RESERVOIR CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

YEARS ENDED DECEMBER 31, 2018 AND 2017
(Audited)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Reservoir Capital Corp.

Opinion

We have audited the accompanying consolidated financial statements of Reservoir Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has not achieved profitable operations and has accumulated losses since inception. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

May 9, 2019

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

	December 31 2018	December 31 2017
ASSETS		
Current		
Cash	$ 475,354	$ 14,948
Receivables (Note 4)	309,045	145,572
Prepaid expenses	5,830	-
Total current assets	790,229	160,520
Non-current		
Investment in MESL (Note 5)	15,027,765	13,246,112
TOTAL ASSETS	$ 15,817,994	$ 13,406,632
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 184,132	$ 16,425
Promissory note payable (Note 7)	237,689	-
Total liabilities	421,821	16,425
EQUITY		
Share capital (Note 3, 8)	2,152,863	778,514
Reserves (Note 3)	8,853,961	13,255,522
Deficit (Note 3)	(1,835,058)	(643,829)
Total equity attributable to equity holders of the Company	9,171,766	13,390,207
Non-controlling interests (Note 9)	6,224,407	-
Total equity	15,396,173	13,390,207
TOTAL LIABILITIES AND EQUITY	$ 15,817,994	$ 13,406,632

Nature of operations and going concern (Note 1)
Events after the reporting date (Note 14)

These consolidated financial statements are approved and authorized for issuance by the Board of Directors on May 2, 2019.

_____*"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 INCOME (LOSS)
(Expressed in Canadian dollars)

	Year ended December 31 2018	Year ended December 31 2017
Revenue		
Dividend income (Note 5)	$ 375,894	$ 145,690
General and administrative expenses		
Administrative services and office	(189,661)	(21,869)
Professional fees	(48,067)	(5,039)
Transfer agent and filing fees	(18,140)	-
Travel and related costs	(14,943)	-
Income (loss) from operations	105,083	118,782
Foreign exchange gain	28,832	-
Interest and other expenses	(5,642)	-
Listing expense (Note 3)	(1,658,287)	-
Income (loss) before income taxes	(1,530,014)	118,782
Deferred income tax recovery (Note 13)	227,354	-
Net income (loss)	$ (1,302,660)	$ 118,782
Attributable to:		
Equity shareholders of the Company	$ (1,448,761)	$ 118,782
Non-controlling interests (Note 9)	$ 146,101	$ -
Basic and diluted earnings (loss) per share	$ (0.01)	$ 0.00
Weighted average no. of common shares outstanding - basic and diluted	113,340,342	48,164,424

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

RESERVOIR CAPITAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)

	Year ended December 31 2018	Year ended December 31 2017
Net income (loss)	$ (1,302,660)	$ 118,782
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit and loss		
Foreign currency translation adjustment	1,165,587	-
Fair value adjustment on FVOCI financial instrument	639,971	-
Deferred income tax liability on KPHL investment	(227,354)	
Total comprehensive income (loss)	$ 275,544	$ 118,782
Attributable to:		
Equity shareholders of the Company	$ (592,780)	$ 118,782
Non-controlling interests (Note 9)	$ 868,324	$ -

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 December 31 2018	Year ended December 31 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (1,302,660)	$ 118,782
Adjustments for:		
Interest expense	2,435	-
Listing expense	1,658,287	-
Deferred income tax recovery	(227,354)	-
Unrealized foreign exchange effect	2,467	(7)
Changes in non-cash working capital items:		
Receivables	(156,576)	(145,572)
Prepaid expenses	2,629	3,261
Accounts payable and accrued liabilities	126,342	6,482
Net cash provided by (used in) operating activities	105,570	(17,054)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary	333,398	-
Net cash provided by investing activities	333,398	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Share application monies received	-	9,413
Net cash provided by financing activities	-	9,413
Effect of foreign exchange changes on cash	21,438	-
Change in cash during the year	460,406	(7,641)
Cash, beginning of year	14,948	22,589
Cash, end of year	$ 475,354	$ 14,948

Supplemental disclosure with respect to cash flows (Note 10)

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		Reserves		Deficit		Non-controlling interests		Total equity
Balance as at December 31, 2017	48,164,424	$	778,514	$	13,255,522	$	(643,829)	$	-	$	13,390,207
Acquisition of KPHL (Note 3)	158,100,000		1,685,755		44,667		-		-		1,730,422
Reclassification to NCI on reverse acquisition (Note 3)	-		(311,406)		(5,302,209)		257,532		5,356,083		-
Foreign currency translation adjustment	-		-		699,352		-		466,235		1,165,587
Fair value adjustment on FVOCI financial instrument	-		-		383,983		-		255,988		639,971
Deferred income tax liability on KPHL investment	-		-		(227,354)		-		-		(227,354)
Net income (loss)	-		-				(1,448,761)		146,101		(1,302,660)
Balance as at December 31, 2018	206,264,424	$	2,152,863	$	8,853,961	$	(1,835,058)	$	6,224,407	$	15,396,173

	Number of shares		Share capital		Reserves		Deficit		Total equity
Balance as at December 31, 2016	48,164,424	$	778,514	$	-	$	(762,611)	$	15,903
Share application monies	-		-		9,413		-		9,413
Contribution of investment in MESL by shareholders	-		-		13,246,109		-		13,246,109
Net income (loss)	-		-		-		118,782		118,782
Balance as at December 31, 2017	48,164,424	$	778,514	$	13,255,522	$	(643,829)	$	13,390,207

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

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.

In 2018, the Company refocused its business operations from a greenfield hydro project developer to an investment firm. Consequently, the Company signed its definitive share purchase agreement (the "SPA") with Kappafrik Management DMCC ("KMGT") to acquire 60% of the outstanding shares of Kainji Power Holding Limited ("KPHL") resulting in an indirect minority ownership interest in Mainstream Energy Solutions Limited ("MESL") (Note 3). In connection to the SPA, Reservoir issued 158,100,000 common shares of the Company to KMGT and certain KMGT shareholders and designees, who held 76.6% of the total issued and outstanding common shares of the Company on closing of the transaction. As the shareholders of KMGT have a majority ownership position, the acquisition will be accounted for as a reverse takeover ("RTO") and accordingly, all comparative information has been adjusted to reflect KPHL as the accounting acquirer (Note 3). Concurrent with the closing of the Transaction, the Company completed its listing of its common shares on the Canadian Securities Exchange ("CSE") for trading and de-listing from the TSX Venture Exchange (the "TSX-V").

The Company's current primary focus is to seek returns through investments in the securities of other clean power companies and clean power assets, which may be 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 December 31, 2018, the Company has not achieved profitable operations and has accumulated losses since inception. There is material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

The consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

New or revised accounting standards adopted during the year

Financial instruments

Effective January 1, 2018, the Company has adopted IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, therefore the Company's accounting policy with respect to financial liabilities is unchanged. The Company completed an assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	IAS 39	IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Investment in MESL	Available-for-sale investment	FVOCI
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Promisory notes payable	Other financial liabilities	Amortized cost

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to initial recognition and how changes in value are recorded. The following accounting policies apply to the subsequent measurement of financial assets.

a) Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
b) Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
c) Financial assets at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of the equity investment are recognized in other comprehensive income (loss) and are never reclassified to profit or loss.

Financial liabilities are designated as either fair value through profit or loss, or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

(Expressed in Canadian dollars)

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

New or revised accounting standards adopted during the year (cont'd…)

Financial instruments (cont'd…)

IFRS 9 uses the expected credit loss ("ECL") model on financial assets measured at amortized cost and financial liabilities that are financial guarantee contracts or commitments to provide a loan at a below-market interest rate. The measurement options for the ECL are lifetime expected credit losses and 12-month expected credit losses. The ECL model is based on an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. As the Company elected to follow the simplified approach of always measuring the loss allowance for receivables at the lifetime ECL, IFRS 9 did not have a material impact on the Company's receivables balance.

The Company does not have any instruments that are designated in a hedge relationship; therefore, the new general hedge accounting model included in IFRS 9 has not impacted the consolidated financial statements.

Revenue recognition

Effective January 1, 2018, the Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The Company elected to apply IFRS 15 using a modified retroactive approach by recognizing the cumulative effect of initially adopting this standard at the date of initial recognition. Comparative information has not been restated and continues to be reported under IAS 18 Revenue ("IAS 18"). The Company has concluded that there was no cumulative effect adjustment required to be recognized at January 1, 2018. The details of the accounting policy changes are described below.

Revenue from dividend income is recognized when the Company's right to receive the payment is established which is generally when shareholders approve the dividend.

The Company has concluded that there were no significant changes in the accounting for dividend income as a result of the transition to IFRS 15 as the timing of control remains unchanged from policies applied prior to the adoption of IFRS 15.

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 %
Kainji Power Holding Limited	Republic of Mauritius	60%
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%

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 of each of the entities in the group is the Canadian dollar, with the exception of KPHL, being the US dollars ("US$"). The functional currency determinations were conducted through an analysis of the factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The presentation currency of the Company is the Canadian dollar.

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 the consolidated statement of income (loss).

On translation of KPHL, whose functional currency is other than the Canadian dollar, revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date. Exchange gains and losses, including results of re-translation, are recorded in the foreign currency translation reserve.

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. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payments reserve.

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.

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

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.

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. Significant areas requiring the use of management estimates include:

a) Valuation of investment in Mainstream Energy Solutions Limited ("MESL")

When the fair values of financial instruments cannot be measured based upon quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow ("DCF") model. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair value. Judgements include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions related to these factors could affect the reported fair value of this financial instrument.

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

Use of estimates and accounting judgment (cont'd…)

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

b) *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.

c) *Functional currency*

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. The Canadian dollar was determined to be the functional currency for all entities within the corporate group, except KPHL, on a prospective basis. All entities continue to measure the items in their financial statements using their functional currencies.

3. REVERSE ACQUISITION BY KPHL

In September 2018, the Company entered into the SPA with Kappafrik Management DMCC ("KMGT") to acquire 60% of the issued and outstanding shares of Kainji Power Holding Limited, who holds a 2.1% investment in MESL, which operates a hydroelectric power project in Nigeria. In connection to the SPA, Reservoir issued 158,100,000 common shares of the Company to KMGT and certain KMGT shareholders and designees.

This transaction constituted a reverse asset acquisition by KPHL of Reservoir, who did not meet the definition of a business, before acquisition, under IFRS 3 Business Combinations ("IFRS 3"), and therefore the transaction was not a business combination as defined therein. The substance of the transaction was a reverse acquisition of a non-operating company. Although legally, Reservoir is regarded as the parent or continuing entity, KPHL, whose shareholders held approximately 76.6% of the voting shares of the Company immediately after the transaction, is treated as the acquirer for accounting purposes following the principles of IFRS 3. As a result, the transaction is accounted for as an asset acquisition with KPHL being identified as the acquirer and the transaction being measured at the fair value of the equity consideration deemed issued to the Reservoir's shareholders in accordance with IFRS 2 Share-based Payments ("IFRS 2").

Consequently, the transaction is accounted for as a continuation of the financial statements of KPHL, together with a deemed issuance of shares equivalent to the shares held by the former shareholders of the Company, and a recapitalization of the equity of KPHL. These consolidated financial statements include the completion of the reverse acquisition recorded on September 21, 2018. KPHL, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the Reservoir in a capital transaction. The consolidated statements of income (loss) and comprehensive income (loss) include the full results of KPHL for the year ended December 31, 2018 and 2017. As the acquirer for accounting purposes, KPHL's net assets are included in the consolidated statements of financial positions at their carrying amounts.

(Expressed in Canadian dollars)

3. REVERSE ACQUISITION BY KPHL (cont'd…)

IFRS 2 applies to transactions where any entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. In accordance with IFRS 2, the amount assigned to the listing expense in the consolidated statements of income (loss) is $1,658,287, being the difference between the aggregate estimated fair value of deemed issuance shares equivalent to the shares held by the former shareholders of Reservoir and Reservoir's share purchase warrants, less the fair value of the net assets acquired of Reservoir. The estimated fair value of the deemed issuance shares equivalent to the shares held by the former shareholders of the Reservoir was determined based on the share price of Reservoir, the publicly listed entity, on September 21, 2018. Outstanding share purchase warrants of Reservoir before acquisition have remained exercisable at their original terms (Note 8), which had an estimated fair value of $44,667 on September 21, 2018 determined by the Black-Scholes options pricing model with following weighted average assumptions: (a) risk-free interest rate of 1.49%, (b) dividend yield of 0%, (c) volatility of 100%, and (d) an expected life of 0.78 years.

The purchase price allocation is as follow:

		Amounts
Considerations paid:		
Common shares retained by acquiree shareholders	$	1,685,755
Share purchase warrants		44,667
	$	1,730,422
Net assets acquired:		
Cash	$	333,398
Receivables		6,897
Prepaid expenses		8,459
Accounts payable and accrued liabilities		(41,365)
Promissory note payable		(235,254)
		72,135
Listing expense		1,658,287
	$	1,730,422

KPHL is 40% owned by minority shareholders. As a result of the RTO, a reclassification of 40% of the components of KPHL's equity was reclassified to non-controlling interest on the statement of financial position as follows: share capital $311,406, reserves $5,302,209, and deficit of $257,532.

4. RECEIVABLES

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

(Expressed in Canadian dollars)

5. INVESTMENT IN MESL

In December 2017, KPHL acquired 8,443,333 shares of MESL, representing a 2.1% ownership interest, for US$2. MESL operates a 1,338.4 megawatt ("MW") hydroelectric power generation plant in Nigeria. During the year ended December 31, 2018, KPHL received 1,688,666 (2017 - Nil) bonus shares of MESL, resulting in 10,131,999 of total shares held. As at December 31, 2018 and 2017, the carrying amount of this investment was adjusted to its fair value of US$1.09 (2017 - US$1.25) per share using the DCF method with the following inputs and assumptions: (a) weighted average cost of capital ("WACC") of 12.2% (2017 - 13%), (b) discount for possible lack of marketability of 20% (2017 - 20%), and (c) foreign exchange rate of C$1/US$0.73 (2017 - C$1/US$0.80). Applying the DCF method resulted in an after-tax positive fair value adjustment of $639,971 (2017 - $Nil). There have been no transfers between different levels during the year ended December 31, 2018. During the year ended December 31, 2018, the Company recognized $375,894 (2017 - $145,690) of dividend income from MESL.

	December 31 2018	December 31 2017
Opening balance	$ 13,246,112	$ -
Additions	-	13,246,112
Fair value adjustment	639,971	-
Effect of foreign exchange	1,141,682	-
Ending balance	$ 15,027,765	$ 13,246,112

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2018	December 31 2017
Trade accounts payable	$ 131,082	$ 16,425
Accrued liabilities	53,050	-
	$ 184,132	$ 16,425

7. PROMISSORY NOTE PAYABLE

As part of the RTO, the Company assumed a promissory note payable (Note 3) owed to a former related party of Reservoir carrying an interest at the rate of 4% per annum. As at December 31, 2018, the Company owed $237,689 (2017 - $Nil), which included accrued interest expense of $21,048 (2017 - $Nil).

8. SHARE CAPITAL

Authorized share capital

Authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2018, 110,520,000 (2017 - Nil) common shares were held in escrow with an additional 15% released every six months beginning March 21, 2019.

In September 2018, the Company issued 158,100,000 common shares to acquire 60% ownership interest in KPHL (Note 3).

In fiscal 2017, KPHL received $9,413 for subscriptions received in advance and has been included in reserves.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (cont'd…)

Share purchase warrants

The continuity of share purchase warrants for the year ended December 31, 2018 and 2017 are as follows:

	Number of warrants		Weighted average exercise price
Balance as at December 31, 2016 and 2017	-	$	-
Acquisition of KPHL (Note 3)	11,985,582		0.28
Expired	(4,000,000)		0.06
Balance as at December 31, 2018	7,985,582	$	0.39

The weighted average remaining contractual life of the warrants is 0.85 (2017 - Nil) years.

Share purchase warrants outstanding and exercisable as at December 31, 2018 are as follows:

Expiry Date			Exercise price	Number of warrants
Jul 09, 2019	(1)	$	0.20	2,293,100
Aug 01, 2019	(1)	$	0.20	2,188,232
Dec 01, 2019	(2)	$	0.60	1,652,500
Jan 01, 2020	(2)	$	0.60	498,500
Feb 06, 2020	(2)	$	0.60	350,750
Nov 06, 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 CSE is $0.30 or greater for 30 trading days
(2) Expiry may be accelerated, if closing price of the Company's shares on the CSE is $0.80 or greater for 30 trading days
(3) Expiry may be accelerated, if closing price of the Company's shares on the CSE is $0.90 or greater for 30 trading days

9. RELATED PARTY BALANCES AND TRANSACTIONS

Non-controlling interests

KPHL is a 60%-owned subsidiary of the Company and is 40% owned by minority shareholders. On the acquisition date, the Company allocated $5,356,083 to the non-controlling interest (Note 3), and for the year ended December 31, 2018, total comprehensive income of $868,324 (2017 - $Nil) has been allocated to the non-controlling interests for a balance of $6,224,407. The NCI's share of net income for the year ended December 31, 2018 was $146,101 (2017 - $Nil).

(Expressed in Canadian dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd...)

Non-controlling interests (cont'd...)

Summarized financial information about KPHL is as follows:

For the year ended		December 31 2018
Total assets	$	15,575,859
Total liabilities		(242,196)
Net income		365,253
Total comprehensive income	$	2,170,810

Compensation of key management personnel

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

For the year ended December 31, 2018		Salary or fees		Share-based payments		Total
Management	$	85,000	$	-	$	85,000
Outside directors		20,000		-		20,000
	$	105,000	$	-	$	105,000

For the year ended December 31, 2017		Salary or fees		Share-based payments		Total
Management	$	-	$	-	$	-
Outside directors		-		-		-
	$	-	$	-	$	-

Included in accounts payable and accrued liabilities, as at December 31, 2018 was $123,744 (2017 - $1,923) due to related parties.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing activities

During the year ended December 31, 2018, the Company:

a) issued 158,000,000 common shares, valued at $1,685,755, and 11,985,582 share purchase warrants, valued at $44,667, and incurred listing expense of $1,658,287 to complete the reverse acquisition and acquire net assets of $72,135 (Note 3);
b) reclassified share capital of $311,406, reserve of $5,302,209, and deficit of $257,532 to non-controlling interests of KPHL on the RTO (Note 3); and
c) recorded a fair value adjustment of $639,971 on investment in MESL and related currency translation adjustment of $1,141,682.

During the year ended December 31, 2017, shareholders of the Company contributed the investment in MESL to the Company, valued at $13,246,109.

(Expressed in Canadian dollars)

11. SEGMENTED INFORMATION

The Company operates in a single segment, being acquisition and investment in renewable energy interests. In addition, the Company has corporate activities, which include the evaluation and acquisition of new investments, treasury and finance, regulatory reporting, and corporate administration. As at December 31, 2018 and 2017, the Company's core asset, the investment in MESL, was located in Nigeria.

12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Financial instruments

The Company classified its financial instruments as follows:

As at December 31, 2018		Amortized cost		FVOCI
Cash	$	475,354	$	-
Receivables		299,421		-
Investment in MESL		-		15,027,765
Accounts payable and accrued liabilities		(184,132)		-
Promissory notes payable		(237,689)		-
	$	352,954	$	15,027,765

As at December 31, 2017		Amortized cost		FVOCI
Cash	$	14,948	$	-
Receivables		145,572		-
Investment in MESL		-		13,246,112
Accounts payable and accrued liabilities		(16,425)		-
	$	144,095	$	13,246,112

Fair value

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. As at December 31, 2018, the Company's financial instruments measured at fair value are as follows:

Financial Assets		Level 1		Level 2		Level 3		Total
Investment in MESL	$	-	$	-	$	15,027,765	$	15,027,765

(Expressed in Canadian dollars)

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

Fair value (cont'd…)

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 investment in MESL was determined based on unobservable inputs using a DCF method (Note 5) and thereby classified with Level 3 of the fair value hierarchy. The significant unobservable inputs used in the fair value measurement and quantitative analysis are as follows:

As at	Significant unobservable inputs	Weighted average range	1% increase	1% decrease
December 31, 2018	WACC	12.2%	$ (453,012)	$ 379,812
	Lack of marketability	20.0%	$ (150,280)	$ 150,280
December 31, 2017	WACC	13.0%	$ (499,794)	$ 554,624
	Lack of marketability	20.0%	$ (165,122)	$ 165,122

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.

As at December 31, 2018, the Company had a working capital of $368,408 (2017 - $144,095). 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. 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 and receivables. This risk is minimized by holding the funds in Canadian banks or Canadian treasury bills. The Company's receivables are due from a government agency. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company believes it is not exposed to significant credit risk and overall, the Company's credit risk has not declined significantly from prior year.

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.

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.

(Expressed in Canadian dollars)

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

Currency risk

The primary exposure of the Company is its receivable, which is denominated in Nigerian naira ("NGN"). Consequently, the Company is exposed to the risk that the exchange rates relative to the NGN may change in a manner which has a material effect on the carrying amount of its dividend receivable. Based on the exposure, as at December 31, 2018, and assuming that all other variables remain constant, a 1% depreciation or appreciation of the NGN against the Canadian dollar would result in an increase/decrease of approximately $6,000 in the Company's pre-tax income or loss.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

For the year ended	December 31 2018	December 31 2017
Income (loss) before taxes	$ (1,530,014)	$ 118,782
Statutory income tax rate	0.00%	0.00%
Income tax expense at statutory tax rate	-	-
Impact of different foreign statutory tax rates on earnings of subsidiaries	(64,540)	-
Non-deductible (taxable) and other items	48,690	-
Reverse acquisition	(2,171,046)	-
Change in unrecognized deductible temporary differences and other	1,959,542	-
Current income tax expense	-	-
Deferred income tax recovery	(227,354)	-
Total income tax recovery	$ (227,354)	$ -

The composition of the Company's net deferred income tax asset (liability) that has been recognized is as follows:

Deferred income tax assets (liabilities)	December 31 2018	December 31 2017
Non-capital losses carried forward	$ 227,354	$ -
Investment in MESL	(227,354)	-
Net deferred tax asset (liability)	$ -	$ -

The Company's unrecognized deductible temporary differences and unused tax losses that have not been recognized as deferred income tax assets are as follows:

As at	December 31 2018	Expiry Date Range	December 31 2017	Expiry Date Range
Non-capital loss carry forwards	$ 7,239,055	2027-2038	$ -	Not applicable
Share issue costs	18,507	2039-2042	-	Not applicable

14. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2018, the Company:

a) settled $242,036 of promissory note payable including accrued interest by issuing 4,840,720 common shares and 1,000,000 share purchase warrants exercisable at $0.10 per share for one year;

b) received US$332,626 of dividend income from MESL; and

c) entered into a share exchange agreement where the Company will issue 199,018,240 common shares to acquire 9,950,912 shares of MESL and 67,675,993 common shares to acquire 350 shares of KPHL, subject to regulatory approval.