



**RESERVOIR CAPITAL CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

**THREE MONTHS ENDED JULY 31, 2018 AND 2017**  
**(Unaudited)**

## **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of Reservoir Capital Corp. for the three months ended July 31, 2018 and 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

**RESERVOIR CAPITAL CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

	July 31, 2018	April 30, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 453,094	\$ 577,466
Receivables (Note 3)	3,166	5,678
Prepays and advances	-	2,375
<b>TOTAL ASSETS</b>	<b>\$ 456,260</b>	<b>\$ 585,519</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 5, 9)	\$ 84,523	\$ 124,884
Convertible and promissory notes payable (Note 6, 9)	237,359	235,141
<b>Total liabilities</b>	<b>321,882</b>	<b>360,025</b>
<b>EQUITY</b>		
Share capital (Note 8)	38,114,949	38,114,949
Share-based payments reserve	2,689,011	2,689,011
Deficit	(40,669,582)	(40,578,466)
<b>Total equity</b>	<b>134,378</b>	<b>225,494</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 456,260</b>	<b>\$ 585,519</b>

Nature of operations and going concern (Note 1)

Event after reporting date (Note 13)

These condensed interim consolidated financial statements are approved and authorized for issuance by the Board of Directors on September 13, 2018.

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"Lewis Reford" Director\_\_\_\_\_  
"C. Winston Bennett" Director

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

**RESERVOIR CAPITAL CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

	Three months ended July 31, 2018	Three months ended July 31, 2017
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Administrative services and office (Note 9)	\$ 32,988	\$ 34,520
Consulting fees	13,794	-
Professional fees	27,574	13,062
Shareholder communication and investor relations	5,156	898
Transfer agent and filing fees	14,446	5,246
<b>Loss before other items</b>	<b>(93,958)</b>	<b>(53,726)</b>
Foreign exchange gain	5,483	390
Interest and other expenses	(2,641)	(6,794)
	2,842	(6,404)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (91,116)</b>	<b>\$ (60,130)</b>
Basic and diluted earnings (loss) per share	\$ (0.00)	\$ (0.00)
Weighted average no. of common shares outstanding - basic and diluted	48,164,424	18,611,544

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

**RESERVOIR CAPITAL CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

	Three months ended July 31, 2018	Three months ended July 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year from continuing operations	\$ (91,116)	\$ (60,130)
Adjustments for:		
Interest expense	2,218	6,251
Unrealized foreign exchange effect on cash	5,551	(8)
<b>Changes in non-cash working capital items:</b>		
Receivables	2,512	(144)
Prepays and advances	2,375	3,918
Accounts payable and accrued liabilities	(40,361)	(39,991)
<b>Net cash used in operating activities</b>	<b>(118,821)</b>	<b>(90,104)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from promisory notes payable	-	220,000
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>220,000</b>
<b>Effect of foreign exchange changes on cash</b>	<b>(5,551)</b>	<b>8</b>
<b>Change in cash during the period</b>	<b>(124,372)</b>	<b>129,904</b>
<b>Cash, beginning of period</b>	<b>577,466</b>	<b>1,739</b>
<b>Cash, end of period</b>	<b>\$ 453,094</b>	<b>\$ 131,643</b>

Supplemental disclosure with respect to cash flows (Note 10)

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

**RESERVOIR CAPITAL CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

(Expressed in Canadian dollars)

	Number of shares		Share capital		Share-based payments reserve		Deficit		<b>Total equity</b>
<b>Balance as at April 30, 2018</b>	48,164,424	\$	38,114,949	\$	2,689,011	\$	(40,578,466)	\$	225,494
Loss for the period	-		-		-		(91,116)		(91,116)
<b>Balance as at July 31, 2018</b>	48,164,424	\$	38,114,949	\$	2,689,011	\$	(40,669,582)	\$	134,378

	Number of shares		Share capital		Share-based payments reserve		Deficit		<b>Total equity</b>
<b>Balance as at April 30, 2017</b>	18,611,544	\$	36,599,930	\$	2,689,011	\$	(40,290,356)	\$	(1,001,415)
Loss for the period	-		-		-		(60,130)		(60,130)
<b>Balance as at July 31, 2017</b>	18,611,544	\$	36,599,930	\$	2,689,011	\$	(40,350,486)	\$	(1,061,545)

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

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Reservoir Capital Corp. (“Reservoir” or the “Company”) was incorporated under the Business Corporations Act (Alberta) on March 23, 2006 and was continued into British Columbia, under the Business Corporations Act (British Columbia) on November 15, 2007. The address of the Company’s head office is 501 - 543 Granville Street, Vancouver, British Columbia, Canada V6C 1X8.

The Company’s business activity is the evaluation and potential development of renewable energy projects. The Company’s renewable energy projects are typically located in emerging nations and, consequently, may be subject to a higher level of risk compared to more developed countries. Operations, the status of renewable energy licenses and the recoverability of investments in emerging nations can be affected by changing economic, regulatory and political situations.

These condensed interim consolidated financial statements of the Company are presented in Canadian dollars unless otherwise indicated. The condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations, or to partner or sell its projects to a third party. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. As at July 31, 2018, the Company has not achieved profitable operations and has accumulated losses since inception. There is material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance and Basis of Measurement**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements of the Company have been prepared in accordance with the same accounting policies and methods of their application as the most recent audited financial statements for the years end April 30, 2018 and 2017, except that they do not include all note disclosures required for annual audited financial statements, and they include new accounting standards effective in the current period. It is suggested that the condensed interim consolidated financial statements be read in conjunction with the annual audited financial statements.

**Change of Accounting Policy**

Effective May 1, 2018, the Company has adopted IFRS 9 Financial Instruments (“IFRS 9”). IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, therefore the Company’s accounting policy with respect to financial liabilities is unchanged.

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Change of Accounting Policy (cont'd...)**

The Company completed an assessment of its financial assets and liabilities as at May 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	IAS 39	IFRS 9
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Promisory notes payable	Other financial liabilities	Amortized cost

The adoption of IFRS 9 did not result in any material changes to the Company's financial statements.

**3. RECEIVABLES**

The Company's receivables arise from goods and services tax ("GST") receivable from government taxation authority.

**4. ENERGY PROJECTS****Brodarevo Project**

The Company, through its former wholly-owned Serbian subsidiary Renewable Energy Ventures d.o.o. ("REV doo"), held energy permits, granted in March 2015 covering two sections of the River Lim, denominated Brodarevo-1 and Brodarevo-2, to develop run-of-river hydroelectric power projects.

During the year ended April 30, 2017, the Company terminated all contracts related to this subsidiary and classified REV doo as a discontinued operation (Note 7) as management determined it had lost control of the subsidiary. The Company recognized an impairment of \$1,289,016 on the Brodarevo projects and derecognized the related reclamation provision of \$50,000 as a result of loss of control.

In January 2018 the Company filed a voluntary petition for relief under Serbian Law on bankruptcy in the Commercial Court in Belgrade, respecting the winding up of REV doo's operations and liquidation of its assets. The process is ongoing.

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	July 31, 2018	April 30, 2018
Trade accounts payable	\$ 41,473	\$ 81,834
Accrued liabilities	43,050	43,050
	<u>\$ 84,523</u>	<u>\$ 124,884</u>

**6. CONVERTIBLE AND PROMISSORY NOTES PAYABLE**

In August 2016, the Company entered into arrangements with arm's length and related parties for aggregate proceeds of \$520,000 with interest at the rate of 4% per annum. In May 2017, a related party advanced a further \$20,000. In December 2017, the Company settled \$334,695 of the total balance with 6,283,340 common shares, valued at \$377,000, resulting in a loss of \$42,305 on settlement. As at July 31, 2018, the Company owed \$237,359 (2017 - \$560,230), which included accrued interest expense of \$17,359 (2017 - \$20,230).

**7. DISCONTINUED OPERATIONS**

In April 2018, the Company's operations in Bosnia (BVI) Ltd., Reservoir Montenegro (BVI) Inc., and Reservoir Kosovo (BVI) Inc. were discontinued.

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

**8. SHARE CAPITAL****Authorized Share Capital**

Authorized share capital consists of an unlimited number of common shares without par value.

**Stock Options**

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined by the Company's Board of Directors at the time of the grant. There were no stock options outstanding as at July 31 and April 30, 2018.

**Warrants**

For the three months ended July 31, 2018, there were no changes in share purchase warrants outstanding. Share purchase warrants outstanding and exercisable as at July 31, 2018 are as follows:

Expiry Date	Exercise Price	Number of Warrants
Nov 14, 2018	0.05	2,800,000
Dec 07, 2018	0.05	1,200,000
Jul 09, 2019 <sup>(1)</sup>	0.20	2,293,100
Aug 01, 2019 <sup>(1)</sup>	0.20	2,188,232
Dec 01, 2019 <sup>(2)</sup>	0.60	1,652,500
Jan 01, 2020 <sup>(2)</sup>	0.60	498,500
Feb 06, 2020 <sup>(2)</sup>	0.60	350,750
Nov 06, 2020 <sup>(3)</sup>	0.75	1,002,500
<b>Total</b>		<b>11,985,582</b>

<sup>(1)</sup> Expiry may be accelerated, if closing price of the Company's shares on the TSX-V is \$0.30 or greater for 30 trading days

<sup>(2)</sup> Expiry may be accelerated, if closing price of the Company's shares on the TSX-V is \$0.80 or greater for 30 trading days

<sup>(3)</sup> Expiry may be accelerated, if closing price of the Company's shares on the TSX-V is \$0.90 or greater for 30 trading days.

The weighted average remaining contractual life of the warrants is 0.95 (April 30, 2018 – 1.20) years.

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

**9. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

		Salary or Fees	Share-based Payments	Total
<b>Three months ended July 31, 2018</b>				
Management and outside directors	\$	-	\$ -	\$ -
Seabord Services Corp.		30,000	-	30,000
	\$	30,000	\$ -	\$ 30,000

		Salary or Fees	Share-based Payments	Total
<b>Three months ended July 31, 2017</b>				
Management and outside directors	\$	-	\$ -	\$ -
Seabord Services Corp.		30,000	-	30,000
	\$	30,000	\$ -	\$ 30,000

Seabord is a management services company controlled by a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to the Company. The Chief Financial Officer and Corporate Secretary of the Company are employees of Seabord and are not paid directly by the Company.

Related party assets (liabilities)	Items or services	July 31, 2018	April 30, 2018
<b>Included in accounts payable and accrued liabilities</b>			
CEO	Fees and expense reimbursements	\$ (24,224)	\$ (27,260)
Outside directors	Fees and expense reimbursements	(2,812)	(2,812)
Seabord Services Corp.	Administrative services	(10,500)	(22,000)
<b>Included in promissory notes payable</b>			
Outside directors		(237,359)	(235,141)
Seabord Services Corp.		\$ -	\$ -

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the three months ended July 31, 2018 and 2017, the Company did not have any significant non-cash investing and financing activities.

**11. SEGMENTED INFORMATION**

The Company operates in a single segment, the exploration and development of renewable energy. In addition, the Company has corporate activities, which include the evaluation and acquisition of new renewable energy projects, treasury and finance, regulatory reporting, and corporate administration. As at July 31 and April 30, 2018, all of the Company's assets were located in Canada.

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

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**12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT****Risk and Capital Management**

The Company considers items included in equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company currently has no source of revenue. In order to fund its projects and pay for administrative costs, the Company raised additional funds during fiscal 2018. As at July 31, 2018, the Company had a working capital of \$134,378 (April 30, 2018 - \$225,494). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through public and/or private placements, sell assets, or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

**Financial Instruments**

The Company classified its financial instruments as follows:

	Amortized Cost
<b>As at July 31, 2018</b>	
Cash	\$ 453,094
Accounts payable and accrued liabilities	(84,523)
Promissory notes payable	(237,359)
	<u>\$ 131,212</u>
<hr/>	
	Amortized Cost
<b>As at April 30, 2018</b>	
Cash	\$ 577,466
Accounts payable and accrued liabilities	- (124,884)
Promissory notes payable	- (235,141)
	<u>\$ 217,441</u>

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

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**12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)****Fair Value**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of cash, receivables, accounts payable and accrued liabilities, and promissory notes payable approximated their fair value because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and currency risk.

**Credit Risk**

The Company is exposed to credit risk by holding cash. This risk is minimized by holding the funds in Canadian banks or Canadian treasury bills. The Company's receivables are due from a government agency.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held mainly in bank accounts which do not pay a significant amount of interest and therefore there is minimal interest rate risk.

**Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company is exposed to liquidity risk and actively manages its working capital items and available resources.

**Currency Risk**

The Company is not exposed to significant currency risk.

**RESERVOIR CAPITAL CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017

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**13. EVENT AFTER REPORTING DATE**

On August 27, 2018, the Company announced that it has entered into a definitive share purchase agreement (the “Agreement”) with Kappafrik Management DMCC (“KMGT”) to acquire shares of Kainji Power Holding Limited (“KPHL”) pursuant to which Reservoir will acquire outstanding shares of KPHL that will result in Reservoir owning an indirect minority (approximately 1.3%) interest in Mainstream Energy Solutions Limited (the “Transaction”). Reservoir has received conditional approval of the Canadian Securities Exchange (the “CSE”) to list its common shares for trading concurrently with closing the Transaction, and Reservoir intends to de-list from the TSX Venture Exchange (the “TSXV”) prior to such listing, subject to receipt of necessary approvals. Trading in the common shares of Reservoir have been halted by the TSXV since February 6, 2018 following the announcement by REO of the Heads of Agreement relating to the Transaction and will remain halted until the resumption of trading on the CSE.