RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

THREE AND NINE MONTHS ENDED JANUARY 31, 2012

GENERAL

This management's discussion and analysis of financial position and results of operations is prepared as at March 28, 2012 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 January 31, 2012 and 2011 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 and elsewhere in southeast Europe. In Serbia, the Company has two energy licenses at Brodarevo, to develop run-of-river hydroelectric projects on the River Lim. These hydroelectric projects are close to completing their Bankable Feasibility Studies. Additionally the Company has been granted four exploration licenses to develop geothermal energy projects in Serbia and has applied for three run-of-river hydroelectric licenses in Bosnia to develop 17.75 megawatts ("MW") on the Cehotina River. The Company is actively pursuing additional renewable energy opportunities in the region.

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.

HIGHLIGHTS FOR THE PERIOD:

- In November 2011, the Company finalized the spin-out of its mineral exploration projects into a new Company, Reservoir Minerals Inc., which now trades on the TSX Venture Exchange under the symbol RMC.

- Brodarevo-1 and Brodarevo-2 hydroelectric projects were included into the Bilateral Agreement on Renewable Energy between the Serbian and Italian Governments. Under the terms of this agreement all renewable energy produced from approved projects in Serbia and exported to Italy will have a guaranteed production price of €155 per megawatt hour for a period of 15-years.

- Successful completion of a $4,344,920 financing by the issuance of 6,207,028 units at $0.70 per unit.

- In January 2012, the Ministry of Infrastructure and Energy of the Republic of Serbia, granted three-year extensions for the Brodarevo-1 and Brodarevo-2 energy permits to the Company's Serbian subsidiary Renewable Energy Ventures d.o.o. ("REV").

- Energoprojekt Hidroinzenjering Co. Ltd. ("Energoprojekt") continued to advance work on the Feasibility Studies for the Brodarevo hydroelectric projects, which are now scheduled for completion in the second quarter of 2012.

- Geotechnical studies to measure the geological stability and permeability of the Brodarevo 1 and 2 dam sites have been completed. The Company's consultants completed 24 drill holes of between 12.5 metres and 108 metres in length (900 metres in total), two galleries (totaling 120 metres), excavated 11 pits, one shaft and completed 1,500 metres of seismic surveys.

- GeothermEx Inc. ("GeothermEx," a Schlumberger company) completed an independent review of the Company's Vranjska Banja Geothermal Project in southern Serbia, and concluded that it could potentially support a power generation project up to 20 MW, utilizing a binary-cycle power plant.

- Established an office and contracted advisors to investigate potential hydroelectric development sites in Montenegro, focusing particularly on the River Lim, just across the border from the Company's Brodarevo projects in Serbia.

BRODAREVO HYDROELECTRIC PROJECT

In February 2009, the Company, through its wholly-owned subsidiary REV, was awarded the Brodarevo 1 and Brodarevo 2 energy permits 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 released in July 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 Brodarevo 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 the Brodarevo hydroelectric projects 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. In February 2012, the Brodarevo hydroelectric projects were included into the Bilateral Agreement on Renewable Energy with the Italian and Serbian Governments. Under the terms of this agreement, all renewable energy produced from approved projects in Serbia and exported to Italy will have a guaranteed production price of €155 per megawatt hour for a 15-year term.

In January 2012, the Ministry of Infrastructure and Energy of the Republic of Serbia, granted three-year extensions for the Brodarevo energy permits issued to REV. Under the terms of the new permits, the Company must begin construction within the three-year period, though subject to compliance with most other conditions, may request a one-year extension to this deadline. The permits also confirm the proposed 58.4 MW installed capacity and the locations of the dams as proposed in the Company's Pre-Feasibility Studies completed in 2010 and approved by the Government of Serbia in 2011.

In February 2012, a public hearing to review the planning applications for the Brodarevo dams and related infrastructure, known locally as the Spatial Plan for Special Purposes was completed. The public hearing was the final step for State Commission of the Ministry of Spatial Planning, which has accepted all aspects of the Company's application and sent it to the Serbian Government for final approval.

Energoprojekt and the Company's other contractors, continues to advance the Feasibility Studies for the Brodarevo hydroelectric projects, which are anticipated for delivery in the second quarter of 2012. During the period, Energoprojekt delivered the Final Design for the preparatory works, which includes the Lim River diversion, access roads, onsite roads and a temporary river crossing. This is the final stage of work on these elements of the project. The geotechnical studies to measure the geological stability and permeability of the Brodarevo 1 and 2 dam sites have also been completed during the period. The Company's contractors have completed 24 drill holes of between 12.5 metres and 108 metres in length (900 metres in total), two galleries (totaling 120 metres), excavated 11 pits, one shaft and completed 1,500 metres of seismic surveys.

Environmental studies in accordance with Serbian standards and legislation are being conducted in parallel with studies according to World Bank guidelines.

VRANJSKA BANJA GEOTHERMAL PROJECT

The Company’s geothermal exploration permit at Vranjska Banja has been extended and is now valid until May 2013. Based on a review of the historical reservoir data and new results collected by the Company, Geothermex estimated the resource potential within the 300-400 hectare area immediately around Vranjska Banja spa to be equivalent to at least 10 MW and possibly up to 20 MW. 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 two existing geothermal wells (VG-2 and VG-3).

Vranjska Banja is the hottest geothermal spring in Serbia, with discharge temperatures of 96°C (boiling at this elevation). Exploration drilling of two angled and intermediate depth wells (VG-2 and VG-3) in the early 1990's encountered temperatures of up to 137°C at less than one kilometre depth in an area that lies within the Company’s permit area. Both wells were cased to 800-900 metres depth (high temperature intervals were not isolated) and have relatively high artesian flows together averaging approximately 60 litres per second. The Company has completed a four-season evaluation of flow rates, temperatures and geochemistry of these two wells.

GeothermEx reviewed the available historical information and the new data generated by the Company at Vranjska Banja (including the existing VG-2 and VG-3), and concluded that a resource temperature of approximately 150°C is possible at depths of about 2,000 metres. Wellbore modelling calculated that a full-diameter well encountering reservoir conditions similar to those intercepted in VG-2 and VG-3 would have a production capacity of approximately 5 MW. The Company plans additional geophysical surveys and shallow temperature gradient drilling within the license area as the first steps to upgrade this resource into a known reserve and to determine the resource potential of the rest of the license area.

NEW BUSINESS

The Company established an office and contracted advisors during the period to investigate potential hydroelectric development sites in Montenegro, focusing particularly on the River Lim, just across the border from the Company's Brodarevo Projects in Serbia. The Company is currently reviewing a number of opportunities to acquire additional hydroelectric and geothermal projects in Montenegro, Bosnia, Serbia and elsewhere in the region.

OUTLOOK

The Company's flagship Brodarevo projects are nearing completion of their Bankable Feasibility Studies and permitting. The Company has begun work on project financing with a view to starting construction in the near term.

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

RESULTS OF OPERATIONS

Three months ended January 31, 2012

The Company recorded a loss of $2,730,600 or $0.05 per share for the three months ended January 3, 2012 compared to a loss of $1,749,020 or $0.05 per share for the comparative period in the prior year, an increase in loss of $981,580. The loss is attributable to operations expenditures of $2,388,344 (2011 - $1,279,486), general and administrative expenses of $287,522 (2011 - $463,434) and other loss of $54,734 (2011 - $6,100).

In the current period, renewable energy expenditures increased by $1,143,825 and mineral property exploration expenditures decreased by $34,967, as the Company focused almost all of its resources on the advancement of its hydroelectric energy projects than the comparative period in the prior year. The Company no longer holds the mineral exploration licenses, which were spun out to a new company, Reservoir Minerals Corp.

General and administrative expenses decreased by $175,912 during the three months ended January 31, 2012. A number of stock options were granted in the previous comparative period resulting in share-based compensation of $154,921 (2012 - $Nil) and professional fees were lower in the current quarter as minimal legal and transaction costs were needed as the spin-out was finalized at the beginning of the quarter.

Nine months ended January 31, 2012

The Company recorded a loss of $7,677,473 or $0.16 per share for the nine months ended January 31, 2012 compared to a loss of $3,854,536 or $0.12 per share for the comparative period in the prior year, an increase in loss of $3,822,937. The loss is attributable to operations expenditures of $6,330,709 (2011 - $3,014,938), general and administrative expenses of $1,358,024 (2011 - $890,418) and other income of $11,260 (2011 - $50,820).

In the current period, renewable energy and mineral property exploration expenditures increased by $3,297,669 and $18,102 respectively, as the Company is now focused on its renewable energy projects after the spin-out of its mineral exploration permits.

General and administrative expenses increased by $467,606 during the nine months ended January 31, 2012. The main reason for the increase was the substantial legal and transaction costs incurred by the Company during the process of spinning out its Serbian mineral exploration permits.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2012, the Company had working capital of $6,138,858 as compared to $9,699,253 at April 30, 2011. The decrease in working capital of $3,560,395 from April 30, 2011 came primarily from the net decrease in cash of $4,096,657, mainly due to cash used in operations of $7,675,318, equipment purchases of $247,072 and land purchases related to the hydroelectric projects and mineral exploration of $830,692 offset by cash proceeds a private placement financing of $4,195,426, and from the exercise of stock options and warrants of $825,847 and $16,200 respectively. At January 31, 2012, the Company's working capital comprises cash and cash equivalents of $6,280,263, receivables of $768,677, pre-paid expenses and deposits of $385,620 less accounts payable and accrued liabilities of $1,295,702. The Company has no long-term debt.

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 comprise 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	January 31, 2012	October 31, 2011	July 31, 2011	April 30, 2011
Financial Results				
Operations expenditures	$ 2,388,344	$ 1,760,527	$ 2,181,837	$ 948,179
Share-based payments	-	(68,723)	(22,908)	(11,949)
Loss for the period	(2,730,600)	(2,396,546)	(2,550,327)	(1,472,617)
Loss per share - basic and diluted	(0.05)	(0.05)	(0.06)	(0.04)

Quarter ended	January 31, 2011	October 31, 2010	July 31, 2010	April 30, 2010
Financial Results				
Operations expenditures	$ 1,279,486	$ 905,111	$ 938,682	$ 727,449
Share-based payments	154,921	-	698,977	-
Loss for the period	(1,749,020)	(1,030,546)	(1,899,457)	(1,171,132)
Loss per share - basic and diluted	(0.05)	(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.

RELATED PARTY TRANSACTIONS

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

Period ended Janaury 31, 2012		Salary or Fees		Share-based Payments		**Total**
Miles Thompson, *Chairman*		124,000	$	-	$	124,000
Miljana Vidovic, *President & CEO*		184,708		-		184,708
Christopher MacIntyre, *VP, Corporate development*		36,000		-		36,000
Terrasearch Inc. , *Michael Winn, director*		4,061		-		4,061
Michael Winn, *Director*		9,000		-		9,000
Patrick Eve, *Director*		9,000		-		9,000
Winston Bennett, *Director*		9,000		-		9,000
Lewis Reford, *Director*		7,387		-		7,387
Michael Brown, *Director*		3,000		68,723		71,723
	$	386,157	$	68,723	$	454,880

Period ended January 31, 2011		Salary or Fees		Share-based Payments		**Total**
Miles Thompson	$	58,000	$	-	$	58,000
Miljana Vidovic		105,306		-		105,306
Christopher MacIntyre		36,000		-		36,000
Terrasearch Inc.		21,000		-		21,000
Lewis Reford		-		142,972		142,972
	$	220,306	$	142,972	$	363,278

Related party assets (liabilities)	Items or Services		January 31, 2012		April 30, 2011
Amounts due to:					
Miles Thompson	Management fees	$	(11,301)	$	(9,760)
Chris MacIntyre	Management fees		(2,043)		(8,668)
Miljana Vidovic	Management fees		(12,000)		(6,000)
Terrasearch Inc.	Consulting fees		-		(1,725)
Michael Winn	Director’s fee		(2,000)		(5,000)
Patrick Eve	Director’s fee		(1,979)		(5,000)
Winston Bennett	Director’s fee		(2,895)		(5,000)
Lewis Reford	Director’s fee		(2,895)		(5,000)
Amounts due from:					
Seabord Services Corp.	Deposit for acting services	$	10,000	$	10,000
Reservoir Minerals Inc.	Expense reimbursement		320,905		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 nine months ended January 31, 2012, Seabord charged $151,200 (2011 - $151,200) for the above services.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

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 permits and geothermal licenses, 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 January 31, 2012 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 May 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 May 1, 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 May 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.

Accounting Standards Issued and Effective January 1, 2013

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

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

i. requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
ii. defines the principle of control, and establishes control as the basis for consolidation;
iii. sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and,
iv. 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; and 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).

Accounting Standards Issued and Effective January 1, 2015

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.

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 comprise obtaining and developing its renewable energy projects, 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 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 condensed 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.

Insurance and Uninsured Risks

In the course of exploration, development and production of hydroelectric projects and geothermal projects, 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 and geothermal projects on which the Company is currently pursuing its exploration and development activities are all located in Serbia, Montenegro and Bosnia. 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 March 26, 2012, the Company had 53,293,726 common shares issued and outstanding. There were also stock options to purchase 1,740,000 shares outstanding with expiry dates ranging from May 7, 2012 to February 8, 2017. In addition, there were share purchase warrants to purchase 10,045,732 shares outstanding which expire on November 26, 2012 to December 2, 2013.

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.