



RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three Months Ended July 31, 2013

GENERAL

This management's discussion and analysis of the financial position and results of operations is prepared as at September 25, 2013 and should be read in conjunction with the interim condensed consolidated financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the three months ended July 31, 2013 and 2012 and the related notes thereto. Those interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 ("HPP") on the River Lim. These hydroelectric projects have an aggregate design capacity of 59.1 megawatts ("MW"). Bankable Feasibility Studies for the projects were completed in June 2012. Additionally, the Company holds an exploration license to develop a geothermal energy project at Vranjska Banja in southern Serbia and three exploration licenses for geothermal energy in the Vojvodina Province in northern Serbia.

In Bosnia, the Company has concessions to develop three run-of-river hydroelectric projects with 17.8 MW of installed capacity 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 QUARTER

During the three months ended July 31, 2013, the Company:

- was granted Environmental Permits for the Brodarevo hydroelectric projects after a series of public hearings locally and in the Serbian capital city of Belgrade; and
- completed Concession Contracts for its 17.8 MW Cehotina Hydroelectric Project in Bosnia.

BRODAREVO HYDROELECTRIC PROJECT

The Project comprises three-year energy permits to develop the Brodarevo-1 and Brodarevo-2 energy permits to develop run-of-river hydroelectric projects on the River Lim in southwest Serbia, whereby the Company must begin construction before January 2015, extendable by one year under certain conditions.

Power Purchase Agreement

In June 2011, the Company signed a 20-year Power Purchase Agreement ("PPA") for the sale of electricity from the Brodarevo HPP 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 the 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.

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.

Bankable Feasibility Studies

In June 2012, Energoprojekt Hidroinzenjering Co. Ltd. ("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 (m³/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 €145,800,000, including €34,100,000 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
<i>% of Total</i>	<i>29%</i>	<i>7%</i>	<i>12%</i>	<i>17%</i>	<i>34%</i>	<i>1%</i>	<i>100%</i>

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 four (4) years and Brodarevo-2 is three (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	10,399	14,422	14,284	3,835	42,940
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	65,123	31,188	34,420	15,100	145,831
<i>% of Total</i>	<i>45%</i>	<i>21%</i>	<i>24%</i>	<i>10%</i>	<i>100%</i>

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 €1,100,000 for Brodarevo-1 and €1,300,000 for Brodarevo-2, for a total of €2,400,000 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 €98,700,000, and at a 10% discount rate is estimated to be €58,800,000.

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 €101,200,000 and at a 10% discount rate is estimated to be €71,700,000.

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

Environmental Permits

In June 2013, the Ministry of Energy, Development, and Environment of the Republic of Serbia has approved the Company's Environmental Impact Assessment ("EIA") for the Brodarevo HPP.

Energoprojekt completed the EIA in late 2011 in accordance with Serbian standards and legislation and completed additional work during 2012 to bring them in line with World Bank standards. The primary aim of the EIA is to assess the positive and negative changes to the environment that could occur during the construction and operation of the Brodarevo HPP and propose measures to prevent, minimize or reduce to acceptable limits any adverse impacts. The EIA included gathering and interpreting baseline data on the geology, geomorphology, soils, sediment, erosion characteristics, hydrology, air and water quality, meteorology, biodiversity, cultural properties and socio-demographic and economic development aspects of the project.

The EIA concluded that the Brodarevo HPP have a broadly positive impact in that they will generate clean renewable energy substituting coal-fired power, but will make substantial changes to the river valley and its ecosystem. These impacts are considered relatively limited, given the low dam height, small fluctuations in water levels and that the effects are confined to the riverbed and only very small areas of arable land. The construction of spillways will enable the movement and migration of any aquatic organisms and eliminate potential ecological balance disorders.

Physical impacts to the local population are confined to a few rural households, with many of whom the Company has already reached agreements. At a broader level the project represents an important milestone in the government's efforts to attract foreign direct investment and should contribute to socio-economic stabilization and economic development of the region through project investments, new employment generated, and new opportunities in areas such as tourism.

The Ministry organized and held public hearings close to the proposed projects at the town halls of Prijepolje and Sjenica in August 2012 to present the results of the EIA and hear opinions and objections and a follow-up public hearing was then held in Belgrade in January 2013. Subsequent to the meetings, in March 2013, the Technical Commission appointed by the Ministry requested that the Company make a number of changes to the proposed HPP, which were done and the EIA was resubmitted for final approval in May 2013.

CEHOTINA HYDROELECTRIC PROJECTS

In January 2013, the Cehotina Concessions were granted. These 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 (or 211 GWh/year), 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 Projects are 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 \$58,000,000 (\$3,200,000 per installed MW). The Cehotina Projects have no major road displacement and infrastructure requirements. The Cehotina Projects also benefit 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, the Company 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

Subsequent to July 31, 2013, the Ministry of Natural Resources, Mining and Spatial Planning, of the Republic of Serbia renewed the Company's Vranjska Banja geothermal exploration license in southern Serbia for an additional 3-year period to August 16, 2016. The exploration license now also covers the geothermal wells VG-2 and VG-3 that were within an exploitation license that expired over the previous period and which has now been incorporated into Reservoir's license area.

The Company has measured discharge temperatures of 96°C (boiling at this elevation) and relatively high artesian flows averaging approximately 60 litres per second from VG-2 and VG-3, with temperatures of up to 137°C reportedly measured at less than one kilometre depth when the wells were drilled. California-based consultants GeothermEx Inc. (a Schlumberger Company) previously completed an independent review of the historical data, and measurements taken during the Company's four season reservoir studies on VG-2 and VG-3, concluding the target could potentially support a power generation project of at least 10 MW in size, utilizing a binary-cycle power plant (see Company news release of January 23, 2012 for details).

NEW BUSINESS

The Company 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 and evaluating strategic alternatives to help advance Brodarevo, Cehotina, Vranjska Banja and the portfolio as a whole.

RESULTS OF OPERATIONS

The Company recorded a loss of \$695,933 or \$0.01 per share for the three months ended July 31, 2013 compared to a loss of \$1,847,606 or \$0.04 per share for the comparative period, a decrease in loss of 1,151,673. The loss is attributable to operations expenditures of \$504,624 (2012 - \$1,526,700), general and administrative expenses of \$207,830 (2012 - \$282,855) and other income of \$16,521 (2012 - loss of \$38,051). For the three months ended July 31, 2013, \$7,603 (2012 - \$6,347) of the loss is attributable to non-controlling interests.

In the current period, renewable energy expenditures decreased by \$1,022,076, as the Company has now completed the Bankable Feasibility Study for the Brodarevo Projects.

QUARTERLY INFORMATION

Quarter ended	July 31 2013	April 30 2013	January 31 2013	October 31 2012
Financial Results				
Operations expenditures	\$ 504,624	\$ 813,458	\$ 802,797	\$ 1,360,257
Share-based payments	-	(31,944)	-	(832,906)
Loss for the period	(695,933)	(943,221)	(1,068,534)	(2,442,456)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.02)	(0.05)

Quarter ended	July 31 2012	April 30 2012	January 31 2012	October 31 2011
Financial Results				
Operations expenditures	\$ 1,526,700	\$ 1,465,198	\$ 2,388,344	\$ 1,760,527
Share-based payments	-	(83,518)	-	(68,723)
Loss for the period	(1,847,606)	(2,048,886)	(2,730,600)	(2,396,546)
Loss per share - basic and diluted	(0.04)	(0.04)	(0.05)	(0.05)

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2013, the Company had working capital of \$723,396 as compared to \$1,541,086 at April 30, 2013. The decrease in working capital of \$817,690 for the period came primarily from the net decrease in cash and cash equivalents of \$640,100, mainly due to cash used in operating activities of \$500,679, and cash used in investing activities of \$138,229. At July 31, 2013, the Company's working capital comprises cash and cash equivalents of \$1,117,097, receivables (net of provisions) of \$242,096, prepaid expenses and advances of \$85,197 less accounts payable and accrued liabilities of \$720,994. 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 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 to continue its activities.

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:

Three months ended July 31, 2013		Salary or Fees	Share-based Payments	Total
Management	\$	112,684	\$ -	\$ 112,684
Outside directors		-	-	-
	\$	112,684	\$ -	\$ 112,684

Three months ended July 31, 2012		Salary or Fees	Share-based Payments	Total
Management	\$	108,226	\$ -	\$ 108,226
Outside directors		27,000	-	27,000
	\$	135,226	\$ -	\$ 135,226

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 and the Corporate Secretary are employees of Seabord and are not paid directly by the Company. During the three months ended July 31, 2013, Seabord charged \$54,000 (2012 - \$53,100) for the above services.

Reservoir Minerals Inc. (“Minerals”) is a company with common directors. The Company provides consulting services in Serbia to Minerals. During the three months ended July 31, 2013, the Company charged Minerals \$12,000 (2012 - \$Nil) for the above services.

Related party assets (liabilities)	Items or Services	July 31, 2013	April 30, 2013
Included in accounts payable and accrued liabilities			
Chairman	Management fees	\$ (57,785)	\$ (15,173)
President	Management fees	(40,000)	(10,000)
VP Corporate Development	Management fees	(18,080)	(4,520)
Seabord Services Corp.	Acting services	(26,993)	-
Included in prepaids and advances			
Seabord Services Corp.	Deposit for acting services	\$ 10,000	\$ 10,000

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING JUDGMENTS

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, less any provision for impairment, of energy permits and geothermal licenses, are not intended to reflect their present or future values. The Company undertakes a review of the carrying value of energy projects and related expenditures whenever events or changes in circumstances indicate that the carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. An impairment loss is recognized when the carrying value of these assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, production costs and reclamation costs.
- 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 and expected life of the option. Changes in the subjective input assumptions could significantly 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 Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.
- 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

The Company has adopted the following new and revised standards, along with any consequential amendments, effective May 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements ("IFRS 10") replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on May 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11 Joint Arrangements ("IFRS 11") supersedes IAS 31 Interests in Joint Ventures and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28 Investments in Associates and Joint Ventures (amended in 2011) ("IAS 28"). The other amendments to IAS 28 did not affect the Company. The Company has not entered into any joint arrangement and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”) contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structure entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate that nature, and the risks associated with, an entity’s interest in other entities, and the effects of those interests on the entity’s financial position, financial performance and cash flows. Given the nature of the Company’s interest in other entities, the amendments did not have an impact on the Company’s financial position or performance.

IFRS 13 Fair Value Measurement (“IFRS 13”) provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on May 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at May 1, 2013.

The Company has adopted the amendments to IAS 1 Presentation of Financial Statements (“IAS 1”). These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

Future Accounting Pronouncements

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.

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.

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 valid until January 2015 and may be renewed for a further year. The Serbian Ministry of Infrastructure and Energy may refuse to grant a renewal 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 is in good standing with its obligations for the development of these projects, but its ability to finance the start of construction period is dependent in part on factors beyond the control of the Company, such as the successful conclusion of the Bilateral Agreement on renewable energy between the Serbian and Italian governments that sets feed in tariff for the power to be produced by these projects.

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.

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 September 25, 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 to 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. 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.