

RESERVOIR CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 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 September 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash	\$ 55,187	\$ 64,147
Restricted cash (note 3)	904,663	1,411,690
Receivables (note 4)	1,681,718	1,197,338
Prepaid expenses and other assets	79,527	27,327
Investments (note 5)	6,272	456,856
Total current assets	2,727,367	3,157,358
Non-current assets		
Equipment (note 7)	5,627	10,704
Other investments (note 6)	27,242,440	27,435,603
Total non-current assets	27,248,067	27,446,307
Total assets	\$ 29,975,434	\$ 30,603,665
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	\$ 240,869	\$ 805,078
Promissory note payable (note 8)	-	166,667
Income tax payable	937,469	937,469
Total current liabilities	1,178,338	1,909,214
Long-term liabilities		
Government loan payable (note 10)	40,000	40,000
Total liabilities	1,218,338	1,949,214
Equity		
Share capital (note 11)	25,745,356	25,745,356
Reserves (note 12)	3,448,905	2,660,581
(Deficit) retained earnings	(437,165)	248,514
Total equity	28,757,096	28,654,451
Total liabilities and equity	\$ 29,975,434	\$ 30,603,665

Nature of operation and going concern (note 1)

Contingency (note 17)

Approved on behalf of the Board:

Vianney Mathonnet Director Barakat Balmellit Director

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

Reservoir Capital Corp.**Condensed Interim Consolidated Statements of (Loss) Income****(Expressed in Canadian Dollars)****Unaudited**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income				
Dividend income (note 6)	\$ -	\$ 553,197	\$ 811,591	\$ 1,543,433
Expenses				
Administrative services and office (note 14)	17,670	(26,174)	398,623	10,254
Consulting	93,922	3,900	442,248	57,819
Depreciation (note 7)	762	-	5,077	-
Investor relations and shareholder fees	(6,782)	16,144	1,952	56,833
Interest expense	28	495	198	2,021
Foreign exchange (gain) loss	11,018	157,927	(20,691)	89,177
(Gain) loss on sale of investments (note 5)	18,785	-	(34,032)	-
Loss in settlement of convertible loan (note 9)	-	-	148,148	-
Management and directors fees (note 14)	55,000	-	171,200	72,534
Professional fees	74,144	44,043	110,744	90,821
Travel and related costs	80,438	510	247,815	11,252
Settlement of debt (note 11)		(33,333)	-	(180,933)
Unrealized revaluation net loss (gain) on investments (note 5)	3,262	(10,352)	25,988	(10,352)
	(348,247)	(153,160)	(1,497,270)	(199,426)
Net (loss) income for the period	\$ (348,247)	\$ 400,037	\$ (685,679)	\$ 1,344,007
Net (loss) income per share attributable to shareholders of the Company - basic and diluted	\$ (0.06)	\$ 0.07	\$ (0.12)	\$ 0.25
Weighted average number of shares outstanding - basic and diluted	5,753,474	5,667,540	5,675,727	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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net (loss) income for the period	\$ (348,247)	\$ 400,037	\$ (685,679)	\$ 1,344,007
Other comprehensive income				
Exchange differences arising on translation of other investments in foreign operations	516,945	723,279	788,324	13,648
Total comprehensive income for the period	\$ 168,698	\$ 1,123,316	\$ 102,645	\$ 1,357,655

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**

	Nine Months Ended September 30,	
	2021	2020
Operating activities		
Net (loss) income for the period	\$ (685,679)	\$ 1,344,007
Adjustments for:		
Interest	198	2,021
Loss in settlement of convertible loan (note 9)	148,148	-
Unrealized revaluation net loss (gain) on investments	25,988	(10,352)
Gain on sales of investments	(34,032)	-
Settlement of debt	-	(180,933)
Depreciation	5,077	-
Unrealized foreign exchange effect	987,626	3,509
Changes in non-cash working capital items:		
Receivables	(484,380)	181,006
Prepaid expenses and other assets	(52,200)	(43,218)
Accounts payable and accrued liabilities	(564,407)	(591,285)
Net cash (used in) provided by operating activities	(653,661)	704,755
Investing activities		
Purchases of investments, net	(76,306)	(303,878)
Proceeds on sales of investments	534,934	-
Net cash provided by (used in) investing activities	458,628	(303,878)
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	\$ (509,848)	\$ 440,877
Effect of foreign currencies on cash and restricted cash	(6,139)	(23,368)
Cash and restricted cash, beginning of period	1,475,837	692,674
Cash and restricted cash, end of period	\$ 959,850	\$ 1,110,183

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

Reservoir Capital Corp.**Condensed Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)****Unaudited**

	Share Capital	Reserves	(Deficit) Retain 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	-	13,648	-	-	13,648
Total comprehensive income for the period	-	-	1,344,007	-	1,344,007
Balance, September 30, 2020	\$ 25,745,356	\$ 7,111,488	\$ (528,182)	\$ -	\$ 32,328,662
Balance, January 1, 2021	\$ 25,745,356	\$ 2,660,581	\$ 248,514	\$ -	\$ 28,654,451
Foreign currency translation adjustment	-	788,324	-	-	788,324
Total comprehensive loss for the period	-	-	(685,679)	-	(685,679)
Balance, September 30, 2021	\$ 25,745,356	\$ 3,448,905	\$ (437,165)	\$ -	\$ 28,757,096

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

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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, 2020 the Company acquired a 60% interest in OLOCORP Nigeria Ltd ("OLO") (see note 6). 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, 2019, 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 consolidated interim 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 consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. As at September 30, 2021, the Company has a working capital of \$1,549,029 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.

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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 consolidated interim 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 September 30, 2021, the restricted cash of \$904,663 (December 31, 2020 - \$1,411,690) are held by the Company subsidiaries. During the three and nine months ended September 30, 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 September 31, 2021	As at December 31, 2020
Harmonized sales tax	\$ 12,455	\$ 11,153
Dividend receivable	1,669,263	1,186,185
	\$ 1,681,718	\$ 1,197,338

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

5. Investments

	As at December 31, 2020	Additions	Disposals	Market Value Adjustment	As at Sep 30, 2021
Access Bank Nigeria Plc	\$ 55,275	\$ -	\$(55,275)	\$ -	\$ -
BOC Gas Plc	15,809	-	(7,761)	(1,776)	6,272
Flour Mills NIG Plc	11,267	-	(11,426)	159	-
MTN Nigeria Plc	83,436	-	(83,605)	169	-
Newgold Exchange Traded Fund	140,523	32,364	(136,048)	(36,839)	-
Seplat Petroleum Development Company Ltd	97,079	32,569	(143,949)	14,301	-
Zenith Bank Plc	53,467	-	(53,625)	158	-
Guaranty Trust Bank Plc	-	11,373	(9,213)	(2,160)	-
	\$ 456,856	\$ 76,306	\$(500,902)	\$(25,988)	\$ 6,272

During period ended September 30, 2021, the Company sold investments for \$534,934, and recognized a gain on sale of investments of \$34,032 in the 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 September 30, 2021	NSP As at September 30, 2021	Total As at September 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	(177,869)	(15,294)	(193,163)	(1,123,119)
Total	\$ 25,085,446	\$ 2,156,994	\$ 27,242,440	\$ 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 September 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.

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

6. Other investments (continued)

Investment in MESL (continued)

As at September 30, 2021, the carrying amount of this investment was adjusted to its fair value of \$25,085,446 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).

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 September 30, 2021, the carrying amount of this investment was adjusted to its fair value of \$2,156,994 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 - September 30, 2021	\$	15,269	\$ 15,269
Accumulated Depreciation	Equipment		Total
Balance - December 31, 2019 and 2020	\$	4,565	\$ 4,565
Charge for the period		5,077	5,077
Balance - September 30, 2021	\$	9,642	\$ 9,642
Carrying Amount	Equipment		Total
Balance - September 30, 2021	\$	5,627	\$ 5,627
Balance - December 31, 2020	\$	10,704	\$ 10,704

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 settlement to defer payment on the \$166,667 balance remaining. In January 2021, the promissory note payable of \$166,667 was paid out.

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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 its 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 an 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 September 30, 2021, nil (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, September 30, 2020	5,753,474	\$ 25,745,356
Balance, January 1, 2021 and September 30, 2021	5,753,474	\$ 25,745,356

(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 statement 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.

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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, September 30, 2020	10,025	75.00
Balance, January 1, 2021 and September 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Management, consulting and directors fees	\$ 55,000	\$ 33,236	\$ 171,200	\$ 115,850
Administrative services	21,632	-	42,735	44,122
	\$ 76,632	\$ 33,236	\$ 213,935	\$ 159,972

The Chief Financial Officer ("CFO") is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the three and six months ended September 30, 2021, the Company incurred in professional and administrative services of \$21,632 and \$42,735 (three and nine months ended September 30, 2020 - \$Nil and \$44,122) to MSSI. As at September 30, 2021, MSSI was owed \$23,738 (December 31, 2020 - \$30,184).

Included in accounts payable and accrued liabilities at September 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 September 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 outstanding as of December 31, 2020.

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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 September 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, receivable, 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.

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 \$74,041, 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 \$3,417, with respect to NGN in the Company's pre-tax income or loss.

Reservoir Capital Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

16. Financial Instruments (continued)

As at September 30, 2021, cash held in USD was \$43,001 and restricted cash in NGN was \$904,663 (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 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 \$25,988 (September 30, 2020 - unrealized gain \$10,352) has been recorded for the period of nine months ended September 30, 2021.

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

	Level 1	Level 2	Level 3	Total
Investments (note 5)	\$ 6,272	\$ -	\$ -	\$ 6,272
Other investments (note 6)	-	-	27,242,440	27,242,440
	\$ 6,272	\$ -	\$ 27,242,440	\$ 27,248,712

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 September 30, 2021, the Company has accrued \$1,669,263 (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.