RESERVOIR CAPITAL CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

SIX MONTHS ENDED OCTOBER 31, 2012 AND 2011
(Unaudited)

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Reservoir Capital Corp. for the six months ended October 31, 2012 and 2011 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

RESERVOIR CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		October 31, 2012		April 30, 2012
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	989,938	$	4,128,021
Receivables, net of provisions (Note 5)		298,126		322,569
Prepaids and advances (Note 6)		132,998		295,831
Total current assets		1,421,062		4,746,421
Non-current				
Equipment (Note 7)		246,350		252,704
Energy projects (Note 8)		1,064,942		1,064,942
Geothermal licenses (Note 8)		5,470		5,470
Restricted cash (Note 4)		75,000		75,000
Total non-current assets		1,391,762		1,398,116
TOTAL ASSETS	$	2,812,824	$	6,144,537
LIABILITIES AND EQUITY				
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 9)	$	691,629	$	566,186
Total liabilities		691,629		566,186
EQUITY				
Share capital (Note 10)		30,220,381		30,220,381
Share-based payments reserve (Note 10)		2,578,947		1,746,041
Deficit		(30,606,848)		(26,332,550)
Equity attributable to owners of the Company		2,192,480		5,633,872
Non-controlling interests		(71,285)		(55,521)
Total equity		2,121,195		5,578,351
TOTAL LIABILITIES AND EQUITY	$	2,812,824	$	6,144,537

Nature of operations and going concern (Note 1)
Events after reporting date (Note 15)

These condensed consolidated interim financial statements are approved and authorized for issuance by the Board of Directors on December 19, 2012.

______”*Miles F. Thompson*”_______ Director ______”*C. Winston Bennett*”_______ Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

RESERVOIR CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Three months ended October 31, 2012	Three months ended October 31, 2011	Six months ended October 31, 2012	Six months ended October 31, 2011
OPERATIONS EXPENDITURES				
Renewable energy projects (Note 8)	$ 1,360,257	$ 1,721,499	$ 2,886,957	$ 3,807,337
Exploration and evaluation assets	-	39,028	-	135,028
	1,360,257	1,760,527	2,886,957	3,942,365
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative services and office	75,556	106,185	182,581	194,394
Amortization (Note 7)	226	278	464	1,960
Management fees	95,204	153,526	197,204	247,887
Professional fees	33,218	282,419	51,603	393,321
Shareholder communication and investor relations	13,991	30,651	22,614	49,987
Share-based payments (Note 10)	832,906	68,723	832,906	91,631
Transfer agent and filing fees	18,132	23,087	31,695	36,971
Travel	22,095	11,368	55,116	54,351
	1,091,328	676,237	1,374,183	1,070,502
Loss from operations	(2,451,585)	(2,436,764)	(4,261,140)	(5,012,867)
Foreign exchange gain/(loss)	6,651	24,717	(41,880)	32,492
Interest income	2,297	12,376	9,713	30,377
Miscellaneous income	181	3,125	3,245	3,125
	9,129	40,218	(28,922)	65,994
Loss and comprehensive loss for the period	$ (2,442,456)	$ (2,396,546)	$ (4,290,062)	$ (4,946,873)
Attributable to:				
Equity shareholders of the Company	$ (2,433,039)	$ (2,362,797)	$ (4,274,298)	$ (4,908,890)
Non-controlling interests	(9,417)	(33,749)	(15,764)	(37,983)
	$ (2,442,456)	$ (2,396,546)	$ (4,290,062)	$ (4,946,873)
Basic and diluted loss per share	$ (0.05)	$ (0.05)	$ (0.08)	$ (0.11)
Weighted average number of common shares outstanding	53,293,726	46,730,252	53,293,726	46,414,336

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

RESERVOIR CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Six months ended October 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period attributable to equity shareholders	$ (4,274,298)	$ (4,908,890)
Adjustments for:		
Exploration recoveries	-	(996,682)
Amortization	33,236	36,425
Share-based payments	832,906	91,631
Interest income	(7,416)	(2,436)
Loss for the period attributable to non-controlling interests	(15,764)	(37,983)
Changes in non-cash working capital items:		
Receivables	24,443	(509,874)
Prepaids and advances	162,833	(531,993)
Accounts payable and accrued liabilities	125,443	205,685
Advances from JV partners	-	1,011,492
Net cash used in operating activities	(3,118,617)	(5,642,625)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(26,882)	(195,633)
Purchase of land for hydroelectric projects and mineral exploration	-	(70,940)
Interest received	7,416	2,436
Cash held by companies disposed during spin-out transaction	-	(413,767)
Net cash used in investing activities	(19,466)	(677,904)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	-	805,447
Exercise of options	-	16,200
Net cash provided by financing activities	-	821,647
Change in cash and cash equivalents during the period	(3,138,083)	(5,498,882)
Cash and cash equivalents, beginning of period	4,128,021	10,376,920
Cash and cash equivalents, end of period	$ 989,938	$ 4,878,038

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

RESERVOIR CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of Shares		Share Capital		Share-based Payments Reserve		Deficit		Non-controlling Interest		**Total Equity**
Balance as at April 30, 2011	45,975,431	$	25,174,315	$	1,580,236	$	(16,364,014)	$	-	$	10,390,537
Exercise of options	20,000		16,200		-		-		-		16,200
Reclassify fair value of options exercised from reserve	-		10,934		(10,934)		-		-		-
Exercise of warrants	1,007,267		805,447		-		-		-		805,447
Reclassify fair value of warrants exercised from reserve			1,077		(1,077)		-		-		-
Share-based payments	-		-		91,631		-		-		91,631
Dilution in equity ownership of subsidiary	-		-		-				20,948		20,948
Distribution of Reservoir Minerals shares received	-		-		-		(359,684)				(359,684)
Loss for the period	-		-		-		(4,908,890)		(37,983)		(4,946,873)
Balance as at October 31, 2011	47,002,698	$	26,007,973	$	1,659,856	$	(21,632,588)	$	(17,035)	$	6,018,206

	Number of Shares		Share Capital		Share-based Payments Reserve		Deficit		Non-controlling Interest		**Total Equity**
Balance as at April 30, 2012	53,293,726		30,220,381		1,746,041		(26,332,550)		(55,521)		5,578,351
Share-based payments	-		-		832,906		-		-		832,906
Loss for the period	-		-		-		(4,274,298)		(15,764)		(4,290,062)
Balance as at October 31, 2012	53,293,726	$	30,220,381	$	2,578,947	$	(30,606,848)	$	(71,285)	$	2,121,195

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Reservoir Capital Corp. ("Reservoir" or the "Company") was incorporated under the Business Corporations Act (Alberta) on March 23, 2006 and was continued into British Columbia, under the Business Corporations Act (British Columbia) on November 15, 2007.

The address of the Company's head office is 501 - 543 Granville Street, Vancouver, British Columbia, Canada V6C 1X8.

The Company's principal business activities are the acquisition and development of renewable energy projects in the Republic of Serbia, Montenegro, the Federation of Bosnia and Herzegovina, Italy and elsewhere in southeast Europe. The Company currently holds two energy licenses for run-of-river hydroelectric projects and four geothermal licenses in Serbia. The Company has also filed applications on three hydroelectric projects in Bosnia and is reviewing additional acquisition opportunities in the renewable energy sector.

The Company's hydroelectric and geothermal projects are located in emerging nations and, consequently, may be subject to a higher level of risk compared to more developed countries. Operations, the status of energy and geothermal licenses and the recoverability of investments in emerging nations can be affected by changing economic, regulatory and political situations.

The Company is in the process of developing its hydroelectric and geothermal projects held for the potential generation of commercial production of electricity and has not yet determined the economic viability of its projects. The recoverability of the Company's investment in its hydroelectric and geothermal projects is dependent upon the existence of one or more economic projects, the Company's ability to obtain the necessary financing to complete development and to secure and maintain the appropriate permits, rights and beneficial interest in the projects, and upon future profitable operations or proceeds from the sale of the projects.

These condensed consolidated interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated. The condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Preparation and Measurement

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements of the Company have been prepared in accordance with the same accounting policies and methods of their application as the most recent audited financial statements for the years end April 30, 2012 and 2011, except that they do not include all note disclosures required for annual audited financial statements, and they include new accounting standards effective in the current period. It is suggested that the condensed consolidated interim financial statements be read in conjunction with the annual audited financial statements.

3. NEW AND FUTURE ACCOUNTING STANDARDS

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments increase disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

Amendments to IAS 12 Income Taxes

The amendments are made regarding Deferred Tax: Recovery of Underlying Assets and introduce an exception to the existing principle for the measurement of deferred tax assets and liabilities arising on an investment property measured at fair value, and the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment should always be on a sales basis.

Effective May 1, 2012, the Company has adopted amendments to IFRS 7 Financial Instruments: Disclosures, and IAS 12 Income Taxes, and concluded that there are no material changes as a result of adopting these amendments

3. NEW AND FUTURE ACCOUNTING STANDARDS (cont'd…)

Accounting Pronouncements Not Yet Effective

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, 2013

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

a) defines the principle of control, and establishes control as the basis for consolidation.
b) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.
c) 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).

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.

(Expressed in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consist of the following:

	October 31, 2012	April 30, 2012
Cash	$ 562,707	$ 3,703,435
Short-term deposits	427,231	424,586
	$ 989,938	$ 4,128,021

As at October 31, 2012, the Company held restricted cash of $75,000 (April 30, 2012 - $75,000) as collateral for its corporate credit cards.

5. RECEIVABLES, NET OF PROVISIONS

The Company's receivables arise from HST/VAT receivable due from government taxation authorities and other receivables:

	October 31, 2012	April 30, 2012
HST/VAT receivables	$ 217,705	$ 226,812
Due from related party (Note 11)	435	13,197
Other receivables	114,267	122,653
Provisions	(34,281)	(40,093)
	$ 298,126	$ 322,569

The carrying amounts of the Company's receivables are denominated in the following currencies:

Currency	October 31, 2012	April 30, 2012
Canadian dollars	$ 72,854	$ 147,071
Serbian dinars	163,021	112,185
Other	62,251	63,313
	$ 298,126	$ 322,569

(Expressed in Canadian dollars)

6. PREPAIDS AND ADVANCES

The Company's prepaids and advances consist of the following:

	October 31, 2012	April 30, 2012
Prepaid expenses	$ 10,000	$ 20,173
Advances to suppliers	122,998	275,658
	$ 132,998	$ 295,831

7. EQUIPMENT

	Office Equipment	Field Equipment	**Total**
Cost			
As at April 30, 2012	$ 120,143	$ 264,510	$ 384,653
Additions	13,101	13,781	26,882
Disposals	-	-	-
As at October 31, 2012	133,244	278,291	411,535
Accumulated amortization			
As at April 30, 2012	31,388	100,561	131,949
Amortization	15,266	17,970	33,236
Disposals	-	-	-
As at October 31, 2012	46,654	118,531	165,185
Net book value			
As at April 30, 2012	88,755	163,949	252,704
As at October 31, 2012	$ 86,590	$ 159,760	$ 246,350

During the six months ended October 31, 2012, amortization of $32,862 (2011 - $34,465) has been included in operations expenditures and amortization of $464 (2011 - $1,960) has been included in general and administrative expenses.

(Expressed in Canadian dollars)

8. ENERGY PROJECTS AND GEOTHERMAL LICENSES

Hydroelectric Projects - Acquisition Costs

	October 31, 2012	April 30, 2012
Brodarevo 1	$ 122,435	$ 122,435
Brodarevo 2	116,708	116,708
Land acquisition	825,799	825,799
	$ 1,064,942	$ 1,064,942

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 permits, to develop run-of-river hydroelectric projects on the River Lim in southwest Serbia. The acquisition costs consist of the cash paid for legal, government taxes and project consultant expenses directly related to the acquisition. The original licenses were issued in February 2009 for a period of two years with a one year extension of the license. In January 2012, the Ministry of Infrastructure and Energy of the Republic of Serbia granted three-year extensions for both energy permits. 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.

Geothermal License - Acquisition Costs

In 2010, the Company, through its wholly-owned subsidiary, Southern European Exploration d.o.o. ("SEE"), was granted an exploration license for geothermal energy at VranjskaBanja in southern Serbia and three exploration licenses for geothermal energy in the Vojvodina Province of northern Serbia, which were renewed subsequently. Total amounts capitalized for the acquisition costs of the four licenses was $5,470 (April 30, 2012 - $5,470).

Renewable Energy Projects - Expenditures

During the six months ended October 31, 2012 and 2011, the Company incurred the following expenditures on its renewable energy projects, which were expensed as incurred:

Period ended October 31, 2012	Brodarevo 1	Brodarevo 2	**Subtotal**	Geothermal projects	Renewable energy project investigation	**Total**
Administration	$ 138,813	$ 138,815	$ 277,628	$ 35,584	$ 145,968	$ 459,180
Field costs	142,624	140,689	283,313	1,322	28,363	312,998
Salaries and consultants	475,720	478,485	954,205	38,535	313,533	1,306,273
Technical studies	322,303	363,600	685,903	2,452	46,956	735,311
Travel and related costs	21,120	20,925	42,045	-	31,150	73,195
	$ 1,100,580	$ 1,142,514	$ 2,243,094	$ 77,893	$ 565,970	$ 2,886,957

(Expressed in Canadian dollars)

8. ENERGY PROJECTS AND GEOTHERMAL LICENSES (cont'd…)

Period ended October 31, 2011	Brodarevo 1	Brodarevo 2	**Subtotal**	Geothermal projects	Renewable energy project investigation	**Total**
Administration	$ 217,680	$ 209,617	$ 427,297	$ 12,728	330,162	$ 770,187
Field costs	68,136	65,389	133,525	4,274	27,493	165,292
Salaries and consultants	673,958	673,959	1,347,917	21,435	207,059	1,576,411
Technical studies	552,667	538,420	1,091,087	21,391	68,459	1,180,937
Travel and related costs	19,160	18,056	37,216	-	77,294	114,510
	$ 1,531,601	$ 1,505,441	$ 3,037,042	$ 59,828	$ 710,467	$ 3,807,337

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	October 31, 2012	April 30, 2012
Trade accounts payable	$ 671,629	$ 497,986
Accrued liabilities	20,000	68,200
	$ 691,629	$ 566,186

10. SHARE CAPITAL

Authorized Share Capital

Authorized share capital consists of an unlimited number of common shares without par value.

Stock Options

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined by the Company's Board of Directors at the time of the grant.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd…)

Stock Options (cont'd…)

The changes in stock options outstanding are as follows:

	Number of Options		Weighted Average Exercise Price
Balance as at April 30, 2011	2,540,000	$	0.73
Granted	400,000		0.72
Exercised	(70,000)		0.59
Cancelled/Forfeited	(1,130,000)		0.57
Balance as at April 30, 2012	1,740,000		0.83
Granted	3,660,000		0.30
Cancelled/Forfeited	(90,000)		1.04
Balance as at October 31, 2012	5,310,000	$	0.46

The following table summarizes the stock options outstanding and exercisable at October 31, 2012:

Date Granted	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
October 29, 2008	15,000	0.20	15,000	October 29, 2013
May 26, 2009	70,000	0.68	70,000	May 26, 2014
November 16, 2009	200,000	0.74	200,000	November 16, 2014
March 9, 2010	895,000	0.81	895,000	March 9, 2015
January 20, 2011	120,000	1.73	120,000	January 20, 2016
October 26, 2011	150,000	0.65	150,000	October 26, 2016
February 8, 2012	200,000	0.65	200,000	February 8, 2017
September 7, 2012	3,660,000	0.30	3,660,000	September 7, 2017
Total	5,310,000		5,310,000	

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd…)

Warrants

The changes in warrants outstanding are as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance as at April 30, 2011	4,682,775	$	0.79
Issued	6,410,224		0.99
Exercised	(1,041,267)		0.79
Balance at April 30 and October 31, 2012	10,051,732	$	0.92

Share purchase warrants outstanding and exercisable as at October 31, 2012 are as follows:

Expiry Date		Exercise Price	Number of Warrants
November 26, 2012 (1)	$	0.90	132,292
November 29, 2012 (1)		0.90	3,509,216
December 2, 2013 (2)		1.00	6,207,028
December 2, 2013		0.70	203,196
Total			10,051,732

(1) Expired subsequently.

(2) Expiry may be accelerated, if closing price of the Company's shares on the TSX-V is $1.50 or greater for 20 trading days after April 2, 2012.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd…)

Share-based Payments and Share-based Payment Reserve

During the six months ended October 31, 2012, the Company granted 3,660,000 (2011 - 200,000) stock options to various directors, officers and employees of the Company. Using the fair value method for share-based payments, the Company recorded a charge to operations of $832,906 (2011 - $91,631) for stock options granted.

The fair values were determined using the Black-Scholes option pricing model using the following assumptions:

Weighted average:	October 31, 2012	October 31, 2011
Risk free interest rate	1.42%	1.58%
Expected dividend yield	0%	0%
Expected stock price volatility	97%	86%
Expected life of options in years	5	4

The weighted average fair value of options granted during the period ended October 31, 2012 was $0.23 (2011 - $0.46).

11. RELATED PARTY TRANSACTIONS

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

Six months ended October 31, 2012	Salary or Fees	Share-based Payments	**Total**
Management	$ 215,921	$ 355,010	$ 570,931
Outside directors	49,000	157,023	206,023
	$ 264,921	$ 512,033	$ 776,954

Six months ended October 31, 2011	Salary or Fees	Share-based Payments	**Total**
Management	$ 234,118	$ -	$ 234,118
Outside directors	26,448	68,723	95,171
	$ 260,566	$ 68,723	$ 329,289

Seabord Services Corp., ("Seabord") is a management services company controlled by 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 is an employee of Seabord and is not paid directly by the Company. During the six months ended October 31, 2012, Seabord charged $106,200 (2011 - $100,800) for the above services.

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (cont'd…)

Related party assets (liabilities)	Items or Services		October 31, 2012		April 30, 2012
Included in accounts payable and accrued liabilities					
Chairman	Management fees	$	(7,977)	$	(629)
VP Corporate Development	Management fees		(6,362)		-
Outside directors	Director's fees		(15,649)		(40,200)
Included in receivables					
Reservoir Minerals Inc.	Recoveries of costs	$	435	$	13,197
Included in prepaids and advances					
Seabord Services Corp.	Deposit for acting services	$	10,000	$	10,000

Reservoir Minerals Inc. is a related party by virtue of common directors with the Company.

12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment: the exploration and development of renewable energy. Summarized financial information for the geographic and operating segments the Company operates in are as follows:

As at October 31, 2012		Canada		Serbia		Bosnia		Other		**Total**
Cash and other assets	$	839,807	$	498,336	$	74,432	$	83,487	$	1,496,062
Equipment		4,302		199,762		8,645		33,641		246,350
Hydroelectric licenses		-		1,064,942		-		-		1,064,942
Geothermal licenses		-		5,470		-		-		5,470
Total assets	$	844,109	$	1,768,510	$	83,077	$	117,128	$	2,812,824

As at April 30, 2012		Canada		Serbia		Bosnia		Other		**Total**
Cash and other assets	$	3,819,044	$	715,236	$	127,796	$	159,345	$	4,821,421
Equipment		4,766		200,550		8,306		39,082		252,704
Hydroelectric licenses		-		1,064,942		-		-		1,064,942
Geothermal licenses		-		5,470		-		-		5,470
Total assets	$	3,823,810	$	1,986,198	$	136,102	$	198,427	$	6,144,537

(Expressed in Canadian dollars)

12. SEGMENTED INFORMATION (cont'd…)

Six months ended October 31, 2012		Renewable Energy		General and Administrative		**Total**
Loss for the period	$	2,886,957	$	1,403,105	$	4,290,062

General and administrative expenses have not been allocated to other operating segments.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended October 31, 2012, the Company did not have any significant non-cash investing and financing activities.

During the six months ended October 31, 2011, the Company:

a) re-allocated $10,934 from share-based payment reserve to share capital for exercise of options;
b) re-allocated $1,077 from share-based payment reserve to share capital for exercise of warrants; and
c) completed the arrangement in exchanging its subsidiaries for 9,000,000 common shares of Reservoir Minerals Inc., valued at $354,695, to distribution to shareholders of the Company.

14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Risk and Capital Management

The Company is a junior renewable energy company whose principal business activity is the acquisition and development of hydroelectric and geothermal projects in the Republic of Serbia and southeast Europe. The Company considers items included in equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company currently has no source of revenue. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and will be required to raise additional funds. As at October 31, 2012, the Company had working capital of $729,433, which is not expected to be sufficient to meet the Company's corporate objectives in the next 12 months. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through public and/or private placements sell assets or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

Fair Value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of receivables, and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. As at October 31, 2012, the Company's financial instruments measured at fair value are as follows:

Financial Assets	Level 1	Level 2	Level 3	**Total**
Cash and cash equivalents	$ 989,938	$ -	$ -	$ 989,938
Restricted cash	75,000	-	-	75,000

Financial Instruments

The Company classified its financial instruments as follows:

As at October 31, 2012	Loans and Receivables	Other Financial Liabilities
Cash and cash equivalents	$ 989,938	$ -
Receivables, net of provisions	298,126	-
Restricted cash	75,000	-
Accounts payable and accrued liabilities	-	(691,629)
	$ 1,363,064	$ (691,629)

As at April 30, 2012	Loans and Receivables	Other Financial Liabilities
Cash and cash equivalents	$ 4,128,021	$ -
Receivables, net of provisions	322,569	-
Restricted cash	75,000	-
Accounts payable and accrued liabilities	-	(566,186)
	$ 4,525,590	$ (566,186)

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and currency risk.

Credit Risk

The Company is exposed to credit risk by holding cash and cash equivalents. This risk is minimized by holding the funds in Canadian banks or Canadian treasury bills. The Company has minimal accounts receivable exposure.

Interest Rate Risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Management believes the interest rate risk is low given the current low global interest rate environment. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Serbia and Bosnia and a portion of the Company's expenses are incurred in Serbian dinars and Bosnian marks. A significant change in the currency exchange rates between the Canadian dollar relative to the Serbian dinar and the Bosnian mark could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At October 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in Serbian dinars and Bosnian marks.

	Serbian dinars	Bosnian marks	**Total**
Cash and cash equivalents	$ 402,441	$ 6,786	
Receivables, net of provisions	14,202,409	6,643	
Accounts payable and accrued liabilities	(48,057,208)	(20,006)	
Net exposure	(33,452,358)	(6,577)	
Canadian dollar equivalent	$ (382,955)	$ (4,353)	$ (387,308)

Based on the above net exposure as at October 31, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Serbian dinar and Bosnian mark would result in an increase/decrease of approximately $38,731 in the Company's pre-tax earnings (loss).

15. EVENTS AFTER REPORTING DATE

Subsequent to October 31, 2012:

a) The Company completed the first tranche of a non-brokered private placement financing (the "Private Placement") raising $2,785,000 by the issuance of 27,850,000 units at $0.10 per unit. Each unit was comprised of one common share (a "Share") and one non-transferable, common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase an additional Share at $0.25 until December 18, 2014. If, after April 18, 2013, the closing price of the Company's shares on the TSX Venture Exchange is $0.35 or greater for 10 consecutive trading days, the Company may, by notice given within five trading days thereof, accelerate the expiry of the warrants to the 21st trading day after such notice.

   The Company paid finders' fees of $148,500 (8%) in respect of subscriptions from investors introduced by various finders. The fees were paid in cash ($41,600), or at the finder's election, through the issuance of that number of units equal to 8% of the number of units issued pursuant to such subscriptions (1,068,000 units).

   The Shares, and any Shares issued on the exercise of the Warrants, are subject to a restricted resale period under Canadian securities law and Exchange policy until April 19, 2013.; and

b) 3,509,216 common share purchase warrants and 132,292 broker warrants expired unexercised (Note 10).