RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE NINE MONTH PERIOD ENDED JANUARY 31, 2011

GENERAL

This management's discussion and analysis of financial position and results of operations is prepared as at March 28, 2011 and should be read in conjunction with the unaudited interim consolidated financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the nine months ended January 31, 2011 and the related notes thereto. Those interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers may want to refer to the Company's April 30, 2010 annual consolidated financial statements and accompanying notes. All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are expressed in Canadian dollars except where otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or on the Company's website at www.reservoircapitalcorp.com.

COMPANY OVERVIEW

Reservoir's principal business activities are the acquisition and development of renewable energy (hydroelectric and geothermal) projects in Serbia, Montenegro, Bosnia and Herzegovina and elsewhere in southeast Europe. In Serbia, the Company currently has two energy licenses at Brodarevo for run-of-river hydroelectric projects on the River Lim, has applied for a third license at Vrutci in the same region and has been granted four exploration licenses for geothermal energy. The Company has also applied for three run-of-river hydroelectric licenses in Bosnia to develop 17.75 MW on the Cehotina River and is pursuing additional renewable energy opportunities in the region.

Reservoir also holds a portfolio of eight mineral properties in Serbia, targeting base and precious metals. Currently two of the projects are in joint venture with Freeport McMoRan Exploration Corp., and a third with AIM (London) listed Orogen Gold Limited. Subsequent to the end of the period, on March 25, 2011, the Company 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. ("Minerals"), by means of a plan of arrangement pursuant to the British Columbia Business Corporations Act (the "Spin-out Transaction"). 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.

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.

COMPANY HIGHLIGHTS

Highlights for the three months period ended January 31, 2011 (including subsequent events up to March 28, 2011) include:

- Announced the appointment of Mr. Lewis Reford to the Board of Directors of the Company. Mr. Reford is a veteran energy industry and finance professional with experience in Canada, the U.S. and internationally. Mr. Reford serves as Chief Executive

Officer of Schneider Power Inc., the wind and solar project development division of Quantum Technologies, a U.S. based alternative energy solutions company.

- 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.

- Raised $7,500,000 from the exercise of 8,333,333 Warrants.

- Completed a non-brokered private placement financing of $3,060,000 by the issuance of 5,100,000 units at $0.60 per unit.

- Advanced discussions with various energy-trading groups with the intent of signing a Power Purchase Agreement ("PPA") for the sale of electricity from the Brodarevo projects.

- Advanced discussions with potential partners to facilitate the financing of the Brodarevo projects should feasibility studies conclude a construction decision is warranted.

- Entered into a contract with the Brodarski Institute to prepare hydrological models of the Brodarevo Dam Sites.

- Contracted Put-Inzenjering to prepare technical studies and permitting for the displacement of parts of the M-21 road between Prijepolje and Bijelo Polje that will be affected by the Brodarevo Reservoirs.

- Orogen Gold Limited ("Orogen") in association with Reservoir announced plans to explore the old underground workings of the two historic goldmines at Deli Jovan.

- Extended the Permit at Vranjska Banja for Geothermal Exploration.

RENEWABLE ENERGY OVERVIEW

Management has engaged in discussions with a number of energy trading groups with the intent of signing a PPA for the sale of electricity from Brodarevo 1 & 2. The Company has also had commenced preliminary conversations with potential financing partners for the development of the Brodarevo projects.

During the period Reservoir initiated work on two important elements of the Feasibility Studies for its Brodarevo-1 and Brodarevo-2 hydroelectric projects in Serbia. To support the main contractor, Energoprojekt Hidroinzenjering Co. Ltd. ("Energoprjekt"), the Company has contracted the Brodarski Institute d.o.o., to prepare hydrological models of the dam sites. Reservoir has also contracted Put-Inzenjering d.o.o. to prepare technical studies and permitting for the displacement of parts of the M-21 road between Prijepolje and Bijelo Polje that will be affected by the Brodervo reservoirs.

The Feasibility Studies, being prepared by Energoprojekt and scheduled for delivery in August 2011, will also include: environmental studies and geotechnical drilling that the company is in the process of contracting.

GEOTHERMAL OVERVIEW

After successful completion of its 2010 work program, its geothermal exploration permit at Vranjska Banja has been extended until November 11, 2011. The Vranjska Banja exploration permit covers 1,750 hectares in area and surrounds the 2 hectare exploitation permit held by the Jumko A.D., with whom the Company signed an agreement to evaluate their existing geothermal wells (VG-2 and VG-3).

The final phase of the 2010 work program included a geophysical survey which utilized geo-electrical sounding to determine the structure and depth of the collector of the geothermal waters at Vranjska Banja. The survey included 12 resistivity soundings distributed along two survey lines totalling 6 line-km. Based on preliminary results of this survey, a target has been identified approximately 120 metres southeast of VG-2, with an interpreted zone with thermal water from about 100 metres to 1,500 metres in depth.

In addition to the geophysical survey, the Company has completed the first phase of the resource testing on VG-2 and VG-3, which included step-testing with three pressure draw-downs, and long-term simultaneous testing to determine the exploitation capacity of the existing wells. These tests concluded that VG-2 and VG-3 can be exploited with the capacity of 16.40 litres per second ("l/s") and 19.63 l/s respectively, with a total capacity of 36.03 l/s. The Company will continue to measure water temperature, pressure, flow rate and chemistry through a full twelve month cycle to be completed in September, 2011.

NEW BUSINESS

The Company is currently reviewing a number of acquisition opportunities, in Serbia, Montenegro, Bulgaria, Turkey, Bosnia and Herzegovina, with a view to acquiring additional hydroelectric and geothermal projects.

MINERAL EXPLORATION OVERVIEW

Orogen reported results of a high-level review prepared on behalf of the joint venture company Deli Jovan Exploration D.o.o. ("DE") by SRK Consulting (UK). The review focussed on the planned exploration of the historic gold mine working at Rusman and Gindusa, including health and safety aspects, mine development options, processing routes and preliminary economic considerations. A plan for the re-opening of access to the historic mines was prepared and submitted to the Serbian Ministry of Mining and Energy at the end of December 2010. Once the required approvals have been received, DE proposes to appoint a local contractor to commence the rehabilitation of the old mine workings, which will facilitate detailed mapping and sampling of the workings. The planned DE underground and surface exploration program is aimed at demonstrating the continuity and grade of the Deli Jovan mineralization and obtaining samples for processing recovery test work, which will feed into planning for the re-development of this historic gold mining district.

Work on the project by DE is funded by Orogen Gold Ltd. which can earn up to a 75% interest in the Company's Deli Jovan Gold Project by completing $3.5 million in exploration expenditures within 42 months.

OUTLOOK

The Company remains focused on renewable energy while seeking to maximize value to shareholders for the mineral exploration assets through a spin-out transaction into a separately listed company. Acquisition of new renewable energy projects, completion of feasibility studies, permitting and obtaining a purchase power agreement for Brodarevo are the Company's main priorities for the coming quarter.

RESULTS OF OPERATIONS

Three month period ended January 31, 2011 compared to the three month period ended January 31, 2010:

The net loss for the period increased by $577,888 to $1,749,020 (2010 - $1,171,132). Some of the factors contributing to the increase in net loss are as follows:

- Operations expenditures increased by approximately $550,000 (2011 $1,279,486 compared to 2010 - $727,449). Renewable energy costs increased by $556,237 mainly due to increased activities related to the advancement of the Brodarevo hydroelectric projects. Mineral property expenditures increased by $143,104 to $221,346 due to work on the Timok joint venture with Freeport and Deli Jovan joint venture with Orogen. As part of the joint venture agreements, the Company recovered $147,304 in exploration expenditures incurred.

- General and administrative expenses increased by $230,179 during the period. The increase was mainly due to $154,921 in stock based compensation expense relating to stock options granted during the current quarter to a new director of the Company.

- During the prior comparative quarter, the Company incurred an expense of $220,351 relating to the write-down of certain of its mineral properties. There was no write-down in the current quarter.

Nine month period ended January 31, 2011 compared to the nine month period ended January 31, 2010:

The net loss for the nine months period increased by $1,015,954 to $3,854,536 (2010 - $2,838,582). Some of the factors contributing to the increase in net loss are as follows:

- Operations expenditures increased by approximately $1,100,000 (2011 - $3,014,938 compared to 2010 - $1,851,500). Renewable energy costs increased by $707,272 mainly due to increases in new project investigation costs as the Company explored a variety of business opportunities in the sector, and costs related to the advancement of the Brodarevo hydroelectric projects. Mineral property expenditures increased by $302,403 to $502,394 due to work on the Timok joint venture with Freeport and the Deli Jovan joint venture with Oregen. As part of the joint venture agreements, the Company recovered $346,393 in exploration expenditures incurred.

- General and administrative expenses increased by $118,836 during the period for reasons described above for the three month period.

- The Company realized a foreign exchange gain of $47,671 for the nine months ended January 31, 2011 compared to a foreign exchange loss of $14,799 for the nine months ended January 31, 2010. The Company held cash equivalents denominated in United States dollars during the first three months of the year that benefited from the rising US/Canada exchange rate on these balances.

- During the prior comparative nine months, the Company incurred an expense of $220,351 relating to the write-down of certain of its mineral properties. There was no write-down in the current nine months period.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2011, the Company had working capital of $9,406,416 as compared to $3,029,317 at April 30, 2010. The increase in working capital of $6,377,101 from April 30, 2010 came primarily from $3,060,000 received on the Company's Private Placement that closed during the current quarter and $6,773,771 received from the exercise of warrants, offset by a decrease in cash of $3,667,479, which was cash used in operations. At January 31, 2011, the Company's working capital consists of cash and cash equivalents of $9,620,590, receivables of $201,894 and prepaids of $43,827 less accounts payable and accrued liabilities of $309,867 and advances from joint venture partners of $150,028. The Company has no long-term debt.

Subsequent to January 31, 2011, the Company received a further $1,459,484 on exercise of 1,621,249 warrants.

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 consist of 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 unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company is currently assessing the most appropriate means of obtaining additional funding to continue its activities as planned.

QUARTERLY INFORMATION

Quarter Ended	January 31, 2011	October 31, 2010	July 31, 2010	April 30, 2010
Operations expenditures	$1,279,486	$ 830,341	$ 905,111	$ 938,682
Stock-based compensation	154,921	-	-	698,977
Loss for the period	(1,749,020)	(1,074,970)	(1,030,546)	(1,899,457)
Basic and diluted loss per share	(0.05)	(0.04)	(0.03)	(0.07)

Quarter Ended	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009
Operations expenditures	$ 727,449	$ 615,390	$ 508,661	$ 266,300
Stock-based compensation	-	-	38,416	12,763
Loss for the period	(1,171,132)	(901,601)	(765,849)	(506,668)
Basic and diluted loss per share	(0.04)	(0.03)	(0.03)	(0.02)

The loss for the quarters varies primarily based on the level of operations expenditures incurred, whether stock options are granted in the quarter, and whether any write downs of the Company's capitalized mineral property costs or renewable energy projects have been incurred.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

- 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).
- Paid $21,000 (2010 - $39,006) to Terrasearch Inc., for consulting services, included in general and administrative expenses, to a company related by having a director in common.
- Paid $58,000 (2010 - $54,000) to the Chairman, $105,306 (2010 - $128,372) to the President and CEO and $36,000 (2010 – nil) to the Vice President, Corporate Development.
- Paid or accrued $8,000 (2010 - $Nil) for director's fees to directors of the Company.

As at January 31, 2011, a total of $9,186 (2010 - $8,264) was included in accounts payable and accrued liabilities which was 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.

MANAGEMENT COMPENSATION

During the nine months ended January 31, 2011, Reservoir paid $105,306 in salary to Miljana Vidovic, the President and CEO; $58,000 in salary to Miles Thompson, the Chairman of the Company; and $36,000 to Chris MacIntyre, the Vice President, Corporate Development.

Christina Cepeliauskas, the Chief Financial Officer and Kim Casswell, the Corporate Secretary are employees of Seabord Services and received no direct management compensation from Reservoir.

NEW ACCOUNTING POLICIES

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 fiscal year-ends beginning on or after January 1, 2011 prospectively, with early adoption permitted. Earlier adoption of these sections is permitted as of the beginning of a 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 does not expect to adopt these new CICA Handbook sections prior to April 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.

IFRS CHANGEOVER PLAN DISCLOSURE

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The Canadian Accounting Standards Board ("AcSB") has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is May 1, 2011, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. The Company will issue its first set of interim financial statements prepared under IFRS for the quarter ended July 31, 2011 including comparative IFRS financial results and an opening balance sheet as of April 30, 2011 and May 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended April 30, 2012 with restated comparatives for the year ended April 30, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping and Planning phase which will assess the accounting policies and overall impact that may be required on conversion to IFRS; 2) Detailed Assessment and Evaluation phase which will include a technical analysis of the conversion process including potential impacts, quantification of alternatives for accounting policies which differ under IFRS, and a detailed analysis and conclusions regarding IFRS 1 ("First Time Adoption of IFRS"), and; 3) Implementation phase which will include the preparation of an IFRS compliant opening balance sheet as at May 1, 2010, any necessary conversion adjustments and reconciliations, and preparation of a full set of IFRS compliant financial statements including all note disclosures.

Management has completed phase one, Scoping and Planning phase, and is now advancing through phase two, the Detailed Assessment and Evaluation phase. In November 2008, the Company engaged an external IFRS consultant to prepare a summary report and component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

The Company partnered with a number of independent consultants to assist Reservoir's internal staff in the transition project. Working with expert consultants allows Reservoir to focus on the most critical IFRS policies and their impacts on the Company and then build the Company's opening balance sheet along with note disclosures, and supporting documents needed for the audit requirements related to the IFRS transition and comparative balances.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening deficit as of the date of the first comparative balance sheet presented based on standards applicable at that time.

Accounting Policies and transitional Financial Impact

The following discussion outlines some key differences between Canadian GAAP and IFRS, preliminary accounting policies and IFRS 1 decisions. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirements for full retrospective application of IFRS. To date, the Company has not yet determined the financial impact on shareholders' equity of the preliminary accounting choices under IFRS.

Property, plant and equipment

IFRS provides for a policy choice for an entity to either apply the historical cost model or a revaluation model in valuing property, plant and equipment. The Company expects to apply an accounting policy of measuring property, plant, and equipment at historical cost. Also, under IFRS, the Company is required to componentize and depreciate components of property, plant, and equipment separately, when that component cost is significant in relation to the remainder of the item. The Company does not expect the impact of componentization to have a material effect on the consolidated financial statements.

Based on the evaluation of IFRS 1 and preliminary policy choices, the Company does not expect to record a material adjustment in the opening balances as at May 1, 2010 in relation to property, plant and equipment.

Stock-based compensation

Under Canadian GAAP, the fair value of stock-based awards with vesting terms are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur. Under IFRS, a fair value measurement is required for each vesting installment within the option grant. Each installment must be valued separately, and recognized as compensation expense over each installment's individual vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

At the transition date, May 1, 2010, the Company had no employee stock options with existing vesting requirements, and therefore, the impact on transition for stock-based compensation is not expected to be material.

Exploration for and Evaluation of Mineral Resources

On transition to IFRS, the Company may follow the same policies established under Canadian GAAP for accounting for its resource properties (known as "exploration and evaluation assets" under IFRS). The Company's current exploration and evaluation policies for both renewable energy projects and mineral properties are (a) Acquisition costs for mineral properties and renewable energy projects, including hydroelectric and geothermal, net of recoveries, are capitalized on a project-by-project basis, and; (b) Project expenditures, net of recoveries, are charged to operations as incurred. After a project is determined to be commercially feasible, all further expenditures related to the project are capitalized. The Company will continue with this policy after transition.

When there is little prospect of further work on a project/property being carried out by Reservoir or its partners, when a project/property is abandoned, or when the capitalized costs are no longer considered recoverable, the related project/property costs are written down to management's estimate of their net recoverable amount. IFRS 6 contains certain specific facts and circumstances that illustrate when to evaluate an exploration and evaluation asset for impairment.

The impact of transition as at May 1, 2010 is not expected to have a material impact on the opening balance sheet of the Company.

The Effects of Changes in Foreign Exchange Rates

The factors that determine functional currency are not identical under Canadian GAAP and IFRS, and it is not certain that the same conclusion under both accounting standards would be reached. Specifically, IFRS proposes a hierarchy of indicators, such that some indicators are given more weighting than others.

Under Canadian GAAP, the Company's functional currency has been determined to be Canadian dollar. The Company has initiated a performance and assessment analysis under IFRS and has determined that the functional currency of the Company under IFRS is expected to remain as Canadian dollar.

If the functional currencies of the foreign subsidiaries are determined to be the Canadian dollar, the adjustments at each reporting period date are the same as under IFRS and Canadian GAAP, where any foreign exchange adjustments would be recognized in net income or loss and not other comprehensive income ("OCI"). Also, there is separate line disclosure on the income statement which is again consistent with Canadian GAAP.

If the functional currencies of the foreign subsidiaries are determined to be different than the Canadian dollar, the foreign exchange differences are calculated for essentially all assets and liabilities as at the reporting period date and any gain or loss would be recognized in OCI. If this is determined to be the case, the Company would elect to take the IFRS 1 exemption and apply these exchange differences prospectively from the transition date, which would mean no transition date adjustments but would require reworking of Company's 2011 financial statements for comparative purposes to be included in the Company's first IFRS statements for 2012 quarterly reporting.

The Company has concluded that the adoption of these standards will not result in a change to the carrying value of its assets on transition to IFRS.

Impairment of assets

Under Canadian GAAP, if there is an indication that an asset may be impaired, an impairment test must be performed. This is a two-step impairment test in which (1) undiscounted future cash flows are compared to the carrying value; and (2) if those undiscounted cash flows are less than the carrying value, the asset is written down to the fair value determined by discounted future cash flows.

Under IAS-36 Impairment of Assets, an entity is required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If such an indication exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of value in use and fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state.

Additionally, another difference exists as IAS-36, Impairment of Assets, allows for the reversal of any previous recognized impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

The Company has concluded that the adoption of these standards will not result in a change to the carrying value of its assets on transition to IFRS.

Internal Controls, Information Technology and Systems

The Company has reviewed its internal and disclosure control processes and believes it will not need significant modification as a result of the conversion to IFRS. Furthermore, the Company has assessed the impact on its IT and data systems and has concluded that there will be no significant impact to applications arising from the transition to IFRS.

Presentation and Disclosure

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note disclosures. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

The above preliminary choices and impact assessments are based on ongoing projects and discussions by the policy setters for Canadian GAAP and IFRS. Therefore, the above items should not be accepted as final or complete and may be subject to changes and further analysis as the implementation phase to IFRS continues.

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 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 funds, in which case the Company may be required to delay or postpone further exploration and 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 consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Hydroelectric Project Risks

The ability of the Company to become a viable provider of renewable and clean power is dependant 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.

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.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Reservoir is currently exploring nine mineral exploration permits in Serbia. Under the Serbian Mining Code, these permits have to be renewed annually based on work programs proposed by the Company. The Serbian Ministry of Energy and Mines may at its discretion grant only an interim six-month renewal in the event that proposed work programs have not been completed within the one-year period and may refuse to grant a renewal at all if it deems that no or insufficient work has been completed. The Serbian Ministry of Energy and Mines may also ask the Company to amend its work program and to relinquish parts of its permit where it has not worked or does not propose to work as part of the current proposed program. Management believes the Company maintains good relations with the Serbian Ministry of Energy and Mines and has fulfilled its work programs either within the permit period or within agreed renewal periods.

Serbia is in the process of rewriting its Mining Code, along with many other laws, to European Union standards as part of its efforts to eventually join the European Union. Elements of the new

Mining Code and related regulations are already in place and are working. However, there is the risk that these changes may have unforeseen impact on the Company's Serbian business interests.

Insurance and Uninsured Risks

In the course of exploration, development and production of hydroelectric projects, geothermal projects and mineral properties, 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, geothermal projects and mineral properties on which the Company is actively pursuing its exploration and development activities are all located in Serbia. 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.

SUBSEQUENT EVENTS

Subsequent to January 31, 2011, the Company:

a) Issued 1,621,249 common shares on exercise of 1,621,649 warrants at a price of $0.90 per warrant for total proceeds of $1,459,484.

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.

OUTSTANDING SHARE DATA

As at March 28, 2011, the Company had 45,457,098 common shares issued and outstanding. There were also stock options to purchase 2,540,000 shares outstanding with expiry dates ranging from February 2, 2012 to January 20, 2016. In addition, there were share purchase warrants to purchase 5,101,108 shares outstanding which expire on November 26, 2012.

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.