



RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

NINE MONTHS ENDED JANUARY 31, 2013 AND 2012

GENERAL

This management's discussion and analysis of the financial position and results of operations is prepared as at March 27, 2013 and should be read in conjunction with the condensed consolidated interim financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the nine months ended January 31, 2013 and 2012 and the related notes thereto. Those condensed consolidated interim financial statements have been prepared in accordance 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"). All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in Canadian dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at www.sedar.com or on the Company's website at www.reservoircapitalcorp.com.

COMPANY OVERVIEW

Reservoir's principal business activity is the development of renewable energy projects (primarily hydroelectric and geothermal) 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 have an aggregate rated capacity of 59.1 megawatts ("MW"). Bankable Feasibility Studies for the projects were completed in June 2012. Additionally, the Company has been granted four exploration licenses to develop geothermal energy projects at Vranjska Banja in southern Serbia and in three areas of Vojvodina in the north.

In Bosnia, the Company has three run-of-river hydroelectric concessions to develop 17.8 MW on the Cehotina River. Technical studies of several river basins in Montenegro and elsewhere in the region have been completed and the Company may pursue additional renewable energy concessions.

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

During the nine months ended January 31, 2013, the Company:

- completed the first-tranche of a non-brokered private placement financing of \$2,785,000 by the issuance of 27,850,000 units at \$0.10 per unit. Each unit was comprised of one common share and one non-transferable common share purchase warrant;
- was granted concessions for 17.8 MW Cehotina Hydroelectric Project in Bosnia;
- completed a feasibility study for the Company's Brodarevo 1 and Brodarevo 2 hydroelectric projects on the River Lim in southwest Serbia; and
- completed a public hearing to review the planning applications for the Brodarevo dams and related infrastructure, known locally as the Spatial Plan for Special Purposes.

BRODAREVO HYDROELECTRIC PROJECT

In February 2009, the Company, through its wholly-owned subsidiary Renewable Energy Ventures Doo, 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 Hidroinzenjering Co. Ltd. ("Energoprojekt"), an international consulting and construction firm based in Serbia, to complete Pre-Feasibility Studies for the Brodarevo projects, the results of which were released in July 2010. The recommendations from the study included a capacity increase to 58.4 MW and 232 gigawatt hours ("GWh") per 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.

Power Purchase Agreement

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"). 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. GSEI also agreed to purchase and pass on to the Company the value of any renewable energy incentives generated by the two projects. The PPA is conditional on completion of at least one of the projects by the end of December 2015 and further agreement between the parties once the arrangements for project financing and transmission are more advanced.

Extensions for the Brodarevo Permits

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 the Company. Under the terms of the new permits, the Company must begin construction before January 2015, extendable by one year under certain conditions.

Bilateral Agreement on Renewable Energy

In February 2012, the Brodarevo hydroelectric projects were included into the Bilateral Agreement on Renewable Energy between the Italian and Serbian Governments. Under the terms of the Bilateral Agreement, all renewable energy produced from approved projects in Serbia and exported to Italy will have a guaranteed production price of €155 per GWh for a 15-year term. This pricing will apply to Brodarevo under terms set out in the PPA with GSEI. The annex to this Bilateral Agreement, that defines the projects and installed capacities covered by the agreement, are still subject to ratification by the Serbian and Italian governments, which is expected to be completed once Italy has formed a new government.

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. The Ministry accepted all aspects of the Company's application, which was approved by the Serbian Government in May 2012.

Bankable Feasibility Studies

In June 2012, Energoprojekt and the Company's other project consultants completed the Bankable Feasibility Studies for the Brodarevo hydroelectric projects. The Bankable Feasibility Studies incorporated environmental impact assessments in accordance with both Serbian standards and legislation and World Bank guidelines. The studies recommended a capacity increase from the pre-feasibility capacity of 58.4 MW to 59.1 MW, with a corresponding average output of 232.5 GWh/year. The studies also defined dam sites and provided final recommendations for the design of the hydroelectric power plants, as summarized in the table below:

License	Plant Site	Water Level (m.a.s.l.*)	Gross Head (m)	Discharge (m ³ /s)	Capacity (MW)	Output (GWh/year)
Brodarevo 1	Junakovina	519	19.7	150	26.0	103.4
Brodarevo 2	Lucice	488	24.7	150	33.1	129.1
Total					59.1	232.5

* metres above sea level

Capital Cost

Total capital cost of the two Brodarevo projects is estimated to be €145.8 million, including €34.1 million related to the construction of 7.31 kilometres of new road and tunnels on the M21 highway between Prijepolje and Bijelo Polje, where it will be affected by the projects.

The budgeted costs are set out in the following table:

License	Civil Works (€000)	Hydro Equipment (€000)	Mechanical Equipment (€000)	Electrical Equipment (€000)	Prime Costs (€000)	Working Capital (€000)	Total (€000)
Brodarevo 1	19,134	5,184	8,151	12,250	26,358	711	71,788
Brodarevo 2	23,806	4,911	8,787	11,813	23,993	733	74,043
Total	42,940	10,095	16,938	24,063	50,351	1,444	145,831
% of Total	29%	7%	12%	17%	34%	1%	100%

Note: Capital expenditure estimates include contingencies of 8% on civil works, 5% on equipment and roads and 15% on construction of the road tunnels.

According to the Bankable Feasibility Studies, anticipated construction time for Brodarevo-1 is 4 years and Brodarevo-2 is 3 years, phased in parallel paths. Timing and associated costs of construction is set out in the table below:

Type of Works	1st year (€000)	2nd year (€000)	3rd year (€000)	4th year (€000)	Total (€000)
Civil Works	10,398	14,422	14,284	3,835	42,939
Equipment	10,339	14,684	17,272	8,801	51,096
Prime Costs	44,385	2,082	2,131	1,753	50,351
Working Capital	--	--	733	711	1,444
Total	65,122	31,188	34,420	15,100	145,830
% of Total	45%	21%	24%	10%	100%

Electricity Sales and Operating Costs

For the purposes of the Bankable Feasibility Studies, Energoprojekt has adjusted the net realized power price from €155 per MWh to €147.5 per MWh to reflect potential costs associated with transmitting power from Serbia to Italy and assumed that the projects will sell electricity into the regional Serbian market following the initial 15-year PPA term at a projected price of €80 per MWh.

Energoprojekt has estimated annual operating expenses of €1.1 million for Brodarevo-1 and €1.3 million for Brodarevo-2, for a total of €2.4 million per year, or €10.2 per MWh on average.

Financial Analysis

Based on Energoprojekt's assumptions and calculations, the after-tax unlevered IRR is estimated to be 13.1% for Brodarevo-1, 16.8% for Brodarevo-2 and 15.1% for the combined projects. The after-tax unlevered NPV of the combined projects at an 8% discount rate is estimated to be €98.7 million, and at a 10% discount rate is estimated to be €58.8 million.

Unlevered After-Tax Financial Metric	Brodarevo-1	Brodarevo-2	Combined
IRR	13.14%	16.79%	15.07%
NPV @ 8% (€000)	34,507	63,869	98,657
NPV @ 10% (€000)	17,441	41,215	58,797

For planning purposes, the Company anticipates 30% of the project capital will be financed by equity and intends to obtain debt from a syndicate of lenders for the remaining 70%. For the purpose of the Feasibility Studies, the Company provided assumptions, based on preliminary discussions with potential lenders, that non-recourse construction and project debt will have a 15-year term from initial drawdown and be subject to an annual interest rate of 6.5%.

Based on Energoprojekt's assumptions and the capital structure outlined above, the after-tax equity internal rate of return for the combined projects is estimated to be 24.0%. The after-tax levered NPV of the combined projects at an 8% discount rate is estimated to be €101.2 million and at a 10% discount rate is estimated to be €71.7 million.

Levered After-Tax Financial Metric	IRR	NPV @ 8% (€000)	NPV @ 10% (€000)
Combined	24.04%	101,202	71,725

CEHOTINA HYDROELECTRIC PROJECTS

The Cehotina Concessions cover a 26 kilometre section of the Cehotina River, which has an elevation drop of 114 metres and median flow rates ranging from 20 cubic metres per second ("m3/s") upstream at the Montenegrin border to 23 m3/s downstream where it joins the Drina River. The total natural energy capacity for this section of the Cehotina River is 24 MW (211 GWh/yr), from which the Company's consultant, ENCOS Energy Consulting Services D.o.o. ("ENCOS") of Sarajevo, has undertaken preliminary design of three power plants with installed capacity and projected output summarized in the following table:

Cehotina Projects	Luke HPP	Falovici HPP	Godijeno HPP	Total
Installed Capacity (MW)	4.850	9.262	3.649	17.761
Annual Production (GWh)	20.302	33.602	15.710	69.614

The Cehotina Project is located geographically quite close to the Company's flagship Brodarevo Project in Serbia and to the new transmission infrastructure being constructed to better connect the Bosnian and Serbian grids with the Montenegrin coast and Italy. The ENCOS preliminary development and construction cost estimate for the Cehotina Projects is approximately \$58 million (\$3.2 million per installed MW). The Cehotina Project has no major road displacement and infrastructure requirements. The Cehotina Project also benefits from a higher average capacity factor of approximately 56%. Under the terms of the Concession Agreement, the Company will pay a 3% gross revenue concession fee to the government of the Republika Srpska.

Having secured the Cehotina concessions, Reservoir is now in a position to negotiate attractive power purchase agreements and commence work on feasibility studies, further adding to its pipeline of renewable energy projects in the region.

VRANJSKA BANJA GEOTHERMAL PROJECT

The Company's geothermal exploration permit at Vranjska Banja is valid until May 2013. The permit covers 1,750 hectares in area and surrounds the two-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). Based on a review of the historical reservoir data and new results collected by the Company, GeothermEx Inc. ("GeothermEx", a Schlumberger Group Company) estimated the resource potential within the 300 to 400-hectare area immediately around Vranjska Banja spa to at least 10 MW and possibly up to 20 MW.

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 1990s 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. Additional work required will include 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 has established an office in Montenegro and contracted advisors to investigate potential hydroelectric development sites in that country, 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 additional hydroelectric and geothermal projects in Montenegro, Bosnia, Serbia and elsewhere in the region.

OUTLOOK

The current focus of the Company is on conserving its treasury, limiting expenditures to costs related to final permitting of the Brodarevo Projects, looking for a partner for Vranjska Banja, and evaluating strategic alternatives to help advance Brodarevo, Cehotina, and the portfolio as a whole.

RESULTS OF OPERATIONS

Three months ended January 31, 2013

The Company recorded a loss of \$1,068,534 or \$0.02 per share for the three months ended January 31, 2013 compared to a loss of \$2,730,601 or \$0.05 per share for the comparative period, a decrease in loss of \$1,662,067. The loss is attributable to operations expenditures of \$802,797 (2011 - \$2,388,345), general and administrative expenses of \$270,036 (2011 - \$287,522) and other income of \$4,299 (2011 – loss of \$54,734). For the three months end January 31, 2013, \$14,379 (2011 - \$53,578) of the loss is attributable to non-controlling interests.

In the current period, renewable energy expenditures decreased by \$1,546,473, as the Company is now near the end phase of its Brodarevo feasibility study.

Nine months ended January 31, 2013

The Company recorded a loss of \$5,358,596 or \$0.09 per share for the nine months ended January 31, 2013 compared to a loss of \$7,677,473 or \$0.16 per share for the comparative period, a decrease in loss of \$2,318,877. The loss is attributable to operations expenditures of \$3,689,754 (2011 - \$6,330,709), general and administrative expenses of \$1,644,219 (2011 - \$1,358,024) and other loss of \$24,623 (2011 - income of \$11,260). For the nine months end January 31, 2013, \$20,726 (2011 - \$57,812) of the loss is attributable to non-controlling interests.

In the current period, renewable energy expenditures decreased by \$2,466,852 for the same reasons discussed above for the three month period. General and administrative expenses increased by \$286,195 during the nine months ended January 31, 2013 mainly due to the share-based payments recognized on the fair value of stock options granted and a decrease in professional fees that occurred in the prior period in conjunction with the spin-out of the Company's mineral properties.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2013, the Company had working capital of \$2,575,840 as compared to \$4,180,235 at April 30, 2012. The decrease in working capital of \$1,604,395 from April 30, 2012 came primarily from the net decrease in cash of \$1,301,932, mainly due to cash used in operations of \$4,187,875 and equipment purchases of \$36,509, offset by net cash received from private placement of \$2,743,781. At January 31, 2013, the Company's working capital comprises cash and cash equivalents of \$2,826,089, receivables (net of provisions) of \$274,687, prepaid expenses and advances of \$191,474 less accounts payable and accrued liabilities of \$716,410. The Company has no long-term debt.

Subsequent to period end, the Company has completed the final tranche of a non-brokered private placement financing raising additional \$215,000 by the issuance of 2,150,000 units at \$0.10 per unit. Each unit was comprised of one common share and one non-transferable, common share purchase warrant, where each warrant entitles the holder to purchase an additional common share at \$0.25 until February 5, 2015. If, after June 5, 2013, the closing price of the Company's shares on the TSX-V 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.

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 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. 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, 2013	October 31, 2012	July 31, 2012	April 30, 2012
Financial Results				
Operations expenditures	\$ 802,797	\$ 1,360,257	\$ 1,526,700	\$ 1,465,198
Share-based payments	-	(832,906)	-	(83,518)
Loss for the period	(1,068,534)	(2,442,456)	(1,847,606)	(2,048,886)
Loss per share - basic and diluted	(0.02)	(0.05)	(0.04)	(0.04)

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)	(2,550,326)	(1,472,617)
Loss per share - basic and diluted	(0.05)	(0.05)	(0.06)	(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:

	Salary or Fees	Share-based Payments	Total
Nine months ended January 31, 2013			
Miles Thompson, <i>Chairman</i>	\$ 135,000	\$ 136,542	\$ 271,542
Miljana Vidovic, <i>President & CEO</i>	167,460	136,542	304,002
Christina Cepeliauskas, <i>CFO</i>	-	18,206	18,206
Christopher MacIntyre, <i>VP, Corporate development</i>	36,000	45,514	81,514
Kim Casswell, <i>Corporate Secretary</i>	-	18,206	18,206
Michael Winn, <i>Director</i>	9,000	45,514	54,514
Patrick Eve, <i>Director</i>	9,000	45,514	54,514
Winston Bennett, <i>Director</i>	9,000	27,308	36,308
Lewis Reford, <i>Director</i>	19,000	18,206	37,206
Michael Brown, <i>Director</i>	15,000	20,481	35,481
	\$ 399,460	\$ 512,033	\$ 911,493

Nine months ended January 31, 2012		Salary or Fees	Share-based Payments	Total
Miles Thompson	\$	124,000	\$ -	\$ 124,000
Miljana Vidovic		184,708	-	184,708
Christopher MacIntyre		36,000	-	36,000
Michael Winn		9,000	-	9,000
Patrick Eve		9,000	-	9,000
Winston Bennett		9,000	-	9,000
Lewis Reford		7,387	-	7,387
Michael Brown		3,000	68,723	71,723
	\$	382,095	\$ 68,723	\$ 450,818

Related party assets (liabilities)	Items or Services	January 31, 2013	April 30, 2012
Amounts due to:			
Miles Thompson	Management fees	\$ (125)	\$ (629)
Chris MacIntyre	Management fees	-	-
Lewis Reford	Director's fee	(2,496)	(19,200)
Michael Winn	Director's fee	-	(3,000)
Patrick Eve	Director's fee	(3,000)	(3,000)
Winston Bennett	Director's fee	(2,895)	(3,000)
Michael Brown	Director's fee	(3,000)	(12,000)
Amounts due from:			
Reservoir Minerals Inc.	Recoveries of costs	\$ -	\$ 13,197
Seabord Services Corp.	Deposit for acting services	10,000	10,000

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, 2013, Seabord charged \$159,300 (2011 - \$151,200) for the above services.

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.
- The determination of the fair value of decommissioning and restoration provisions requires subjective assumptions regarding costs to restore the property, the time period such costs will be incurred, an appropriate inflation factor and an appropriate discount rate. Changes in these assumptions could materially affect the recorded amount.

NEW ACCOUNTING POLICIES

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

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, 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

- i. defines the principle of control, and establishes control as the basis for consolidation.
- ii. sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.
- iii. 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.

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 annual 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.

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 27, 2013, the Company had 84,361,726 common shares issued and outstanding. There were also stock options to purchase 5,310,000 shares outstanding with expiry dates ranging from October 29, 2013 to September 7, 2017. In addition, there were share purchase warrants to purchase 37,478,224 shares outstanding with expiry dates from December 2, 2013 and February 5, 2015.

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.