		12,017	
<b>Other comprehensive income:</b>									
Exchange differences arising on translation of foreign operations	-	-	(1,965)	-	(1,965)	-		(1,965)	
Total comprehensive income for the year	-	-	(1,965)	11,952	9,987	65		10,052	
<b>Balance at December 31, 2018</b>	<u>\$ 111,673</u>	<u>\$ -</u>	<u>\$ (7,349)</u>	<u>\$ (105,236)</u>	<u>\$ (912)</u>	<u>\$ 2,800</u>		<u>\$ 1,888</u>	

	Attributable to equity holders of parent							Non-controlling interest	Total equity
	Share capital	Share options reserve	Currency translation reserve	Retained earnings	Total				
<b>Balance at January 1, 2019</b>	\$ 111,673	\$ -	\$ (7,349)	\$ (105,236)	\$ (912)	\$ 2,800		\$ 1,888	
Adjustment from adoption of IFRS 16	-	-	-	(392)	(392)	-		(392)	
Adjusted Balance at January 1, 2019	<u>\$ 111,673</u>	<u>\$ -</u>	<u>\$ (7,349)</u>	<u>\$ (105,628)</u>	<u>\$ (1,304)</u>	<u>\$ 2,800</u>		<u>\$ 1,496</u>	
<b>Transactions with owners:</b>									
Payment of dividends	-	-	-	-	-	(182)		(182)	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (182)</u>		<u>\$ (182)</u>	
Profit / (loss) for the year	-	-	-	(1,945)	(1,945)	119		(1,826)	
<b>Other comprehensive income:</b>									
Exchange differences arising on translation of foreign operations	-	-	443	-	443	-		443	
Remeasurement of employee benefits	-	-	-	60	60	48		108	
Total comprehensive income for the year	-	-	443	(1,885)	(1,442)	167		(1,275)	
<b>Balance at December 31, 2019</b>	<u>\$ 111,673</u>	<u>\$ -</u>	<u>\$ (6,906)</u>	<u>\$ (107,513)</u>	<u>\$ (2,746)</u>	<u>\$ 2,785</u>		<u>\$ 39</u>	

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

**THUNDERBIRD RESORTS, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in thousands of United States dollars)  
For the year ended December 31, 2019

	<b>2019</b>	<b>2018</b>
	<hr/>	<hr/>
<b>Cash flow from operating activities</b>		
Loss for the year	\$ (1,826)	\$ (4,617)
Adjustments for:		
Depreciation and amortization	2,255	2,097
Unrealized foreign exchange	472	480
Decrease in provision	(282)	(202)
Bad debt expense	(3)	-
Other losses	63	25
Gain on derivative financial instruments	(7)	(5)
Share based payments	-	(48)
Finance income	(201)	(146)
Finance cost	1,850	2,307
Other interests	56	1
Results from equity accounted investments	(72)	171
Tax expenses	44	1,487
<b>Net change in non-cash working capital items</b>		
Increase / (decrease) in trade, prepaid and other receivables	1,054	(2,288)
Decrease in inventory	(36)	(4)
Increase in trade payables and accrued liabilities	(646)	(329)
<b>Cash used in operations</b>	<hr/> 2,721	<hr/> (1,071)
Total tax paid	(1,349)	(864)
Net cash generated / (used) by continuing operations	<hr/> 1,372	<hr/> (1,935)
Net cash generated by discontinued operations	-	51
<b>Net cash generated / (used) by operating activities</b>	<hr/> <b>\$ 1,372</b>	<hr/> <b>\$ (1,884)</b>

- continued -

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

**THUNDERBIRD RESORTS, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
 (Expressed in thousands of United States dollars)  
 For the year ended December 31, 2019

	<b>2019</b>	<b>2018</b>
<b>Cash flow from investing activities</b>		
Expenditure on property, plant and equipment	-	145
Proceeds on sale of property, plant and equipment	10	-
Proceeds on sale of Peru Casino operation, net of cash disposed	-	24,172
Cost of sale of Peru Casino operation	-	(649)
Interest received	201	146
<b>Net cash from investing activities</b>	<b>\$ 211</b>	<b>\$ 23,814</b>
<b>Cash flow from financing activities</b>		
Dividends paid to non-controlling interest	(182)	-
Proceeds from issue of new loans	1,039	5,100
Repayment of loans and leases payable	(1,691)	(24,425)
Interest paid	(1,356)	(3,054)
<b>Net cash used in financing activities</b>	<b>\$ (2,190)</b>	<b>\$ (22,379)</b>
<b>Net change in cash and cash equivalents during the year</b>	<b>(607)</b>	<b>(449)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>3,275</b>	<b>3,910</b>
Effect of foreign exchange adjustment	(64)	(186)
Included in disposal group (Note 11)	-	-
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 2,604</b>	<b>\$ 3,275</b>

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



# Notes to the Consolidated Financial Statements

## 1. BASIS OF PREPARATION OF THE 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 a Hotel.

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 ultimate parent company, is a limited liability company incorporated and domiciled in the British Virgin Islands, number 1055634.

The Group's common shares are listed on Euronext Amsterdam under the symbol “TBIRD.”

The Group's 2019 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3, page 59.

In 2019 the Group has adopted new guidance for the recognition of leases (see Note 3 below). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at January 1, 2019 being recognized as a single adjustment to retained

earnings. Accordingly, the Group is not required to present a third statement of financial position as at that date.

## 2. MANAGEMENT STATEMENT ON “GOING CONCERN”

This statement is made taking into account the global health crisis and economic fallout caused by the pandemic Covid-19. There is instability in our markets and globally that could impact on Group activities in ways that are currently unpredictable. We have taken measures already to adjust for the current conditions, which measures can be found on pages 15-16 under Other Group Events. To account for the unpredictable conditions, in forecasting future cash flows in our assessment of Going Concern, Management has made certain extraordinary assumptions. Specifically, we have:

1. Forecasted a materially negative impact on revenue for the years 2020 and 2021, with revenues returning to 2019 levels only as of 2022.
2. Forecasted expenses to remain approximately at the levels they are as on date of publication of this 2019 Annual Report, meaning we are assuming (for Going Concern assessment only) that the Group has no more flexibility to drive down expenses further.
3. Assumed that: a) A portion of our secured debt will be restructured as an interest-only loan through 2021; and b) Our remaining unsecured debt will be deferred and repaid against liquidity events.
4. Assumed no development nor material construction, but do assume some repurposing of existing real estate to accommodate for changes in demand.
5. Forecasted no extraordinary one-time events that may impact positively or negatively on the Group's cash flows, though such events are possible particularly given the environment.
6. Assumed a stable regulatory environment in all countries with existing operations, and have forecasted receiving no governmental support apart from what has already been received as described in Other Group Events on pages 15 and 16.

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 this 2019 Annual Report. In arriving at this judgment, Management has prepared the cash flow projections of the Group.

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. Specifically, Directors have considered: (i) there are probably no sources of new financing available to the Group; (ii) the Group has limited trading exposures to our local suppliers and retail customers; (iii) other risks to which the Group is exposed, the most significant of which is considered to be regulatory risk; (iv) sources of Group income, including management fees charged to and income distributed from its

various operations; (v) cash generation and debt amortization levels; (vi) fundamental trends of the Group's businesses; (vii) ability to re-amortize and unsecured lenders; and (viii) 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:

- **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.
- **Corporate Expense and Cash Flow:** Corporate expense has decreased materially in recent years, and continues to decrease, but still must accommodate for compliance as a public company.
- **Liquidity and Working Capital:** As of the date of publication of this 2019 Annual Report, the Group forecasts operating with lower levels of reserves and working capital through the end of 2020 as compared to the previous year. Selling assets 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 at least the 12 months following the filing date of this report. For these reasons, Management and Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 New Standard adopted as of January 1, 2019

##### IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being January 1, 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at

the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 15.36%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at January 1, 2019:

	Carrying amount at December 31, 2018	Remeasurement	IFRS 16 Carrying amount at January 1, 2019
Property, plant and equipment	13,523	4,491	18,014
Lease liabilities	(204)	(5,136)	(5,340)
Deferred tax asset	31	253	284
<b>Total</b>	<b>\$ 13,350</b>	<b>\$ (392)</b>	<b>\$ 12,958</b>

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019:

<b>Total operating lease commitments disclosed at December 31, 2018</b>	<b>\$</b>	<b>7,740</b>
Recognition exemptions:		(4)
Leases of low value		-
Operating lease liability before discounting		7,736
Discounted using incremental borrowing rate		(2,402)
Operating lease liability		5,334
Finance lease obligations		6
Reasonably certain extension options		-
<b>Total lease obligations recognized under IFRS 16 at January 1, 2019</b>	<b>\$</b>	<b>5,340</b>

Other accounting pronouncements which have become effective from January 1, 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following new Standards and Interpretations, which are yet to become mandatory, have not been adopted early by the Group

Effective January 1, 2021:

- IFRS 17 Insurance Contracts
- IFRS 10 and IAS 18 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, or after the date of finalization IASB's research project on the equity method

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### 3.3 Summary of accounting policies

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

A summary of the Group's significant accounting policies is set out below.

#### Critical accounting estimates and judgments

The preparation of financial statements with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below. The best estimates of the Directors may differ from the actual results.

3.3 a	Depreciable lives of assets and realisable residual value	10
3.3 b	Future operating results growth rates, and discount factor applied	9
3.3 c	Recognition of deferred tax asset	8
3.3 e	Determination of control over economic activities	27
	Recoverability of amounts due from related parties	20
3.3 h	Judgments on probability of payment as a result of disputes	17
3.3 i	Assessment of significance of debt modifications	16

#### a. Property, plant and equipment

All property, plant and equipment is stated at acquired cost less depreciation and impairment. Land is not depreciated as no finite useful life can be determined. Acquired cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation on assets is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

Properties	20 – 30 years
Furniture and equipment	3 – 10 years
Gaming machines	5 – 10 years
Leasehold improvements	over the lease term

Profits and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, borrowing costs, and other direct costs. The assets are not depreciated until such time that the assets are completed and available for use. Transfers are made from the construction in progress category to the appropriate property, plant and equipment asset categories when the construction of the asset has been substantially completed.

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2019, Management assesses that the useful lives represent the expected

utility of the assets of the Group. The carrying amounts are analyzed in Notes 9 and 10. Actual results, however, may vary due to obsolescence.

**b. Impairment testing of intangible assets and property, plant and equipment**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which Management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, as set out in Note 9.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect Management's assessment of respective risk profiles, such as market and asset-specific risks factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Impairment losses of continuing operations are recognized in statement of comprehensive income in those expense categories consistent with the function of the impaired asset under review.

**c. Taxation including deferred tax**

The income tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current tax is applied to taxable profits at the prevailing rate in the relevant country.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the

reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Deferred tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if deferred tax arises from the initial recognition of goodwill it is not recognized, nor is deferred tax arising on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Withholding taxes on earnings of foreign operations are provided in the accounts only to the extent earnings are expected to be repatriated.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Management's assessment over the probability of future taxable income in which deferred tax assets can be utilized is based on forecasts. The tax rules in the jurisdictions in which the Group operates are also taken into consideration. The recognition of deferred tax assets subject to legal or economic uncertainties are assessed by Management on the individual facts and circumstances.

#### **d. Reporting and foreign currency translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US-dollars, which is also the Parent Company's functional currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency of each individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in financing costs.



When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### (c) Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency other than the presentation currency are translated into the presentation currency on consolidation as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at each reporting date.
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) for the period presented.
- (iii) All resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of equity.

When a foreign operation is disposed of or control is lost, the cumulative amount of the exchange differences relating to that operation accumulated in the separate component of equity is reclassified from equity to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

### e. Consolidation

The Group's consolidated financial statements consolidate the financial statements of Thunderbird Resorts Inc. and the entities it controls drawn up to December 31, 2019 and its comparative periods.

#### (a) Subsidiaries

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group subsidiaries are eliminated. Unrealized losses are also eliminated unless the

transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the consolidated statement of financial position, from parent shareholders' equity.

**(b) Business combinations**

The Group applies the acquisition method of accounting when accounting for business combinations. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are charged to profit or loss as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets for the subsidiary acquired, the difference is recognized directly in profit or loss.

**(c) Investment in Joint ventures and associates**

The Group has contractual arrangements with other parties which represent joint ventures. In this case, the arrangements take the form of agreements to share control over economic activities in the Costa Rican operations. Strategic financial and operating decisions relating to these operations require the unanimous consent of both parties.

Investments in associates and joint ventures are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognized separately and is included in the amount recognized as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealized gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

## f. Intangible assets

### (a) Goodwill

Goodwill represents the excess of the fair value of consideration transferred in a business combination over the fair value of the Group's share of the net identifiable assets at the date of the business combinations and is not amortized. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### (b) Casino and other gaming licenses

The Group capitalizes the cost to acquire casino and other gaming licenses. These costs are amortized over the term of the license.

### (c) Software and software licenses

The Group includes acquired and internally developed software used in operations or administration as intangible assets. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful life. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 9. The following useful lives are applied:

Software	2 – 5 years
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Amortization has been included within depreciation, amortization and impairment of non-financial assets'. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software.

## g. Leases

As described in Note 3.1, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

### Accounting policy applicable from January 1, 2019

#### The Group as a lessee

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether or not:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

### **Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in Obligations under leases and hire purchase contracts.

### Accounting policy applicable before January 1, 2019

Leases are tested to determine whether the lease is a finance lease or an operating lease, and are treated accordingly. Property leases comprising a lease of land and a lease of a building within a single contract are split into its component parts before testing.

#### (a) Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other long term borrowings. The interest element of the finance cost is charged to profit or loss over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

#### (b) Operating leases

All leases which are not classified as finance leases, and where the Group does not have substantially all the risks and rewards of ownership, are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the lease term.

### h. Provisions

#### (a) Employee benefits

The Group recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the Group's profits. The Group recognizes a provision where it is contractually obliged to pay the benefits, and/or where there is a past practice that has created a constructive obligation.

#### Defined Benefit Obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increase. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

#### (b) Other

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably

estimated. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the end of each reporting period.

**(c) Litigation provisions**

The Group provides against various litigation proceedings once judgments are rendered against it, as in Management's view this provides the best indication that payment has become probable. The award amount is used as the Directors' best estimate of the potential liability, even if the Group is appealing the judgment.

Provisions are discounted to their present value, where the time value of money is material.

**i. Financial instruments**

Non-derivative financial instruments consist of:

**Financial assets**

Financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, finance lease receivables, employee and other advances, investments in equity and debt securities and eligible current and non-current assets.

Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset.

**Financial liabilities**

Financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payables, eligible current and non-current liabilities.

**Subsequent measurement of financial assets**

Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

**Financial assets**

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost. Financial assets are assigned to these different categories by Management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables, related party receivables and cash and cash equivalents are measured subsequent to initial recognition at amortized cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognized in profit or loss.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The Group applies the expected credit loss model for recognizing impairment loss on trade receivables. Expected credit loss is the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted using the effective interest rate. Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit loss. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Lifetime expected credit loss is computed based on a provision matrix which takes in to account risk profiling of customers and historical credit loss experience adjusted for forward looking information. Accounts receivable are presented net of an allowance for doubtful accounts. The carrying amount of the receivable is reduced through use of an allowance account.

A financial asset is derecognized only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

### Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorized at fair value through profit or loss, are recorded initially at fair value. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorized as at fair value through profit or loss, are measured at each reporting date at fair value, with changes in fair value being recognized in profit or loss. All other financial liabilities are recorded at amortized cost using the effective interest method, with interest-related charges recognized as an expense in finance cost in the statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognized only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expires. Where an existing financial liability is

replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognized in profit or loss.

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method. For these financial instruments, the carrying amounts approximate fair value due to the short-term maturity of these instruments.

**j. Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost of inventory is determined on a 'first-in-first-out' basis. Inventory consists of food, beverages and supplies.

**k. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Restricted cash includes all cash balances that are required to be maintained under regulatory requirements. Casino industry regulations vary by country but all require our casino operations to maintain specified minimum levels of cash to support chips in play, slot hopsers, and reserves.

**l. Borrowings and borrowing costs**

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period end date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, or assets that take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.



**m. Share capital**

Common shares are classified as equity.

Where the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the Group's equity holders.

**n. Share-based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period, with the corresponding credit to the share option reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a change is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up are recognized as share capital.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with the fair value of goods and services received. If fair value cannot be reliably measured the fair value of the goods or services received, the value of the services are recognized, and the corresponding increase in equity, is recognized indirectly, by reference to the fair value of the equity instruments granted.

The carrying value of financial derivative instruments associated with the grant of warrants are calculated using an appropriate pricing model, taking into account the terms and conditions upon which the instrument was granted and the Group's stock price and volatility at the grant date.

**o. Compound financial instruments**

When convertible financial instruments are issued, any component that creates a financial liability of the Group as defined in IAS 32 “Financial Instruments: Presentation” is presented as a liability in the statement of financial position. Where the conversion option is not closely related to the host contract, it is presented separately within derivative financial liabilities. Both the host contract and conversion option are initially recognized in the statement of financial position at fair value. Subsequently, the host contract is carried at amortized cost with gains and losses recognized in profit or loss, and the conversion option is measured at fair value through profit or loss.

**p. Net gaming wins and revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured, the risks and rewards of ownership have been transferred to the buyer, the Group no longer has control over the goods, and the costs incurred in respect of the transaction can be reliably measured. Revenue is recognized on specific items as follows:

- (a) **Net gaming wins** – Casino revenues represent the net wins/(losses) from gaming activities, which is, for slot machines, the difference between coins and currencies deposited into the machines and the payments to customers and, for other (table and sports book) games, the difference between gaming wins and losses. Net gaming wins are recognized when they occur.
- (b) **Food, beverage and hospitality sales** – Revenue is recognized at the point of sale or upon the actual rendering of service.
- (c) **Interest income** – Revenue is recognized as the interest is accrued (taking into account the effective yield on the asset).

Costs and expenses are recognized in the statement of comprehensive income upon utilization of the service or at the date they are incurred.

**q. Earnings per share**

Basic earnings per share is calculated using the weighted-average number of shares outstanding during the period.

The Group uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

**r. Project development costs**

Project development costs incurred in an effort to identify and develop new gaming locations are expensed as incurred.

**s. Profit or loss from discontinued operations**

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale, is further analyzed in Note 11.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented. Where operations previously presented as discontinued are now regarded as continuing operations, prior period disclosures are correspondingly re-presented.

**t. Fair value measurement**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case Management uses the best information available.

Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## 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 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 is 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

	Costa Rica		Nicaragua		Peru	
	2019	2018	2019	2018	2019	2018
<b>Continuing operations</b>						
<b>Total revenue</b>	-	-	12,119	13,670	3,081	3,570
Operating profit / (loss) before: project development, depreciation, amortization and other gains and losses (Adjusted EBITDA)	-	-	2,964	1,968	1,212	1,076
Project development	-	-	-	-	-	-
Depreciation and amortization	-	-	(1,558)	(1,225)	(697)	(872)
Other gains and (losses)	-	-	-	1	(954)	(209)
<b>Segments result</b>	-	-	1,406	744	(439)	(5)
Foreign exchange gain / (loss)	-	-	(33)	(89)	(298)	744
Share of profit / (loss) from equity accounted investments	72	(171)	-	-	-	-
Finance costs	-	-	(903)	(177)	(376)	(817)
Finance income	-	-	8	11	-	-
Other interest	-	-	(55)	-	(1)	(1)
Management fees - intercompany charges	-	-	-	(16)	(520)	(6)
<b>Profit / (loss) before taxation</b>	72	(171)	423	473	(1,634)	(85)
Taxation	-	-	(153)	(325)	145	(1,162)
<b>Profit / (loss) for the year-continuing operations</b>	72	(171)	270	148	(1,489)	(1,247)
<b>Profit / (loss) for the year-discontinued operations</b>	-	-	-	-	-	23,251
<b>Profit / (loss) for the year</b>	72	(171)	270	148	(1,489)	22,004
Currency translation reserve and remeasurement of employee benefit	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	72	(171)	270	148	(1,489)	22,004
Non-controlling interest	-	-	(167)	(65)	-	-
<b>Total comprehensive income attributable to owners of the</b>	72	(171)	103	83	(1,489)	22,004
<b>Assets and liabilities</b>						
Segment intangible assets:						
Intangible assets with indefinite useful lives	-	-	1,387	1,387	-	-
Intangible assets with finite useful lives	-	-	28	71	13	21
Segment assets:						
Property, plant and equipment	-	-	8,828	6,252	6,768	7,271
Other segment assets (including cash)	-	-	2,097	352	19,190	24,723
<b>Total segment assets</b>	-	-	12,340	8,062	25,971	32,015
Assets classified as held for sale	4,435	4,180	-	-	-	-
<b>Total assets</b>	4,435	4,180	12,340	8,062	25,971	32,015
<b>Total segment liabilities</b>	-	-	6,850	3,294	7,179	9,715
Liabilities associated with assets held for sale	-	-	-	-	-	-
<b>Total liabilities</b>	-	-	6,850	3,294	7,179	9,715
<b>Net assets</b>	4,435	4,180	5,490	4,768	18,792	22,300
<b>Non-controlling interest</b>	-	-	2,785	2,800	-	-
<b>Other segment items</b>						
Capital expenditure	-	-	-	-	-	96
Depreciation and amortization	-	-	1,558	1,225	697	872

- continued -

	Total Operation		Corporate and non-allocated (1)		Costa Rica IFRS 11 Adjustments (2)		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Continuing operations</b>								
<b>Total revenue</b>	15,200	17,240	-	-	-	-	15,200	17,240
Operating profit / (loss) before: project development, depreciation, amortization and other gains and losses (Adjusted EBITDA)	4,176	3,044	(1,363)	(2,105)	-	-	2,813	939
Project development	-	-	-	-	-	-	-	-
Depreciation and amortization	(2,255)	(2,097)	-	-	-	-	(2,255)	(2,097)
Other gains and (losses)	(954)	(208)	737	5	-	-	(217)	(203)
<b>Segments result</b>	967	739	(626)	(2,100)	-	-	341	(1,361)
Foreign exchange gain / (loss)	(331)	655	(159)	(74)	-	-	(490)	581
Share of profit / (loss) from equity accounted investments	72	(171)	-	-	-	-	72	(171)
Finance costs	(1,279)	(994)	(571)	(1,313)	-	-	(1,850)	(2,307)
Finance income	8	11	193	135	-	-	201	146
Other interest	(56)	(1)	-	-	-	-	(56)	(1)
Management fees - intercompany charges	(520)	(22)	520	5	-	-	-	(17)
<b>Profit / (loss) before taxation</b>	(1,139)	217	(643)	(3,347)	-	-	(1,782)	(3,130)
Taxation	(8)	(1,487)	(36)	-	-	-	(44)	(1,487)
<b>Profit / (loss) for the year-continuing operations</b>	(1,147)	(1,270)	(679)	(3,347)	-	-	(1,826)	(4,617)
<b>Profit / (loss) for the year-discontinued operations</b>	-	23,251	-	(6,617)	-	-	-	16,634
<b>Profit / (loss) for the year</b>	(1,147)	21,981	(679)	(9,964)	-	-	(1,826)	12,017
Currency translation reserve and remeasurement of employee benefit	-	-	551	(1,965)	-	-	551	(1,965)
<b>Total comprehensive income for the year</b>	(1,147)	21,981	(128)	(11,929)	-	-	(1,275)	10,052
Non-controlling interest	(167)	(65)	-	-	-	-	(167)	(65)
<b>Total comprehensive income attributable to owners of the</b>	(1,314)	21,916	(128)	(11,929)	-	-	(1,442)	9,987
<b>Assets and liabilities</b>								
Segment intangible assets:								
Intangible assets with indefinite useful lives	1,387	1,387	-	-	-	-	1,387	1,387
Intangible assets with finite useful lives	41	92	-	-	-	-	41	92
Segment assets:								
Property, plant and equipment	15,596	13,523	-	-	-	-	15,596	13,523
Other segment assets (including cash)	21,287	25,075	(11,567)	(14,301)	63	(149)	9,783	10,625
<b>Total segment assets</b>	38,311	40,077	(11,567)	(14,301)	63	(149)	26,807	25,627
Assets classified as held for sale	4,435	4,180	-	-	(4,435)	(4,180)	-	-
<b>Total assets</b>	42,746	44,257	(11,567)	(14,301)	(4,372)	(4,329)	26,807	25,627
<b>Total segment liabilities</b>								
Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	14,029	13,009	12,739	10,730	-	-	26,768	23,739
<b>Net assets / (liabilities)</b>	28,717	31,248	(24,306)	(25,031)	(4,372)	(4,329)	39	1,888
<b>Non-controlling interest</b>	2,785	2,800	-	-	-	-	2,785	2,800
<b>Other segment items</b>								
Capital expenditure	-	96	-	-	-	-	-	96
Depreciation and amortization	2,255	2,097	-	-	-	-	2,255	2,097

(1) Includes non-operating entities

(2) Includes adjustment to Costa Rica segment results for equity accounting under IFRS 11.

## 5. OTHER GAINS AND (LOSSES)

	2019	2018
Gain / (Loss) on sale, write off of assets and liabilities (a) \$	64	\$ -
Other (b)	(281)	20
Restructuring costs (c)	-	(223)
<b>Total</b>	<b>\$ (217)</b>	<b>\$ (203)</b>

### a. Gain on sale and write off of assets

During the year ended December 31, 2019, the Group recognized gains on the sale of property, plant, and equipment of \$10,000 and discounts or release on certain aged payables of \$69,000. The gains were partially offset by the recognition of severance provisions of \$5,000, bad debt expense of \$3,000 and write-off of other assets of \$7,000.

### b. Gain on sale and write off of assets

During the year ended December 31, 2019, the group recorded expenses for draw-downs on the hold-back accounts related to the sale of our Peru and Costa Rica assets. The hold-back accounts are included in other receivables. The draw downs on the Peru and Costa Rica hold-backs, were \$237,000 and \$44,000, respectively.

### c. Restructuring costs

During the year ended December 31, 2018, in an effort to restructure Peru overhead, the Group reduced its Peru head count. The restructuring costs are made up of severance settlements to liquidate employees totaling \$223,000.

## 6. COMPENSATION OF KEY PERSONNEL

Key Management of the Group are the members of the Board of Directors and officers.

The remuneration of key management personnel during the year was as follows:

	2019	2018
Salaries and bonuses	588	1,146
Short-term benefits	58	54
<b>Total</b>	<b>\$ 646</b>	<b>\$ 1,200</b>

The following table provides additional detail of remuneration to key management personnel during the year:

Name	Officer/Director	Salary	Bonus	Short-term benefits	Total compensation
Salomon Guggenheim <sup>(1)</sup>	Director-Employee	\$ 180	\$ -	\$ -	\$ 180
Albert Atallah <sup>(2)</sup>	Director-Employee	180	-	36	216
Peter Lesar <sup>(3)</sup>	Employee	180	-	22	202
Georg Gruenberg <sup>(4)</sup>	Director	24	-	-	24
Stephan Fitch	Director	24	-	-	24
<b>Total</b>		<b>\$ 588</b>	<b>\$ -</b>	<b>\$ 58</b>	<b>\$ 646</b>

- (1) During the year ended December 31, 2019, \$60,000 of total compensation was accrued within Related Party Transactions (Note 20). This amount shall be repaid as cash flow permits and/or there are cash events.
- (2) Short-term benefits include life, health, dental and disability insurance (\$35,878). During the year ended December 31, 2019, \$60,000 of total compensation was accrued within Related Party Transactions (Note 20). This amount shall be repaid as cash flow permits and/or there are cash events.
- (3) Short-term benefits include life health insurance (\$3,931) and housing allowance of (\$18,000). During the year ended December 31, 2019, \$60,000 of total compensation was accrued within Related Party Transactions (Note 20). This amount shall be repaid as cash flow permits and/or there are cash events.
- (4) During the year ended December 31, 2019, \$24,000 of total compensation was accrued within Related Party Transactions (Note 20). This amount shall be repaid as cash flow permits and/or there are cash events.

The remuneration of key personnel is determined by the compensation committee taking into account the performance of individuals and market trends.



## 7. FINANCING COSTS AND INCOME

Finance cost and income includes all interest-related expenses and income, 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 reporting periods presented:

	2019	2018
<b>Finance cost</b>		
Bank loans	\$ 453	\$ 942
Other loans	486	1,181
Related party loans	87	122
Finance charges payable under leases and hire purchase contracts	782	1
Amortization of borrowing costs	29	44
Other finance charges	13	17
<b>Total finance costs (on a historical cost basis)</b>	<b>1,850</b>	<b>2,307</b>
<b>Finance income</b>		
Bank interest receivable	8	11
Amortization of transaction discounts	181	-
Related party interest receivable	8	5
Third party interest receivable	4	130
<b>Total finance income (on a historical cost basis)</b>	<b>\$ 201</b>	<b>\$ 146</b>
<b>Other interest</b>		
Other interest	56	1
<b>Total other interest</b>	<b>\$ 56</b>	<b>\$ 1</b>

Certain loans contain provisions for the imposition of “penalty interest” on the event of a default in the loan instrument. Such “penalty interest” may be disputed by the borrower based on the facts and circumstances concerning any so called “default”. During the year ended December 31, 2018, \$132,000 in penalty interest was recognized in Other loans. The penalty interest recognized was paid in full, when the loan was repaid during the year ended December 31, 2018.

## 8. INCOME TAXES AND DEFERRED TAX LIABILITY

### a) Tax charged in profit or loss

	2019	2018
<b>Current Income Tax</b>		
Foreign tax	\$ 402	\$ 1,522
Total current income tax	402	1,522
<b>Deferred Tax</b>		
Origination and reversal of temporary differences	(358)	(35)
Total deferred tax	(358)	(35)
<b>Tax charged in the statement of comprehensive income</b>	<b>\$ 44</b>	<b>\$ 1,487</b>
<b>Taxes allocated to:</b>		
Loss for the year	44	1,487
<b>Totals</b>	<b>\$ 44</b>	<b>\$ 1,487</b>

### b) Reconciliation of the total tax charge

The tax expense in the statement of comprehensive income for the year is higher than the standard rate of corporate tax in the British Virgin Islands of 0%. The differences are reconciled below:

	2019	2018
<b>Accounting loss before income tax</b>	\$ (1,782)	\$ (3,130)
Effect of different tax rates on overseas earnings	44	1,487
Total tax expense reported in the statement of income	\$ 44	\$ 1,487
<b>Deferred income tax assets</b>		
Temporary differences on net assets	614	31
Total deferred tax	\$ 614	\$ 31
<b>Deferred income tax liabilities</b>		
Other	47	19
<b>Total deferred tax liabilities</b>	<b>\$ 47</b>	<b>\$ 19</b>

At December 31, 2019, the Group has unrecognized United States income tax net operating losses of \$24,085,000 (2018 - \$26,675,000). These operating losses expire at various dates for up to 20 years. The potential income tax benefits related to United States loss carry forwards have not been reflected in the accounts as the Group does not anticipate future United States net income. At December 31, 2019, the Group has unrecognized Peru income tax net operating losses of \$218,000. The \$64,000 tax benefit associated with the Peru loss carry forwards has not been recognized as it is probable that the subsidiaries that hold the losses will not have sufficient net income to make use of the tax benefits before they expire in one to four years.

The Group has recorded a deferred tax asset in the amount of \$614,000 (2018 - \$31,000), related to the adoption of IFRS 16 and to provisions and book reserves in certain Peru subsidiaries.

	Statement of Financial Position 2019			Statement of Financial Position 2018		
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Total	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Total
<b>Balance at beginning of year</b>	\$ 31	\$ (19)	\$ 12	\$ 218	\$ (115)	\$ 103
Included in disposal group	-	-	-	(125)	-	(125)
Movement in profit or loss	588	(29)	559	(58)	94	36
Foreign exchange and other	(5)	1	(4)	(4)	2	(2)
<b>Balance at end of year</b>	<b>\$ 614</b>	<b>\$ (47)</b>	<b>\$ 567</b>	<b>\$ 31</b>	<b>\$ (19)</b>	<b>\$ 12</b>

## 9. INTANGIBLE ASSETS

	2019				2018			
	Gaming licenses	Goodwill	Others (Software and license)	Total	Gaming licenses	Goodwill	Others (Software and license)	Total
<b>Cost</b>								
Balance at beginning of year	\$ -	\$ 1,387	\$ 3,044	\$ 4,431	\$ 100	\$ 5,664	\$ 3,204	\$ 8,968
Additions	-	-	-	-	-	-	3	3
Sale of subsidiary	-	-	-	-	(100)	(4,277)	(163)	(4,540)
Balance at end of year	-	1,387	3,044	4,431	-	1,387	3,044	4,431
<b>Accumulated amortization and impairment</b>								
Balance at beginning of year	-	-	2,952	2,952	-	-	3,038	3,038
Change for the year	-	-	51	51	-	-	72	72
Sale of subsidiary	-	-	-	-	-	-	(158)	(158)
Balance at end of year	-	-	3,003	3,003	-	-	2,952	2,952
<b>Carrying amount</b>								
At beginning of year	-	1,387	92	1,479	100	5,664	166	5,930
<b>At end of year</b>	<b>\$ -</b>	<b>\$ 1,387</b>	<b>\$ 41</b>	<b>\$ 1,428</b>	<b>\$ -</b>	<b>\$ 1,387</b>	<b>\$ 92</b>	<b>\$ 1,479</b>

## Impairment review

For the purposes of assessing potential impairment, the Group's assets are grouped and reviewed for impairment at the lowest cash generating unit (CGU) level, where cash flows are independent of one another. In 2019, the Group has identified two geographical regions as its operating segments: Peru and Nicaragua. In the case of Peru, due to high interdependence among cash inflows of individual operations within the country, this CGU level is deemed to be at a country level. In the case of Nicaragua, CGU is deemed to be by operating location.

For the purpose of annual impairment testing, goodwill in Nicaragua was allocated to each individual CGU proportional to its percentage of country-wide revenue.

	2019		
	Goodwill	Other assets considered for impairment	Total assets considered for impairment
Peru	\$ -	\$ 22,760	\$ 22,760
Nicaragua	1,387	9,696	11,083
<b>Total</b>	<b>\$ 1,387</b>	<b>\$ 32,456</b>	<b>\$ 33,843</b>

(1) Calculated as net asset of the CGU plus borrowings less cash and cash equivalents.

The recoverable amount of each CGU was determined based on value-in-use calculations. The following paragraphs describe the key assumptions on which Management has based its cash flow projections for the period covered by the most recent budgets/forecasts and a description of Management's approach to determining the value(s) assigned to each key assumption.

Management's key assumptions to forecast cash flow include:

1. Revenue and revenue growth / reduction: Revenue and revenue growth / reduction were both considered as key assumptions. Specifically, revenue for future years was forecasted by: a) Taking into account as a base line the revenue generated in each CGU in 2019; b) Increasing that base line revenue equal to an organic growth that is equal to the long-term GDP growth forecasted by independent analysts for each of Peru and Nicaragua; and c) Adjusting for management actions that have recently been made or are significantly advanced and considered non-speculative, which could generate a net growth of revenue or a net reduction of revenue resulting from the net impact of the identified non-speculative events.
2. Cost of goods sold and growth / reduction of costs of goods sold: Cost of goods sold and growth / reduction in cost of goods sold were both considered as key assumptions. Specifically, costs of goods sold for future years was forecasted by: a) Taking into account as a base line the cost of goods sold in each CGU in 2019; b) Increasing that base line cost of goods sold by the long-term rate of inflation rate forecasted by independent analysts for each of Peru and Nicaragua; and c) Adjusting for management actions that have recently been made or are significantly advanced and considered non-speculative, which could generate a net growth of

- cost of goods sold or a net reduction of cost of goods sold resulting from the net impact of the identified non-speculative events.
3. Operating costs and growth / reduction of operating costs: Operating costs and growth / reduction in operating costs were both considered as key assumptions. Specifically, operating costs for future years were forecasted by: a) Taking into account as a base line the operating cost of in each CGU in 2019; b) Increasing those base line operating costs by the long-term rate of inflation rate forecasted by independent analysts for each of Peru and Nicaragua; and c) Adjusting for management actions that have recently been made or are significantly advanced and considered non-speculative, which could generate a net growth of operating costs or a net reduction of operating costs sold resulting from the net impact of the identified non-speculative events.
  4. Depreciation and amortization: Depreciation and amortization are forecasted based on the known future schedule of depreciation and amortization as of December 31, 2019 for each CGU, and then adjusted based on the future depreciation of assets to be purchased in the future using maintenance capex. For the purpose of annual impairment testing, depreciation and amortization in Nicaragua were allocated to each individual CGU proportional to its percentage of country-wide revenue.
  5. Financing costs, net: Financing costs, net are forecasted based on the schedule of all known debt as of December 31, 2019 for each CGU. For the purpose of annual impairment testing, financing costs, net in Nicaragua were allocated to each individual CGU proportional to its percentage of country-wide revenue.
  6. Direct and indirect taxes: Direct and indirect taxes were forecasted based on the tax regime in place as of December 31, 2019.
  7. Maintenance Capex: Maintenance capex was forecasted for future years based on the percentage of revenue allocated to maintenance capex in 2019 for each CGU.

### Discount rates

The present value of the expected cash flows of each segment is determined by applying a suitable discount rate. The discount rate was derived based on the calculation of Weighted Average Cost of Capital (WACC) for the Group, adjusted to reflect market data for companies in the gaming industry. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment (incorporating adjustments for geographic location and currency risk). The discount rate applied to Nicaragua was 14.6%.

With regard to the assessment of value in use of each acquisition, there are possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. These are discussed below:

1. Revenue and revenue growth / reduction: Gaming revenue can be impacted by a) Changes in drop levels, which may be affected by the number of customers, seasonality, effective marketing efforts, a change in technology, competition or regulatory changes; and b) Changes in Hold %, representing the probability of individual games, which change can happen through chance, changes in gaming regulation and changes in gaming technology. Hotel revenue can be impacted by competition and seasonality. Growth rates, which are based on estimated GDP growth may be affected by economic changes.

2. Cost of goods sold and growth / reduction of costs of goods sold: Costs of goods sold can be impacted by changes in the market price of different goods and services, our competitiveness and requirements to increase promotional allowances, and by payroll adjustments because of changes in labor market conditions and/or management efficiencies. Cost of goods growth rates, which are based on estimated inflation rates, may be affected by changes in market and/or economic conditions.
3. Operating costs and growth / reduction of operating costs: Operating costs can be impacted by changes in the market price of different goods and services, our competitiveness and requirements to increase marketing expense, and by payroll adjustments because of changes in labor market conditions and/or management efficiencies. Operating cost growth rates, which are based on estimated inflation rates, may be affected by changes in market and/or economic conditions.
4. Depreciation and amortization: Depreciation and amortization may be affected by the addition or sale of depreciable property, plant and equipment, including capital expenditures for maintenance purposes.
5. Financing costs, net: Financial Costs, net may be affected by the addition or pre-payment of debt from the current debt schedule and by changes in the financial interest charged by banks.
6. Direct and indirect taxes: Direct and indirect taxes may be affected by changes in tax legislation, regulation and judicial rulings.
7. Maintenance Capex: Maintenance capex may be affected by the non-planned deterioration of assets, whose replacement will deviate from the investment time and investment amount considered in our estimations.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Property	Leasehold improvements	Gaming machines	Furniture and equipment	Construction in progress and advances	Total
<b>Cost</b>						
As of January 1, 2019	\$ 20,564	\$ 1,771	\$ 4,980	\$ 5,953	\$ 29	\$ 33,297
Foreign exchange adjustments	(89)	(78)	(174)	(127)	-	(468)
Additions	1	1	16	61	66	145
Adjustment on transition to IFRS 16	4,491	-	-	-	-	4,491
Disposals	-	-	-	(160)	-	(160)
Transfers	53	-	(5)	47	(95)	-
As of December 31, 2019	25,020	1,694	4,817	5,774	-	37,305
<b>Depreciation</b>						
As of January 1, 2019	\$ 9,564	\$ 1,524	\$ 3,742	\$ 4,944	\$ -	\$ 19,774
Foreign exchange adjustments	125	(68)	(128)	(98)	-	(169)
Charge for the year	727	39	488	382	-	1,636
Adjustment on transition to IFRS 16	626	-	-	-	-	626
Disposals	-	-	-	(158)	-	(158)
As of December 31, 2019	11,042	1,495	4,102	5,070	-	21,709
<b>Net book value as of January 1, 2019</b>	11,000	247	1,238	1,009	29	13,523
<b>Net book value as of December 31, 2019</b>	\$ 13,978	\$ 199	\$ 715	\$ 704	\$ -	\$ 15,596

	Property	Leasehold improvements	Gaming machines	Furniture and equipment	Construction in progress and advances	Total
<b>Cost</b>						
As of January 1, 2018	\$ 24,827	\$ 2,424	\$ 20,311	\$ 9,051	\$ 16	\$ 56,629
Foreign exchange adjustments	(931)	(95)	(388)	(288)	(1)	(1,703)
Additions	1	16	112	128	441	698
Disposals	(3,332)	(608)	(15,222)	(3,163)	(2)	(22,327)
Transfers	(1)	34	167	225	(425)	-
As of December 31, 2018	20,564	1,771	4,980	5,953	29	33,297
<b>Depreciation</b>						
As of January 1, 2018	\$ 10,885	\$ 1,700	\$ 15,827	\$ 7,527	\$ -	\$ 35,939
Foreign exchange adjustments	(410)	(74)	(282)	(232)	-	(998)
Charge for the year	874	291	695	426	-	2,286
Disposals	(1,785)	(393)	(12,498)	(2,777)	-	(17,453)
As of December 31, 2018	9,564	1,524	3,742	4,944	-	19,774
<b>Net book value as of January 1, 2018</b>	13,942	724	4,484	1,524	16	20,690
<b>Net book value as of December 31, 2018</b>	\$ 11,000	\$ 247	\$ 1,238	\$ 1,009	\$ 29	\$ 13,523

### Assets pledged as security

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

	December 31, 2019		December 31, 2018	
	Cost	Amortized cost	Cost	Amortized cost
Property	\$ 4,295	\$ 3,699	\$ 18,335	\$ 8,438
<b>Total</b>	<b>\$ 4,295</b>	<b>\$ 3,699</b>	<b>\$ 18,335</b>	<b>\$ 8,438</b>

The carrying value of assets held under finance leases and hire purchase contracts at December 31, 2019 was \$4,476,000 (2018 - \$Nil).

## 11. 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. From the gross proceeds of the sale, the Group has reduced its gross debt from approximately \$32 million as of December 31, 2017 to approximately \$12.5 million as of December 31, 2018. 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 and are shown in a single line item on the face of the statement of comprehensive income for the year 2018 (see “Gain for the period from discontinued operations”).



## 12. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	2019	2018
<b>Trade and other receivables (Non-current)</b>		
Notes receivable	-	1
Deposits for rental, land and equipment	78	88
Other receivables	741	708
Guarantee on borrowing	-	7
<b>Total trade and other receivables (non-current)</b>	<b>\$ 819</b>	<b>\$ 804</b>
<b>Trade and other receivables (Current)</b>		
Notes receivable	2	3
Trade and other receivables	241	474
Prepaid expense	154	130
Other receivables	-	980
Value added tax and employee receivables	377	247
<b>Total trade and other receivables (current)</b>	<b>\$ 774</b>	<b>\$ 1,834</b>

### Trade and other receivables

The carrying value of the trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of \$3,000 (2018 - \$Nil) has been recorded accordingly.

The age of the trade receivables past due but not impaired is as follows:

	2019	2018
Not more than 3 months	189	264
More than 3 months but not more than 6 months	10	23
More than 6 months but not more than 1 year	38	18
More than 1 year	4	169
<b>Total</b>	<b>\$ 241</b>	<b>\$ 474</b>

### 13. INVENTORIES

	2019	2018
Food and beverage supplies	63	58
Casino goods and promotional items	57	30
Hotel food service and room supplies	3	3
Uniform and operational supplies	54	44
Gaming machine parts	36	50
<b>Total</b>	<b>\$ 213</b>	<b>\$ 185</b>

Cost of goods sold within Cost of sales was \$762,119 for the year ended December 31, 2019 and \$907,095 for the year ended December 31, 2018. There were inventory write downs of \$0 in 2019 (2018 - \$0).

### 14. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at December 31, 2019 and December 31, 2018:

	2019	2018
Cash at banks and on hand	1,467	2,414
Restricted cash	1,137	861
<b>Total</b>	<b>\$ 2,604</b>	<b>\$ 3,275</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of time between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is \$1,467,000 as of December 31, 2019 (2018 - \$2,414,000).

Restricted cash includes the casino's bankroll and hopper loads in Nicaragua. The Group classifies the casino bankroll as restricted, as these balances are required to operate the business, thus these funds cannot be used to pay the obligations of the Group. The fair value of restricted cash is \$1,137,000 at December 31, 2019 (2018 - \$861,000).

## 15. TRADE AND OTHER PAYABLES

	2019	2018
<b>Trade and other payables (Non-current)</b>		
Trade and other payables	35	35
Other liabilities	166	177
Deferred Income	25	12
<b>Total trade and other payables (non-current)</b>	<b>\$ 226</b>	<b>\$ 224</b>
<b>Trade and other payables (current)</b>		
Trade and other payables	3,068	3,661
Other accrued liabilities	2,349	2,300
<b>Total trade and other payables (current)</b>	<b>\$ 5,417</b>	<b>\$ 5,961</b>

Current - trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.

## 16. BORROWINGS

Borrowings consist of loans payable detailed as follows:

	Schedule of principal repayments							Total
	2020	2021	2022	2023	2024	Thereafter	Unamortized premiums, discounts & issuance costs	
<b>Interest Rate<sup>(1)</sup>:</b>								
11% to 12% <sup>(2)</sup>	\$ 97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97
<10%	7,803	823	880	941	1,958	-	(41)	12,364
<b>Total principal repayments</b>	<b>\$ 7,900</b>	<b>\$ 823</b>	<b>\$ 880</b>	<b>\$ 941</b>	<b>\$ 1,958</b>	<b>\$ -</b>	<b>\$ (41)</b>	<b>\$ 12,461</b>
1. Floating rate loans are calculated as of the effective rate on December 31, 2019.								
2. Includes \$4,672,913 of convertible loan notes.								
	Schedule of principal repayments							Total
	2020	2021	2022	2023	2024	Thereafter	Unamortized premiums, discounts & issuance costs	
<b>Country:</b>								
Corporate	\$ 7,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,005
Nicaragua	179	58	65	72	331	-	-	705
Peru	716	765	815	869	1,627	-	(41)	4,751
<b>Total principal repayments</b>	<b>\$ 7,900</b>	<b>\$ 823</b>	<b>\$ 880</b>	<b>\$ 941</b>	<b>\$ 1,958</b>	<b>\$ -</b>	<b>\$ (41)</b>	<b>\$ 12,461</b>
<b>Borrowing summary</b>								
	2019	2018						
Total borrowing	12,461	12,170						
Less current portion of borrowings	(7,891)	(6,181)						
<b>Borrowing non-current</b>	<b>\$ 4,570</b>	<b>\$ 5,989</b>						

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							Total
	2020	2021	2022	2023	2024	Thereafter	Unamortized premiums, discounts & issuance costs	
<b>Country:</b>								
Corporate	\$ 2,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,332
Peru	4,673	-	-	-	-	-	-	4,673
<b>Total principal repayments</b>	<b>\$ 7,005</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,005</b>

During 2019, the Group has obtained new borrowings detailed as follows:

	Additions	Balance Dec 31, 2019	Collateral	Interest rate	Maturity Date
<b>The Company and wholly owned subsidiaries</b>					
<b>Peru</b>					
Loans with financial entities	1,039	4,792	Property	6.50%	Apr-2024
<b>Total</b>	<b>\$ 1,039</b>	<b>\$ 4,792</b>			

The following table provides additional detail of additions, refinancing, repayments, and disposals taking place during the year:

Additions Summary	Balance Dec 31, 2018 <sup>(1)</sup>	Additions	Interest Capitalization	Repayments	Unamortized premiums, discounts & issuance costs	Balance Dec 31, 2019
Loans with financial entities	\$ 5,604	\$ 1,039	\$ -	\$ (1,148)	\$ (41)	\$ 5,454
Loans with non-financial entities	3,811	-	144	(70)	-	3,885
Convertible loan notes with non-financial entities	2,776	-	346	-	-	3,122
<b>Total</b>	<b>\$ 12,191</b>	<b>\$ 1,039</b>	<b>\$ 490</b>	<b>\$ (1,218)</b>	<b>\$ (41)</b>	<b>\$ 12,461</b>

(1) Does not include unamortized premiums, discounts & issuance costs of \$21,000.

## Notes

### Additions

- During the year ended December 31, 2019, the Group's Peruvian subsidiary, Thunderbird Hoteles Las Americas, S.A.C. increased a senior secured loan by \$1,039,000. The loan is secured with property, bears interest at 6.5%, and matures in 5 years. Principal and interest payments are due monthly in 59 equal installments and a balloon payment in month 60.

### 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 2019. Accrued interest of \$490,000 was capitalized and added to outstanding principal balances of \$5,400,000.

## Repayments

- a. During the year ended December 31, 2019, the Group repaid a total of \$1,218,000 of loan principal, consisting of \$1,148,000 of loans with financial entities and \$70,000 of loans with non-financial entities.

## 17. PROVISIONS

	Current	Non-Current	Current	Non-Current
	2019	2019	2018	2018
Employee benefits	\$ 257	\$ 356	\$ 468	\$ 449
Other	39	1,111	40	1,090
	<b>\$ 296</b>	<b>\$ 1,467</b>	<b>\$ 508</b>	<b>\$ 1,539</b>
	Employee benefits	Litigation	Other	Total
<b>Balance at January 1, 2018</b>	\$ 1,299	\$ -	\$ 1,368	\$ 2,667
Provisions recognized	937	-	47	984
Provisions utilized	(965)	-	(222)	(1,187)
Provisions released	(310)	-	(15)	(325)
Differences arising from foreign exchange	(44)	-	(48)	(92)
<b>Balance at December 31, 2018</b>	<b>917</b>	<b>-</b>	<b>1,130</b>	<b>2,047</b>
Provisions recognized	600	-	33	633
Provisions utilized	(783)	-	(33)	(816)
Differences arising from foreign exchange	(21)	-	19	(2)
Reductions resulting from remeasurements or settlement with out cost	(154)	-	-	(154)
Other	55	-	-	55
<b>Balance at December 31, 2019</b>	<b>\$ 614</b>	<b>\$ -</b>	<b>\$ 1,149</b>	<b>\$ 1,763</b>

## Employee benefits

Current employee benefits are paid time off for vacations and sick time earned but not yet used by the employee. Non-current employee benefits include severance pay, which is the cost associated with the severance packages as described below:

During the period ended December 31, 2019, the Group's corporate segment, paid/utilized \$Nil (2018 - \$197,000) of employee benefits provisions recognized in prior periods.

The subsidiary employee provisions by country are as follows:

## Nicaragua

The Nicaraguan Labor Code established a severance payment plan for employees in the event of death, retirement or dismissal without just cause. This compensation is determined according to employee length of service. The plan compiles a month of salary for each labor year (for the first three labor years) and twenty days of salary after the fourth labor year, until the compensation reaches a maximum of five months' salary. Compensation cannot be less than one month's salary or more than five months' salary.

The Group records a monthly provision as an expense to the respective period to cover any severance payment reimbursement incurred by the Group to terminated employees under this plan. As of December 31, 2019, the Group has recorded provisions amounting to \$151,000 (2018 - \$157,000), which represents Management's best estimate of the liability. This is an accrual under Nicaraguan law and is not a pension scheme.

Additionally, the other countries in which the Group operates have various severance requirements as described in Note 3. The severance requirements are classified as long term. The short term employee benefits are primarily accrued vacation payable to employees.

## Other

### Peru THLA tax cases

During the year ended December 31, 2016, THLA filed an appeal procedure of a Tax Court decision (case file 5396-2012). The Tax Court held against THLA position that Intendencia Resolution 0150140010152 is unfounded. This Resolution involves SUNAT imposing a General Sales Tax (IGV tax credit originated in the purchase of hotels) with a potential contingency in the amount of would be S/. 7,016,859 plus interest. Of this amount, S/. 5,621,978 plus interest, corresponds to IGV wherein management believes could generate a favorable result; and S/. 1,394,881 plus interest correspond to Income Tax, where the chances of success are relatively less favorable. A provision has been recognized for cases where the Group's chances for success are relatively less favorable. The provision recorded is for S/. 1,900,746 (\$573,032), including tax, penalties and interest.

Likewise, there is another appeal procedure in a ruling by the tax Court (Tax Court File 15182-2014), involving SUNAT Resolution 0282140019217. The Tax Court held in favor of SUNAT and declared that THLA defense is unfounded as for recovery of tax related to: (i) Income Tax Retained in 2008 for interest on loans from related parties; (ii) payments on account of Income Tax for the year 2008 and (iii) income tax for 2008 (deduction of interest not recorded in the accounts). The estimated total contingency is S/. 1,489,285 plus interest. A provision has been recognized in connection with the resolution above totaling S/. 1,784,664 (\$538,036), including tax, penalties and interest.

## 18. 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		
<b>Balance as at December 31, 2017</b>	<b>28,103,707</b>	<b>\$ 111,721</b>
Release of share commitments	-	(48)
<b>Balance as at December 31, 2018</b>	<b>28,103,707</b>	<b>\$ 111,673</b>
Share based payments	-	-
<b>Balance as at December 31, 2019</b>	<b>28,103,707</b>	<b>\$ 111,673</b>

### Options

The Group, through its Board of Directors and shareholders, adopted two Stock Option Plans, the first on July 1, 1997, and the second on June 25, 2005. Both plans will continue separate and apart from one another. The Group has granted a number of stock options and entered into various agreements of which up to no shares remain available for purchase pursuant to options granted under these plans. All of the stock options issued under these plans are nontransferable and terminate on the earlier of the expiry date or 30 days after the grantee ceases to be employed by the Group.

#### Stock option plan I dated July 1, 1997 and Stock option plan II dated June 25, 2005

Options granted under these plans were awarded by the Board of Directors at its sole discretion to select Directors and employees. The options granted to the option holder may be exercised in whole or in part at any time, or from time-to-time during the exercise period. The options may lapse due to time limitations, death or change in employment status. The price at which at option holder may purchase a share upon the exercise of an option, shall be set forth in the option certificate, but not



less than the market value of the Group shares as of the award date. Option grants have ceased under both plans as of November 19, 2007.

#### **2007 Equity incentive plan dated November 20, 2007 (amended in August 2009)**

The 2007 Equity Plan was amended in 2009 to authorize the Directors, at their discretion, to award grants in an aggregate amount of up to 5% of the Company issued and outstanding shares. Our 2007 Equity Incentive Plan (the “2007 Equity Plan”) is designed to enable us and our affiliates to obtain and retain the services of the types of employees, consultants and directors who will contribute to our long-term success and to provide incentives that are linked directly to increases in share value which will inure to the benefits of all of our shareholders. We have reserved up to 5% of our current issued and outstanding common shares, as of any given date, for the issuance of shares, which may be awarded under such Equity Plan.

There are no outstanding options as of December 31, 2019.

#### **Currency translation reserve**

The translation reserve represents the foreign currency translation differences arising from the translation of our subsidiary financial statements into United States dollars.

#### **Retained earnings / (loss)**

Retained earnings / (loss) are the accumulated retained profits and/or losses.

#### **Share options reserve**

The Group issues equity-settled share-based payments to certain employees and Directors. For all share-based payment arrangements granted, an expense is recognized in profit or loss with a corresponding credit to equity. The fair value of share options is expensed over the vesting period of the options, based on an estimate of the number of shares that will eventually vest, and adjusted for the effect of non-market-based vesting conditions. The corresponding credit is taken to the share options reserve. The fair value is calculated using the Black-Scholes pricing model.

## 19. EARNINGS PER SHARE

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

	2019	2018
Shares used in computation of basic loss per share (000's)	28,104	28,104
Shares used in computation of diluted loss per share (000's)	28,104	28,104
Loss for the period attributable to the parent	\$ (1,945)	\$ 11,952
<b>Basic (loss) / gain per share</b>	<b>(0.07)</b>	<b>0.43</b>
<b>Diluted (loss) / gain per share</b>	<b>(0.07)</b>	<b>0.43</b>

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

## 20. RELATED PARTY TRANSACTIONS

	2019		2018	
	Current	Non-Current	Current	Non-Current
Due from related parties				
Nicaraguan Partners	\$ -	\$ 42	\$ -	\$ 42
Costa Rican Joint Venture	1,949	-	1,906	-
Transactions with officers	-	263	-	255
	<b>\$ 1,949</b>	<b>\$ 305</b>	<b>\$ 1,906</b>	<b>\$ 297</b>
Due to related parties				
Nicaraguan Partners	\$ 218	\$ -	\$ 389	\$ -
Transaction with officers	903	-	988	-
	<b>\$ 1,121</b>	<b>\$ -</b>	<b>\$ 1,377</b>	<b>\$ -</b>

## 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 \$1,949,000 (2018 – \$1,906,000) due from our Costa Rica joint ventures which are 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 (2018 – \$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 due from related parties are loans to officers for \$263,300 (2018 - \$255,000). The amounts due from officers is as follows: Albert Atallah \$131,650 (\$125,000 plus \$6,650 accrued interest); Peter LeSar \$131,650 (\$125,000 plus accrued interest \$6,650).

## 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 \$218,000 (2018 – \$389,000) for their portion of the accrued, but not yet paid management fees from the Nicaraguan entity.

Included in due to related parties are accrued wages owed to the Groups' officers and directors totaling \$903,000 (2018 – \$988,000). The amounts owed are as follows: Salomon Guggenheim 358,000 (2018 - \$393,000); Peter LeSar \$345,000 (2018 - \$385,000); Albert Atallah \$116,000 (2018 - \$156,000). There are \$84,000 (2018 - \$54,000) owed to directors as of December 31, 2019.

## 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 2019 and 2018.

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

		2019		2018	
		Amount due	Interest paid	Amount due	Interest paid
Country					
Officer related party	Corporate	1,060	-	972	-
<b>Total</b>		<b>\$ 1,060</b>	<b>\$ -</b>	<b>\$ 972</b>	<b>\$ -</b>

## 21. OBLIGATIONS UNDER OPERATING LEASES, FINANCE LEASES AND HIRE PURCHASE CONTRACTS

### Obligations under finance leases and hire purchase contracts

The Groups Nicaragua subsidiary has leases for four casino properties and related parking areas, two residential properties, and the Groups Peru subsidiary leases some IT equipment. The lease liabilities are secured by the related underlying assets. As at December 31, 2019, future minimum lease payments under leases and hire purchase contracts of the Group are as follows:

	Future commitments due December 31, 2019		Future commitments due December 31, 2018	
	Minimum Lease Payments	Present value	Minimum Lease Payments	Present value
Not longer than one year	\$ 1,084	\$ 367	\$ 7	\$ 4
After one year but not more than five years	4,620	2,587	2	2
After five years	2,306	1,877	-	-
Sub total	8,010	4,831	9	6
<b>Present value of minimum lease payments</b>	<b>\$ 8,010</b>	<b>\$ 4,831</b>	<b>\$ 9</b>	<b>\$ 6</b>
Obligations under leases and hire purchase contracts current		\$ (367)		\$ (4)
Obligations under leases and hire purchase contracts non-current		<b>\$ 4,464</b>		<b>\$ 2</b>

Assets held under finance leases and hire purchase contracts as of December 31, 2019 and December 31, 2018:

	2019		2018	
	Cost	Amortized cost	Cost	Amortized cost
Property	4,829	4,476	-	-
<b>Total</b>	<b>\$ 4,829</b>	<b>\$ 4,476</b>	<b>\$ -</b>	<b>\$ -</b>

## 22. COMMITMENTS AND CONTINGENCIES

As at December 31, 2019, principal payments required under the terms of the loan agreements and their liabilities in each for the next five years are as follows:

Year ending December 31:		
2020	\$	7,900
2021		823
2022		880
2023		941
2024		1,958
Thereafter		-
Subtotal		12,502
Less: Debt issuance costs		(41)
	<b>\$</b>	<b>12,461</b>

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 the effect 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. On April 28, 2017, the 1st instance Court gave a decision in favor of Sun Nippon Company, S.A.C. Both SUNAT and the Tribunal Fiscal have appealed the decision before the Superior Tribunal. On October 18, 2017 the superior Tribunal confirmed the decision of the 1st instance Court in favor of Sun Nippon Company, S.A.C. On November 22, 2017, both SUNAT and the Tribunal Fiscal filed a so called cassation writ before the Supreme Court, last and definitive instance.

As a further update SUNAT has withdrawn its “casación” writ meaning SUNAT is no longer appealing or otherwise challenging the lower court’s decision in favor of Sun Nippon Company, S.A.C. tax position. In order for the case to be closed and for Sun Nippon Company, S.A.C. to be refunded the tax that has already been paid the Tax court has to also file a withdrawal. At that point the Supreme Court will then enter a formal order and accept both SUNAT’s withdrawal and the tax court withdrawal. As a result of the on-going uncertainty over the potential outcome of the new appeal before the Peruvian judiciary and in spite of SUNAT’s withdrawal, any and all payments made to SUNAT by Sun Nippon Company, S.A.C., have been fully reserved.

[Thunderbird Hoteles Las Americas, S.A. – Tax issues:](#) 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 (\$2.1 million) for the first set of resolutions, S/. 6.5 million Peruvian Soles (\$1.9 million) for the second set of resolutions and S/. 6.1 million Peruvian Soles (\$1.8 million) for the third set of resolutions.

THLA thereafter filed an appeal on April 12, 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.

Resolution 0150140010152 involves SUNAT imposing a General Sales Tax (IGV tax credit originated in the purchase of hotels) with a potential contingency in the amount of would be S/. 7,016,859 plus interest. Of this amount, S/. 5,621,978 plus interest, corresponds to IGV wherein management believes could generate a favorable result; and S/. 1,394,881 plus interest correspond to Income Tax, where the chances of success are relatively less favorable. A provision has been recognized for cases where the Group's chances of success are relatively less favorable. The provision recognized totaled S/. 1,900,746 (\$573,032), including tax, penalties and interest.

On October 12, 2019 a hearing took place before the Tax Court, this is the second and last administrative instance in regards to this matter. It is likely that this case will be resolved in the near future.

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.

Likewise, there is another appeal procedure in a ruling by the Tax Court (Tax Court File 15182-2014), involving SUNAT Resolution 0282140019217. The Tax Court held in favor of SUNAT and declared that THLA defense is unfounded as for recovery of tax related to: (i) Income Tax Retained in 2008 for interest on loans from related parties; (ii) payments on account of Income Tax for the year 2008 and (iii) income tax for 2008 (deduction of interest not recorded in the accounts). The estimated total contingency is S/. 1,489,285 plus interest. A provision has been recognized in connection with the resolution above totaling S/. 1,784,664 (\$538,036) including tax, penalties and interest.

Please see Note 17 – Provisions for additional disclosures in relation with the THLA tax matters for which provisions were recognized during the period ended December 31, 2016.

[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 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 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’s new resolution (Resolution N° 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 (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 N° 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. The opposition writ is pending a ruling by the Municipal Administration (1st administrative instance). Should the opposition writ be rejected, THLA is entitled to file an appeal writ before the Tax Court (second administrative instance).

#### **b. Costa Rica tax controversies**

By way of background, the income tax in Costa Rica is collected by the General Income Tax Office. The Group previously owned various Costa Rica subsidiaries including, Thunderbird Gran Entretenimiento, S.A. (“TGE”), and Grupo Thunderbird de Costa Rica, S.A. (“GTCR”). On February 27, 2015, the Group sold 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 below. 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.

Following the sale of the Costa Rica operations, and as part of the Group's commitment on the sale of the operations, TGE continued to be engaged in a certain tax procedure while GTCR ended up settling its tax controversy through an amnesty procedure. In addition, the Group's 50% ownership in King Lion Network is engaged in a tax controversy as described below. The following sections describe the current status/outcome of these three tax controversies:

- (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 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. The preliminary hearing of the case was heard in June 2015 and the Administrative file is being reviewed by the Court. A trial date was set for June 2018. 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. In relation to this, Cirsa Gran Entretenimiento de Costa Rica, S.A. (formerly TGE) filed an administrative procedure against the Tax Authority before the Administrative Court contested the legality of certain Administrative Resolutions of the Direction of Great National Tax Payers of Costa Rica and the Fiscal Tribunal. There was a hearing on this case in June 2018. The Administrative Court rendered a judgment (number 62-2018-VIII) against TGE on July 12, 2018. TGE filed an appeal on August 7, 2018 in the First Chamber of the Supreme Court in respect of the only remaining issue for this controversy case, which is the legal fees to be charged against the taxpayer TGE for failing to prevail in the lawsuit. The legal fees are approximately \$310,000 and the tax appeal is pending.
- (ii) GTCR received a proposed tax assessment in the approximate amount of \$340 thousand for the tax year ending December 31, 2011, 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. The Tax counsel for GTCR advises that the exposure on taxes and penalties is significantly less than the proposed assessment. The amount of the non-

allowable expenses was 36,960,675 colones or USD\$61,280. The GTCR objections were not resolved, but under a recent change to Costa Rica tax law, (Tax Law number 9635 taxpayers may take advantage of a tax amnesty, in which the principal could be paid without interest with a 60% reduction of the fine. GTCR filed for the tax amnesty and closed the tax inspection procedure for the year 2011. The amounts paid were 11,088,202 colones (USD\$18,384) in principal, and 1,108,820 colones (USD\$1,838) for the fine.

- (iii) The Costa Rica Tax authorities have assessed a tax against King Lion Network for the tax year 2011 for approximately 17.2 million colones (or \$30 thousand) representing tax and interests due the non-recognition of the interests paid for the purchase of the shares related to the Tres Rios Project. The Company presented the appeal to this assessment on time and the case remains pending.

### c. 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 \$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 CIRS, 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 he may have had, including social benefits under Costa Rica law. TRI believe ZIMMER AND FOX have waived all his claims and therefore their labor claim is 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 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. Therefore, 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.

In relation to the Murray Jo Zimmer case, a ruling was issued by the Labor Judge of the 1st judicial circuit of San Jose on October 8, 2018, in which the Labor Judge declared that the lawsuit filed by Jo Zimmer against Grupo Cirsá de Costa Rica had no legal basis and issued an order against Zimmer to pay the costs and expenses of the judicial process. Murray Jo Zimmer appealed ruling No. 2080 on October 12, 2018.

In relation to the Michael Fox case, TRI was not served with this labor lawsuit, but in the aim of affording evidence and facts to the procedure, it filed voluntarily its response to the labor claim before the 2nd Labor Court of San Jose, Costa Rica. There is a hearing for this case scheduled November 2020.

#### **d. 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 DHPL 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.

In addition to what has transpired as set forth above, certain third party Lender/Investors (the FCD Lenders”) funded DHPL in the amount of \$4.5 million back in 2009. The \$4.5 million plus interest is still owed by DHPL to these third party lenders as of the date of this publication. The Group has been working with both foreign and local counsel (The Legal Team) assisting the FCD Lenders in the hope that DHPL would settle with the FCD Lender Group on the basis of a full return of the principal funding plus interest. The Group has recognized \$710,000 in legal fees paid/owed to the Legal Team as of December 31 2018. All of the FCD Lenders consented to being represented by the legal team to minimize legal fees and maximize efficiency. The Group continued to act as the liaison with the Legal Team. The Group is neither a direct nor indirect obligor/borrower, nor a guarantor of the FCD Lenders. The Group advanced a certain amount of the legal fees incurred by the FCD Lenders. However, the FCD lenders agreed that they shall promptly reimburse The Group on a pro rata basis based upon the face amount of their respective note. To further clarify this point on legal fees, in the event a settlement is reached, The Group shall be entitled to a reimbursement from any settlement of all unreimbursed legal fees that The Group has advanced to the FCD lenders legal team in this matter. It should be noted that in respect of the litigation DHPL has been ordered to deposit approximately USD \$2.2 million into a court escrow that would be a part of any settlement or court judgment.

#### e. 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.

#### **f. 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 has been challenging. On March 20, 2017, Thunderbird de Guatemala was notified of decisions made by the Second Tribunal of Accounts and Controversies, which has decided over a Recusal Appeal, conceded to be in favor of Thunderbird de Guatemala and an Appeal for Reversal related to certain documents that the Tax Authority is requesting for the tax years 2008 and 2009 and the company considered time-barred. The Tribunal alleged that the matter as discussed, related to whether the delivery of certain documents, were or were not legally required under a statute of limitations. With this decision made, Thunderbird de Guatemala defense is prepared to present its arguments and challenge the main matter of this case in relation to the statute of limitations of the Tax Years 2008 and 2009. In November 2019, the third economic court issued a resolution against the arguments of Thunderbird de Guatemala. An Administrative Appeal has been filed before the Third Economic Court alleging that the judge omitted some of the arguments and facts presented by Thunderbird de Guatemala. A related case involving the 2009 tax year is currently before the Supreme Court, Administrative Section, and 3rd Tribunal. This case covers the income tax for the periods between January and December of 2009 for an approximate amount of \$100 thousand. The Company continues to defend its position and awaits the Court ruling.



**Legal cases:** As previously disclosed, litigation continues in 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 in the case; an 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 now completed and Classenvil could not operate under the same license. At this time, the company's subsidiary operation is not considering securing another gaming license.

#### **g. San Diego Federal District Court**

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.

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.

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.

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.

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.

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.)*

The Court granted Mitchell’s motion to compel arbitration on TRI claims against Mitchell. TRI Complaint against Mitchell included claims for Breach of contract Fraud, RICO violations. The Court “stayed/froze” the various causes of action as to Mitchell, including the RICO claim, and ordered the parties back to Arbitration to resolve those issues and the other causes of action against Mitchell. Essentially, The Court opined that if TRI wishes to pursue these claims against Mitchell then it must pursue them as counter-claims in the ICC Hong Kong arbitration. The Court agreed with Mitchell that all of the claims should be arbitrated in Hong Kong. Therefore, TRI’s position is that Mitchell’s arbitration award is not final.

The Court ruled in favor of Thunderbird and against MITZIM on its motion to quash writ of attachment. Thunderbird Resorts is diligently prosecuting its claims against MITZIM and estimates that its monetary value of its claim against MITZIM, is \$1,282,454.

On September 27, 2018 Thunderbird Resorts Inc. filed an arbitration claim in the approximate amount of \$1 million against Mitchell with the ICC in Hong Kong. Mitchell in turn filed a “counter-claim” against Thunderbird in the same proceeding in Hong Kong. In October of 2019, the sole arbitrator in this proceeding ruled that Thunderbird Resorts Inc. claim was barred by the doctrine of “res judicata”. Thunderbird Resorts Inc. thereafter filed a Petition for reconsideration of the arbitrators ruling taking the position that application of the doctrine of “res judicata” is without basis in law and in fact. The ICC has sought additional fees from the

parties to the arbitration. Mitchell has refused to pay any fees and Thunderbird refused to pay Mitchell's share.

On September 28, 2018 the Court ruled in favor of Zimmer's Motion to Dismiss for Lack of Jurisdiction. In addition, the Court ruled in favor of Angular's motion to set aside the default judgment and motion to dismiss for lack of jurisdiction.

On January 13, 2019, Jack Ray Mitchell through lawyers in Costa Rica, filed a request of enforcement of an arbitration award dated January 25, 2018 which he received in his favor against Thunderbird Resorts, Inc. The request of enforcement was made in Costa Rica against King Lion Network, subsidiary of Thunderbird Resorts, Inc. and the company was notified on January 24, 2019. King Lion Network filed its response and defense for this case on February 8th, 2019. There is no decision on this case at this time.

On March 19, 2019 the court ruled on Thunderbird Resorts Inc. application for default judgment against Taloma Zulu, S.A. as the Court entered default judgment in in favor of Thunderbird Resorts, Inc., in the amount of \$407,643.

In September 2019, Thunderbird Resorts Inc. filed a civil claim before the Tribunal Courts in San Jose, Costa Rica against Murray Jo Zmmer, Angular Investments Corp and Taloma Zulu S.A., for payments made from the Costa Rica operation owned by Thunderbird Resorts and Angular Investments, to several entities without the authorization of Thunderbird Resorts, Inc. The claimed amount is approximately ½ of the amount that Zimmer wired without authorization, which corresponds to Thunderbird funds in the approximate amount of \$837,090. In October, 2019, The Second Civil Court of the First Judicial Circuit issued a notification to the defendants giving them thirty days to answer regarding the facts of the claim. This case is in its initial phase.

On the Thunderbird vs. Mitchell arbitration claim, in December 2019, the ICC placed a demand on the Parties to pay the additional fees failing which the arbitration would be considered withdrawn. The ICC advised the parties that a final award in the matter would be issued in late April 2020 but no final award has been submitted as of the date of the filing of this Annual Report. Thunderbird Resorts Inc. is also awaiting the ICC ruling on its Petition for Reconsideration of the arbitrators ruling on the issue of "res judicata".

## **23. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and credit risk, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

### Foreign currency sensitivity

Most of the Group's transactions are carried out in the functional currency where the operations reside. Exposures to currency exchange rates arise from the Group's loans payable, intercompany payables and cash balances, which are primarily denominated in US-dollars.

To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are monitored. Generally, where the amounts to be paid for purchases completed in US-dollars versus the functional currency the financing of the purchase is short term; therefore, a decision is made to either finance the equipment or to pay in cash depending on the current value of the US-dollar compared to the functional currency.

US-dollar currency denominated financial assets and liabilities in entities whose functional currency is not US-dollar are as follows:

		US-dollar amounts	
		2019	2018
Nominal amounts	Country		
Financial assets			
	Nicaragua	825	\$ 1,121
	Peru	16,882	22,390
Financial liabilities			
	Nicaragua	(506)	(933)
	Peru	(718)	(3,039)
<b>Short term exposure</b>		<b>\$ 16,483</b>	<b>\$ 19,539</b>
Financial liabilities			
	Nicaragua	(526)	(742)
	Peru	(4,075)	(3,797)
<b>Long term exposure</b>		<b>\$ (4,601)</b>	<b>\$ (4,539)</b>

The following table illustrates the sensitivity of the net income (loss) for the year and equity in regards to the Group's financial assets and financial liabilities and the US-dollar exchange rates.

It assumes a percentage change of the US-dollar against the other currencies for the year ended at December 31, 2019 and 2018. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. If the US-dollar had weakened against the functional currencies according to the percentages below then this would have had the following impact on net income and equity:

Country	2019			2018		
	Percentage change	Net effect on income	Net effect on equity	Percentage change	Net effect on income	Net effect on equity
Costa Rica	3.84%	\$ 3	\$ (55)	3.86%	\$ (7)	\$ 34
Nicaragua	0.28%	1	12	1.63%	3	79
Peru	3.99%	(62)	730	3.35%	(46)	556
<b>Total</b>		<b>\$ (58)</b>	<b>\$ 687</b>		<b>\$ (50)</b>	<b>\$ 669</b>

If the US-dollar had strengthened against the functional currencies according to the percentages below then this would have had the following impact on net income and equity:

Country	2019			2018		
	Percentage change	Net effect on income	Net effect on equity	Percentage change	Net effect on income	Net effect on equity
Costa Rica	3.84%	\$ (3)	\$ 51	3.86%	\$ 6	\$ (31)
Nicaragua	0.28%	(1)	(12)	1.63%	(2)	(76)
Peru	3.99%	57	(675)	3.35%	42	(520)
<b>Total</b>		<b>\$ 53</b>	<b>\$ (636)</b>		<b>\$ 46</b>	<b>\$ (627)</b>

### Interest rate sensitivity

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term are therefore usually at fixed rates. At December 31, 2017, the Group is exposed to changes in borrowings market interest rates through some of its banks borrowings of approximately \$705,131 as of December 31, 2019 (2018 - \$1,196,163), which are subject to variable interest rates. As in the previous year, all other financial assets and liabilities have fixed rates. The impact on profit or loss of a reasonably possible change in interest rates of +/- 4.30% as of December 31, 2019 (2018 - +/- 4.49%) with effect from the beginning of the year, would be an increase of \$12,474 (2018 - \$24,098) or a decrease of \$12,474 (2018 - \$24,098). These changes in interest rates are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the Group's financial instruments held at each statement of financial position date. All other variables are held constant.

## 24. FINANCIAL INSTRUMENT BY CATEGORY

	Loans and receivables
<b>Group</b>	
December 31, 2019	
<b>Assets as per statement of financial position</b>	
Trade and other receivable	\$ 3,664
Cash and cash equivalents	2,604
<b>Total</b>	<b>\$ 6,268</b>
	Other financial liabilities
<b>Liabilities as per statement of financial position</b>	
Borrowings	\$ 17,292
Trade and other payables	6,538
Other financial liabilities	426
<b>Total</b>	<b>\$ 24,256</b>
	Loans and receivables
<b>Group</b>	
December 31, 2018	
<b>Assets as per statement of financial position</b>	
Trade and other receivable	\$ 4,582
Cash and cash equivalents	3,275
<b>Total</b>	<b>\$ 7,857</b>
	Other financial liabilities
<b>Liabilities as per statement of financial position</b>	
Borrowings	\$ 12,176
Trade and other payables	5,961
Other financial liabilities	396
<b>Total</b>	<b>\$ 18,533</b>

## 25. 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 December 31, 2019, the table set below shows the Group's liabilities maturities per year:

This compares to the maturity of the Group's financial liabilities in the previous reporting period as restated below:

	2020	2021	2022	2023	2024	Thereafter	Total
Long-term bank loans	\$ 4,161	\$ 1,117	\$ 1,117	\$ 1,117	\$ 2,020	\$ -	\$ 9,532
Finance lease obligations	1,084	1,162	1,147	1,241	1,071	2,306	8,011
Convertible debt notes	4,725	-	-	-	-	-	4,725
Trade and other payables	3,510	-	-	-	-	-	3,510
Due to related parties	1,121	-	-	-	-	-	1,121
<b>Total</b>	<b>\$ 14,601</b>	<b>\$ 2,279</b>	<b>\$ 2,264</b>	<b>\$ 2,358</b>	<b>\$ 3,091</b>	<b>\$ 2,306</b>	<b>\$ 26,899</b>

	2019	2020	2021	2022	2023	Thereafter	Total
Long-term bank loans	\$ 2,705	\$ 2,673	\$ 985	\$ 985	\$ 985	\$ 1,303	\$ 9,636
Finance lease obligations	4	3	-	-	-	-	7
Convertible debt notes	3,785	594	-	-	-	-	4,379
Trade and other payables	3,661	-	-	-	-	-	3,661
Due to related parties	1,377	-	-	-	-	-	1,377
<b>Total</b>	<b>\$ 11,532</b>	<b>\$ 3,270</b>	<b>\$ 985</b>	<b>\$ 985</b>	<b>\$ 985</b>	<b>\$ 1,303</b>	<b>\$ 19,060</b>

### Derivative financial instruments:

During 2011 and 2012, the Group issued 8.5% convertible loan notes due in 2020 (Note 16). 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 December 31, 2019 (2018 - \$Nil).

### Fair value measurement methods:

The methods and valuation techniques used for the purposes of measuring fair value are unchanged from the previous reporting period. Measurement methods for financial assets and liabilities accounted for at amortized cost are described below.

The carrying amount of trade and other receivables, cash and cash equivalents, and trade and other payables is considered a reasonable approximation of fair value. The fair value of borrowings has been estimated at amortized cost.

## 26. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of its leverage ratio. This ratio is calculated as net debt divided by EBITDA.

	2019	2018
The leverage ratios at December 31, 2019 and 2018 were as follows:		
<b>Total borrowings and finance lease obligations (Note 16 and 21)</b>	\$ 17,333	\$ 12,197
Less: Cash and cash equivalents	(2,604)	(3,275)
Less: Accrued interest	(426)	(396)
Less: unamortized debt issuance cost	(41)	(21)
Net Debt	\$ 14,262	\$ 8,505
<b>Operating loss from continuing operations before other gain and loss items</b>	558	(1,175)
Add: Depreciation and amortization	2,255	2,097
EBITDA	\$ 2,813	\$ 922
Leverage ratio	5.07	9.22

## 27. INVESTMENT IN JOINT VENTURE

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

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership held by the Group	
			2019	2018
King Lion Network, S.A.	Costa Rica	Land Company	50%	50%

The investments 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:

	2019	2018
Current assets	\$ 8,888	\$ 8,378
<b>Total assets</b>	<b>8,888</b>	<b>8,378</b>
Current liabilities	(3,878)	(3,792)
<b>Total liabilities</b>	<b>(3,878)</b>	<b>(3,792)</b>
<b>Total net assets</b>	<b>5,010</b>	<b>4,586</b>
Proportion of ownership interest held by Group	50%	50%
<b>Carrying amount of investment in joint venture</b>	<b>2,505</b>	<b>2,293</b>

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

	2019	2018
<b>Loss for the period</b>	144	(342)
Proportion of ownership interest held by Group	50%	50%
<b>Group's share of loss for the period</b>	<b>\$ 72</b>	<b>\$ (171)</b>

## 28. PRINCIPAL SUBSIDIARIES

The Group owns directly or indirectly the following companies. The principal operations are carried out in the country of registration; all subsidiaries have a December 31 year-end. The Group comprises a large number of companies and it is not practical to list all of them below. This list therefore includes those companies which the Directors consider principally affect the results or financial position of the Group.

The following is a table of our organizational structure of material subsidiaries, including our effective record ownership structure as of December 31, 2019:

Name of subsidiary	Jurisdiction of formation	Effective ownership interest
Thunderbird Entertainment, S.A,	Panama	100%
Thunderbird Greeley, Inc.	California	100%
Total Gaming, Inc.	California	100%
Thunderbird Hoteles Las Americas S.A.	Peru	100%
Buena Esperanza Limitada S.A.	Nicaragua	55.9 % (indirect)
Camino Real (BVI) Investments Ltd.	British Virgin Islands	100%
International Thunderbird (BVI) Ltd.	British Virgin Islands	100%
International Thunderbird Brazil (BVI) Ltd.	British Virgin Islands	100%

The Group includes a subsidiary, Buena Esperanza Limitada, S.A. (“BELSA”), with material non-controlling interest (“NCI”):

Name	Country of incorporation and principal place of business	Principal activity	Proportion of ownership held by the NCI	
			2019	2018
Buena Ezperanza Limitada, S.A. ("BELSA")	Nicaragua	Gaming	44.10%	44.10%

No dividends were paid to the NCI of BELSA during the years 2019 and 2018.

Summarized financial information for BELSA, before intragroup eliminations, is set out below:

<i>(in thousands)</i>	<b>BELSA</b>	
	<b>2019</b>	<b>2018</b>
Non-current assets	\$ 9,264	\$ 6,400
Current assets	2,016	2,140
<b>Total assets</b>	<b>11,280</b>	<b>8,540</b>
Non-current liabilities	(5,390)	(1,208)
Current liabilities	(1,787)	(2,565)
<b>Total liabilities</b>	<b>(7,177)</b>	<b>(3,773)</b>
<b>Equity attributable to the owners of the parent</b>	<b>1,318</b>	<b>1,967</b>
<b>Non-controlling interest</b>	<b>2,785</b>	<b>2,800</b>

<i>(in thousands)</i>	<b>BELSA</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<b>\$ 12,119</b>	<b>\$ 13,670</b>
Profit / (Loss) for the year attributable to the owners of the parent	151	83
Profit / (Loss) for the year attributable to NCI	119	65
<b>Profit / (Loss) for the year</b>	<b>270</b>	<b>148</b>
Other comprehensive income for the year attributable to the owners of the parent	275	235
Other comprehensive income for the year for the year attributable to NCI	48	-
<b>Other comprehensive income for the year</b>	<b>323</b>	<b>235</b>

	<b>BELSA</b>	
	<b>2019</b>	<b>2018</b>
Net cash from operating activities	\$ 1,292	\$ 965
Net cash used in investing activities	(201)	(636)
Net cash (used in) from financing activities	(1,261)	(526)
Effect of foreign exchange adjustment	(87)	(80)

## 29. SUBSEQUENT EVENTS

### Impact of the corona virus pandemic on our business and how the Group has responded to stabilize the business.

On March 27, 2020, the Group disclosed the impact of the coronavirus pandemic on its overall business. The Group advised that on March 15, 2020 Peru's national government declared a state of national emergency, lasting 15 days, that places strict controls on people's movement within the country. The decree required all of Peru's borders closed as of 11:59 p.m. March 16, as well as prohibiting domestic travel between Peru's 196 provinces. The Group now believes that these restrictions will be continued, resulting in virtually nil revenue for its hotel owner/operator and management business for period that remains unknown. Moreover, even when restrictions are lifted, the Group cannot accurately assess at this time on the hotels' ability to return to normal operations given the international travel bans in effect around the world. The Nicaraguan government has enforced few restrictions to date, but consumption has reduced in the market considerably given that there are now known infections in that market. Thunderbird is waiting to evaluate the financial incentives that could be produced by either government to support the hospitality industry.

On April 17, 2020, the Group announced the impact of the coronavirus pandemic on the Group's year-end filings anticipating that its Annual Report, including financial statement for year-end December 31, 2019, would not be filed by its due date of April 30, 2020 and estimates the filing to be completed by June 30 2020 or as soon as possible. The basis for the extension is due to the coronavirus pandemic and "stay-at-home" orders and other restrictions which are making it impossible to comply with filing requirements on a timely basis. The Group has also postponed its originally scheduled Annual General Meeting of Shareholders from May 22, 2020 to an undetermined date in the future.

Since our April 17, 2020 announcement, the following events have occurred.

1. In the second quarter of 2020, our Nicaragua operations generated revenues at approximately 60% of the revenues of our more normalized first quarter 2020 revenues. At the same time, we have restructured the business with the goal to stabilize cash flow at this new level of revenue. This process seems to have worked, but is still ongoing. We do not know if revenues are stabilized or have bottomed.
2. In the second quarter of 2020, our Peru operations generated revenues at approximately 83% of the revenues of our more normalized first quarter 2020 revenues. To mitigate the fall of revenue, we have temporarily converted the hotel into a residence for quarantined Peruvians generating approximately \$305,000 in revenues. We do not believe this quarantine business is sustainable in the second half of the year and are actively exploring alternate revenues for a hotel business that will be competing for a highly-limited supply of guests in the months to come. On another note, our Peru operations have secured approximately \$345 thousand in debt guaranteed by the Peruvian government, which required uses are to support payroll and working capital. The loan terms are 1.0% interest rate payable over 36 months, with a grace period on both principal and interest for the first 12 months. We have also begun to negotiate

a significant interest-only period to our approximate \$4.0 million senior debt in Peru, and are hopeful of a positive outcome.

3. In the second quarter of 2020, our Corporate operations have continued to reduce costs with the goal to stabilize our cash on hand given that disbursements from our operations have been vastly reduced. This is a work in progress. At the same time, we have been sourcing other types of income to replace lost cash flow with work still in progress. Finally, as in the past, the Group is working with its unsecured lenders to defer payments until there is liquidity event and/or until there is sufficient cash flow. Any and all interest that accrues during this deferral period shall be added to the principal balance.

## Chapter 8: Risk Factors

**Summary of Risk Factors:** Prospective investors in Thunderbird Resorts Inc. should consider the risks described below associated with our business. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. Although we believe that the risks set forth below are our material risks, they are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also have an effect on us and the value of our common shares. An investment in our Group may not be suitable for all recipients of our Annual Report.

**Risks Associated with our Business:** The gaming and hospitality industries and the markets in which we compete are highly competitive, and we expect competition to intensify. If our competitors operate more successfully than us, if their properties are enhanced or expanded, if their properties offer gaming, lodging, entertainment or other experiences that are perceived to be of better quality and/or value than ours, or if additional gaming or hospitality facilities are established in and around locations in which we conduct business, we may lose market share. In particular, the expansion of casino gaming (especially major market-style gaming) by our competitors in or near any geographic area from which we attract or expect to attract a significant number of our patrons could have a material adverse effect on our business, financial condition and results of operations. Our competitors vary considerably by their size, quality of facilities, number of operations, number of gaming tables and slot machines, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity, and many of our competitors have significantly greater resources than we do. Many international hotel companies are present in the markets where we have hospitality properties. Likewise, many casino operators are present in the markets where we have casinos and other gaming and entertainment venues. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. We expect that competition in our existing markets will intensify. The expansion of existing casino and video entertainment properties and the increase in the number of such properties in many of our markets, as well as the aggressive marketing strategies of many of our competitors, have increased the competitive pressures on our operations. If we cannot effectively compete in a market, it will have a material adverse effect on our business, financial position, or results of operations. Unfavorable changes in general economic conditions, including recession or economic slowdown, or higher fuel or other transportation costs, may reduce disposable income of casino and hotel patrons, or result in fewer patrons visiting casinos or hotels, as well as reduced play levels. As our properties are located in Central and South America, we would be especially affected by economic downturns affecting those regions; however, economic difficulties in other regions may affect our expansion plans, as well as our ability to raise capital. In addition to general economic and business risks, our gaming and hospitality operations are affected by a number of factors beyond our control, including: downturn or loss in popularity of the gaming industry in general, and table and slot games in particular; the relative popularity of entertainment alternatives to casino gaming; the growth and number of legalized gaming jurisdictions; local conditions in key gaming markets, including seasonal and weather-related factors; increases in taxes or fees; the level of new casino construction and renovation schedules of existing casinos; competitive conditions in the gaming industry and in particular gaming markets; decreases in the level of demand for rooms and related services; over-building (cyclical and otherwise) in the hotel industry; restrictive changes in zoning and similar land use laws and regulations, or in health, safety and environmental laws, rules and regulations; the inability to obtain property and liability insurance fully to protect against all losses or to obtain such insurance at reasonable rates; changes in travel patterns; changes in operating costs, including energy, labor costs (including minimum wage increases and unionization), workers' compensation and health-care related costs and insurance; changes in desirability of our existing markets' geographic regions; and inflation-driven cost increases that cannot be fully offset with revenue increases.

Any of these risks could have a material adverse effect on our business, financial position, or results of operations.

**Development Risks:** The development and construction of hotels, casinos and other gaming and entertainment venues, and the expansion of existing properties, are susceptible to delays, cost overruns and other uncertainties, any of which could have an adverse effect on our business, financial condition, and results of operations. Our business strategy may contemplate future development and construction of casinos and other gaming and entertainment venues, as well as the expansion of our existing properties. All such projects are susceptible to various risks and uncertainties.

Our failure to complete any new development or expansion project as planned, on schedule and within budget, could have a material, adverse effect on our business, financial condition, and results of operations. In addition, once a project is completed, we cannot assure you that we will be able to manage that project on a profitable basis or to attract a sufficient number of guests, gaming customers and other visitors to make it profitable.

**Mergers & Acquisitions:** Any future mergers and acquisitions could prove difficult to integrate, disrupt our business, dilute shareholder value, and strain our resources. As part of our business strategy, we intend to continue to seek to acquire businesses and properties that we believe could complement or expand our business or otherwise offer growth opportunities. Any future acquisitions will involve numerous risks, including: difficulties in integrating operations, technologies, services, accounting and personnel; difficulties in supporting and transitioning customers of our acquired companies to our technology platforms and business processes; diversion of financial and management resources from existing operations; difficulties in obtaining regulatory approvals and permits for the acquisition; and the inability to generate sufficient revenues to offset acquisition or investment costs.

Acquisitions also frequently result in recording of goodwill and other intangible assets, which are subject to potential impairments in the future that could have a material, adverse effect on our operating results. Furthermore, the costs of integrating acquired businesses (including restructuring charges associated with the acquisitions, as well as other acquisition costs, such as accounting, legal and investment banking fees) could significantly impact our operating results. Although we perform diligence on the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. We may not be able to ascertain the value or understand the potential liabilities of the acquired businesses and their operations until we assume operating control of the assets and operations of these businesses. Once we acquire a business, we are faced with risks, including the following: the possibility that we have acquired substantial undisclosed liabilities; the need for further regulatory approvals; the risks of entering markets in which we have limited or no prior experience; and the possibility that we may be unable to recruit additional managers with the necessary skills to supplement the management of the acquired businesses.

If we are unsuccessful in overcoming these risks, our business, financial condition, or results of operations could be materially and adversely affected.

**Risks to Cash Flow and Access to Capital:** Our cash flow from operations and available credit may not be sufficient to meet our planned capital requirements and, as a result, we could be dependent upon future financing, which may not be available on acceptable terms, or at all. Our businesses are, and our planned growth and expansions may be, capital-intensive. Historically, we have not generated sufficient cash flow



from operations to satisfy our capital requirements and have relied on debt and equity financing arrangements to satisfy such requirements. Should such financing arrangements be required but unavailable in the future, this will pose a significant risk to our ability to execute on our growth and expansion strategy, as well as to our cash requirements. There can be no assurance that future financing arrangements will be available on acceptable terms, or at all. We may not be able to obtain additional capital to fund currently planned projects or to take advantage of future opportunities or respond to changing demands of customers and competitors. Our planned projects and acquisitions that we may develop in the future will require significant capital. Although we intend to finance any such projects or acquisitions partially with debt financing, we do not have any financing commitments for all planned project debt financing and the financing commitments available to us are subject to a number of conditions, which may not be met. We may not be able to obtain any such financing on reasonable terms, or at all. The failure to obtain such financing could adversely affect our ability to construct any particular project, or reduce the profitability of such project. In addition, the failure to obtain such financing could result in potentially dilutive issuances of equity securities, guarantees of third party-debt, the incurrence of contingent liabilities and, an increase in amortization expenses related to goodwill and other intangible assets, any of which could have a material, adverse effect on our business, financial condition, or results of operations. Furthermore, an increase in the general levels of interest rates, or those rates available to us, would make it more expensive to finance our operations and proposed investments. Increases in interest rates could also make it more difficult to locate and consummate investments that meet our profitability requirements. In addition, we will be required to repay borrowings from time to time, which may require such borrowings to be refinanced. Many factors, including circumstances beyond our control, such as changes in interest rates, conditions in the banking market and general economic conditions, may make it difficult for us to obtain such new financing on attractive terms or even at all.

**Market Risks:** Our business is international; accordingly, it is subject to political and economic risks. We own and operate, and may develop, own and operate, hotels, casinos and other gaming and entertainment venues in Central America and South America. Our existing and planned business, as well as our results of operations and financial condition, may be materially and adversely affected by significant political, social, and economic developments in these areas of the world and by changes in policies of the applicable governments or changes in laws and regulations or the interpretations thereof. Our current operations are also exposed to the risk of changes in laws and policies that govern operations of gaming companies. Tax laws and regulations may also be subject to amendment or different interpretation and implementation, thereby adversely affecting our profitability after tax. These changes may have a material, adverse effect on our business, financial position, or results of operations. The general economic conditions and policies in these countries could also have a significant impact on our financial prospects. Any slowdown in economic growth could reduce the number of visitors to our hotel and casino operations or the amount of money these visitors are willing to spend. International operations, generally, are subject to various political and other risks, including, among other things: war or civil unrest, expropriation and nationalization; costs to comply with laws of multiple jurisdictions; changes in a specific country's or region's political or economic conditions; tariffs and other trade protection measures; currency fluctuations; import or export licensing requirements; changes in tax laws; political or economic instability in local or international markets; difficulty in staffing and managing widespread operations; changing labor regulations; restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in these jurisdictions; and restrictions on our ability to repatriate dividends from our subsidiaries.

**Government Regulatory Risk:** We are subject to extensive governmental regulation. The gaming industry is highly regulated and we must maintain our licenses, registrations, approvals and permits in order to

continue our gaming operations. Our gaming operations are subject to extensive regulation under the laws, rules and regulations of the jurisdiction where they are located. These laws, rules and regulations often concern the responsibility, financial stability, and character of the owners, managers, and persons with financial interests in the gaming operations. Certain jurisdictions empower their regulators to investigate participation by licensees in gaming outside of their jurisdiction and require access to, and periodic reports concerning, the gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. Regulatory authorities often have broad powers with respect to the licensing of gaming operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines, and take other actions, any one of which could have a material adverse effect on our business, financial condition, and results of operations. We also are responsible for the acts and conduct of our employees on the premises. Substantial fines or forfeiture of assets for violations of gaming laws or regulations may be levied against us, our subsidiaries, and the persons involved. We must periodically apply to renew our gaming licenses. We cannot assure you that we will be able to obtain such renewals. In addition, if we expand our gaming operations in the jurisdictions in which we currently operate or into new jurisdictions, we will have to meet suitability requirements and obtain additional licenses, registrations, permits and approvals from gaming authorities in these jurisdictions. The approval process can be time-consuming and costly and there is no assurance that we will be successful. In addition, regulatory authorities in certain jurisdictions must approve, in advance, any restrictions on transfers of, agreements not to encumber, or pledges of equity securities issued by an entity that is registered as an intermediary company with such jurisdiction, or holds a gaming license. If these restrictions are not approved in advance, they will be invalid. Although we believe that our organizational structure and operations are in compliance with all applicable laws and regulations where we operate, these laws and regulations are complex and a court or an administrative or regulatory body may in the future render an interpretation of these laws and regulations, or issue new regulations that differ from our interpretation, which could have a material adverse effect on business, financial condition, or results of operations. From time to time, legislators and special interest groups have proposed legislation that would expand, restrict, or prevent gaming operations in the jurisdictions in which we operate. In addition, from time to time, certain anti-gaming groups propose referenda that, if adopted, would limit our ability to continue to operate in those jurisdictions in which such referenda are adopted. Any expansion of permitted gaming or any restriction on, or prohibition of, our gaming operations could have a material, adverse effect on our operating results. From time to time, country, state and local governments have considered increasing the taxes on gaming revenues or profits. We cannot assure you that such increases will not be imposed in the future. Any such increases could have a material, adverse effect on our business, financial condition, or results of operations. In addition to gaming regulations, we are subject to various other federal, state, and local laws and regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could have a material, adverse effect on our business, financial condition, and results of operations. We cannot assure you that we will be able to comply with, or conduct business in accordance with, applicable regulations.

**Public Opinion Risk:** The gaming industry is sensitive to declines in the public acceptance of gaming. Public opinion can negatively affect the gaming industry and our future performance. If there is a decline in public acceptance of gaming, this may affect our ability to do business in some markets, either through unfavorable legislation affecting the introduction of gaming into emerging markets, or through legislative and regulatory changes in existing gaming markets which may adversely affect our ability to continue to

own and operate our gaming operations in those jurisdictions, or through resulting reduced casino patronage. We cannot assure you that the level of support for legalized gaming or the public use of leisure money in gaming activities will not decline.

**Risks to Shareholders:** Certain holders of our common shares are subject to certain requirements of the gaming laws of some jurisdictions in which we are licensed. For example, under Peruvian law, any licensed company must submit to regulators the names of all persons that control 2% or more of the shares of that licensed company. While this legal requirement has historically been interpreted in a manner that would require disclosure of the identities of officers of the Group, which controls 100% of the licensed company that owns and operates our Peruvian facilities, including the casinos that we are currently developing, it is possible that in the future regulators could require disclosure from a common shareholder of ours. In such a situation it is possible that the regulators would require significant information about that shareholder and its assets and operations and, if the regulators were to determine that that shareholder is unsuitable, it could revoke our gaming license unless that shareholder divested some or all of its common shares.

**Risks to Pledged Shares and/or Assets:** If we default under certain agreements, we could forfeit our pledged equity interest in certain subsidiaries and/or certain assets.

**Risks of Local Investors:** We own many of our properties through entities that are partly owned by local companies or individuals. Accordingly, maintaining good personal and professional relationships with our local partners is critical to our proposed and future operations. Changes in management of our local partners, changes in policies to which our local partners are subject, or other factors that may lead to the deterioration of our relationship with a local partner may have a material adverse effect on our business, financial position, or results of operations. Our joint venture investments involve risks, such as the possibility that the local partner might become bankrupt or not have the financial resources to meet its obligations, or may have economic or business interests or goals that are inconsistent with our business interests or goals, or be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. Our local partners often have shared control over, or certain veto rights with respect to, the operation of the local facilities. Therefore, we may be unable to take certain actions without the approval of our local partners. Disputes between us and local partners may result in litigation or arbitration that would increase our expenses and prevent our officers, directors, and employees from focusing their time and efforts on our business. Consequently, actions or disputes with local partners might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our local partners. We may not be able to find acceptable local partners, or enter into acceptable arrangements with local partners, which could limit our ability to expand into new markets. Our business strategy contemplates forming and maintaining relationships with local partners. We cannot assure you that we will be able to identify the best local partners or maintain our relationships with existing local partners, or enter into new arrangements with other local partners on acceptable terms, or at all. The failure to maintain or establish such relationships could have a material adverse effect on our business, financial position, or results of operations. In addition, the terms of our local partner agreements are influenced by contract terms offered by our competitors, among other things. We cannot assure you that any of our current arrangements with our local partners will continue, or that we will be able to renew our local partnerships, or enter into new local partnerships, on terms that are as favorable to us as those that exist today. Conflicts may arise between us and our local partners, such as conflicts concerning joint venture governance or economics, or the distribution or reinvestment of profits. Any such disagreement between us and a local partner could result in one or more of the following, each of which could harm our reputation or have a material, adverse effect on our business, financial position, or results of operations: unwillingness on the

part of a local partner to (i) pay us amounts or render us services we believe are due to us under our arrangement; (ii) to keep us informed regarding the progress of its development and community relationship activities; or (iii) early termination or non-renewal of the relationship.

**Risks of Losing Key Personnel:** Our ability to maintain our competitive position is dependent, to a large degree on the services of our senior management team. However, we cannot assure you that any of these individuals will remain with us, or that we would be able to attract and hire suitable replacements in the event of any such loss of services. The death or loss of the services of any of our senior managers or the inability to attract and retain additional senior management personnel could have a material, adverse effect on our business, including our ability to raise additional capital.

**Tax Risk:** We may be subject to certain tax liabilities in connection with our operations. See Note 22 to the Financial Statements.

**Litigation Risk:** We may be involved in legal and tax claims from time to time. Some of the litigation claims may not be covered under our insurance policies or our insurance carriers may seek to deny coverage. As a result, we might be required to incur significant legal fees, which may have a material adverse impact on our financial position. In addition, because we cannot predict the outcome of any action, it is possible that, as a result of current and/or future litigation, we will be subject to adverse judgments or settlements that could significantly reduce our earnings or result in losses. Please see Notes 17 and 22 of the financial statements for a description of our current material litigation.

**Acts of God:** Our properties may be affected by acts of God, such as natural disasters, particularly in locations where we own and/or operate significant properties. Some types of losses, such as those from earthquake, hurricane, terrorism, and environmental hazards, may be either uninsurable or too expensive to justify insuring against. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Similarly, war (including the potential for war), political unrest, other forms of civil strife, terrorist activity (including threats of terrorist activity), epidemics (such as SARS and bird flu), travel-related accidents, as well as geopolitical uncertainty and international conflict, which impact domestic and international travel, may cause our results to differ materially from anticipated results. In addition, inadequate preparedness, contingency planning, or recovery capability in relation to a major incident or crisis may prevent operational continuity and consequently impact our business, financial position, or results of operations. Although we have all-risk property insurance for our properties covering damage caused by a casualty loss (such as fire and natural disasters), each such policy has certain exclusions. Our level of insurance coverage for our properties may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events, such as labor strikes, nuclear events, acts of war, loss of income due to cancellation of room reservations, or conventions due to fear of terrorism, deterioration or corrosion, insect or animal damage and pollution, might not be covered at all under our policies. Therefore, certain acts could expose us to heavy, uninsured losses. In addition, although we currently have certain insurance coverage for occurrences of terrorist acts and certain losses that could result from these acts, our terrorism coverage is subject to the same risks and deficiencies as those described above for our all-risk property coverage. The lack of sufficient insurance for these types of acts could expose us to heavy losses in the event that any damages occur, directly or indirectly, as a result of terrorist attacks, which could have a significant negative impact on our operations. In addition to the damage caused to our property by a casualty loss (such as fire, natural disasters, acts of war or terrorism), we may suffer disruption

of our business as a result of these events, or be subject to claims by third parties injured or harmed. While we carry business interruption insurance and general liability insurance, such insurance may not be adequate to cover all losses in such event. We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage. Among other potential future adverse changes, in the future we may elect to not, or may not be able to, obtain any coverage for losses due to acts of terrorism.

**Management Risks:** We derive our revenue from operations located in multiple countries and expect to further expand our business. As a result of long distances, different cultures, management and language differences, our operations pose risks to our business. These factors make it more challenging to manage and administer a dispersed business and increase the resources necessary to operate under several different regulatory and legislative regimes.

**Technology Risks:** We use sophisticated information technologies and systems that are interconnected through the Internet. Any disaster, disruption or other impairment in our technology capabilities could harm our business. Our information technology system is vulnerable to damage or interruption from: earthquakes, fires, typhoons, floods, and other natural disasters; power losses, computer systems failures, internet, and telecommunications or data network failures, operator negligence, improper operation by or supervision of employees, physical and electronic losses of data, and similar events; and computer viruses, penetration by individuals seeking to disrupt operations or misappropriate information, and other breaches of security. We rely on our systems to perform functions critical to our ability to operate, including our central reservation systems. Accordingly, an extended interruption in system's functions could significantly curtail, directly and indirectly, our ability to conduct our business and generate revenue. In addition, if a breach of security were to occur, it could cause interruptions in our communications and loss or theft of data. To the extent our activities involve the storage and transmission of information, such as credit card numbers, security breaches could damage our reputation and expose us to a risk of loss or litigation, and possible liability. Our insurance policies might not be sufficient to reimburse us for losses caused by such security breaches. Further, the development and maintenance of these technologies may require significant capital. There can be no assurance that as various systems and technologies become outdated or new technology is required we will be able to replace or introduce them as quickly as our competition, or within budgeted costs and timeframes for such technology. Further, there can be no assurance that we will achieve the benefits that may have been anticipated from any new technology or system.

**Demand Risks:** Our properties must offer themes, products and services that appeal to potential customers. We may not anticipate or react quickly enough to any significant changes in customer preferences, such as jackpot fatigue (declining play levels on smaller jackpots) or the emergence of a popular gaming option provided by our competitors, or hotel amenities supplied by our competitors. In addition, general changes in consumer behavior, such as redirection of entertainment dollars to other venues or reduced travel activity, could materially affect our business, financial position and results of operations.

**Fraud Risks:** We incorporate security features into the design of our gaming operations designed to prevent us and our patrons from being defrauded. However, we cannot assure you that such security features will continue to be effective in the future. If our security systems fail to prevent fraud, our business, financial position, or results of operations could be adversely affected and our brand could suffer.

**Marketing & Promotions Risks:** We intend to promote the brands that we own and operate to differentiate ourselves from our competitors and to build goodwill with our customers. These promotional efforts may



require substantial expenditures on our part. However, our efforts may be unsuccessful and these brands may not provide the competitive advantage that we anticipate, in which case we would not realize the expected benefits from our expenditures related to our brands.

**Holding Company Risks:** We are a holding company with no material business operations of our own. Our only significant asset is the capital stock of our subsidiaries and joint ventures. We conduct virtually all of our business operations through our direct and indirect subsidiaries, and joint ventures. Accordingly, our only material sources of cash are dividends and distributions with respect to our ownership interests in our subsidiaries and joint ventures and management fees paid to us by certain of our joint ventures, all of which are dependent on the earnings and cash flow generated by the operating properties owned by our subsidiaries and joint ventures. Our subsidiaries and joint ventures might not generate sufficient earnings and cash flow to pay dividends or distributions in the future. In addition, our subsidiaries' and joint ventures' debt instruments and other agreements may from time to time limit or prohibit certain payment of dividends or other distributions to us.

**Risks Associated with Real Estate:** Our business strategy contemplates our ownership of significant amounts of real estate, which investments are subject to varying degrees of risk. Real estate values are affected by a variety of other factors, such as governmental regulations and applicable laws (including real estate, zoning, tax and eminent domain laws), interest rate levels, and the availability of financing. For example, existing or new real estate, zoning or tax laws can make it more expensive and/or time consuming to develop real estate or expand, modify or renovate hotels. Governments can, under eminent domain laws, take real estate, sometimes for less compensation than the owner believes the estate is worth. When prevailing interest rates increase, the expense of acquiring, developing, expanding or renovating real estate increases, and values decrease as it becomes more difficult to sell estates because the number of potential buyers decreases. Similarly, as financing becomes less available, it becomes more difficult both to acquire real estate and, because of the diminished number of potential buyers, to sell real estate. Any of these factors could have a material, adverse impact on our business, financial position, or results of operations. Ownership of real estate also exposes us to potential environmental liabilities. Environmental laws, ordinances and regulations of various governments regulate our properties and could make us liable for the costs of removing or cleaning up hazardous or toxic substances on, under, or in estates we currently own or operate, or that we previously owned or operated. These laws could impose liability without regard to whether we knew of, or were responsible for, the presence of hazardous or toxic substances. The presence of hazardous or toxic substances, or the failure to properly clean up such substances when present, could jeopardize our ability to develop, use, sell or rent the real estate or to borrow using the real estate as collateral. Other laws, ordinances and regulations could require us to manage, abate or remove lead or asbestos containing materials. Similarly, the operation and closure of storage tanks are often regulated by foreign laws. Certain laws, ordinances and regulations, particularly those governing the management or preservation of wetlands, coastal zones and threatened or endangered species, could limit our ability to develop, use, sell or rent our real estate. Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in response to changing economic, financial, and investment conditions may be limited. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional, and local economic and market conditions;
- changes in interest rates and in the availability, cost, and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances, and the related costs of compliance with laws and regulations, fiscal policies, and ordinances;

- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of God, including earthquakes, floods, and other natural disasters and acts of war or terrorism, which may result in uninsured losses.

We may decide to sell one or more of our properties in the future. We cannot predict whether we will be able to sell any property for the price, or on the terms, set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also, cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

In addition, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements.

**Foreign Currency Risks:** As of December 31, 2018, the Group owned operating assets in Peru and Nicaragua and real estate assets in Costa Rica, Peru and Nicaragua. Therefore, certain of our expenses and revenues are and will be denominated in local currencies. A significant amount of our debt is denominated in dollars, and the costs associated with servicing and repaying such debt will be denominated in dollars. Additionally, our financial information is, and in the future will be, prepared in dollars. Any target business with which we pursue a business combination may denominate its financial information in a currency other than the dollar or conduct operations in a currency other than the dollar. Our sales in a currency other than dollars may subject us to currency translation risk. Exchange rate volatility could negatively impact our revenues or increase our expenses incurred in connection with operating a target business. Currency rates may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by local governments, central banks or supranational entities, or by the imposition of currency controls or other political developments. We are exposed to market risks from changes in foreign currency exchange rates, and any significant fluctuations in the exchange rates between local currencies against the dollar may have a material adverse effect on our operating results. Furthermore, the portion of our business conducted in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations. We have not used any forward contracts, futures, swaps, or currency borrowings to hedge our exposure to foreign currency risk.

**Risks to Ground Leases:** We hold certain of our properties through leasehold interests in the land underlying the buildings and we may acquire additional properties in the future that are subject to similar ground leases. As the lessee under a ground lease, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease, which may have a material adverse effect on our business, financial condition, results of operations, our ability to make distributions to our shareholders, and price of our common shares.

**Risks Associated with our Common Shares:** We may not be able to sustain a market for our shares, options and warrants on Euronext Amsterdam, which would adversely affect the liquidity and price of our shares, options and warrants. The price of the shares, options, and warrants after the admission to listing also can vary due to general economic conditions and forecasts, our general business condition, and the release of our financial reports. Although our current intention is to maintain a listing on Euronext Amsterdam, we cannot assure you that we will always do so. In addition, an active trading market for our shares on Euronext Amsterdam may not develop or, if developed, may not be maintained. You may be unable to sell your shares unless a market can be established and maintained, and if we subsequently obtain another listing on

an exchange in addition to, or in lieu of, Euronext Amsterdam, the level of liquidity of your shares may decline. In addition, because a large percentage of Euronext Amsterdam's market capitalization and trading volume is represented by a limited number of companies, fluctuations in the prices of those companies' securities may have an effect on the market prices for the securities of other listed companies, including the price of our shares. Euronext Amsterdam may delist our securities, which could limit the ability of our shareholders to make transactions in our securities and subject us to additional trading restrictions. Although we have met the listing standards of Euronext Amsterdam on admission, and are currently listed and trading, we cannot assure you that our securities will continue to be listed on Euronext Amsterdam as we might not meet certain continued listing standards. If we are delisted, we may not be able to list on any other exchange that provides sufficient liquidity. Even if an active trading market for our common shares develops, the market price of those securities may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur. If the market price of our common shares declines significantly, you may be unable to resell such common shares at or above your purchase price, if at all. We cannot assure you that the market price of our common shares will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our common shares or result in fluctuations in the price or trading volume of our common shares include: variations in our quarterly operating results; failure to meet earnings estimates; publication of research reports about us, other companies in our industry or the failure of securities analysts to cover our shares in the future; additions or departures of key management personnel; adverse market reaction to any indebtedness we may incur, or preferred or common shares we may issue in the future; changes in market valuations of similar companies; announcements by us or our competitors of significant contracts, acquisitions and dispositions; speculation in the press or investment community; changes or proposed changes in laws or regulations affecting the hotel, casino or gaming industries, or enforcement of these laws and regulations, or announcements relating to these matters; general market, political and economic conditions and local conditions in the markets in which our properties are located; and other risks identified in this Annual Report.

Any market on which our common shares trade will from time-to-time experience extreme price and volume fluctuations. These market fluctuations could result in extreme volatility in the trading price of our common shares, which could cause a decline in the value of your investment. You should also be aware that price volatility may be greater if the public float and trading volume of our common shares are low.

**Risks from Options, and Promissory Notes Convertible into Common Stock:** As of December 31, 2019, we have existing options and promissory notes convertible into common shares. The potential issuance of additional common shares on exercise of these options or the conversion of these promissory note into shares could make us a less attractive investment, if exercise of the options and conversion of notes into shares at prices below current market prices. If, and to the extent, these options are exercised or conversion occur, shareholders may experience dilution to their holdings. As of June 2020, we have 28,103,707 common shares outstanding. See Chapter 7 for more detail on the unexercised option and promissory note convertible into shares.

**We do not anticipate paying any dividends on our common shares in the foreseeable future:** We do not expect to declare or pay any cash or other dividends in the foreseeable future on our common shares, as we intend to use cash flow generated by operations to pay off our debt and expand our business. Our debt arrangements may also restrict our ability to pay cash dividends on our common shares, and we may also enter into credit agreements or other borrowing arrangements in the future that restrict our ability to declare or pay cash dividends on our common shares.



Ownership in us may be diluted in the future: Your percentage ownership in us may be diluted in the future because of equity awards that we expect will be granted over time to our directors, officers, and employees. Additionally, our Board of Directors may issue common shares and preferred shares without shareholder approval, which may substantially dilute shareholder ownership interest and serve as an anti-takeover measure.

Because the Group is a British Virgin Islands company, our shareholders' rights may not be able to enforce judgments against us: We are incorporated under the laws of the British Virgin Islands. As a result, it may be difficult for investors to effect service of process upon us in other jurisdictions to enforce against us judgments obtained in other jurisdictions, including judgments predicated upon the civil liability provisions of the securities laws of other foreign jurisdictions. We have been advised by our British Virgin Islands counsel that judgments predicated upon the civil liability provisions of the securities laws of other jurisdictions may be difficult to enforce in British Virgin Islands courts and that there is doubt as to whether British Virgin Islands courts will enter judgments in original actions brought in British Virgin Islands courts predicated solely upon the civil liability provisions of the securities laws of other foreign jurisdictions.

Because the Group is a British Virgin Islands company, our shareholders' rights may be less clearly established as compared to the rights of shareholders of companies incorporated in other jurisdictions: Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the International Business Companies Act of the British Virgin Islands. Principles of law relating to such matters as the validity of corporate procedures, the fiduciary duties of management and the rights of our shareholders may differ from those that would apply if we were incorporated in another jurisdiction. The rights of shareholders under British Virgin Islands law are not as clearly established as are the rights of shareholders in many other jurisdictions. Thus, our shareholders may have more difficulty protecting their interests in the face of actions by our Board of Directors than they would have as shareholders of a corporation incorporated in another jurisdiction.

Our governing documents and British Virgin Islands law contain provisions that may have the effect of delaying or preventing a change in control of us: Our Memorandum of Association authorizes our Board of Directors to issue up to 500 million preferred shares and to determine the powers, preferences, privileges, rights, including voting rights, qualifications, limitations and restrictions on those shares, without any further vote or action by the shareholders. The rights of the holders of our common shares will be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be issued in the future. The issuance of preferred shares could delay, deter or prevent a change in control and could adversely affect the voting power or economic value of your shares. In addition, provisions of our governing documents and British Virgin Islands law, together or separately, could discourage potential acquisition proposals, delay or prevent a change in control, and limit the price that certain investors might be willing to pay in the future for our common shares. Among other things, these provisions provide that: our Directors may only be removed without cause by the vote of shareholders holding at least a two-thirds of our outstanding common shares; and our shareholders may only call a special meeting by delivering to our Board of Directors a request for a special meeting by shareholders holding 50% or more of our outstanding common shares. Although we believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics and thereby provide an opportunity to receive a higher bid by requiring potential acquirers to negotiate with our Board of Directors, these provisions apply even if the offer may be considered beneficial by some shareholders. Further, these provisions may discourage potential acquisition proposals and may delay, deter, or prevent a change of control of our Group, including through unsolicited

transactions that some or all of our shareholders might consider to be desirable. As a result, efforts by our shareholders to change our direction or our management may be unsuccessful.

Future sales of securities could depress the price of our securities: Sales of a substantial number of shares of our securities, or the perception that a large number of our securities will be sold could depress the market price of our common shares. Our governing documents authorize us to issue up to 500,000,000 preferred shares and 500,000,000 common shares.

We are subject to certain Canadian securities legislation, which may affect our shareholders: Our common shares ceased to be listed on the CNSX, however, we are a “reporting issuer” subject to certain securities laws of British Columbia, Ontario, and the Yukon Territory even though we elected to delist from the CNSX. Among other things, those laws require any 10% holder of a reporting issuer to file reports disclosing that holder’s direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer, and any changes in that ownership. If they acquire 10% or more of our outstanding common shares, they will be required to file an “insider report form” within ten business days from the date their ownership exceeded 10%, and then within ten business days after any trades or other changes in their holdings of common shares. They would also be required to issue a press release and file a report every time they acquire an additional 2% or more of our common shares. If they acquire 20% or more of our outstanding common shares, they would be a “control person” of ours under those provincial securities laws. As such, they would be deemed to be not only knowledgeable about our affairs, but they would be deemed to have the ability, by virtue of their significant equity position, to direct our affairs. Thereafter, any sale by them of common shares would be deemed under provincial law to be a distribution, requiring the filing of an Annual Report and compliance with other securities disclosure laws. In addition, if a shareholder acquires 20% or more of our common shares, they will be deemed under provincial securities laws to have made a “take-over bid” and, accordingly, unless they can obtain an exemption, they would be required to comply with detailed rules governing bids. 20% holders are also required to file insider reports within three calendar days versus the normal ten-day requirement that applies to all other parties required to file insider reports. They must also file personal information forms with the applicable securities commissions and Canadian exchange where the shares are posted for trading. The provincial securities commissions and the CNSX have the right to veto the individual or entity from remaining an insider or control person if the individual or entity is deemed unsuitable to be involved in the Canadian public markets.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common shares: At any time, the federal, state, local or foreign tax laws or regulations or the administrative or judicial interpretations of those laws or regulations may be changed or amended. We cannot predict when or if any new federal, state, local or foreign tax law, regulation or administrative or judicial interpretation, or any amendment to any existing tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new tax law, regulation or administrative or judicial interpretation.

We may be subject to certain tax liabilities in Canada in connection with our emigration from Canada and continuing our charter under the laws of the British Virgin Islands: In 2006, we filed “discontinuation documents” with the Yukon, Canada Registrar and continued our charter under the laws of the British Virgin Islands. In connection with this change we could be subject to certain Canadian tax liabilities associated with our deemed disposition of the assets and a deemed dividend calculated by us under Canadian tax laws. We determined we had no tax charges associated with our emigration from Canada.

Although we believe the position we have taken in the submitted tax return was appropriate for determining any potential tax liabilities, there is no assurance that the Canadian tax authorities will not challenge the position to calculate the potential tax liability, which could result in us being subject to additional Canadian taxes.

**ERISA plan risks may limit our potential investor base:** The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Section 4975 of the U.S. Internal Revenue Code prohibit certain transactions that involve (1) certain pension, profit-sharing, employee benefit, or retirement plans or individual retirement accounts (as well as certain entities that hold assets of such arrangements as described below) and (2) any person who is a “party-in-interest” or “disqualified person” with respect to such a plan. Consequently, the fiduciary of a plan contemplating an investment in our common shares should consider whether we, any other person associated with the issuance of our common shares or any of their affiliates is or might become a “party-in-interest” or “disqualified person” with respect to the plan and, if so, whether an exemption from such prohibited transaction rules is applicable. In addition, the Department of Labor Plan Asset Regulations provide that, subject to certain exceptions, the assets of an entity in which a plan holds an equity interest may be treated as assets of an investing plan, in which event the underlying assets of such entity (and transactions involving such assets) would be subject to the prohibited transaction provisions and we could be subject to the prudence and other fiduciary standards of ERISA, which could materially and adversely affect our operations. We intend to take such steps so that we should qualify for one or more of the exceptions available and, thereby, prevent our assets from being treated as assets of any investing plan. However, there can be no assurance that we will be able to meet any of these exceptions.

**Cautionary Note Concerning Forward Looking Statements:** Various statements contained in this Annual Report, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward looking statements. We use words such as “believe,” “intend,” “expect,” “anticipate,” “forecast,” “plan,” “may,” “will,” “could,” “should” and similar expressions to identify forward looking statements. The forward looking statements in this Annual Report speak only as of the date of this Annual Report and are expressly qualified in their entirety by these cautionary statements. Factors or events that could cause our actual results to differ may emerge from time to time and it is not possible to predict all of them. We disclaim any obligation to update these statements, and we caution our shareholders not to rely on them unduly. Our shareholders are cautioned that any such forward looking statements are not guarantees of future performance. 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 risk factors described in this Section. These risks and others described under the heading “Risk Factors” are not exhaustive.

## IMPORTANT INFORMATION

This is Thunderbird Resorts Inc.’s 2019 Annual Report for the period ended December 31, 2019. Thunderbird Resorts Inc. is a designated foreign issuer with respect to Canadian securities regulations and this 2019 Annual 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 2019 Annual Report and, if given or made, such information or representations must not

be relied upon as having been authorized by us. This 2019 Annual Report does not constitute an offer to sell or a solicitation of an offer to buy any securities. The delivery of this 2019 Annual 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 2019 Annual 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 2019 Annual 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 2019 Annual Report reflects our position at the date of this Annual Report and under no circumstances should the issue and distribution of this 2019 Annual 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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Tel: (507) 223-1234  
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### **DIRECTORS**

Salomon Guggenheim, Zurich, Switzerland  
George Gruenberg, Peru  
Stephan Fitch, United Kingdom

### **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, 3<sup>rd</sup> Floor  
Vancouver, BC V6C 3B9, Canada

### **CAPITALIZATION**

Common shares issued: 28,103,707  
(as of June 30, 2020)

### **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

### **WEBSITE**

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