KPHL

KAINJI POWER HOLDING LTD

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Expressed in United States Dollars)

SIX MONTHS ENDED JUNE 30, 2018 (Unaudited)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Kainii Power Holding Limited for the Six months ended June 30, 2018 have been prepared by management and by the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in United States dollars)

BALANCE SHEET

	Jan - Jun 2018	Jan - Jun 2017
ASSETS		
Non-current assets		
Available-for-sale investments	10 554 166,00	
	10 554 166,00	-
Current assets		
Dividend receivables	-	-
Prepayments	1 978,00	2 598,00
Cash at bank	127 786,00	8 862,00
	129 764,00	11 460,00
TOTAL ASSETS	10 683 930,00	11 460,00
EQUITY AND LIABILITIES		
Equity		
Stated capital	620 300,00	620 300,00
Share application monies	7 500,00	
Fair value reserves	10 554 166,00	
Accumulated losses	-508 004,00	-616 763,00
Shareholders' fund	10 673 962,00	3 537,00
Current liabilities		
Amount due to related parties		
Other current liabilities	9 968,00	7 923,00
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TOTAL EQUITY AND LIABILITIES	10 683 930,00	11 460,00

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)

	Jan - Jun 18	Jan - Jun 17
Revenue		
Dividend income	-	-
Bank Interest income	-	-
Other income (1)	12 402,64	-
	12 402,64	-
Expenses		
Administration fees	5 186,00	1028,00
Audit fees	-	-
Bank charges	295,00	756,00
Other expenses	1 937,50	7 350,00
Impairment loss on advance towards shares	-	-
	7 418,50	9 134,00
Profit / (loss) before tax	4 984,14	-9 134,00
Income tax expenses	-	-
Other comprehensive income for the period		
Net gain on availaible-for-sales investment	-	-
Total comprehensive profit / (loss) for the period	4 984,14	-9 134,00

(1) 12'402,64 USD from foreign exchange gain

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in United States dollars)

	Jan - Jun 2018	Jan - Jun 2017
Operating activities		
Profit / (loss) before tax	9 691,00	-9 134,00
Dividend income	115 988,00	-
Adjustment to reconcile profit/(loss) before tax net cash flow		
Impairment loss	-	-
Operating profit working capital changes	125 679,00	-9 134,00
Increase in other receivables	-	-
Decrease in other payables	-2 365,00	-2,00
Net cash from operating activities	123 314,00	-9 136,00
Financing activities		
Share application monies received	-	-
Net cash flow from financing activities	-	
Net increase in cash and cash equivalents	123 314,00	-9 136,00
Cash and cash equivaents at beginning of the year	11 910,00	17 998,27
Cash and cash equivalents at the end of period	135 224,00	8 862,27

1. COMPANY OVERVIEW

KPHL's principal business activity is to invest and hold shares in Clean Power Generation companies and related businesses in Africa and other developing markets.

KPHL is a private company limited by shares incorporated in the Republic of Mauritius on June 28, 2013 under the Companies Act 2001 as a GBC2 with Global Business License, under registration number C2/GBL 117 131.
The Company entered into a Heads of Agreement with Reservoir Capital Corp. for a share exchange transaction that will result in the Company selling 60% of KPHL for 158,100,000 common shares of the Reservoir Capital Corp.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Measurement
These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements of the Company have been prepared in accordance with the same accounting policies and methods of their application as the most recent audited financial statements for the years end December 31, 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 interim consolidated financial statements be read in conjunction with the annual audited financial statements.

3. NEW ACCOUNTING POLICIES

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 consolidated financial statements.

4. RECEIVABLES, NET OF PROVISIONS

The Company has no receivables.

5. EQUIPMENT

The company has no equipment.

6. INVESTMENT IN MAINSTREAM ENERGY SOLUTIONS LIMITED (« MESL »)

MESL operates a 1,338.4 MW (Nominal Capacity, current actual capacity is 922 MW) hydroelectric power generation plant and is established at 3B Persian Gulf Course, off Euphrates Street, Maitama, Abuja, Nigeria. At December 31, 2017, the Company opted for fair valuation and arrived at a fair valuation of the MESL investment at $1.56 per MESL share, however the KPHL auditors (Ernst & Young) have decided to apply a further discount to provide for marketability risk and recommended KPHL records the investment in MESL at $1.25 per MESL share, resulting in a fair value adjustment of $10,544,164 of KPHL's assets. The fair valuation was based on a discounted cash flow ("DCF model") using a weighted average cost of capital ("WACC") of 13%. For these These condensed interim consolidated financial statements Six months ended June 30, 2018, the company has decided to keep the same valuation.

7. RELATED PARTY TRANSACTIONS

The Company has no substantial transactions or outstanding balances relating to key management personnel.

8. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no substantial off-balance sheet arrangements.

9. RISKS AND UNCERTAINTIES

In addition to the usual risks associated with a business holding investment, 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, the Company may 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 investments with the possible result of loss of certain opportunities. 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.

Insurance and Uninsured Risks

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 shares of the Company.

Environmental Risks and Hazards

Certain activities of the Company may be 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 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 in regions in which the Company holds interests which are unknown to the Company at present.

Foreign Country and Political Risk

The company's investments currently focus of Africa. 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 its holdings. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business.

10. OUTSTANDING SHARE DATA

As of the date of this condensed interim consolidated financial statements, the Company had 1,000 common shares issued and outstanding. There are no options or warrants outstanding.