



**RESERVOIR CAPITAL CORP.**

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

**THREE MONTHS ENDED JULY 31, 2017 AND 2016**  
**(Unaudited)**

## **NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of Reservoir Capital Corp. for the three months ended July 31, 2017 and 2016 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 CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

	July 31, 2017	April 30, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 131,643	\$ 1,739
Receivables, net of provisions (Note 4)	532	388
Prepays and advances	2,000	5,918
<b>Total current assets</b>	<b>134,175</b>	<b>8,045</b>
<b>TOTAL ASSETS</b>	<b>\$ 134,175</b>	<b>\$ 8,045</b>
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7, 11)	\$ 319,073	\$ 359,064
Promissory notes payable (Note 8, 11)	876,647	650,396
<b>Total liabilities</b>	<b>1,195,720</b>	<b>1,009,460</b>
<b>EQUITY (DEFICIENCY)</b>		
Share capital (Note 10)	36,599,930	36,599,930
Share-based payments reserve	2,689,011	2,689,011
Deficit	(40,350,486)	(40,290,356)
<b>Total equity (deficiency)</b>	<b>(1,061,545)</b>	<b>(1,001,415)</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIENCY)</b>	<b>\$ 134,175</b>	<b>\$ 8,045</b>

Nature of operations and going concern (Note 1)

These condensed consolidated interim financial statements are approved and authorized for issuance by the Board of Directors on September 26, 2017.

\_\_\_\_\_  
 "Lewis Reford" Director

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 "C. Winston Bennett" Director

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

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

(Expressed in Canadian dollars)

	Three months ended July 31, 2017	Three months ended July 31, 2016
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Administrative services and office	\$ 34,520	\$ 34,556
Amortization (Note 5)	-	105
Professional fees	13,062	9,094
Shareholder communication and investor relations	898	200
Transfer agent and filing fees	5,246	2,998
<b>Loss from operations</b>	<b>(53,726)</b>	<b>(46,953)</b>
Foreign exchange gain	390	225
Interest and other expenses	(6,794)	(1,451)
Impairment on equipment (Note 5)	-	(1,994)
	(6,404)	(3,220)
<b>Income (loss) from continuing operations</b>	<b>(60,130)</b>	<b>(50,173)</b>
Loss from discontinued operation, net of tax (Note 9)	-	(298,840)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (60,130)</b>	<b>\$ (349,013)</b>
Basic and diluted earnings (loss) per share	\$ (0.00)	\$ (0.02)
Basic and diluted earnings (loss) per share from continuing operations	(0.00)	(0.00)
Basic and diluted earnings (loss) per share from discontinued operations	(0.00)	(0.02)
Weighted average no. of common shares outstanding - basic and diluted	18,611,544	18,611,544

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

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

(Expressed in Canadian dollars)

	Three months ended July 31, 2017	Three months ended July 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) for the period from continuing operations	\$ (60,130)	\$ (50,173)
Operating activities of discontinued operations	-	(1,854)
Advances to discontinued operations used	-	(307,746)
Adjustments for:		
Amortization	-	105
Interest expense	6,251	1,008
Impairment on equipment	-	1,994
Unrealized foreign exchange loss on cash	(8)	108
<b>Changes in non-cash working capital items:</b>		
Receivables	(144)	506
Prepays and advances	3,918	4,000
Accounts payable and accrued liabilities	(39,991)	21,846
<b>Net cash used in operating activities</b>	<b>(90,104)</b>	<b>(330,206)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from promissory notes payable	220,000	290,000
<b>Net cash provided by financing activities</b>	<b>220,000</b>	<b>290,000</b>
<b>Effect of foreign exchange changes on cash</b>	<b>8</b>	<b>(106)</b>
<b>Change in cash during the period</b>	<b>129,904</b>	<b>(40,312)</b>
<b>Cash, beginning of period</b>	<b>1,739</b>	<b>47,872</b>
<b>Cash, end of period</b>	<b>\$ 131,643</b>	<b>\$ 7,560</b>

Supplemental disclosure with respect to cash flows (Note 12)

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

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

(Expressed in Canadian dollars)

	Number of shares		Share capital		Share-based payments reserve		Deficit		<b>Total equity (deficiency)</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)

	Number of shares		Share capital		Share-based payments reserve		Deficit		<b>Total equity</b>
<b>Balance as at April 30, 2016</b>	18,611,544	\$	36,599,930	\$	2,689,011	\$	(39,000,976)	\$	287,965
Loss for the period	-		-		-		(349,013)		(349,013)
<b>Balance as at July 31, 2016</b>	18,611,544	\$	36,599,930	\$	2,689,011	\$	(39,349,989)	\$	(61,048)

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

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

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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 consolidated interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated. The condensed consolidated interim 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 condensed consolidated interim 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, 2017, 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 consolidated interim 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 consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed consolidated interim 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, 2017 and 2016, 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 consolidated interim financial statements be read in conjunction with the annual audited financial statements.

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

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**3. NEW AND FUTURE ACCOUNTING STANDARDS****Accounting Pronouncements Not Yet Effective**

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The effective date for IFRS 9 is January 1, 2018. The Company is currently evaluating the impact that the final standard is expected to have on its condensed consolidated interim financial statements.

**4. RECEIVABLES, NET OF PROVISIONS**

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

**5. EQUIPMENT**

During the three months ended July 31, 2016, the Company recognized:

- a) amortization of \$6,386 included in energy project expenditures in discontinued operations;
- b) amortization of \$105 included general and administrative expenses; and
- c) impairment of \$1,994 on equipment held by continuing operation.

**6. ENERGY PROJECTS****Brodarevo Project**

In February 2009, the Company, through its wholly-owned subsidiary Renewable Energy Ventures d.o.o. ("REV doo"), was awarded the Brodarevo 1 and Brodarevo 2 energy permits, to develop run-of-river hydroelectric projects on the River Lim in southwest Serbia. The acquisition costs consist of the cash paid for legal, government taxes and project consultant expenses directly related to the acquisition of the permits.

In January 2012, the Ministry of Infrastructure and Energy of the Republic of Serbia granted three-year extensions for both energy permits. Under the terms of the new permits, the Company must begin construction within the three-year period, though subject to compliance with most other conditions, may request a one-year extension to this deadline.

In March 2015, the Ministry of Mining and Energy of the Republic of Serbia, has granted new Energy Permits for the Company's Brodarevo 1 and Brodarevo 2 hydroelectric projects on the Lim River in southwest Serbia. The permits are valid for a period of three years and may be renewed for an additional year under certain circumstances.



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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

**6. ENERGY PROJECTS (cont'd...)**

In September 2015, the Company has been granted Location Permits for both the Brodarevo 1 and Brodarevo 2 dam sites, reservoirs and accompanying facilities.

In April 2016, the Company recognized a reclamation provision related to the Brodarevo projects in the amount of \$50,000.

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 9) 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.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	July 31, 2017	April 30, 2017
Trade accounts payable	\$ 281,573	\$ 329,064
Accrued liabilities	37,500	30,000
	<u>\$ 319,073</u>	<u>\$ 808,368</u>

**8. PROMISSORY NOTES PAYABLE**

In June 2017, the Company received \$200,000 pursuant to an unsecured loan agreement, subject to the approval of the TSX Venture Exchange ("TSX-V"). As at July 31, 2017, the Company owed \$200,000 (April 30, 2017 - \$Nil).

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. As at July 31, 2017, the Company owed \$560,230 (April 30, 2017 - \$534,987), which included accrued interest expense of \$20,230 (April 30, 2017 - \$14,987).

In April and September 2014, the Company entered into arrangements with Reservoir Minerals Inc. for aggregate proceeds of \$200,000 with interest at the rate of 4% per annum of which \$100,000 was repaid. As at July 31, 2017, the Company owed \$116,417 (April 30, 2017 - \$115,409), which included accrued interest expense of \$16,417 (April 30, 2017 - \$15,409).

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

**9. DISCONTINUED OPERATIONS****Serbia**

In August 2016, the Company completed the wind-up of its wholly-owned subsidiary, Southern European Exploration d.o.o. ("SEE doo"), which held an exploration license for geothermal energy at Vranjska Banja.

In April 2017, the Company determined that the control of REV doo, which holds the Brodarevo projects, had been lost and accordingly has moved all related operations and assets and liabilities to discontinued operations.

**Italy**

In July 2016, the Company completed the wind-up its wholly-owned subsidiary, Renewable Energy Ventures Italia s.r.l. ("REV Italia").

**Bosnia**

In March 2016, management formed a plan to shut down its Bosnian segment, following a strategic decision to place greater focus on its Brodarevo projects.

The Serbian and Italian groups were not previously classified as discontinued operations. The comparative condensed consolidated interim statement of loss and comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

<b>Three months ended July 31, 2017</b>	<b>Serbia</b>		<b>Italy</b>		<b>Bosnia</b>		<b>Total</b>
Revenue	\$	-	\$	-	\$	-	-
Renewable energy projects		-		-		-	-
		-		-		-	-
Income tax		-		-		-	-
<b>Loss from</b>							
<b>discontinued operations, net of tax</b>	\$	-	\$	-	\$	-	-

<b>Three months ended July 31, 2016</b>	<b>Serbia</b>		<b>Italy</b>		<b>Bosnia</b>		<b>Total</b>
Revenue	\$	-	\$	-	\$	-	-
Renewable energy projects		(8,247)		-		-	(8,247)
Foreign exchange gain (loss)		34		-		(24)	10
Loss on disposal of equipment		-		(14,495)		-	(14,495)
Write-off of:							
Advances and wind-up costs		(120,000)		(187,746)		-	(307,746)
Liabilities		-		31,638		-	31,638
		(128,213)		(170,603)		(24)	(298,840)
Income tax		-		-		-	-
<b>Loss from</b>							
<b>discontinued operations, net of tax</b>	\$	(128,213)	\$	(170,603)	\$	(24)	(298,840)

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

**9. DISCONTINUED OPERATIONS (cont'd...)**

	Three months ended July 31, 2017	Three months ended July 31, 2016
Net cash used in operating activities	\$ -	\$ (1,854)
Net cash used in investing activities	-	-
<b>Net cash flows for the period</b>	<b>\$ -</b>	<b>\$ (1,854)</b>

**10. 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.

For the three months ended July 31, 2017, there were no changes in stock options outstanding and exercisable. The following table summarizes the stock options outstanding and exercisable as at July 31, 2017:

Date Granted	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
Sep 07, 2012 <sup>(1)</sup>	177,750	6.00	177,750	Sep 07, 2017

<sup>(1)</sup> Expired subsequently

The weighted average remaining contractual life of the stock options is 0.10 (April 30, 2017 - 0.33) years.

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

**10. SHARE CAPITAL (cont'd...)****Warrants**

For the three months ended July 31, 2017, there were no changes in share purchase warrants outstanding. Share purchase warrants outstanding and exercisable as at July 31, 2017 are as follows:

Expiry Date	Exercise Price	Number of Warrants
July 9, 2019 <sup>(1)</sup>	0.20	2,293,100
August 1, 2019 <sup>(1)</sup>	0.20	2,188,232
December 1, 2019 <sup>(2)</sup>	0.60	1,652,500
January 1, 2020 <sup>(2)</sup>	0.60	498,500
February 6, 2020 <sup>(2)</sup>	0.60	350,750
November 6, 2020 <sup>(3)</sup>	0.75	1,002,500
<b>Total</b>		<b>7,985,582</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 2.27 (April 30, 2017 - 2.52) years.

**11. 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, 2017</b>			
Management and outside directors	\$ -	\$ -	\$ -
Seabord Services Corp.	30,000	-	30,000
	\$ 30,000	\$ -	\$ 30,000
<b>Three months ended July 31, 2016</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.

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

**11. RELATED PARTY TRANSACTIONS (cont'd...)**

Related party assets (liabilities)	Items or services	July 31, 2017	April 30, 2017
<b>Included in accounts payable and accrued liabilities</b>			
Chairman	Expense reimbursements	\$ (2,812)	\$ -
Seabord Services Corp.	Administrative services and expense reimbursements	(228,943)	(228,943)
<b>Included in promissory notes payable</b>			
Chairman		(456,340)	(432,105)
Seabord Services Corp.		\$ (51,945)	\$ (51,441)

On June 9, 2017, the Company announced that it has agreed with certain creditors to convert approximately \$530,000 in outstanding accounts and loans payable into common shares of the Company. The shares for debt transaction is subject to the approval of the TSX-V.

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

During the three months ended July 31, 2017 and 2016, the Company did not have any significant non-cash investing and financing activities.

**13. 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.

**14. 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 will be required to raise additional funds during fiscal 2018. As at July 31, 2017, the Company had a working capital deficiency of \$1,061,545 and will not be able to meet its corporate objectives over the next 12 months without additional funds. 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.

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

**14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)****Financial Instruments**

The Company classified its financial instruments as follows:

	Loans and Receivables	Other Financial Liabilities
<b>As at July 31, 2017</b>		
Cash	\$ 131,643	\$ -
Accounts payable and accrued liabilities	-	(319,073)
Promissory notes payable	-	(876,647)
	\$ 131,643	\$ (1,195,720)

	Loans and Receivables	Other Financial Liabilities
<b>As at April 30, 2017</b>		
Cash	\$ 1,739	\$ -
Accounts payable and accrued liabilities	-	(359,064)
Promissory notes payable	-	(650,396)
	\$ 1,739	\$ (1,009,460)

**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:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- 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 has receivables exposure which is monitored and a provision has been taken.

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

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2017 AND 2016

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**14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)****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.