



**RESERVOIR CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED APRIL 30, 2018 AND 2017**

## **GENERAL**

This management's discussion and analysis of the financial position and results of operations is as at August 21, 2018 and should be read in conjunction with the condensed interim consolidated financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the year ended April 30, 2018 and 2017 and the related notes thereto. Those condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in Canadian dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.reservoircapitalcorp.com](http://www.reservoircapitalcorp.com).

## **FORWARD LOOKING INFORMATION**

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Reservoir's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicate herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities regulations.

## **COMPANY OVERVIEW**

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.

Reservoir is a reporting issuer in British Columbia, Alberta, and Ontario, and its common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol REO and on the Berlin and Frankfurt Exchanges under the symbol ROC.

## **HIGHLIGHTS FOR THE YEAR**

During the year ended April 30, 2018 and subsequently, the Company:

- recorded a loss of \$288,110 for the year ended April 30, 2018 compared to a loss of \$1,289,380 for the comparative year. The loss for 2017 included \$1,289,016 write-off of the Company's investment in the Brodarevo HPPs.
- entered into heads of agreement with Kainji Power Holding Limited ("KPHL") for a share exchange transaction that will result in the Company owning 60% in KPHL for 158,100,000 common shares of the Company;
- completed a private placement for aggregate proceeds of \$872,500 by issuing 17,450,000 common shares at \$0.05 per share and paid or accrued finders' fees of \$14,250;
- converted \$200,000 of unsecured loan into 4,000,000 common shares and 4,000,000 share purchase warrants, where each warrant is exercisable at \$0.05 per share for one year from the issuance date; and

- settled \$641,547 of accounts payable and promissory notes payable by paying \$59,097 and issuing 8,102,880 common shares.

## **PROPOSED TRANSACTION WITH KAINJI POWER HOLDING LIMITED**

On February 5, 2018 the Company executed heads of agreement with Kainji Power Holding Limited respecting a share exchange transaction that will result in Reservoir owning a 60% stake in KPHL and KPHL beneficiaries holding jointly 76.7% of Reservoir. KPHL holds a 2.1% interest in Mainstream Energy Solutions Limited (“MESL”), Nigeria’s leading producing hydropower company and KPHL’s sole investment. Reservoir’s acquisition of this equity stake in KPHL will give it a toehold 1.3% economic interest in MESL. The proposed transaction is an arm’s length transaction.

MESL owns and operates the two largest hydropower plants on the Niger River in Nigeria, the Kainji and Jebba power plants, with 1.3 GW of nominal capacity and current aggregate operating capacity of 922 MW. The two facilities are world class assets operating under a long-term concession agreement. The dams’ proven hydrology allows balanced power production all year long in a demand environment that is critically short of dependable power. For more information on MESL, visit: [www.mainstream.com.ng](http://www.mainstream.com.ng).

As part of the proposed transaction, KPHL beneficiaries will be issued 158.1 million Reservoir common shares at a deemed price of \$0.06 per share, resulting in only one new shareholder exceeding a 20% ownership threshold. Reservoir may be granted an option that, if exercised, will increase its ownership of KPHL to 100% and its economic interest in MESL to 2.1%.

On closing of the initial transaction, KPHL beneficiaries will have the right to name two of Reservoir’s five Board members. It is expected that one of the directors (who will also hold more than 20% of Reservoir’s post-closing outstanding shares) will be Vincent Gueneau. Mr. Gueneau was trained as a mechanical engineer in France and has over 20 years of experience as an investor in the energy sector in Africa. He is the founder and Executive Chairman of Kappafrik Group, a private equity firm based in Dubai that focuses on Energy and Infrastructure investments in African markets. The second KPHL nominee director will be Vianney Mathonnet, a French national with significant business experience in sub-Saharan African countries, who serves as the Director of the Family office division at Kappafrik Group. The remaining three directors that will serve on Reservoir’s board all have lengthy and proven track records in clean power and as directors of publicly traded companies.

Reservoir does not intend to loan or otherwise advance any funds to KPHL nor does it intend to carry out a concurrent financing in connection with the proposed transaction.

Completion of the proposed transaction is subject to a number of conditions, including but not limited to, TSX-V approval and disinterested shareholder approval and the shares issued by Reservoir will be subject to restrictions on transfer under Canadian securities law and stock exchange policy. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

## BRODAREVO HYDROELECTRIC PROJECTS

During the year ended April 30, 2017, Reservoir has written off its investment in the Brodarevo hydroelectric projects (“HPPs”), which comprised three-year 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. In January 2018 the Company’s wholly owned Serbian subsidiary Renewable Energy Ventures doo (“REV doo”) 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 status of permanent insolvency for the Serbian subsidiary was subsequently granted by the Commercial Court.

## OUTLOOK

The focus of the Company remains to identify new opportunities in clean power. There is no certainty that new opportunities will be identified, or that the Company will be able to raise the necessary funds to move its renewable business forward.

For the past fiscal year and currently, funding for the operations of the business has been provided by an equity private placement with third parties and from loans from directors and other insiders. There is no certainty that these funds will continue to be available.

## ANNUAL FINANCIAL INFORMATION

Year ended	April 30 2018	April 30 2017	April 30 2016 <sup>(1)</sup>
<b>Financial Results</b>			
Revenue	\$ -	\$ -	\$ -
Operations expenditures	-	-	-
Income (loss) from continuing operations	(288,110)	(272,609)	5,059
Loss for the year	(288,110)	(1,289,380)	(2,080,723)
Loss per share - basic and diluted	(0.01)	(0.07)	(0.12)
<b>Financial Position</b>			
Working capital (deficiency)	225,494	(1,001,415)	(1,048,992)
Energy projects	-	-	1,289,016
Total assets	585,519	8,045	1,389,521
Long-term liabilities	-	-	-
Share capital	38,114,949	36,599,930	36,599,930
Deficit	(40,578,466)	(40,290,356)	(39,000,976)

<sup>(1)</sup> Comparative information has been restated to show the discontinued operations separately.

## QUARTERLY FINANCIAL INFORMATION

Quarter ended	April 30 2018	January 31 2017	October 31 2017	July 31 2017
<b>Financial Results</b>				
Operations expenditures	\$ -	\$ -	\$ -	\$ -
Share-based payments	-	-	-	-
Income (loss) for the period	(118,922)	(119,455)	10,397	(60,130)
Earnings (loss) per share - basic and diluted	(0.00)	(0.01)	0.00	(0.00)

Quarter ended	April 30 2017 <sup>(1)</sup>	January 31 2016 <sup>(1)</sup>	October 31 2016 <sup>(1)</sup>	July 31 2016 <sup>(1)</sup>
<b>Financial Results</b>				
Operations expenditures	\$ -	\$ -	\$ -	\$ -
Share-based payments	-	-	-	-
Loss for the period	(708,714)	(107,409)	(135,550)	(349,013)
Loss per share - basic and diluted	(0.04)	(0.01)	(0.01)	(0.02)

<sup>(1)</sup> Comparative information has been restated to show the discontinued operations separately.

The income (loss) for the quarters varies primarily based on the level of operations expenditures incurred in the quarter.

### RESULTS OF OPERATIONS

#### Three months ended April 30, 2018

The Company recorded a loss of \$118,922 or \$0.00 per share for the three months ended April 30, 2018 compared to a loss of \$708,714 or \$0.04 per share for the comparative quarter, a decrease in loss of \$589,792. The loss is attributable to general and administrative expenses of \$133,048 (2017 - \$60,226), other gain of \$14,126 (2017 - loss of \$8,452), and loss from discontinued operation \$Nil (2017 - \$640,036).

#### Year ended April 30, 2018

The Company recorded a loss of \$288,110 or \$0.01 per share for the year ended April 30, 2018 compared to a loss of \$1,289,380 or \$0.07 per share for the comparative period, a decrease in loss of \$1,001,270. The loss is mainly attributable to general and administrative expenses of \$490,576 (2017 - \$248,880), net of gain on settlement of accounts payable and promissory notes payable and conversion of loan of \$188,375 (2017 - \$Nil). For year ended April 30, 2017 the loss from discontinued operations, net of tax was 1,016,771.

### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2018, the Company had working capital of \$225,494, which primarily comprised cash of \$577,466, accounts payable and accrued liabilities of \$124,884, and promissory notes of \$235,141. The Company had no long-term debt. All of the Company's cash is held in interest bearing accounts. In December 2017, the Company settled or converted \$841,547 of accounts payable, promissory notes payable, and loan for common shares and share purchase warrants.

In order to continue as a going concern, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations.

Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## RELATED PARTY TRANSACTIONS

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

<b>Year ended April 30, 2018</b>	Salary or Fees	Share-based Payments	<b>Total</b>
Management and outside directors	\$ 108,000	\$ -	\$ 108,000
Seabord Services Corp.	100,000	-	100,000
	\$ 208,000	\$ -	\$ 208,000

<b>Year ended April 30, 2017</b>	Salary or Fees	Share-based Payments	<b>Total</b>
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.

During the year ended April 30, 2018, the Company settled accounts payable of \$291,886 and promissory notes payable of \$282,246 due with related parties by making a \$59,097 cash payment and issuing common shares valued at \$406,200, resulting in a gain of \$108,835.

Related party assets (liabilities)	Items or services	April 30, 2018	April 30, 2017
<b>Included in accounts payable and accrued liabilities</b>			
CEO	Fees and expense reimbursements	\$ (27,260)	\$ -
Outside directors	Fees and expense reimbursements	(2,812)	-
Seabord Services Corp.	Administrative services	(22,000)	(228,943)
<b>Included in promissory notes payable</b>			
Outside directors		(235,141)	(432,105)
Seabord Services Corp.		\$ -	\$ (51,441)

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## EVENT AFTER REPORTING DATE

Subsequent to April 30, 2018, the Company has continued to negotiate in good faith with Kainji Power Holding Limited for a share exchange transaction that will result in the Company owning 60% in KPHL for 158,100,000 common shares of the Company. KPHL holds a 2.1% interest in Mainstream Energy Solutions Limited, Nigeria's leading producing hydropower company. While confident of a positive outcome, completion of the proposed

transaction is subject to a number of conditions, including but not limited to, stock exchange approval and disinterested shareholder approval.

## **CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING JUDGMENTS**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities and disclosure of contingent assets or liabilities if actual results differ from assumptions made, relate to, but are not limited to, the following:

- the determination of the fair value of stock options, warrants, equity conversion feature of convertible loan using Black-Scholes option pricing models requires the input of highly subjective assumptions, including the expected price volatility and expected life of the option. Changes in the subjective input assumptions could significantly affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options, warrants, and equity conversion features of convertible loans.
- 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.

## **NEW ACCOUNTING POLICIES**

### **Accounting Pronouncements Not Yet Effective**

IFRS 9 Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 Financial Instruments: Recognition and Measurement requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company has analyzed the impact of adoption of this standard and does not anticipate that there will be any material impact on the consolidated financial statements.

## **RISKS AND UNCERTAINTIES**

In addition to the usual risks associated with an investment in a business at an early stage of development, management and the directors of the Company believe that, in particular, the following risk factors should be considered. It should be noted that the list is not exhaustive and that other risk factors may apply. An investment in the Company may not be suitable for all investors.

### **Competition**

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

## **Financing Risks**

In order to continue as a going concern and to meet its corporate objectives, which primarily comprise obtaining and developing its renewable energy projects, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be required to delay or postpone further development of its projects with the possible result of loss of such properties and ultimately, the Company may be unable to meet its obligations as they come due. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet. The Company's annual consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **Share Price Fluctuations**

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies such as the Company, have experienced wide fluctuations in price which have not necessarily been related to operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

## **Insurance and Uninsured Risks**

In the course of exploration, development and production of hydroelectric projects and geothermal projects, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability. Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

## **Environmental Risks and Hazards**

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

## **Foreign Country and Political Risk**

The hydroelectric projects and geothermal projects on which the Company is currently pursuing its exploration and development activities are all located in Serbia, Montenegro and Bosnia. As a result, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability, which may result in the impairment or loss of energy licenses or mineral concessions. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies. At this time there are no currency hedges in place. The Company does not have any sources of revenues.

## **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. If such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

## **OUTSTANDING SHARE DATA**

As of the date of this MD&A, the Company had 48,164,424 common shares issued and outstanding. There were 11,985,582 share purchase warrants outstanding with expiry dates from November 14, 2018 to November 6, 2020.