



RESERVOIR CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

YEARS ENDED APRIL 30, 2017 AND 2016

DRAFT INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Reservoir Capital Corp.

We have audited the accompanying consolidated financial statements of Reservoir Capital Corp., which comprise the consolidated statements of financial position as at April 30, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Reservoir Capital Corp. as at April 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Reservoir Capital Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

August 28, 2017

RESERVOIR CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	April 30, 2017	April 30, 2016
ASSETS		
Current		
Cash	\$ 1,739	\$ 47,872
Receivables, net of provisions (Note 4)	388	692
Prepays and advances	5,918	4,000
Total current assets	8,045	52,564
Non-current		
Restricted cash equivalents (Note 5)	-	5,750
Equipment (Note 6)	-	42,191
Energy projects (Note 7)	-	1,289,016
Total non-current assets	-	1,336,957
TOTAL ASSETS	\$ 8,045	\$ 1,389,521
LIABILITIES AND EQUITY (DEFICIENCY)		
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8, 12)	\$ 359,064	\$ 808,368
Promissory notes payable (Note 9, 12)	650,396	241,409
Net liability held for sale (Note 10)	-	1,779
Decommissioning and restoration provision (Note 7)	-	50,000
Total liabilities	1,009,460	1,101,556
EQUITY (DEFICIENCY)		
Share capital (Note 11)	36,599,930	36,599,930
Share-based payments reserve	2,689,011	2,689,011
Deficit	(40,290,356)	(39,000,976)
Total equity (deficiency)	(1,001,415)	287,965
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	\$ 8,045	\$ 1,389,521

Nature of operations and going concern (Note 1)
Events after reporting date (Note 17)

These consolidated financial statements are approved and authorized for issuance by the Board of Directors on August 24, 2017.

_____*"Lewis Reford"*_____
Director

_____*"C. Winston Bennett"*_____
Director

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

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

(Expressed in Canadian dollars)

	Year ended April 30, 2017	Year ended April 30, 2016
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative services and office	\$ 138,801	\$ 141,277
Amortization (Note 6)	105	477
Professional fees	62,861	58,883
Shareholder communication and investor relations	8,503	11,695
Transfer agent and filing fees	35,951	46,035
Travel	2,659	22,424
Loss from operations	(248,880)	(280,791)
Foreign exchange gain	58	10,810
Interest and other expenses	(21,793)	(9,960)
Impairment on equipment (Note 6)	(1,994)	-
Gain on forgiveness of promissory notes payable (Note 9)	-	275,000
Miscellaneous income (Note 12)	-	10,000
	(23,729)	285,850
Income (loss) from continuing operations	(272,609)	5,059
Loss from discontinued operation, net of tax (Note 10)	(1,016,771)	(2,085,782)
Loss and comprehensive loss for the year	\$ (1,289,380)	\$ (2,080,723)
Basic and diluted earnings (loss) per share	\$ (0.07)	\$ (0.12)
Basic and diluted earnings (loss) per share from continuing operations	(0.01)	0.00
Basic and diluted earnings (loss) per share from discontinued operations	(0.05)	(0.12)
Weighted average no. of common shares outstanding - basic and diluted	18,611,544	17,185,950

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

RESERVOIR CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended April 30, 2017	Year ended April 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year from continuing operations	\$ (272,609)	\$ 5,059
Operating activities of discontinued operations	(8,387)	(100,531)
Advances to discontinued operations used	(332,296)	(1,318,180)
Adjustments for:		
Amortization	105	477
Interest expense	18,987	5,995
Impairment on equipment	1,994	-
Impairment on energy projects	-	-
Gain on forgiveness of promissory notes payable	-	(275,000)
Unrealized foreign exchange loss on cash	101	194
Changes in non-cash working capital items:		
Receivables	304	1,440
Prepays and advances	(1,918)	-
Accounts payable and accrued liabilities	151,934	122,726
Net cash used in operating activities	(441,785)	(1,557,820)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of restricted cash equivalents	5,750	-
Investing activities of discontinued operations	-	7,034
Net cash used in investing activities	5,750	7,034
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued for cash	-	1,000,000
Share issue costs	-	(8,810)
Proceeds from promissory notes payable	390,000	525,000
Repayments of promissory notes payable	-	(395,000)
Exercise of warrants	-	282,805
Net cash provided by financing activities	390,000	1,403,995
Effect of foreign exchange changes on cash	(98)	(194)
Change in cash during the year	(46,133)	(146,985)
Cash, beginning of year	47,872	194,862
Cash, end of year	\$ 1,739	\$ 47,877

Supplemental disclosure with respect to cash flows (Note 13)

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

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

(Expressed in Canadian dollars)

	Number of shares		Share capital		Share-based payments reserve		Deficit		Total equity (deficiency)
Balance as at April 30, 2015	15,192,522	\$	35,345,935	\$	2,669,011	\$	(36,920,253)	\$	1,094,693
Private placement	2,000,000		980,000		20,000		-		1,000,000
Units issued as finders fees	5,000		2,500		-		-		2,500
Share issue costs	-		(11,310)		-		-		(11,310)
Exercise of warrants	1,414,022		282,805		-		-		282,805
Loss for the year	-		-		-		(2,080,723)		(2,080,723)
Balance as at April 30, 2016	18,611,544	\$	36,599,930	\$	2,689,011	\$	(39,000,976)	\$	287,965
Loss for the year	-		-		-		(1,289,380)		(1,289,380)
Balance as at April 30, 2017	18,611,544	\$	36,599,930	\$	2,689,011	\$	(40,290,356)	\$	(1,001,415)

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

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

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 consolidated financial statements of the Company are presented in Canadian dollars unless otherwise indicated. The 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 April 30, 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

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary companies after eliminating intercompany balances and transactions. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. As at the reporting date, the Company’s subsidiaries are as follows:

Name	Place of incorporation	Ownership %
Reservoir Capital (BVI) Corp.	British Virgin Islands	100%
Renewable Energy Ventures (BVI) Ltd.	British Virgin Islands	100%
Southern European Exploration (BVI) Ltd.	British Virgin Islands	100%
Bosnia (BVI) Ltd.	British Virgin Islands	100%
Reservoir Montenegro (BVI) Inc.	British Virgin Islands	100%
Reservoir Kosovo (BVI) Inc.	British Virgin Islands	100%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Financial Instruments

Financial Assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial Instruments (cont'd...)

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were acquired. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category comprises non-derivative liabilities, which are recognized at amortized cost.

The Company has classified its cash, receivables and restricted cash equivalents as loans and receivables. The Company's accounts payable and promissory notes are classified as other financial liabilities.

Impairment of Financial Assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in comprehensive income or loss are reclassified to profit or loss in the period. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or,
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Amortization is provided at rates calculated to write off the cost of equipment, using the declining-balance method at a rate of 20% per annum.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item are accounted for separately, including major inspection and overhaul expenditures which are capitalized.

Energy Projects and Geothermal Licenses

Once a license to explore an area has been secured, expenditures to acquire exploration and evaluation assets are capitalized to exploration and evaluation assets. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for exploration and evaluation assets pursuant to the terms of the agreement. Acquisition costs also include costs directly attributable to acquiring a license. Exploration expenditures, net of recoveries, are charged to operations as incurred.

Management reviews the carrying value of capitalized exploration costs at least annually. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable project has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If the property is put into production, the costs of acquisition and exploration will be amortized over the life of the property, based on estimated economic life. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Impairment of Long-lived Assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of Long-lived Assets (cont'd...)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Decommissioning and Restoration Provision

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

Restricted Cash Equivalents

The Company has posted term deposits held at its primary financial institution as security deposits for credit cards issued for business use. Accordingly, these term deposits are restricted from general use and are considered to be long-term.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Valuation of Equity Units Issued in Private Placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in a private placement is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payments reserve.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated whereby the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the deemed proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period, if they are determined to have a dilutive effect.

Share-based Payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

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

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on re-measurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Use of Estimates and Accounting Judgment

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of Estimates and Accounting Judgment (cont'd...)

Significant areas requiring the use of management estimates include:

a) Recoverability of Energy Projects

The Company carries its energy projects at cost less any provision for impairment. The Company undertakes a review of the carrying value of energy projects and related expenditures whenever events or changes in circumstances indicate that the carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. An impairment loss is recognized when the carrying value of these assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, production costs and reclamation costs.

b) Decommissioning and Restoration Provisions

The determination of the fair value of decommissioning and restoration provisions requires subjective assumptions regarding costs to restore the property, the time period such costs will be incurred, an appropriate inflation factor and an appropriate discount rate. Changes in these assumptions could materially affect the recorded amount.

c) Collectability of Receivables

The Company undertakes a review for any objective evidence that would indicate the receivables are impaired individually and collectively. For any impairment, the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. In undertaking this review, management of the Company is required to make significant estimates on recoverable amounts based upon factors such as, significant financial difficulty of the counterparty, default or delinquency in interest or principal payments, and probability that the borrower will enter bankruptcy or financial re-organization.

Management exercises judgment in applying the Company's accounting policy. A significant area requiring the use of management judgment includes:

d) Deferred Taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
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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:

	April 30, 2017	April 30, 2016
GST receivables	\$ 388	\$ 692
Other receivables	-	92,843
Provisions	-	(92,843)
	<u>\$ 388</u>	<u>\$ 692</u>

5. RESTRICTED CASH EQUIVALENTS

As at April 30, 2017, the Company held restricted cash of \$Nil (2016 - \$5,750) as collateral for its corporate credit card.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
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6. EQUIPMENT

	Office Equipment	Field Equipment	Total
Cost			
As at April 30, 2015	\$ 207,782	\$ 227,956	\$ 435,738
Additions	750	-	750
Disposals	(9,548)	-	(9,548)
Impairment	(66,242)	(227,502)	(293,744)
As at April 30, 2016	132,742	454	133,196
Disposals	(46,767)	(454)	(47,221)
Impairment	(85,975)	-	(85,975)
As at April 30, 2017	-	-	-
Accumulated amortization			
As at April 30, 2015	\$ 111,878	\$ 140,954	\$ 252,832
Amortization	19,264	17,097	36,361
Disposals	(7,961)	-	(7,961)
Impairment	(32,630)	(157,597)	(190,227)
As at April 30, 2016	90,551	454	91,005
Amortization	10,320	-	10,320
Disposals	(32,272)	(454)	(32,726)
Impairment	(68,599)	-	(68,599)
As at April 30, 2017	-	-	-
Net book value			
As at April 30, 2016	\$ 42,191	\$ -	\$ 42,191
As at April 30, 2017	-	-	-

During the year ended April 30, 2017, the Company recognized:

- amortization of \$10,215 (2016 - \$35,884) included in energy project expenditures in discontinued operations;
- amortization of \$105 (2016 - \$477) included general and administrative expenses;
- reduction in net book value of \$14,495 (2016 - \$1,587) for disposals of equipment held by discontinued operations;
- impairment of \$15,382 (2016 - \$103,517) on equipment held by discontinued operations; and
- impairment of \$1,994 (2016 - \$Nil) on equipment held by continuing operation.

7. ENERGY PROJECTS

Hydroelectric Projects - Acquisition Costs

	April 30, 2017	April 30, 2016
Brodarevo project	\$ -	\$ 248,218
Decommissioning and restoration provision	-	50,000
Land acquisition	-	990,798
	\$ -	\$ 1,289,016

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7. ENERGY PROJECTS (cont'd...)

Hydroelectric Projects - Acquisition Costs (cont'd...)

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.

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, 2016, the Company made advances to its former subsidiary, Renewable Energy Ventures Italia s.r.l. ("REV Italia"), which was written off. REV Italia was engaging to facilitate a sale of the Brodarevo projects. During the year ended April 30, 2017, the Company terminated all contracts related to this subsidiary (Note 10).

During the year ended April 30, 2017, the Company classified REV doo as a discontinued operation (Note 10) as management determined it had lost control of the subsidiary. The Company recognized an impairment of \$1,289,016 (2016 - \$Nil) on the Brodarevo projects and derecognized the related reclamation provision of \$50,000 (2016 - \$Nil) as a result of loss of control.

Renewable Energy Projects - Expenditures

During the years ended April 30, 2017 and 2016, all renewable energy project expenditures were incurred by the Company's discontinued operations (Note 10).

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2017	April 30, 2016
Trade accounts payable	\$ 329,064	\$ 333,853
Accrued liabilities	30,000	474,515
	\$ 359,064	\$ 808,368

9. 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. As at April 30, 2017, the Company owed \$534,987 (2016 - \$Nil), which included accrued interest expense of \$14,987 (2016 - \$Nil). As at April 30, 2016, the Company received proceeds of \$130,000 related to these promissory note arrangements.

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 April 30, 2017, the Company owed \$115,409 (2016 - \$111,409), which included accrued interest expense of \$15,409 (2016 - \$11,409).

In July 2014, the Company entered into arrangements for non-negotiable and non-recourse promissory notes payable for one year without interest totaling \$275,000 with related parties, as part of the settlement of accounts payable balances. These promissory notes would be payable either: (a) following the sale of the Company's interests in REV and/or the Brodarevo hydroelectric projects; or (b) when the Company undergoes a change of control to a new management group. If either condition was not met before the one year anniversary, the promissory notes shall be of no further force and effect and the related parties shall forgive the repayments by the Company. As at April 30, 2016, these promissory notes expired and the Company recognized a gain of \$275,000.

10. 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. As at April 30, 2016, the disposal group was stated at its fair values less costs to sell and comprised of a sole liability: accounts payable and accrued liabilities of \$1,779.

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10. DISCONTINUED OPERATIONS (cont'd...)

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

Year ended April 30, 2017	Serbia		Italy		Bosnia		Total
Revenue	\$	-	\$	-	\$	-	\$ -
Renewable energy projects		(72,039)		-		-	(72,039)
Foreign exchange loss		(2,257)		-		-	(2,257)
Loss on disposal of equipment		-		(14,495)		-	(14,495)
Write-off of:							
Cash		(6,615)		-		-	(6,615)
Advances and wind-up costs		(144,550)		(187,746)		-	(332,296)
Equipment		(15,382)		-		-	(15,382)
Energy projects		(1,289,016)		-		-	(1,289,016)
Decommissioning & restoration provision		50,000		-		-	50,000
Liabilities		631,907		31,638		1,779	665,324
		(847,952)		(170,603)		1,779	(1,016,776)
Income tax		-		-		-	-
Loss from							
discontinued operations, net of tax	\$	(847,952)	\$	(170,603)	\$	1,779	\$ (1,016,776)

Year ended April 30, 2016	Serbia		Italy		Bosnia		Total
Revenue	\$	-	\$	-	\$	-	\$ -
Renewable energy projects		(1,274,369)		(3,623)		(158,150)	(1,436,142)
Foreign exchange gain (loss)		(35,385)		6,727		2,093	(26,565)
Interest and other expenses		-		-		(3,921)	(3,921)
Gain on disposal of equipment		6,197		-		-	6,197
Write-off of:							
Advances		-		(516,364)		-	(516,364)
Equipment		(81,804)		-		(21,713)	(103,517)
Energy projects		(5,470)		-		-	(5,470)
Liabilities		-		-		-	-
		(1,390,831)		(513,260)		(181,691)	(2,085,782)
Income tax		-		-		-	-
Loss from							
discontinued operations, net of tax	\$	(1,390,831)	\$	(513,260)	\$	(181,691)	\$ (2,085,782)

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10. DISCONTINUED OPERATIONS (cont'd...)

	Year ended April 30, 2017	Year ended April 30, 2016
Net cash used in operating activities	\$ (8,387)	\$ (100,531)
Net cash provided by investing activities	-	7,034
Net cash flows for the year	\$ (8,387)	\$ (93,497)

11. SHARE CAPITAL

Authorized Share Capital

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

In November 2015, the Company completed a non-brokered private placement financing raising \$1,000,000 by the issuance of 2,000,000 units at \$0.50 per unit, where each unit is comprised one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.75 per share for a period of five years. If, after four months from closing, the closing price of the Company's shares on the TSX Venture Exchange ("TSX-V") exceeds \$0.90 for a period of 30 consecutive trading days, the Company may, by notice given and news release issued within two trading days thereof, accelerate the expiry of the warrants to the 20th trading day after such 30-day period. The Company paid finders' fees of 5,000 finders' units, valued at \$2,500.

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. The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2015	206,000	\$ 7.43
Cancelled/Expired	(13,750)	(22.30)
Balance as at April 30, 2016	192,250	7.43
Cancelled/Expired	(14,500)	(10.83)
Balance as at April 30, 2017	177,750	\$ 6.00

The following table summarizes the stock options outstanding and exercisable as at April 30, 2017:

Date Granted	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
September 7, 2012	177,750	6.00	177,750	September 7, 2017

The weighted average remaining contractual life of the stock options is 0.33 (2016 - 1.33) years.

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11. SHARE CAPITAL (cont'd...)

Warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at April 30, 2015	8,397,104	\$ 0.32
Issued	1,002,500	0.75
Exercised	(1,414,022)	0.20
Balance as at April 30, 2016 and 2017	7,985,582	\$ 0.39

Share purchase warrants outstanding and exercisable as at April 30, 2017 are as follows:

Expiry Date	Exercise Price	Number of Warrants
July 9, 2019 ⁽¹⁾	0.20	2,293,100
August 1, 2019 ⁽¹⁾	0.20	2,188,232
December 1, 2019 ⁽²⁾	0.60	1,652,500
January 1, 2020 ⁽²⁾	0.60	498,500
February 6, 2020 ⁽²⁾	0.60	350,750
November 6, 2020 ⁽³⁾	0.75	1,002,500
Total		7,985,582

⁽¹⁾ 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

⁽²⁾ 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

⁽³⁾ 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 2.52 (2016 - 3.52) years.

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12. RELATED PARTY TRANSACTIONS

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

Year ended April 30, 2017	Salary or Fees	Share-based Payments	Total
Management and outside directors	\$ -	\$ -	-
Seabord Services Corp.	120,000	-	120,000
	\$ 120,000	\$ -	\$ 120,000

Year ended April 30, 2016	Salary or Fees	Share-based Payments	Total
Management and outside directors	\$ -	\$ -	-
Seabord Services Corp.	120,000	-	120,000
	\$ 120,000	\$ -	\$ 120,000

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 Minerals Inc. ("Minerals") was a company with common directors. The Company provided consulting services in Serbia to Minerals. During the years ended April 30, 2017, the Company charged Minerals \$Nil (2016 - \$10,000) for such services.

Related party assets (liabilities)	Items or services	April 30, 2017	April 30, 2016
Included in accounts payable and accrued liabilities			
Seabord Services Corp.	Administrative services and expense reimbursements	\$ (228,943)	\$ (102,000)
Included in promissory notes payable			
Chairman		\$ (432,105)	\$ (130,000)
Seabord Services Corp.		\$ (51,441)	\$ -

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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the years ended April 30, 2017, the Company did not have any significant non-cash investing and financing activities.

During the year ended April 30, 2016, the Company:

- a) issued 5,000 units, valued at \$2,500 as finder's fees in the private placement;
- b) allocated \$20,000 to share-based payments reserve for the warrants issued in the private placement during the year; and
- c) recorded hydroelectric project additions of \$50,000 in decommissioning and restoration provision.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment: the exploration and development of renewable energy. Summarized financial information for the geographic segments the Company operates in are as follows:

As at April 30, 2017	Canada		Serbia		Other		Total
Cash and other assets	\$	7,909	\$	-	\$	136	\$ 8,045
Total assets	\$	7,909	\$	-	\$	136	\$ 8,045
As at April 30, 2016	Canada		Serbia		Other		Total
Cash and other assets	\$	49,744	\$	8,386	\$	184	\$ 58,314
Equipment		2,099		40,092		-	42,191
Hydroelectric projects		-		1,289,016		-	1,289,016
Total assets	\$	51,843	\$	1,337,494	\$	184	\$ 1,389,521

15. 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 April 30, 2017, the Company had a working capital deficiency of \$1,001,415 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.

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

Financial Instruments

The Company classified its financial instruments as follows:

	Loans and Receivables	Other Financial Liabilities
As at April 30, 2017		
Cash	\$ 1,739	\$ -
Accounts payable and accrued liabilities	-	(359,064)
Promissory notes payable	-	(650,396)
	\$ 1,739	\$ (1,009,460)
As at April 30, 2016		
Cash	\$ 47,872	\$ -
Restricted cash equivalents	5,750	-
Accounts payable and accrued liabilities	-	(808,368)
Promissory notes payable	-	(241,409)
	\$ 53,622	\$ (1,049,777)

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 fair value of the Company's restricted cash equivalents are approximated by their carrying values as interest rates are comparable to current interest rates.

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.

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15. 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.

16. INCOME TAXES

A reconciliation of the income tax benefit determined by applying Canadian income tax rates to the loss for the years ended April 30, 2017 and 2016 has been prepared as follows:

	April 30, 2017	April 30, 2016
Income (loss) from continuing operations	\$ (272,609)	\$ 5,059
Combined federal and provincial statutory income tax rate	26.00%	26.00%
Income tax expense (recovery) at statutory tax rates	(71,000)	1,000
Impact of different foreign statutory tax rates on earnings of subsidiaries	3,000	-
Permanent difference on wind-up of Italian subsidiary	(274,000)	-
Other items	(13,000)	17,000
Change in unrecognized deductible temporary differences and other	355,000	(18,000)
Total income tax recovery	\$ -	\$ -

Significant components of the Company's deferred tax assets that have not been included in the consolidated statement of financial position are as follows:

	April 30, 2017	Expiry Date Range	April 30, 2016	Expiry Date Range
Non-capital loss carry forwards	\$ 1,922,000	2018-2037	\$ 1,845,000	2017-2036
Share issue costs	4,000	2037-2040	14,000	2037-2040
Capital losses	286,000	Not applicable	-	Not applicable
Other	56,000	Not applicable	54,000	Not applicable
	\$ 2,268,000		\$ 1,913,000	

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17. EVENTS AFTER REPORTING DATE

Subsequent to April 30, 2016, the Company:

- a) received \$200,000 pursuant to a loan agreement. The loan is unsecured, will mature and be repayable in full without interest six (6) months from the date of the loan agreement, and is convertible at the Company's discretion into units at a conversion price of 20 units per borrowed dollar. Each unit shall consist one common share and one common share purchase warrant, where each shall be exercisable to acquire one common share for two years from the date of the loan agreement at an exercise price of \$0.05 per share. The conversion of the loan into units is subject to the approval of the TSX-V; and
- b) 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 also subject to the approval of the TSX-V.