RESERVOIR CAPITAL CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED JANUARY 31, 2011
(Unaudited)

RESERVOIR CAPITAL CORP.
INTERIM CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)
(Unaudited)

	January 31, 2011	April 30, 2010
ASSETS		
Current		
Cash and cash equivalents	$ 9,620,590	$ 3,230,762
Receivables	201,894	57,061
Prepaids	43,827	25,638
	9,866,311	3,313,461
Equipment (Note 4)	90,142	103,608
Hydroelectric licenses (Note 5)	239,143	239,143
Geothermal licenses (Note 5)	5,470	5,470
Mineral properties (Note 6)	249,518	249,518
Restricted cash	57,500	57,500
	$ 10,508,084	$ 3,968,700
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 309,867	$ 284,144
Advances from joint venture partner (Note 6)	150,028	-
	459,895	284,144
Shareholders' equity		
Share capital (Note 7)	23,335,155	13,228,034
Contributed surplus (Note 7)	1,604,431	1,493,383
Deficit	(14,891,397)	(11,036,861)
	10,048,189	3,684,556
	$ 10,508,084	$ 3,968,700

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

Signed: *"Miles F. Thompson"* Director   Signed: *"C. Winston Bennett"* Director

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

RESERVOIR CAPITAL CORP.
INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended January 31,		Nine months ended January 31,	
	2011	2010	2011	2010
OPERATIONS EXPENDITURES				
Renewable energy				
Hydroelectric projects (Note 5)	$ 842,707	$ 329,857	$ 1,604,542	$ 897,270
Geothermal projects (Note 5)	45,841	-	141,240	-
Renewable energy project investigation	316,896	319,350	1,113,155	754,239
	1,205,444	649,207	2,858,937	1,651,509
Mineral properties				
Mineral property exploration (Note 6)	221,346	78,242	502,394	199,991
Exploration recoveries (Note 6)	(147,304)	-	(346,393)	-
	74,042	78,242	156,001	199,991
Total operations expenditures	1,279,486	727,449	3,014,938	1,851,500
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative services and office	86,129	59,779	224,920	191,784
Management fees	69,584	61,118	171,306	183,693
Professional fees	47,208	26,557	115,106	94,836
Shareholder communication and investor relations	32,484	15,617	67,028	45,970
Stock-based compensation (Note 7)	154,921	-	154,921	38,416
Transfer agent and filing fees	22,314	7,893	41,802	64,988
Travel	50,794	62,290	115,335	151,896
	463,433	233,254	890,418	771,582
Loss before other items	(1,742,920)	(960,703)	(3,905,356)	(2,623,082)
OTHER ITEMS				
Foreign exchange gain (loss)	(6,813)	(1,947)	47,671	(14,799)
Interest income	713	11,869	3,149	19,650
Write-down of mineral properties	-	(220,351)	-	(220,351)
	(6,100)	(210,429)	50,820	(215,500)
Loss and comprehensive loss for the period	(1,749,020)	(1,171,132)	(3,854,536)	(2,838,582)
Deficit, beginning of period	(13,142,377)	(7,966,272)	(11,036,861)	(6,298,822)
Deficit, end of period	$ (14,891,397)	$ (9,137,404)	$ (14,891,397)	$ (9,137,404)
Basic and diluted loss per common share	$ (0.05)	$ (0.05)	$ (0.12)	$ (0.09)
Weighted average number of common shares outstanding	36,881,618	25,775,981	32,892,766	30,604,374

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

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

	Three months ended January 31,		Nine months ended January 31,	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (1,749,020)	$ (1,171,132)	$ (3,854,536)	$ (2,838,582)
Items not affecting cash:				
Amortization	6,440	6,017	19,407	17,162
Stock-based compensation	154,921	-	154,921	38,416
Write-down of mineral properties	-	220,351	-	220,351
Unrealized foreign exchange loss on short-term investment	-	-	-	9,673
Changes in non-cash working capital items:				
Receivables	(76,847)	(39,886)	(120,195)	(94,991)
Prepaids	42,751	(3,410)	(18,189)	(1,597)
Accounts payable and accrued liabilities	97,305	(11,769)	1,085	79,182
Advances from joint venture partner	(7,448)	-	150,028	-
Net cash used in operating activities	(1,531,898)	(999,829)	(3,667,479)	(2,570,387)
CASH FLOWS FROM INVESTING ACTIVITIES				
Equipment	(5,941)	(130)	(5,941)	(130)
Proceeds from redemption of short term investment	-	-	-	88,952
Net cash provided by (used in) investing activities	(5,941)	(130)	(5,941)	88,822
CASH FLOWS FROM FINANCING ACTIVITIES				
Share capital issued for cash, net of share issue cost	9,894,348	-	10,063,248	4,999,405
Net cash provided by financing activities	9,894,348	-	10,063,248	4,999,405
Increase (decrease) in cash and cash equivalents during the period	8,356,509	(999,959)	6,389,828	2,517,841
Cash and cash equivalents, beginning of period	1,264,081	5,291,244	3,230,762	1,773,444
Cash and cash equivalents, end of period	$ 9,620,590	$ 4,291,285	$ 9,620,590	$ 4,291,285
Cash paid during the period for interest	$ -	$ -	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated 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 Company's principal business activities are the acquisition and development of renewable energy projects and the acquisition, exploration and development of mineral properties in the Republic of Serbia, the Federation of Bosnia and Herzegovina and southeast Europe. The Company currently has two energy licenses for run-of-river hydroelectric projects and four geothermal licenses in Serbia, is exploring for precious and base metals on mineral properties in Serbia, and is reviewing additional acquisition opportunities in the renewable energy sector. The Company's continuing operations and the ability of the Company to meet its renewable energy, mineral property, and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and seeking joint venture partners.

The Company's hydroelectric and geothermal projects and mineral exploration activities 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 mineral property rights 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.

The Company is also currently exploring its mineral properties and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the discovery of sufficient economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral properties, the ability of the Company to arrange appropriate financing or seek joint venture partners to complete the development of the mineral properties and upon future profitable production or proceeds from the sale of the mineral properties.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company incurred a loss of $3,854,536 for the nine months ended January 31, 2011 and further losses are anticipated in the development of its business plan. The Company had working capital of $9,406,416 as of January 31, 2011.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of obtaining and developing its renewable energy projects and exploring its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise additional funds in the future, 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 sheet. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd…)

recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim period consolidated 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 year ended April 30, 2010, 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 interim financial statements be read in conjunction with the annual audited financial statements.

3. NEW AND FUTURE ACCOUNTING STANDARDS

Business Combinations and Related Sections

CICA Handbook Section 1582, "Business Combinations", Section 1601 "Consolidations" and Section 1602, "Non-Controlling Interests", replace Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements" respectively and establish a new section for accounting for a non-controlling interest in a subsidiary. The new standards revise guidance on the determination of the carrying amount of assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. These standards are effective for the Company on May 1, 2011 prospectively, with early adoption permitted. Earlier adoption of these sections is permitted as of the beginning of the fiscal year. All three sections must be adopted concurrently. These new sections effectively bring Canadian GAAP into line with the International Financial Reporting Standards ("IFRS"). The Company expects to adopt these new CICA Handbook sections on May 1, 2011. At that point, the Company will begin reporting its financial results under IFRS and therefore does not expect that these new Handbook sections will have any impact on the Company's financial statements in the interim period.

4. EQUIPMENT

	January 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 29,314	$ 10,081	$ 19,233
Field equipment	154,013	83,104	70,909
	$ 183,327	$ 93,185	$ 90,142

(Expressed in Canadian dollars)

4. EQUIPMENT (cont'd…)

	April 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 23,373	$ 4,927	$ 18,446
Field equipment	154,013	68,851	85,162
	$ 177,386	$ 73,778	$ 103,608

During the nine months ended January 31, 2011, amortization of $18,742 (2010 - $10,941) has been included in exploration expenditures and amortization of $665 (2010 - $204) has been included in general and administrative expenses.

5. ENERGY AND GEOTHERMAL LICENSES

Hydroelectric – License Acquisition Costs

	January 31, 2011	April 30, 2010
Brodarevo 1	$ 122,435	$ 122,435
Brodarevo 2	116,708	116,708
	$ 239,143	$ 239,143

In February 2009, the Company, through its wholly owned subsidiary Renewable Energy Ventures d.o.o., was awarded the Brodarevo 1 and Brodarevo 2 energy licenses, 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 licenses are for a period of two years with a one year extension of the license available at the end of the two year initial license period (extension received subsequent to January 31, 2011).

Brodarevo 1 and 2 - Project Expenditures

During the nine months ended January 31, 2011, the Company incurred the following expenditures on its Brodarevo energy licenses, which were expensed as incurred:

Nine months ended January 31, 2011	Brodarevo 1	Brodarevo 2	Total
Administration	$ 219,397	$ 215,631	$ 435,028
Field costs	30,179	29,221	59,400
Salaries and consultants	305,576	305,576	611,152
Technical studies	223,821	221,401	445,222
Travel and related costs	26,870	26,870	53,740
	$ 805,843	$ 798,699	$ 1,604,542

(Expressed in Canadian dollars)

5. ENERGY AND GEOTHERMAL LICENSES (cont'd…)

During the nine months ended January 31, 2010, the Company incurred the following expenditures on its Brodarevo energy licenses, which were expensed as incurred:

Nine months ended January 31, 2010	Brodarevo 1	Brodarevo 2	Total
Administration	$ 126,413	$ 125,846	$ 252,259
Assays	15,327	4,429	19,756
Pre-feasibility studies	167,659	167,659	335,318
Field costs	25,768	25,568	51,336
Salaries and consultants	92,346	91,988	184,334
Technical studies	14,205	13,229	27,434
Travel and related costs	13,444	13,389	26,833
	$ 455,162	$ 442,108	$ 897,270

Geothermal – License Acquisition Costs

In January 2010, the Company, through its wholly owned subsidiary, Southern European Exploration d.o.o. ("SEE"), was granted an exploration license for geothermal energy at Vranjska Banja in southern Serbia. In February 2010, SEE was granted three exploration licenses (Kupusina, Banatsko Arandjelovo-Vrbica and Adorijan-Novi Knezevac) for geothermal energy in the Vojvodina Province of northern Serbia. Total amounts capitalized for the acquisition costs of the four licenses was $5,470.

Geothermal – Project Expenditures

During the nine months ended January 31, 2011, the Company incurred the following expenditures on its geothermal licenses, which were expensed as incurred:

Nine months ended January 31, 2011	V.Banja	Kupusina	Vrbica	N.Knezeva	Total
Administration	$ 17,837	$ 6,166	$ 6,191	$ 5,542	$ 35,736
Field costs	11,113	2,146	2,449	2,784	18,492
Salaries and consultants	24,274	7,317	6,038	5,366	42,995
Technical studies	38,583	2,806	361	2,267	44,017
	$ 91,807	$ 18,435	$ 15,039	$ 15,959	$ 141,240

The geothermal licenses were not granted until February 2010, therefore, there are no expenditures requiring disclosure for the comparative period.

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES

Mineral Properties – Acquisition Costs

	January 31, 2011		April 30, 2010	
Brestovac	$	191,935	$	191,935
Lece		1		1
Deli Jovan		57,580		57,580
Plavkovo		1		1
Stara Planina		1		1
	$	249,518	$	249,518

Under Serbian law, exploration permits are renewed annually, subject to approval of a work program and budget by the Serbian Ministry of Energy and Mines.

On February 2, 2007, the Company completed the purchase of Southern European Exploration BVI ("SEE BVI") from Eurasian Minerals Inc. ("Eurasian"). SEE BVI holds, through its Serbian subsidiary, SEE, the following Properties, all of which are located in Serbia. The Company: (i) has granted to Eurasian a net smelter returns royalty on the Properties at a rate of 2% for gold and silver and 1% for all other metals; (ii) agreed to incur a minimum of $1,000,000 on the Properties within three years of the completion of the acquisition (minimum expenditure limit has been incurred); and (iii) within 10 years from the completion of the acquisition, is to pay $500,000 in cash or shares per Property, to Eurasian on the completion of a bankable feasibility study for a maximum of two Properties of up to an aggregate total of $1,000,000 in cash or shares. The Company assigned no value to the net smelter royalty and payment due on the preparation of a bankable feasibility study, due to the contingent nature of these obligations.

Brestovac-Metovnica

The original Zlot-Brestovac exploration permit covered 77 square kilometers and was granted to SEE in December 2004. The Zlot portion of the license has been relinquished. The remaining license on the Brestovac area of 25.5 square kilometers was relinquished in 2010 and a new license was applied for and received for the combined Brestovac and Metovnica (Brestovac East) license areas. The 90 square kilometer Metovnica license was acquired from Euromax Resources Ltd. ("Euromax") in 2010 (described below) and the combined Brestovac-Metovnica license is part of the Earn-in Agreement with Freeport McMoRan Exploration Corporation ("Freeport") signed in March 2010 (also described below). The new Brestovac-Metovnica license expires June 11, 2011 and has a proposed work program of US$132,000. The NSR commitment to Eurasian applies only to the original Brestovac area of the new Brestovac-Metovnica license.

Lece

The original Lece exploration permit covered 51 square kilometers and was granted to SEE in June 2003. The existing permit on the Lece area of 40 square kilometers has a proposed work program of US$55,000 and expires on December 31, 2011.

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6. MINERAL PROPERTIES (cont'd…)

Deli Jovan

The original Deli Jovan exploration permit covered 75 square kilometers and was granted to SEE in May 2006. The existing permit on the Deli Jovan area of 69 square kilometers has a proposed work program of US$107,000 and expires on May 30, 2011.

Plavkovo

The original Plavkovo exploration permit covered 35 square kilometers and was granted to SEE in February 2004. The existing permit on the Plavkovo area of 20 square kilometers has a proposed work program of US$50,000 and expires on December 31, 2011.

Stara Planina

The original Stara Planina exploration permit covered 63 square kilometers and was granted to SEE in March 2005. The existing permit on Star Planina has a proposed work program of US$72,000 and expires on April 1, 2011.

Parlozi

In August 2007, the Company was awarded the Parlozi exploration permit, a 91 square kilometer exploration permit over a historical lead-zinc silver resource. A work program of US$299,000 was granted which expires in September 2011. This license is not subject to the NSR commitment to Eurasian.

Bobija

In September 2007, the Company was awarded the Bobija exploration permit, a 33 square kilometer exploration permit. The permit has a work program of US$49,000 which expires in October 2011. This license is not subject to the NSR commitment to Eurasian.

Jasikovo

The Company was awarded the 12.5 square kilometer Jasikovo exploration license in 2009. This license is not subject to the NSR commitment to Eurasian. The license was relinquished in 2010 and a new license was applied for and received for the combined Jaskivovo and Durlan Potok license areas. The 54 square kilometer Durlan Potok license was acquired from Euromax in 2010 (described below) and the combined Jasikovo-Durlan Potok license is part of the Earn-in Agreement with Freeport signed in March 2010 (also described below). The new Jasikovo-Durlan Potok license expires June 11, 2011 and has a proposed work program of US$217,000.

On March 18, 2010 the Company signed an Earn-in Agreement with Freeport-McMoRan Exploration Corporation ("Freeport"), which grants Freeport the rights to earn an interest in the Company's Brestovac and Jasikovo exploration licenses. Reservoir also signed a Net Smelter Royalty Agreement with Euromax Resources Ltd. ("Euromax") to acquire the Brestovac East and Durlan Potok exploration licenses in the same district, which are included in the agreement with Freeport. All four licenses, totaling 18,395 hectares in area, have been transferred to Rakita D.o.o., a wholly-owned subsidiary of Rakita (BVI) Ltd., ("Rakita") an indirect wholly-owned subsidiary of the Company. Under the terms of the agreement, Freeport may earn an initial 55% interest in Rakita by investing US$3 million in exploration (US$400,000 committed for year one) over a four-year period. During this initial earn-

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES (cont'd…)

in phase, Reservoir will act as operator of the exploration work and provide support for Freeport's exploration and geophysical teams. At January 31, 2011, the Company had an unspent advance from Freeport of $150,028 which is classified on the consolidated balance sheet as advances from joint venture partner. Once Freeport has earned its initial 55% interest, Freeport may become the operator and may elect to earn an additional 20% interest (75% in total) by completing a Scoping Study within four years, a Pre-Feasibility Study within eight years and a Feasibility Study within thirteen years. In the event that Freeport decides to withdraw from this second option, its ownership interest in Rakita would remain at 55%, with on-going funding on a pro-rata basis. If Freeport delivers a Feasibility Study and the project goes into production, it would be able to recover Reservoir's share of the cost of the Feasibility Study from 80% of the Company's first cashflow from Rakita.

Exploration Expenditures

During the nine months ended January 31, 2011 and 2010, the Company incurred the following exploration expenditures on its mineral properties, which were expensed as incurred:

Nine months ended January 31, 2011	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	$ 1,127	$ 3,495	$ 9,370	$ 3,495	$ 3,563	$ 39,646	$ 2,949	$ 3,345	$ 66,990
Assays	23,101	556	116	556	-	38,935	556	556	64,376
Drilling/Trenching	-	-	1,798	-	-	36,768	-	-	38,566
Field costs	1,078	316	4,556	316	316	40,187	371	3,162	50,302
Salaries and consultants	20,206	5,347	14,762	5,347	5,031	42,652	3,176	41,572	138,093
Technical Studies	475	-	52,116	-	-	87,741	-	3,736	144,067
Subtotal	$ 45,986	$ 9,714	$ 82,718	$ 9,714	$ 8,910	$ 285,929	$ 7,052	$ 52,371	$ 502,394
Recoveries	-	-	(60,464)	-	-	(285,929)	-	-	(346,393)
	$ 45,986	$ 9,714	$ 22,254	$ 9,714	$ 8,910	$ -	$ 7,052	$ 52,371	$ 156,001

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES (cont'd…)

Nine months ended January 31, 2010	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	$ 6,145	$ 4,883	$ 7,794	$ 5,506	$ 5,981	$ 22,772	$ 4,737	$ 17,260	$ 75,078
Assays	33,345	981	-	981	-	-	7,165	981	43,453
Field costs	1,627	-	597	-	444	1,464	160	795	5,087
Salaries and Consultants	6,008	4,446	8,077	5,022	6,600	1,130	5,184	24,585	61,052
Technical Studies	2,640	-	1,762	-	4,552	-	2,208	996	12,158
Travel	173	173	521	173	826	431	173	693	3,163
	$ 49,938	$ 10,483	$ 18,751	$ 11,682	$ 18,403	$ 25,797	$ 19,627	$ 45,310	$ 199,991

7. SHARE CAPITAL

Authorized:

Unlimited common shares, without par value
Unlimited preferred shares, issuable in series

Issued and outstanding common shares:	Number of Shares	Stated Amount	Contributed Surplus
Balance as at April 30, 2009	21,770,000	$ 8,180,449	$ 773,320
Stock based compensation	-	-	737,393
Private placement	8,333,333	5,000,000	-
Private placement – finder's fees	501,041	300,625	-
Shares issued on exercise of options	50,000	25,000	-
Reclassify initial fair value of options exercised from contributed surplus	-	17,330	(17,330)
Shares issued on exercise of warrants	7,313	5,850	-
Share issue costs	-	(595)	-
Share issue costs – finder's fees	-	(300,625)	-
Balance as at April 30, 2010	30,661,687	$ 13,228,034	$ 1,493,383
Stock based compensation	-	-	154,921
Private placement	5,100,000	3,060,000	-
Private placement – finder's fees	232,750	139,650	-
Shares issued on exercise of options	315,000	243,350	-
Reclassify initial fair value of options exercised from contributed surplus	-	154,944	(154,944)
Shares issued on exercise of warrants	7,526,412	6,773,771	-
Share issue costs	-	(13,873)	-
Share issue costs – finder's fees	-	(250,721)	111,071
Balance as at January 31, 2011	43,835,849	$ 23,335,155	$ 1,604,431

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd…)

Private Placements

In November 2010, the Company completed a non-brokered private placement financing of $3,060,000 by the issuance of 5,100,000 units at $0.60 per unit. Each Unit is comprised of one common share and one non-transferable, common share purchase warrant valid for 2 years. Each warrant will entitle the holder thereof to acquire an additional share at a price of $0.80 per share during the first year and $0.90 during the second year from the closing of the private placement. If after the expiry of all resale restrictions, the closing price of the shares on the TSX Venture Exchange ("TSX-V") is $1.20 or greater for a period of 20 consecutive trading days, the Company will provide notice of an earlier expiry of the warrants, in which case the warrants shall expire 21 trading days after giving such notice. A finder's fee of 6 percent was paid in units and 5 percent was paid in finders' warrants to certain finders with respect to the private placement. A total of 232,750 units (with the same terms as described above) and 188,958 finders' warrants (exercisable at $0.60 per share for a 2-year period), were issued with an aggregate fair value of $250,721, pursuant to these finder's fees (Note 10b & c).

In September 2009, the Company completed a $5,000,000 private placement by issuing a total of 8,834,374 common shares and share purchase warrants. The financing was undertaken by the issuance of 8,333,333 units at $0.60 per unit. Each unit is comprised of one common share and one non-transferable common share purchase warrant valid for 2 years. Each warrant entitles the holder thereof to acquire an additional share at price of $0.80 per share during the first year and $0.90 during the second year from the closing of the private placement. If, after the expiry of all resale restrictions, the closing price of the shares on the TSX-V is $1.20 or greater for a period of 20 consecutive trading days, the Company may, at its election, provide notice of an earlier expiry of the warrants, in which case the warrants shall expire 21 trading days after giving such notice. A finder's fee of 6.5 percent was paid in units to certain finders with respect to the private placement. A total of 501,041 units, with the same terms as described above, were issued with a fair value of $300,625, pursuant to these finder's fees (Note 10).

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. The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2009	1,685,000	$ 0.60
Granted	1,355,000	0.79
Exercised	(50,000)	0.50
Cancelled/forfeited	(250,000)	0.68
Balance as at April 30, 2010	2,740,000	$ 0.69
Granted	120,000	1.73
Exercised	(315,000)	0.77
Cancelled/forfeited	(5,000)	0.85
Balance as at January 31, 2011	2,540,000	$ 0.73

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd…)

The following table summarizes the stock options outstanding and exercisable at January 31, 2011.

Date Granted	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
February 2, 2007	910,000	$ 0.50	910,000	February 2, 2012
May 7, 2007	30,000	0.85	30,000	May 7, 2012
September 20, 2007	10,000	0.85	10,000	September 20, 2012
February 11, 2008	190,000	0.77	190,000	February 11, 2013
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	995,000	0.81	995,000	March 9, 2015
January 20, 2011	120,000	1.73	120,000	January 20, 2016
Total	2,540,000		2,540,000	

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance as at April 30, 2009	6,806,000	$ 1.01
Issued	8,834,374	0.80
Exercised	(7,313)	0.80
Expired	(1,566,000)	1.06
Balance as at April 30, 2010	14,067,061	0.87
Issued	5,521,708	0.79
Exercised	(7,526,412)	0.90
Expired	(5,240,000)	1.00
Balance as at January 31, 2011	6,822,357	$ 0.81

Share purchase warrants outstanding as at January 31, 2011 are as follows:

Expiry date	Exercise Price	Number of Warrants
September 4, 2011 (subsequently exercised)	$ 0.90	1,300,649
November 26, 2012	$ 0.60	188,958
November 29, 2012	$ 0.80	5,332,750
		6,822,357

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd…)

Stock-based Compensation and Contributed Surplus

During the nine months ended January 31, 2011, the Company granted 120,000 stock options to a director of the Company, all of which vested immediately. Using the fair value method for stock-based compensation, the Company recorded a charge to operations of $154,921 for stock options granted.

During the nine months ended January 31, 2010, the Company granted 80,000 stock options to an officer and consultant of the Company, all of which vested immediately. Using the fair value method for stock-based compensation, the Company recorded a charge to operations of $38,416 for stock options granted.

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

Weighted average:	2011	2010
Risk free interest rate	2.56%	2.42%
Expected dividend yield	0%	0%
Expected stock price volatility	96%	90%
Expected life of options in years	5	5

8. RELATED PARTY TRANSACTIONS

During the nine months ended January 31, 2011, the Company:

a) Paid or accrued $151,200 (2010 - $153,723) to Seabord Services Corp., a management company controlled by a director, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. At January 31, 2011, the Company had deposits for future management and administrative services amounting to $10,000 (2010 - $10,000).
b) Paid $21,000 (2010 - $39,006) to Terrasearch Inc., a company related by having a director in common, for consulting services included in general and administrative expenses, of which $1,186 (2010 - $5,639) was included in accounts payable and accrued liabilities at January 31, 2011.
c) Paid $58,000 (2010 - $54,000) to the Chairman, $105,306 (2010 - $128,372) to the President and CEO and $36,000 (2009 – nil) to the Vice President, Corporate Development.
d) Paid or accrued $8,000 (2010 - $Nil) for director's fees to directors of the Company.

As at January 31, 2011, included in accounts payable and accrued liabilities was $9,186 (2010 - $8,264) due to related parties. Due to related parties consists of amounts owed to directors and officers and owed to companies which have at least one director in common with Reservoir.

These transactions were in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

(Expressed in Canadian dollars)

9. SEGMENTED INFORMATION

As at January 31, 2011 and 2010, the Company operated in three reportable operating segments, being exploration and development of mineral properties, geothermal, and hydroelectric energy.

Summarized financial information for the geographic and operating segments the Company operates in are as follows:

January 31, 2011	**Canada**	**Serbia**	**Total**
Cash and other assets	$ 9,201,915	$ 721,896	$ 9,923,811
Equipment	6,326	83,816	90,142
Hydroelectric licenses	-	239,143	239,143
Geothermal licenses	-	5,470	5,470
Mineral properties	-	249,518	249,518
Total assets	$ 9,208,241	$ 1,299,843	$ 10,508,084

Nine months ended January 31, 2011	**Mineral Properties**	**Geothermal**	**Hydroelectric**	**General and Administrative and Other**	**Total**
Loss for the period	$ 156,001	$ 141,240	$ 2,717,697	$ 839,598	$ 3,854,536

April 30, 2010	**Canada**	**Serbia**	**Total**
Cash and other assets	$ 2,882,842	$ 488,119	$ 3,370,961
Equipment	1,050	102,558	103,608
Hydroelectric licenses	-	239,143	239,143
Geothermal licenses	-	5,470	5,470
Mineral properties	-	249,518	249,518
Total assets	$ 2,883,892	$ 1,084,808	$ 3,968,700

Nine months ended January 31, 2010	**Mineral Properties**	**Hydroelectric**	**General and Administrative and Other**	**Total**
Loss for the period	$ 199,991	$ 1,651,509	$ 987,082	$ 2,838,582

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

(Expressed in Canadian dollars)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine months ended January 31, 2011, the Company:

a) Issued 281,500 units for subscription received in advance in connection with the private placement;
b) Issued 232,750 units as finders' fees with an estimated fair value of $139,650 which was included in share issue costs;
c) Issued 188,958 warrants as finders' fees with an estimated fair value of $111,071 which was included in share issue costs; and

During the nine months ended January 31, 2010, the Company issued 501,041 units as a finder's fee with an estimated fair value of $300,625 which was included in share issue costs.

11. RISK AND CAPITAL MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company is a junior renewable energy company whose principal business activity is the acquisition and development of mineral properties, geothermal, and hydroelectric energy projects in the Republic of Serbia and southeast Europe, and considers items included in shareholders' 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 execute on its business plan with an aim to providing returns for shareholders and benefits for other stakeholders.

The Company currently has no source of revenues. 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 January 31, 2011, the Company had working capital of $9,406,416 which is not expected to be sufficient to meet the Company's corporate objectives. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk of 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.

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.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,620,590	-	-	$ 9,620,590

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

(Expressed in Canadian dollars)

11. RISK AND CAPITAL MANAGEMENT OF FINANCIAL INSTRUMENTS (cont'd…)

Credit Risk

The Company is exposed to credit risk by holding cash and cash equivalents in both Canada and in Serbia. This risk is minimized by holding the Canada based funds in Canadian banks or Canadian treasury bills. The Company has approximately $500,000 held in Serbian banks at January 31, 2011, that is expected to be spent during the upcoming month. 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 and Serbia and a portion of the Company's expenses are incurred in Serbian Dinars. The Company also occasionally holds US dollars and Euros. A significant change in the currency exchange rates between the Canadian dollar relative to the Serbian Dinar, the US dollar and the Euro 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 January 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in Serbian Dinars.

	Serbian Dinars	Bosnian Mark
Cash and cash equivalents	35,200,550	139,937
Receivables	11,456,045	16,049
Accounts payable and accrued liabilities	(13,916,237)	(25,725)
Net exposure	32,740,358	130,261
Canadian dollar equivalent	$ 413,368	$ 90,717

Based on the above net exposure as at January 31, 2011, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Serbian Dinar would result in an increase/decrease of approximately $41,336 in the Company's pre-tax earnings (loss).

12. SUBSEQUENT EVENTS

Subsequent to January 31, 2011, the Company:

a) Issued 1,621,249 common shares on exercise of 1,621,249 warrants at prices of $0.90 per warrant.
b) Announced a proposed re-organization of its business components into two separately listed public corporations by the spin-out of the Serbian mineral exploration permits to a new corporation, Reservoir Minerals Inc., by means of a plan of arrangement pursuant to the British Columbia Business Corporations Act. The objective of the Spin-out Transaction is to maximize shareholder value by allowing the market to independently value the Company's renewable energy projects and mineral exploration business.