RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

THREE AND SIX MONTHS ENDED OCTOBER 31, 2011

GENERAL

This management's discussion and analysis of financial position and results of operations is prepared as at December 15, 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 October 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"). Towards 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 have received 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. The common shares of Minerals now also trade on the TSX Venture Exchange under the symbol RMC.

Highlights since August 1st, 2011 include:

- Successful completion of a $4,344,920 financing by the issuance of 6,207,028 units at $0.70 per unit.
- Completion of the proposed re-organization of its business components into two separately listed public corporations by the spin-out of the Serbian mineral exploration permits to a new corporation, Reservoir Minerals Inc ("Minerals").
- Energoprojekt Hidroinzenjering Co. Ltd. ("Energoprojekt") continues to advance work on the Feasibility Studies for the Brodarevo projects which are expected to be completed in the second quarter of 2012.
- Advanced discussions with potential partners to facilitate the financing of the Brodarevo projects should feasibility studies conclude a construction decision is warranted.

RENEWABLE ENERGY OVERVIEW

In February 2009, the Company, through its wholly owned subsidiary Renewable Energy Ventures d.o.o. ("REV"), 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.

In June 2011, the Company signed a 20-year Power Purchase Agreement ("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 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 is now working to secure a feed-in tariff or green certification under the auspices of the Bilateral Agreements between Serbia and Italy.

Reservoir advanced the work on the Feasibility Studies for its Brodarevo projects. Zigma A.D. Niksic ("Zigma"), of Podgorica (Montenegro) 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 is testing the geotechnical properties of the sediments and bedrock both in the river and the river banks to assist in the final designs for the Brodarevo dam foundations and infrastructure.

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.

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") of Podgorica (Montenegro). PUT has completed detailed surveys and design work and is currently undertaking geotechnical drilling.

GEOTHERMAL OVERVIEW

The geothermal exploration permit at Vranjska Banja has been extended until May 16, 2013. The Vranjska Banja exploration permit covers 1,750 hectares in area and surrounds the 2 hectare exploitation permit held by the Jumko A.D., with whom the Company signed an agreement to evaluate their existing geothermal wells (VG-2 and VG-3).

Based on preliminary results at Vranjska Banja, a 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 the target at Vranjska Banja, 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 has measured water temperature, pressure, flow rate and chemistry through a full twelve month cycle and filed updated resource reports with the relevant Ministry.

NEW BUSINESS

The Company is currently reviewing a number of acquisition opportunities, in Montenegro, Italy, Bosnia and Herzegovina, Serbia, Bulgaria and Albania with a view to acquiring additional hydroelectric and geothermal projects.

MINERAL EXPLORATION OVERVIEW

On October 14, 2011 the Company completed the terms of the statutory plan of arrangement (the "Arrangement") with Reservoir Minerals Inc which received shareholder approval on October 11, 2011. Reservoir distributed to Reservoir shareholders, as a return of capital, 0.191482444 of a common share of Minerals for each common share of Reservoir, subject to the terms of the Plan of Arrangement, held at the effective time of 12:01 a.m. on October 13, 2011.

Pursuant to the previously completed private placement financing of approximately $9.6 million in non-transferable subscription receipts ("Subscription Receipts") of Minerals ("Minerals Private Placement"), and concurrent with the closing of the Arrangement, the Subscription Receipts have been converted into common shares and warrants of Minerals. Specifically, in connection with the completion of the Arrangement each Subscription Receipt was converted, into one common share of Minerals and one non-transferable common share purchase warrant of Minerals for a period of two years from the date of conversion of the Subscription Receipts at an exercise price of $0.90 in the first year and $1.00 in the second year subject to accelerated expiry in certain circumstances. The proceeds from the Minerals Private Placement have been released from escrow.

During the period, exploration continued on the Brestovac-Metovnica and Jasikovo-Durlan Potok licenses that are subject to an earn-in agreement with Freeport and work continues on the Deli Jovan licence that is subject to an earn-in agreement with Orogen.

The 18,279-hectare Brestovac-Metovnica and Jasikovo-Durlan Potok lie adjacent to the Bor Mining Licenses and cover northern and southern extensions of the host structures and geology of the Bor copper deposits. Reservoir and Freeport geologists and consultants have completed further detailed mapping and surface sampling along with an extensive program of induced polarization, magnetic and CSAMT (controlled-source audio-magneto-telluric) geophysical surveys, targeting copper mineralization. In addition to this on-going surface work, Freeport has commenced drilling to test some of the targets generated from the surveys, with the initial program of 1,775 metres already well advanced on the OK-Target (Ogasu Kucajna) within the southern Brestovac-Metovnica Permit.

Orogen continued the re-opening of access to the historic Rusman and Gindusa gold mines, through shaft refurbishment and dewatering is progressing to schedule. Access secured to the first 30 metre working level at the Rusman mine; detailed mapping and sampling set to commence. Dewatering continues to expose deeper production levels for further exploration. Re-opening of the Gindusa mine shaft is progressing well, with clearing and refurbishment currently more than half way towards the first 30 metre mining level. Nearly 3,000 soil samples taken by Orogen in the previously unexplored area between the historic Rusman and Gindusa mines. Several gold anomalies identified, including one which suggests potential for a 500 metre extension to the northwest of the Rusman mine. Two additional and separate 300 metre long gold anomalies identified at the centre of sample grid.

With the spin-out of Minerals now completed and trading independently on the TSX Venture Exchange under the symbol RMC, this will be the last period in which Reservoir reports on it progress.

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. In the coming period the Company also expects to complete licensing of the Cehotina hydroelectric project in Bosnia and begin feasibility studies and to advance its Vranjska Banja geothermal project in southern Serbia.

RESULTS OF OPERATIONS

Three months ended October 31, 2011

The Company recorded a loss of $2,396,546 or $0.05 per share for the three months ended October 31, 2011 compared to a loss of $1,074,970 or $0.04 per share for the comparative period in the prior year, an increase in loss of $1,321,576, or 123%. The loss is attributable to operations expenditures of $1,760,527 (2010 - $830,341), general and administrative expenses of $676,237 (2010 - $248,534) and other income of $40,218 (2010 - $3,905).

In the current period, renewable energy and mineral property exploration expenditures increased by $914,387 and $15,799 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 $427,703 during the three months ended October 31, 2011. A number of stock options were granted in the current period resulting in share-based compensation of $68,723 (2010 - $Nil), and other general and administrative costs increased primarily due to a higher level of corporate activity related to the Company's expanding renewable energy business and costs related to the Minerals Spin-Out Transaction.

Six months ended October 31, 2011

The Company recorded a loss of $4,946,873 or $0.11 per share for the six months ended October 31, 2011 compared to a loss of $2,105,516 or $0.07 per share for the comparative period in the prior year, an increase in loss of $2,841,357, or 135%. The loss is attributable to operations expenditures of $3,942,365 (2010 - $1,735,452), general and administrative expenses of $1,070,502 (2010 - $426,984) and other income of $65,994 (2010 - $56,920).

In the current period, renewable energy and mineral property exploration expenditures increased by $2,153,844 and $53,069 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 $643,518 during the six months ended October 31, 2011. A number of stock options were granted in the current period resulting in share-based compensation of $91,631 (2010 - $Nil), and other general and administrative costs increased by approximately 229% primarily due to a higher level of corporate activity related to the Company's expanding renewable energy business and costs related to the Minerals Spin-Out Transaction.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at October 31, 2011, the Company had working capital of $5,373,931 as compared to $9,699,253 at April 30, 2011. The decrease in working capital of $4,325,322 from April 30, 2011 came primarily from the net decrease in cash of $5,498,882, mainly due to cash used in operations of $5,642,625, equipment purchases of $195,633 and land purchases related to the mineral properties and hydroelectric projects of $70,940, offset by cash proceeds from exercise of stock options and warrants of $805,447 and $16,200 respectively. At October 31, 2011, the Company's working capital consists of cash and cash equivalents of $4,878,038, receivables of $705,160, prepaids and deposits of $551,990 less accounts payable and accrued liabilities of $761,257. The Company has no long-term debt.

Subsequent to October 31, 2011, the Company received $20,400 on exercise of 34,000 warrants and aggregate proceeds of $4,344,920 from a private placement financing.

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	October 31, 2011	July 31, 2011	April 30, 2011	January 31, 2011
Financial Results				
Operations expenditures	$ 1,760,527	$ 2,181,837	$ 948,179	$ 1,279,486
Share-based payments	(68,723)	(22,908)	(11,949)	154,921
Loss for the period	(2,396,546)	(2,550,327)	(1,472,617)	(1,749,020)
Loss per share - basic and diluted	(0.05)	(0.06)	(0.04)	(0.05)

Quarter ended	October 31, 2010	July 31, 2010	April 30, 2010	January 31, 2010
Financial Results				
Operations expenditures	$ 830,341	$ 905,111	$ 938,682	$ 727,449
Share-based payments	-	-	698,977	-
Loss for the period	(1,074,970)	(1,030,546)	(1,899,457)	(1,171,132)
Loss per share - basic and diluted	(0.04)	(0.04)	(0.07)	(0.04)

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:

Period ended October 31, 2011	Salary or Fees	Share-based Payments	**Total**
Miles Thompson, *Chairman*	$ 79,000	$ -	$ 79,000
Miljana Vidovic, *President & CEO*	131,118	-	131,118
Christopher MacIntyre, *VP, Corporate development*	24,000	-	24,000
Terrasearch Inc. , *Michael Winn, director*	4,061	-	4,061
Michael Winn, *Director*	6,000	-	6,000
Patrick Eve, *Director*	6,000	-	6,000
Winston Bennett, *Director*	6,000	-	6,000
Lewis Reford, *Director*	4,387	-	4,387
	$ 260,566	$ -	$ 260,566

Period ended October 31, 2010		Salary or Fees		Share-based Payments		**Total**
Miles Thompson	$	36,000	$	-	$	36,000
Miljana Vidovic		65,722		-		65,722
Christopher MacIntyre		24,000		-		24,000
Terrasearch Inc.		16,172		-		16,172
	$	141,894	$	-	$	141,894

Related party assets (liabilities)	Items or Services		October 31, 2011		April 30, 2011
Amounts due to:					
Miles Thompson	Management fees	$	(12,747)	$	(9,760)
Chris MacIntyre	Management fees		(16,946)		(8,668)
Miljana Vidovic	Management fees		(22,000)		(6,000)
Terrasearch Inc.	Consulting fees		-		(1,725)
Michael Winn	Director’s fee		(3,000)		(5,000)
Patrick Eve	Director’s fee		(3,000)		(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
Reservoir Minerals Inc.	Expense reimbursement		316,890		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 October 31, 2011, Reservoir paid $131,118 in salary to the President and CEO $79,000 in salary to the Chairman of the Company and $24,000 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 October 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

On May 12, 2011, the IASB issued the following statements:

i. IFRS 10 Consolidation (“IFRS 10”) (see further details below)
ii. FRS 11 Joint Venture (“IFRS 11”) (see further details below)
iii. IFRS 12 Disclosures of Involvement with Other Entities (“IFRS 12”) (see further details below)
iv. IAS 27 Separate Financial Statement (revised 2011) (“IAS 27”), has been amended for issuance of IFRS 10 while maintaining the current guidance for separate financial statements
v. IAS 28 Investments in Associates and Joint Ventures (revised 2011) (“IAS 28”), has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

Each of these standards has an effective date for annual periods beginning on or after January 1, 2013. Early adoption of any of these standards is permitted only if the other standards are also adopted early.

i. IFRS 10 establishes control as the single basis for consolidation of entities, regardless of the nature of the investee. An entity has control over an investee when it has power over it; it is exposed, or has the rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect those returns. IFRS 10 replaces IAS 27’s guidance that addresses when and how an investor should prepare consolidated financial statements and replaces all of SIC-12. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

ii. IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and the obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The determination whether a joint arrangement constitutes a joint operation or a joint venture is based on the parties’ rights and responsibilities under the arrangement and thus the existence of a separate legal vehicle is no longer the main factor in making such determination. Joint ventures will be accounted for using the equity method of accounting thereby eliminating the option available under existing IFRS to use either the proportionate consolidation method or the equity method. Joint operations are accounted for by a venture by recognizing its share of the assets, liabilities, revenues and expenses of the joint operation. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

iii. IFRS 12 sets out the required disclosures relating to an entity’s interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that enables users of its financial statements to assess the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial statements. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 Fair Value Measurement ("IFRS 13") was issued on May 12, 2011, and establishes a single framework for measuring fair value where it is required by other standards. IFRS 13 applies to all transactions (whether financial or non-financial) for which IFRS requires or permits fair value measurements, with the exception of share-based payment transactions accounted for under IFRS 2 Share-based Payment and leasing transactions within the scope of IAS 12 Leases, and measurements that have some similarities to fair value but are not fair value such as net realizable value under IAS 2 Inventories or value in use under IAS 36 Impairment of assets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price).

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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 developing two hydroelectric permits in Serbia. Under the Serbian legislation, these permits are renewable based on work programs proposed by the Company. The Serbian Ministry of

Infrastructure and Energy may refuse to grant a renewal at all if it deems that no or insufficient work has been completed. Management believes the Company maintains good relations with the Serbian Ministry of Infrastructure and Energy 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.

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 December 15, 2011, the Company had 53,243,726 common shares issued and outstanding. There were also stock options to purchase 2,545,000 shares outstanding with expiry dates ranging from February 2, 2012 to January 20, 2016. In addition, there were share purchase warrants to purchase 10,045,732 shares outstanding which expire on November 26, 2012 to December 2, 2013.

EVENTS AFTER REPORTING DATE

Subsequent to October 31, 2011, the Company:

a) issued 34,000 common shares on the exercise of warrants at $0.60 per share, and

b) completed a $4,344,920 private placement financing by issuing 6,207,028 units ("Units") at $0.70 per Unit. Each Unit consists of one common share and one non-transferrable, common share purchase warrant valid for two years. Each warrant will entitle the holder to acquire an additional common share at price of $1.00 per share after the closing date. As compensation to the finders, the Company paid $260,695 and issued 203,196 finder's warrants, where each finder's warrant will entitle the holder to acquire an additional common share at $0.70 per share for two years after the closing date.

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.