# RESERVOIR CAPITAL CORP.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# THREE AND SIX MONTHS ENDED JUNE 30, 2021

# (EXPRESSED IN CANADIAN DOLLARS)

**Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of Reservoir Capital Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

# Reservoir Capital Corp.

**Condensed Interim Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | As at June 30, 2021 | As at December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **$ 180,059** | $ 64,147 |
| Restricted cash (note 3) | **802,412** | 1,411,690 |
| Receivables (note 4) | **1,819,067** | 1,197,338 |
| Prepaid expenses and other assets | **74,441** | 27,327 |
| Investments (note 5) | **189,128** | 456,856 |
| **Total current assets** | **3,065,107** | 3,157,358 |
| **Non-current assets** | | |
| Equipment (note 7) | **6,389** | 10,704 |
| Other investments (note 6) | **26,682,694** | 27,435,603 |
| **Total non-current assets** | **26,689,083** | 27,446,307 |
| **Total assets** | **$ 29,754,190** | $ 30,603,665 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **$ 188,323** | $ 805,078 |
| Prommissory note payable (note 8) | **-** | 166,667 |
| Income tax payable | **937,469** | 937,469 |
| **Total current liabilities** | **1,125,792** | 1,909,214 |
| **Long-term liabilities** | | |
| Government loan payable (note 10) | **40,000** | 40,000 |
| **Total liabilities** | **1,165,792** | 1,949,214 |
| **Equity** | | |
| Share capital (note 11) | **25,745,356** | 25,745,356 |
| Reserves (note 12) | **2,931,960** | 2,660,581 |
| (Deficit) retained earnings | **(88,918)** | 248,514 |
| **Total equity** | **28,588,398** | 28,654,451 |
| **Total liabilities and equity** | **$ 29,754,190** | $ 30,603,665 |

Nature of operation and going concern (note 1)
Contingency (note 17)
Subsequent event (note 18)

**Approved on behalf of the Board:**
*Vianney Mathonnet* Director *Barakat Balmellit* Director

## Reservoir Capital Corp.

**Condensed Interim Consolidated Statements of (Loss) Income**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **Income** | | | | |
| Dividend income (notes 4 and 18) | **$ 458,467** | $ 990,236 | **$ 811,591** | $ 990,236 |
| **Expenses** | | | | |
| Administrative services and office (note 14) | **$ 289,288** | $ 17,186 | **380,953** | 36,428 |
| Consulting | **342,461** | 53,919 | **348,326** | 53,919 |
| Depreciation (note 7) | **2,813** | - | **4,315** | - |
| Investor relations and shareholder fees | **8,446** | 25,547 | **8,734** | 40,689 |
| Interest expense | **118** | 339 | **170** | 1,526 |
| Foreign exchange gain | **(20,439)** | (138,446) | **(31,709)** | (68,750) |
| Gain on sale of investments (note 5) | **-** | - | **(52,817)** | - |
| Loss in settlement of convertible loan (note 9) | **-** | - | **148,148** | - |
| Management and directors fees (note13) | **55,000** | - | **116,200** | 72,534 |
| Professional fees | **(634)** | 36,444 | **36,600** | 46,778 |
| Travel and related costs | **44,651** | 525 | **167,377** | 10,742 |
| Settlement of debt (note 11) | **-** | (147,600) | **-** | (147,600) |
| Unrealized revaluation net loss (gain) on investments (note 5) | **(19,208)** | - | **22,726** | - |
| | **(702,496)** | 152,086 | **(1,149,023)** | (46,266) |
| **Net (loss) income for the period** | **(244,029)** | 1,142,322 | **$ (337,432)** | $ 943,970 |
| **Net (loss) income per share attributable to shareholders of the Company - basic and diluted** | **$ (0.04)** | $ 0.20 | **$ (0.06)** | $ 0.17 |
| **Weighted average number of shares outstanding - basic and diluted** | **5,753,474** | 5,667,540 | **5,662,651** | 5,480,507 |

The accompanying notes are an integral part to the unaudited condensed interim consolidated financial statements.

## Reservoir Capital Corp.

**Condensed Interim Consolidated Statements of Comprehensive (Loss) Income**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **Net (loss) income for the period** | **$ (244,029)** | $ 1,142,322 | **$ (337,432)** | $ 943,970 |
| **Other comprehensive (loss) income** | | | | |
| Exchange differences arising on translation of other investments in foreign operations | **224,080** | (1,346,213) | **271,379** | 709,631 |
| **Total comprehensive (loss) income for the period** | **$ (19,949)** | $ (203,891) | **$ (66,053)** | $ 1,653,601 |

The accompanying notes are an integral part to the unaudited condensed interim consolidated financial statements.

## Reservoir Capital Corp.
**Condensed Interim Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | Six Months Ended June 30, 2021 | 2020 |
|---|---|---|
| **Operating activities** | | |
| Net (loss) income for the period | **$ (337,432)** | $ 943,970 |
| Adjustments for: | | |
| Interest | **170** | - |
| Loss in settlement of convertible loan (note 9) | **148,148** | - |
| Unrealized revaluation net loss on investments | **22,726** | - |
| Gain on sales of investments | **(52,817)** | - |
| Settlement of debt | **-** | (147,600) |
| Depreciation | **4,315** | - |
| Unrealized foreign exchange effect | **1,101,135** | (172,232) |
| Changes in non-cash working capital items: | | |
| Receivables | **(621,729)** | 181,007 |
| Prepaid expenses and other assets | **(47,114)** | (24,189) |
| Accounts payable and accrued liabilities | **(616,925)** | (403,171) |
| **Net cash (used in) provided by operating activities** | **(399,523)** | 377,785 |
| **Investing activities** | | |
| Purchases of investments, net | **(76,306)** | - |
| Proceeds on sales of investments | **381,886** | - |
| **Net cash provided by investing activities** | **305,580** | - |
| **Financing activities** | | |
| Government loans payable | **$ -** | $ 40,000 |
| Promissory note paid | **(166,667)** | - |
| Convertible loan payable (note 9) | **569,620** | - |
| Repayment of convertible loan (note 9) | **(717,768)** | - |
| **Net cash (used in) provided by financing activities** | **(314,815)** | 40,000 |
| **Net change in cash and restricted cash** | **$ (408,758)** | $ 417,785 |
| **Effect of foreign currencies on cash and restricted cash** | **(84,608)** | (1,491) |
| **Cash and restricted cash, beginning of period** | **1,475,837** | 692,674 |
| **Cash and restricted cash, end of period** | **$ 982,471** | $ 1,108,968 |

# Reservoir Capital Corp.

**Condensed Interim Consolidated Statements of Changes in Equity**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | Share Capital | Reserves | (Deficit) Retained earnings | Non-controlling Interest | Total |
|---|---|---|---|---|---|
| **Balance, January 1, 2020** | **$ 23,905,356** | **$ 7,097,840** | **$ (2,240,750)** | **$ 2,044,000** | **$ 30,806,446** |
| Settlement of debt | 320,000 | - | - | - | 320,000 |
| Acquisition of OLO | 1,520,000 | - | 368,561 | (2,044,000) | (155,439) |
| Foreign currency translation adjustment | - | 709,631 | - | - | 709,631 |
| Total comprehensive income for the period | - | - | 943,970 | - | 943,970 |
| **Balance, June 30, 2020** | **$ 25,745,356** | **$ 7,807,471** | **$ (928,219)** | **$ -** | **$ 32,624,608** |

| | Share Capital | Reserves | (Deficit) Retained earnings | Non-controlling Interest | Total |
|---|---|---|---|---|---|
| **Balance, January 1, 2021** | **$ 25,745,356** | **$ 2,660,581** | **$ 248,514** | **$ -** | **$ 28,654,451** |
| Foreign currency translation adjustment | - | 271,379 | - | - | 271,379 |
| Total comprehensive loss for the period | - | - | (337,432) | - | (337,432) |
| **Balance, June 30, 2021** | **$ 25,745,356** | **$ 2,931,960** | **$ (88,918)** | **$ -** | **$ 28,588,398** |

The accompanying notes are an integral part to the unaudited condensed interim consolidated financial statements.

## 1. Nature of Operations and going concern

Reservoir Capital Corp. ("Reservoir" or the "Company" or "REO") 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 82 Richmond Street E, Toronto, Ontario, M5C 1P1.

The Company invests in the securities of clean power companies and clean power assets. In September 2018, the Company acquired 60% of the outstanding shares of Kainji Power Holding Limited ("KPHL") resulting in an indirect minority ownership interest in Mainstream Energy Solutions Limited ("MESL"). In June 2019 and November 2019, the Company increased its ownership interest in KPHL and as a result KPHL is now a wholly-owned subsidiary of REO.

On December 31, 2019 the Company acquired a 60% interest in OLOCORP Nigeria Ltd ("OLO") (see note 5). During the year ended December 31, 2020 , the Company acquired the outstanding 40% interest in OLO which became a wholly-owned subsidiary of the Company. OLO holds an investment in North South Power Company Ltd ("NSP"), a Nigerian company which operates hydro power plants on the Kaduna River in Nigeria. As a result of the transaction, REO became a minority holder of NSP.

The Company's current primary focus is to seek returns through investments in the securities of 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.

Since December 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown including a reduction in hydro-electric power use. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. The Company is closely monitoring the business environment as a result to ensure minimal distribution to business operations.

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These unaudited condensed interim consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. As at June 30, 2021, the Company has a working capital of $1,939,315 and the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds need to be obtained from external financing to meet the Company's current operations and future investment goal needs, and there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

## 2. Significant Accounting Policies

### *(a) Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis, except for investments carried at fair value, and presented in Canadian dollars.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of December 22, 2021, the date of the Board of Directors approved the unaudited condensed interim consolidated financial statements.

### *(b) New policies not yet adopted*

*Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

## 3. Restricted cash

As at June 30, 2021, the restricted cash of $802,412 (December 31, 2020 $1,411,690) are held by the Company subsidiaries. During the three and six months ended June 31, 2021, dividends have been paid out by MESL in Nigerian Naira ("NGN") as opposed to US denominated funds. The NGN is subject to regulatory domestic and conversion restrictions and therefore is not available for general use.

## 4. Receivables

The Company's receivables are from dividends subject to foreign exchange restrictions (see note 3) receivable and goods and services tax ("GST") receivable from government taxation authority, as follows:

| | **As at June 31, 2021** | **As at December 31, 2020** |
|---|---|---|
| Harmonized sales tax | **$ 4,241** | $ 11,153 |
| Dividends receivable | **1,814,826** | 1,186,185 |
| | **$ 1,819,067** | $ 1,197,338 |

**(Expressed in Canadian Dollars, unless otherwise indicated)**

## 5. Investments

| | As at December 31, 2020 | Additions | Disposals | Market Value Adjustment | As at June 30, 2021 |
|---|---|---|---|---|---|
| Access Bank Nigeria Plc | $ 55,275 | **$ -** | **$(51,206)** | **$ -** | **$ 4,069** |
| BOC Gas Plc | 15,809 | **-** | **(7,761)** | **1,486** | **17,295** |
| Flour Mills NIG Plc | 11,267 | **-** | **(7,094)** | **159** | **4,332** |
| MTN Nigeria Plc | 83,436 | **-** | **(77,983)** | **169** | **5,622** |
| Newgold Exchange Traded Fund | 140,523 | **32,364** | **(20,635)** | **(36,839)** | **115,413** |
| Seplat Petroleum Development Company Ltd | 97,079 | **32,569** | **(109,216)** | **14,301** | **34,733** |
| Zenith Bank Plc | 53,467 | **-** | **(49,488)** | **158** | **4,137** |
| Guaranty Trust Bank Plc | - | **11,373** | **(5,686)** | **(2,160)** | **3,527** |
| | $ 456,856 | **$ 76,306** | **$(329,069)** | **$(22,726)** | **$189,128** |

During the three and six months period ended June 30, 2021, the Company sold investments for $nil and $381,886, and recognized a gain on sale of investments of $nil and $52,817 in the condensed interim consolidated statements of income.

The Company has elected to irrevocably designate its investments as FVTPL. Gain and loss in respect of these investments are recognized in profit or loss. These investments are domiciled in Nigeria and subject to foreign exchange restrictions (note 3).

## 6. Other investments

| | MESL As at June 30, 2021 | NSP As at June 30, 2021 | Total As at June 30, 2021 | Total As at December 31, 2020 |
|---|---|---|---|---|
| Opening balance | **$ 25,263,315** | **$ 2,172,288** | **$ 27,435,603** | $ 32,110,031 |
| Fair value adjustment | **-** | **-** | **-** | (3,551,309) |
| Effect of foreign exchange | **(693,296)** | **(59,613)** | **(752,909)** | (1,123,119) |
| Total | **$ 24,570,019** | **$ 2,112,675** | **$ 26,682,694** | $ 27,435,603 |

***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 2 hydroelectric power plants of a combined installed capacity of 922MW in Nigeria. During the year ended December 31, 2018, KPHL received 1,688,666 bonus shares of MESL, resulting in 10,131,999 of total shares held. In June 2019, the Company entered into a share exchange agreement where the Company issued 1,990,183 common shares valued at $13,931,277 to acquire 9,950,912 shares of MESL, which were then transferred to and held by KPHL. In December 2019, the Company issued 133,000 common shares valued at $864,500, to acquire the remaining 5% interest of KPHL from a Director of the Company. As a result of these transactions, KPHL became a wholly-owned subsidiary of the Company. As at June 30, 2021, the Company held 20,082,911 shares of MESL, representing a 4% ownership interest, as a result of the Company buying out the remaining 5% NCI in KPHL resulting in additional indirect minority interest in MESL.

**(Expressed in Canadian Dollars, unless otherwise indicated)**

## 6. Other investments (continued)

***Investment in MESL* (continued)**

As at June 30, 2021, the carrying amount of this investment was adjusted to its fair value of $24,570,019 using the discounted cash flow ("DCF") method with the following inputs and assumptions: (a) weighted average cost of capital ("WACC") of 10.2% (Decemebr 31, 2020 - 10.2%), (b) discount for possible lack of marketability of 31% (December 31, 2020 - 31%), and (c) foreign exchange rate of C$1/US$0.80 ( December 31, 2020 - C$1/US$0.78).

On January 21, 2021, the Company was notified of a legal claim related to the MESL shares and dividends. (Note 17)

***Investment in OLO and NSP***

During the year ended December 31, 2019, the Company acquired 3,000,000 shares in OLO representing a 60% controlling ownership interest. OLO owns 7,297,297 shares in NSP representing less than 2% investment. On April 17, 2020, the Company obtained the remaining 40% interest in OLO; which became a wholly-owned subsidiary of the Company. As a result of transaction, the Company no longer continues to have a non-controlling interest in any entity.

As at June 30, 2021, the carrying amount of this investment was adjusted to its fair value of $2,112,675 using the discounted cash flow ("DCF") method with the following inputs and assumptions: (a) weighted average cost of capital ("WACC") of 10.2% (December 31, 2020 - 10.2%), (b) discount for possible lack of marketability of 31% (December 31, 2020 - 31%), and (c) foreign exchange rate of C$1/US$0.80 (December 31, 2020 - C$1/US$0.78).

## 7. Equipment

| Cost | Equipment | Total |
|---|---|---|
| **Balance - December 31, 2019 and 2020** | $ 15,269 | $ 15,269 |
| **Balance - June 30, 2021** | **$ 15,269** | **$ 15,269** |

| Accumulated Depreciation | Equipment | Total |
|---|---|---|
| **Balance - December 31, 2019 and 2020** | $ 4,565 | $ 4,565 |
| Charge for the period | 4,315 | 4,315 |
| **Balance - June 30, 2021** | **$ 8,880** | **$ 8,880** |

| Carrying Amount | Equipment | Total |
|---|---|---|
| **Balance - June 30, 2021** | **$ 6,389** | **$ 6,389** |
| **Balance - December 31, 2020** | $ 10,704 | $ 10,704 |

**(Expressed in Canadian Dollars, unless otherwise indicated)**

## 8. Promissory Note Payable

On April 17, 2020, the Company issued a promissory note for $100,000 to settle the last remaining cash payment balance of $234,000 (USD$180,000) for the initial 60% ownership interest in OLO acquired in December 31, 2019. As a result of this transaction, the Company recorded a gain on settlement of debt of $134,000. In July 2020, the Company repaid the balance of the promissory note.

In July 2020, the Company issued another promissory note for $200,000 and paid $33,333 of the promissory note, and reach a settelement to defer payment on the $166,667 balance remaining. In January 2021, the promissory note payable of $166,667 was paid out.

## 9. Convertible loan

On January 11, 2021, the Company entered into a convertible loan agreement with a foreign company with significant exposure to the Nigerian market and with a need for Naira currency as working capital for a total of CAD$1,000,000. The loan will not bear interest during the first 3 weeks after disbursement and will bear an interest of 1% monthly thereafter. The loan will mature and be repayable in full six months after disbursement, and no principal or interest shall remain due after December 31, 2021. During January 2021 and February 2021, the Company received $569,620 (USD$ 448,979), and paid out $717,768 through it subsidiary in Naira currency, recorded a loss in settlement of convertible loan of $148,148.

## 10. Government Loans Payable

The Government of Canada announced several funding relief measures to aid companies impacted by the COVID-19 pandemic. One of the measures announced by the Government of Canada is a interest free loan program. In June 2020, the Company received a $40,000 loan issued through the Company's financial institution and guaranteed by the Government of Canada. The loan must be used for financing ordinary business activities of the Company and is interest free until December 31, 2022. If the loan is repaid in full by December 31, 2022 a 25% forgiveness is automatically provided. If the Company fails to repay the full loan by December 31, 2022 the loan will automatically extend for an additional 3 years with an interest rate of 5% per annum. No amounts have been repaid to date.

## 11. Share Capital

(a) Authorized share capital

Authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2021, 122,800 (December 31, 2020 - 368,400) common shares were held in escrow to be released semi annually over the period to September 2021.

(b) Common shares issued

| | Number of Shares | Amount |
|---|---|---|
| **Balance, January 1, 2020** | 5,293,474 | $ 23,905,356 |
| Settlement of promissory note payable (i) | 80,000 | 320,000 |
| Acquisition of OLO (ii) | 380,000 | 1,520,000 |
| **Balance, June 30, 2020** | 5,753,474 | $ 25,745,356 |
| **Balance, January 1, 2021 and June 30, 2021** | **5,753,474** | **$ 25,745,356** |

**(Expressed in Canadian Dollars, unless otherwise indicated)**

### 11. Share Capital (continued)

(i) As part of the acquisition of OLO (note 6), the Company issued a convertible debenture to the former shareholders of OLO for $530,000. The debenture had maturity terms of 12 months and accrued interest at 12% per annum. In April 2020, the debenture, along with a promissory note of USD $180,000 was settled for 80,000 common shares valued at $320,000 and a new promissory note for $300,000. As a result of this transaction, the Company recorded a gain on settlement of debt of $147,600 in the statemes of loss.

(ii) In April 2020, the Company issued 380,000 common shares valued at $1,520,000 in the acquisition of the remaining 40% of OLO.

### 12. Warrants Reserves

The following table reflects the continuity of warrants for the years presented:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| **Balance, January 1, 2020** | 28,518 | $ 52.00 |
| Expired | (18,493) | 33.00 |
| **Balance, June 30, 2020** | 10,025 | 75.00 |
| **Balance, January 1, 2021 and June 30, 2021** | **-** | **$ -** |

### 13. Related Party Balances and Transactions

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. The key management personnel of the Company are the directors and officers of the Company.

No individual party had overall control of the Company during the periods being presented.

*Compensation of key management personnel of the Company*

The remuneration of key management personnel and directors for the periods presented was as follows and has been included in administrative services and office,management and directors fees and consulting expenses respectively:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Management, consulting and directors fees | **$ 55,000** | $ 10,080 | **$ 116,200** | $ 82,614 |
| Administrative services | **9,903** | 19,122 | **21,103** | 44,122 |
| | **$ 64,903** | $ 29,202 | **$ 137,303** | $ 126,736 |

## 13. Related Party Balances and Transactions (continued)

The Chief Financial Officer ("CFO") is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the three and six months ended June 30, 2021, the Company incurred in professional and administrative services of $9,903 and $21,103 (Three and six months ended June 30, 2020 - $19,122 and $44,122) to MSSI. As at June 30, 2021, MSSI was owed $13,555 (December 31, 2020 - $30,184).

Included in accounts payable and accrued liabilities at June 30, 2021 is $66,209 (December 31, 2020 - 226,250) owed to key management personnel and directors of the Company.

Included in accounts payable and accrued liabilities at June 30, 2021 is a dividend accrued of $18,684 (USD$14,858) (December 31, 2020 - $146,342) in accordance with 5% NCI buyout of KPHL agreement due to a former director. During the three months ended March 31, 2021, the Company paid $127,658 (USD$100,000) of the balance oustanding as of December 31, 2020.

## 14. 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 June 30, 2021, the Company’s core assets, the investments and the other investment in MESL and NSP were located in Nigeria.

## 15. Capital Risk Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of its properties. The capital of the Company consists of share capital, warrants, reserves and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The company is subject to externally imposed capital restrictions in Nigeria.

## 16. Financial Instruments

The Company’s financial instruments consist of cash, restricted cash, receivables, investments, other investments, accounts payable and accrued liabilities, promissory note payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

*Credit Risk*
The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

*Liquidity risk*
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company’s financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company is exposed to liquidity risk.

*Interest rate risk*
The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management considers interest rate risk to be minimal.

## 16. Financial Instruments (continued)

*Foreign exchange risk*
The Company's dividends are paid in USD but earned in Nigerian Naira. Accordingly, a 10% change between the Naira and the USD would change the dividend income by approximately $73,781, assuming no changes to dividends paid.

The exposure of the Company is its receivable which are denominated in NGN and cash are partially denominated in USD, and restricted cash which are denominated in NGN. Consequently, the Company is exposed to the risk that the exchange rates relative to the USD may change in a manner which has a material effect on the carrying amount of its receivables and cash and restricted cash. Based on the exposure, as at December 31, 2020, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the USD or NGN against the Canadian dollar would result in a nominal change with respect to USD and an increase/decrease of approximately $4,939, with respect to NGN in the Company’s pre-tax income or loss.

As at June 30, 2021, cash held in USD was $167,868 and restricted cash in NGN was $802,412 (December 31, 2020 - USD $54,208 and NGN $1,411,690).

*Commodity price risk*
The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company’s hydro electric energy properties' profitability.

*Fair value hierarchy*
Financial instruments recorded at fair value on the condensed interim consolidated statements 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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investments are considered a Level 1 in the fair value hierarchy. As a result of changes in the fair market value of the units held, an unrealized loss of $22,726 (June 30, 2020 - loss $Nil) has been recorded for the period ended June 30, 2021.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2021.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments (note 5) | **$ 189,128** | **$ -** | **$ -** | **$ 189,128** |
| Other investments (note 6) | **-** | **-** | **26,682,694** | **26,682,694** |
| | **$ 189,128** | **$ -** | **$ 26,682,694** | **$ 26,871,822** |

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2020.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments (note 5) | $ 456,856 | $ - | $ - | $ 456,856 |
| Other investments (note 6) | - | - | 27,435,603 | 27,435,603 |
| | $ 456,856 | $ - | $ 27,435,603 | $ 27,892,459 |

## 17. Contingency

On January 22, 2021, the Company received an order of interim injunction from the Federal High Court of Nigeria, requesting to hold and escrow all dividends paid out by MESL to KPHL in respect of a shareholder seeking return of 3,500,000 MESL shares. As a result of the claim, dividends related to these shares are being withheld from the Company. An additional 10,610,913 shares are also subject to suspended dividend payments. As at June 30, 2021, the Company has accrued $1,814,826 (December 31, 2020 - $1,186,185) in dividends receivable related to the 14,110,913 MESL shares. The Company considers the claim to be without merit and will vigorously contest the claim.

## 18. Subsequent Event

In July 2021, KPHL received a dividend income for $137,068 (NGN$ 59,719,980) from its investments in MESL.