RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

THREE MONTHS ENDED JULY 31, 2011

GENERAL

This management's discussion and analysis of financial position and results of operations is prepared as at October 26, 2011 and should be read in conjunction with the condensed consolidated interim financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the period ended July 31, 2011 and 2010 and the related notes thereto. Those condensed consolidated interim financial statements have been prepared in accordance with international financial reporting standards. All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are expressed in Canadian dollars except where otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or on the Company's website at www.reservoircapitalcorp.com.

COMPANY OVERVIEW

Reservoir's principal business activities are the acquisition and development of renewable energy (hydroelectric and geothermal) projects in Serbia, Montenegro, Bosnia and Herzegovina, Italy and elsewhere in southeast Europe. In Serbia, the Company currently has two energy licenses at Brodarevo for run-of-river hydroelectric projects on the River Lim, has applied for a third license at Vrutci in the same region and has been granted four exploration licenses for geothermal energy. The Company has also applied for three run-of-river hydroelectric licenses in Bosnia to develop 17.75 MW on the Cehotina River and is actively pursuing additional renewable energy opportunities in the region.

Reservoir has also developed a portfolio of eight mineral properties in Serbia, targeting base and precious metals. Currently two of the projects are in joint venture with Freeport McMoRan Exploration Corp. ("Freeport"), and a third with Orogen Gold Limited ("Orogen"). Subsequent to the end of the period, the Company completed a re-organization of its business components by the spin-out of the Serbian mineral exploration permits to a new corporation, Reservoir Minerals Inc. ("Minerals"), by means of a plan of arrangement pursuant to the British Columbia Business Corporations Act (the "Spin-out Transaction"). Under the terms of the Spin-out Transaction, shareholders of Reservoir will receive approximately one new share in Minerals for each five Reservoir shares held at the record date of October 13, 2011.

Reservoir is a reporting issuer in British Columbia, Alberta and Ontario, and its common shares trade on the TSX Venture Exchange under the symbol REO and on the Berlin and Frankfurt Exchanges under the symbol ROC. An application has been made to list the common shares of Minerals on the TSX Venture Exchange under the symbol RMC.

COMPANY HIGHLIGHTS

Highlights since May 1, 2011 include:

- Completion of the spin-out of the Minerals, which holds the Serbian mineral exploration permits to a new corporation, Reservoir Minerals Inc., with Minerals shares issued on a one for five basis as a return of capital to Reservoir shareholders.

- Serbian wholly owned subsidiary Renewable Energy Ventures d.o.o. ("REV"), signed a 20-year Power Purchase Agreement (the "PPA"), for the sale of electricity from the Brodarevo hydroelectric project in Serbia, with GDF SUEZ Energia Italia S.p.A. ("GSEI"), a wholly-owned subsidiary of the GDF SUEZ Group. Under the terms of the PPA, electricity produced from Brodarevo will be exported for distribution into the Italian market at prevailing market prices and GSEI has furthermore agreed to purchase and pass on to the Company the value of any green energy incentives generated by the project.

- Energoprojekt Hidroinzenjering Co. Ltd. (“Energoprojekt”) substantially advanced the Feasibility Studies for the Brodarevo projects and completion of the Feasibility Study is expected to be in December 2011.

- Reservoir entered into an agreement to purchase additional surface rights required for the permitting and development of the Brodarevo-2 dam and power plant. The new and existing land package covers approximately five hectares on the banks of the River Lim, where the Company plans to locate the Brodarevo-2 dam and power plant.

- The Serbian Government has adopted the specifics (construction plans, etc) of the Brodarevo 1 and Brodarevo 2 projects into the spatial plan for the Republic of Serbia. Completion of the government and local spatial plans including the Brodarevo Projects represents an important step in the granting of the location and building permits necessary to start construction at Brodarevo.

BRODAREVO HYDROELECTRIC PROJECT

In February 2009, the Company was awarded the Brodarevo 1 and Brodarevo 2 energy licenses to develop run-of-river hydroelectric projects on the River Lim in southwest Serbia. During the year ended April 30, 2010, the Company worked with Energoprojekt, to complete Pre-Feasibility Studies for the Brodarevo Projects with results being released on July 14, 2010. The recommendations from the study included a capacity increase to 58.4 MW and 232 GWh/year of output. The corresponding construction costs were estimated to be €139.9 million which included contingencies of 10% on the civil works, moving sections of the road, anticipated expropriation costs and transmission grid connections.

During the three months ended July 31, 2011, the Company signed a 20-year PPA for the sale of electricity from the Brodarevo hydroelectric project in Serbia, with GSEI, a wholly-owned subsidiary of the GDF SUEZ Group. Under the terms of the PPA, electricity produced from Brodarevo will be exported for distribution into the Italian market at prevailing market prices and GSEI has furthermore agreed to purchase and pass on to the Company the value of any green energy incentives generated by the project. The PPA is conditional on completion of at least one of the plants by the end of December 2015 and further agreement between the parties once the arrangements for project financing and transmission are more advanced.

The Company anticipates the Feasibility Study for the Brodarevo Project will be completed by year end. Zigma A.D. Niksic (“Zigma”), under the supervision of the Company’s main contractor Energoprojekt and the Mining and Metallurgy Institute of Bor, is undertaking geotechnical drilling and sampling at Brodarevo. The program aims to test the geotechnical properties of the sediments and bedrock both in the river and the riverbanks to assist in the final designs for the Brodarevo dam foundations and infrastructure.

Testwork was completed in July on 1:40 scale hydrological models of the Brodarevo dams constructed at the Brodarski Institut d.o.o. in Zagreb (Croatia); measuring the performance of the design of the dams and related structures under both optimal and severe (flooding) energetic and hydraulic conditions to assess safety, environmental and economic considerations. The testwork, supervised by Energoprojekt and Tractebel Engineering S.A., generated various design improvements, notably for the river diversion and spillways, which will be incorporated into the final design.

Environmental studies, in accordance with Serbian standards and legislation, are being conducted in parallel with studies according to World Bank guidelines. Both sets of studies are being conducted by Energoprojekt and are on schedule for completion by the end of 2011.

The design, environmental studies and permitting for the sections of the M-21 road affected by the Brodarevo Project have been contracted to Put Inzenjering (“PUT”). PUT has completed detailed surveys and design work and currently completing geotechnical drilling.

During the period the Company entered into agreements to purchase the remaining surface rights required for the permitting and development of the Brodarevo 2 dam and power plant. The new land agreements cover approximately 0.45 hectares on the left bank of the Lim River between the main road and the proposed construction site of the dam and power plant. Together with the approximately 5.24 hectares of land rights acquired on the right bank the Company has now secured all the surface rights that are needed to obtain the location permit for the Brodarevo Project.

The land rights required for the Brodarevo 1 dam and power plant and for much of the area to be affected by the Brodarevo reservoirs is government owned and will be subject to a lease agreement, the terms of which are still in negotiation. However, the Serbian Government has already adopted the specifics (construction plans, etc) of the Brodarevo 1 and Brodarevo 2 projects into the spatial plan for the Republic of Serbia, an important step in the granting of the location and building permits necessary to start construction at Brodarevo.

The Company completed and filed Pre-Feasibility studies on the Brodarevo Project, including location and conceptual designs, in June 2010, at which time the space that had been previously reserved for construction of hydroelectric projects on the section of the River Lim was approved into the Spatial Plan of Serbia at a session of the National Parliament. The project has also been confirmed by Decree as part of the Water Resources Development Master Plan of the Republic of Serbia and by Decree into Energy Development Strategy and Implementation Program of the Republic of Serbia by 2015.

GEOTHERMAL PROJECTS OVERVIEW

The Vranjska Banja exploration permit covers 1,750 hectares and surrounds the 2 hectare exploitation permit held by Jumko A.D., with whom the Company signed an agreement to evaluate their existing geothermal wells (VG-2 and VG-3). The Company is seeking an extension to the exploration permit which expires in November 2011. Given the completed work program of geophysical and hydrological studies, the Company expects to have the extension granted.

Based on successful exploration work in 2010 and 2011 preliminary results at Vranjska Banja, a high priority target has been identified approximately 120 metres southeast of VG-2, with an interpreted zone with thermal water from about 100 metres to 1,500 metres in depth. In addition to this target, the Company has concluded that VG-2 and VG-3 can be exploited with the capacity of 16.40 litres per second ("l/s") and 19.63 l/s respectively, with a total capacity of 36.03 l/s. The Company continues to measure water temperature, pressure, flow rate and chemistry as part of a full twelve month monitoring program.

NEW RENEWABLE ENERGY BUSINESS

The Company is currently reviewing a number of opportunities in Serbia and the region, with a view to acquiring additional hydroelectric and geothermal projects. The most promising of these is the Cehotina Project in Bosnia. Through a local subsidiary, the Company has filed applications with the Government of the Republika Srpska (an autonomous region of Bosnia and Herzegovina) to build three run-of-river hydroelectric projects on the Cehotina River, with a combined capacity of 17.75 megawatts and an estimated output of 88 gigawatt hours per annum. The Cehotina River flows from Montenegro down into the Drina River at the town of Foca, home of Reservoir's Bosnian office. The total natural energy capacity for this section of the river is 24 MW (211 GWh/yr) from which the Company's consultant Energy Consulting Services D.o.o. ("ENCOS") of Sarajevo has designed three dams; Luke, Falovici and Godijeno.

MINERAL EXPLORATION OVERVIEW

On October 14, 2011 the Company completed the terms of the statutory plan of arrangement with Reservoir Minerals Inc. which received shareholder approval on October 11, 2011. Reservoir shareholders will receive Minerals shares to be issued on a one for five bais as a return of capital at the effective time of 12:01 a.m. on October 13, 2011. The Spin-out Transaction was effected by the transfer to Minerals of three indirectly held subsidiaries of Reservoir that hold its mineral exploration properties. Reservoir Exploration (BVI) Ltd. owns Deli Jovan Exploration and Mining D.o.o. which owns the Deli

Jovan exploration permit; Reservoir Consulting (BVI) Inc. owns Balkan Exploration and Mining D.o.o. which owns the Lece, Plavkovo, Stara Planina, Parlozi and Bobija exploration permits; and Rakita (BVI) Ltd. owns Rakita Exploration D.o.o. which owns the Brestovac-Metovnica and Jasikovo exploration permits. In exchange for the mining subsidiaries, Minerals issued to Reservoir 9,000,000 Minerals common shares which were distributed in a pro-rata manner to Reservoir shareholders as a return of capital, as noted above.

OUTLOOK

The Company's flagship project, the 58MW Brodarevo hydroelectric project, is nearing completion of permitting and feasibility studies and the Company has begun work on project financing with a view to starting construction in 2012. Going forward the Company also expects to complete licensing of the Cehotina hydroelectric project in Bosnia, begin feasibility studies to advance its Vranjska Banja geothermal project in southern Serbia and continue to build out its renewable energy portfolio.

RESULTS OF OPERATIONS

Three months ended July 31, 2011

The Company recorded a loss of $2,550,326 or $0.06 per share for the period ended July 31, 2011 compared to a loss of $1,030,546 or $0.04 per share for the comparative period in the prior year, an increase in loss of $1,519,780, or 147%. The loss is attributable to operations expenses of $2,181,837 (2010 - $905,111), general and administrative expenses of $394,265 (2010 - $178,450) and other income of $25,776 (2010 - $53,015).

In current period, renewable energy and mineral property exploration expenditures increased by $1,239,456 and $37,270 respectively, as the Company focused more of its resources on the advancement of its hydroelectric energy projects than the comparative period in the prior year.

General and administrative expenses increased by $215,815 during the period ended July 31, 2011. A number of stock options were granted in the current period resulting in stock-based compensation expense of $22,908 (2010 - $Nil), and other general and administrative costs increased by approximately 85% primarily due to a higher level of corporate activity related to the Company's expanding renewable energy and mineral properties business segments and costs related to the Spin-Out Transaction.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2011, the Company had working capital of $7,339,173 as compared to $9,699,253 at April 30, 2011. The decrease in working capital of $2,360,080 from April 30, 2011 came primarily from the net decrease in cash of $3,385,988, mainly due to cash used in operations of $3,536,325, equipment purchase of $101,771 and land purchases related to the hydroelectric projects of $70,940, offset by cash proceeds from exercise of stock options and warrants of $288,847 and $16,200 respectively. At July 31, 2011, the Company's working capital consists of cash and cash equivalents of $6,990,932, receivables of $625,381, prepaids and deposits of $435,322 less accounts payable and accrued liabilities of $579,796 and advances from JV partners of $132,666. The Company has no long-term debt.

Subsequent to July 31, 2011, the Company received a further $516,000 on exercise of 645,000 warrants.

All of the Company's cash and cash equivalents are held in interest bearing accounts and highly liquid short-term interest bearing investments with maturities of 90 days or less which can be liquidated at any time without penalties.

In order to continue as a going concern and to meet its corporate objectives, which primarily consists of developing its renewable energy projects and acquiring new projects, the Company will require substantial additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company is currently assessing the most appropriate means of obtaining additional funding to continue its activities as planned.

QUARTERLY INFORMATION

Quarter ended	**July 31, 2011**	**April 30, 2011**	**January 31, 2011**	**October 31, 2010**
Financial Results				
Operations expenditures	$ 2,181,837	$ 948,179	$ 1,279,486	$ 830,341
Stock-based compensation	(22,908)	(11,949)	154,921	-
Loss for the period	(2,550,326)	(1,472,617)	(1,749,020)	(1,074,970)
Loss per share - basic and diluted	(0.06)	(0.04)	(0.05)	(0.04)

Quarter ended	**July 31, 2010**	**April 30, 2010**	**January 31, 2010**	**October 31, 2009**
Financial Results				
Operations expenditures	$ 905,111	$ 938,682	$ 727,449	$ 615,390
Stock-based compensation	-	698,977	-	-
Loss for the period	(1,030,546)	(1,899,457)	(1,171,132)	(901,601)
Loss per share - basic and diluted	(0.04)	(0.07)	(0.04)	(0.03)

The loss for the quarters varies primarily based on the level of operations expenditures incurred and whether stock options are granted in the quarter.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

For the period ended July 31, 2011		Salary or fees	Termination benefits	Share-based payments		Total
Miles Thompson, *Chairman*		24,000	-	-		24,000
Miljana Vidovic, *President & CEO*		44,419	-	-		44,419
Christopher MacIntyre *VP, Corporate development*		12,000	-	-		12,000
Patrick Eve, *Director*		3,000	-	-		3,000
Michael Winn, *Director*		3,000	-	-		3,000
Winston Bennett, *Director*		3,000	-	-		3,000
Lewis Reford, *Director*		1,387	-	-		1,387
	$	90,806	-	-	$	90,806

For the period ended July 31, 2010		Salary or fees		Termination benefits		Share-based payments		Total
Miles Thompson		18,000		-		-		18,000
Miljana Vidovic		31,662		-		-		31,662
Christopher MacIntyre		12,000		-		-		12,000
	$	61,662	$	-	$	-	$	61,662

Related party assets and liabilities	Service or item		July 31, 2011		April 30, 2011		May 1, 2010
Amounts due to:							
Terrasearch Inc.	Admin services	$	1,147	$	6,725	$	7,712
Miles Thompson	Management fees		11,660		9,760		135
Miljana Vidovic	Management fees		12,000		6,000		-
Christopher MacIntyre	Admin services		11,942		8,668		13,911
Patrick Eve	Director’s fee		-		5,000		-
Winston Bennett	Director’s fee		-		5,000		-
Lewis Reford	Director’s fee		-		5,000		-
Amounts due from:							
Seabord Services Corp.	Deposit for acting services	$	10,000	$	10,000	$	10,000
Reservoir Minerals Inc. *Company with common director*	Expense reimbursement		256,463		89,217		-

Seabord Services Corp., (“Seabord”) is a management services company controlled by Michael Winn, a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to the Company. The Chief Financial Officer and the Corporate Secretary are employees of Seabord and are not paid directly by the Company. During the period ended July 31, 2011, Seabord charged $50,400 (2010 - $50,400) for the above services.

MANAGEMENT COMPENSATION

During the period ended July 31, 2011, Reservoir paid $44,419 in salary to the President and CEO $24,000 in salary to the Chairman of the Company and $12,000 to the Vice President, Corporate Development.

Christina Cepeliauskas, the Chief Financial Officer and Kim Casswell, the Corporate Secretary are employees of Seabord Services and received no direct management compensation from Reservoir.

CRITICAL ACCOUNTING ESTIMATES

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

- Recorded costs of energy licenses, geothermal licenses, and mineral properties are not intended to reflect their present or future values. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that a change in future conditions could require a material change in the recognized amount.

- The determination of the fair value of stock options or warrants using Black-Scholes option pricing models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options and warrants.

- The determination of future income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

NEW ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

The Company has prepared its July 31, 2011 condensed consolidated interim financial statements in accordance with IFRS including, IFRS 1 First Time Adoption of International Reporting Standards, and IFRS 34 Interim Financial Reporting Standards.

In preparing the opening IFRS consolidated statement of financial position, the Company has assessed potential adjustments to amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of the Company's assessment on the transition from Canadian GAAP to IFRS is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

Guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

The Company applied the following mandatory exception:

Estimates

Hindsight is not used to create or revise estimates. In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of May 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

There is a possibility that the opening statement of financial position may require adjustment before constituting the external statement of financial position as at May 1, 2010 due to factors such as changes in accounting standards, including exposure drafts and final determination by management.

Share-based Payments

Under GAAP, the Company measured stock-based compensation related to share purchase options at the fair value of the share purchase options granted using the Black-Scholes option pricing formula and recognized this expense over the vesting period of the options. Forfeitures are recognized as they occur.

IFRS 2, similar to GAAP, requires the Company to measure stock-based compensation related to share purchase options granted to employees at the fair value of the share purchase options on the date of grant and to recognize such expense over the vesting period of the options. However, for share purchase options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured.

Prior to April 1, 2010, the Company used the straight-line method of calculating vested options. The fair value of stock-based awards with graded vesting was calculated as one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. Effective February1, 2010, the Company changed from the straight-line method to the graded-vesting method.

Under IFRS – each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.

Prior to April 1, 2010, forfeitures of awards were recognized as they occurred. Under IFRS, forfeiture estimates are recognized on the grant date and revised for actual experiences in subsequent periods.

The adjustments were calculated only for unvested share purchase options issued and outstanding as of and after the transition date. At transition date all options were fully vested.

Presentation Differences

Some line items are described differently under IFRS compared to Canadian GAAP. These line items are as follows (with Canadian GAAP descriptions in brackets):

- Exploration and evaluation assets ("Mineral properties")
- Decommissioning and restoration provision ("Asset retirement obligation")
- Share based payment reserve ("Contributed surplus")

Management has determined that the adoption of IFRS has not resulted in any adjustments to the balances as reported previously under Canadian GAAP.

Future Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2012

IAS 12 - Income Taxes (Amended) ("IAS 12"), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7 - Financial instruments: Disclosures (Amended) require additional disclosures on transferred financial assets.

Accounting Standards Issued and Effective January 1, 2013

IFRS 9 - Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10 - Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements

- defines the principle of control, and establishes control as the basis for consolidation

- sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee

- sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities.

IFRS 11 - Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 - Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 - Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 - Separate Financial Statements has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 - Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

RISKS AND UNCERTAINTIES

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

Financing Risks

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

Hydroelectric Project Risks

The ability of the Company to become a viable provider of renewable and clean power is dependent upon a number of factors and includes, but is not limited to, the following: successful completion of hydrological studies to confirm that water flows are sufficient to generate enough electricity to provide a suitable return on investment, environmental and other permits to build and operate the projects, the successful negotiation of a long term contract with a purchaser of electricity, the ability to obtain sufficient equity and long term financing to construct the projects, community and stakeholder support, the ability to connect the projects to a transmission system and successful construction and operation of the generation facilities and related transmission lines. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

Reservoir is currently exploring two hydroelectric permits in Serbia. Under the Serbian legislation, these permits have to be renewed annually based on work programs proposed by the Company. The Serbian Ministry of Energy and Mines may at its discretion grant only an interim six-month renewal in the event that proposed work programs have not been completed within the one-year period and may refuse to grant a renewal at all if it deems that no or insufficient work has been completed. The Serbian Ministry of Energy and Mines may also ask the Company to amend its work program and to relinquish parts of its permit where it has not worked or does not propose to work as part of the current proposed program. Management believes the Company maintains good relations with the Serbian Ministry of Energy and Mines and has fulfilled its work programs either within the permit period or within agreed renewal periods.

Geothermal Project Risks

A portion of the Company's business involves the exploration and development of geothermal energy resources. These activities are subject to uncertainties, which vary among different geothermal reservoirs and are in some respects similar to those typically associated with mineral and oil and gas exploration, development and exploitation, such as unproductive wells, pressure, temperature decline, corrosion and scaling, all of which could increase the capital requirements and risk. The generation of power from geothermal resources is a function of temperature and flow. Geothermal energy projects may suffer an unexpected decline in the capacity of their respective geothermal wells and are exposed to a risk of geothermal reservoirs being insufficient for sustained generation of the electrical power capacity desired over time. In addition, the Company may fail to find commercially viable geothermal resources in the required quantities and temperatures, which would adversely affect the development of the geothermal power projects. Additionally, active geothermal areas, such as the areas in which the projects are located, are subject to frequent low-level seismic disturbances. Any of these could have an adverse impact on the Company's geothermal business activities.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Reservoir is currently exploring eight mineral exploration permits in Serbia. Under the Serbian Mining Code, these permits have to be renewed annually based on work programs proposed by the Company. The Serbian Ministry of Energy and Mines may at its discretion grant only an interim six-month renewal in the event that proposed work programs have not been completed within the one-year period and may refuse to grant a renewal at all if it deems that no or insufficient work has been completed. The Serbian Ministry of Energy and Mines may also ask the Company to amend its work program and to relinquish parts of its permit where it has not worked or does not propose to work as part of the current proposed program. Management believes the Company maintains good relations with the Serbian Ministry of Energy and Mines and has fulfilled its work programs either within the permit period or within agreed renewal periods.

Serbia is in the process of rewriting its Mining Code, along with many other laws, to European Union standards as part of its efforts to eventually join the European Union. Elements of the new Mining Code and related regulations are already in place and are working. However, there is the risk that these changes may have unforeseen impact on the Company's Serbian business interests.

Insurance and Uninsured Risks

In the course of exploration, development and production of hydroelectric projects, geothermal projects and mineral properties, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Competition

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

Environmental Risks and Hazards

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

Share Price Fluctuations

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

Foreign Country and Political Risk

The hydroelectric projects, geothermal projects and mineral properties on which the Company is actively pursuing its exploration and development activities are all located in Serbia. As a result, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability, which may result in the impairment or loss of energy licenses or mineral concessions. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business.

The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies. At this time there are no currency hedges in place. The Company does not have any sources of revenues.

Conflicts of Interest

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

OUTSTANDING SHARE DATA

As at October 26, 2011, the Company had 47,001,698 common shares issued and outstanding. There were also stock options to purchase 2,570,000 shares outstanding with expiry dates ranging from February 2, 2012 to January 20, 2016. In addition, there were share purchase warrants to purchase 3,676,508 shares outstanding which expire on November 26 and November 29, 2012.

EVENTS AFTER REPORTING DATE

Subsequent to July 31, 2011, the Company:

a) issued 645,000 common shares on the exercise of warrants at $0.80 per share, and

b) entered into an arrangement regarding the re-organization of its business components into two separately listed public corporations by the spin-out of certain Serbian mineral exploration permits to a new corporation, Reservoir Minerals Inc. by means of a plan of arrangement pursuant to the British Columbia Business Corporations Act, where the shareholders of the Company on the record date for the spin-out transaction received their pro-rata portion of 9,000,000 common shares of Minerals.

FORWARD LOOKING INFORMATION

This MD&A may contain “forward looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, ”expect”, ”anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Reservoir’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicate herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.