RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED APRIL 30, 2011

GENERAL

This management's discussion and analysis of financial position and results of operations is prepared as at August 18, 2011 and should be read in conjunction with the audited consolidated financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the year ended April 30, 2011 and 2010 and the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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, Italy 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 actively 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. ("Freeport"), and a third with Orogen Gold Limited ("Orogen"). During the year ended April 30, 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 since May 1, 2010 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. 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, with a 20-year agreement completed subsequent to year-end with GDF SUEZ Energia Italia S.p.A.

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

- Engaged Energoprojekt to complete the Feasibility Studies for the Brodarevo projects which are expected to be completed by October 2011. As part of the Feasibility Studies, the Company also contracted the Brodarski Institute to prepare hydrological models of the Brodarevo dam sites and 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 gold mines at Deli Jovan.

- Signed an Earn-in Agreement with Freeport McMoran Inc. ("Freeport") which grants them the right to earn an interest in the Company's Brestovac and Jasikovo exploration licenses in the Bor District of northeast Serbia.

RENEWABLE ENERGY OVERVIEW

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. During the year ended April 30, 2010, the Company worked with Energoprojekt, to complete Pre-Feasibility Studies for the Brodarevo Projects with results being released on July 14, 2010. The recommendations from the study included a capacity increase to 58.4 MW and 232 GWh/year of output. The corresponding construction costs were estimated to be €139.9 million which included contingencies of 10% on the civil works, moving sections of the road, anticipated expropriation costs and transmission grid connections.

During the year, Reservoir substantially advanced the work on the Feasibility Studies for its Brodarevo 1 and 2 hydroelectric projects in Serbia. To support the main contractor, Energoprjekt, the Company has contracted the Brodarski Institute d.o.o., to prepare and test hydrological models of the dam sites. Reservoir has 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 Brodarevo Reservoirs. Also during the year, the Company entered into an option agreement to purchase surface rights for the Brodarevo-2 Dam Site.

The Feasibility Studies being prepared by Energoprojekt and scheduled for delivery in late 2011 will also include environmental studies and geotechnical investigation, which have commenced.

During the past year, management has focused on discussions with a number of energy trading groups with the intent of signing a PPA for the sale of electricity from Brodarevo 1 and 2. On June 29, 2011, the Company announced it had completed a 20-year PPA with GDF Suez Energia Italia S.p.A., a wholly-owned subsidiary of the GDF Suez Group, the largest utility in the world with approximately €84.5 billion in revenue for 2010, to export electricity produced from the Brodarevo hydroelectric projects in Serbia for distribution into the Italian market at prevailing market prices plus the value of any green energy incentives generated by the project. Concurrently with the PPA negotiations, the Company commenced preliminary conversations with potential financing partners for the development of the Brodarevo projects.

GEOTHERMAL OVERVIEW

After successful completion of its 2010 work program, the 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, Italy, Bulgaria, Turkey, Bosnia and Herzegovina, with a view to acquiring additional hydroelectric and geothermal projects.

In September 2010, the Company filed applications with the Government of the Republika Srpska (an autonomous region of Bosnia and Herzegovina) to build three run-of-river hydroelectric projects ("HPP") on the Cehotina River, with a combined capacity of 17.75 MW and an estimated output of 88 GWh/yr.

The Cehotina River flows from Montenegro down into the Drina River at the town of Foca, home of Reservoir's Bosnian office. The Company has applied for a 30-year concession covering the 26 kilometre section of the river within the Republika Srpska, which has an elevation drop of 114 metres and median flow rates ranging from 20 cubic metres per second ("m3/s") at the Montenegrin border to 23m^3/s where it joins the Drina.

The total natural energy capacity for this section of the river is 24 MW (211 GWh/yr) from which the Company's consultant ENCOS Energy Consulting Services D.o.o. of Sarajevo has designed three dams; Luke, Falovici and Godijeno, with projected parameters tabulated below:

	Luke HPP	Falovici HPP	Godijeno HPP	**Total**
Mean Flow (m^3/s)	20.75	21.00	21.80	
Installed Flow (m^3/s)	30.00	30.00	32.00	
Gross Head (m)	21.00	40.00	14.25	
Net Head (m)	20.40	35.50	13.80	
Installed Power (MW)	5.00	9.00	3.75	17.75
Annual Production (GWh)	25.00	45.00	18.00	88.00

MINERAL EXPLORATION OVERVIEW

On March 24, 2011 the Company entered into a letter of intent regarding the proposed re-organization of its business components into two separately listed public corporations through the spin-out of its 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 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. In addition to allowing the Company to continue to focus efforts on its renewable energy projects, the Company is confident that having a dedicated management team and funding for the mineral exploration business would accelerate development of existing mineral projects and give scope for new acquisitions.

The Spin-out Transaction will result in Minerals being a separate exploration company focused on Serbian mining exploration holding eight mineral exploration permits in Serbia. Minerals has completed a non-brokered subscription receipt financing of approximately $9.6 million by the issuance of 14,776,150 non-transferable Subscription Receipts (the "Receipts") of Minerals at a price of $0.65 per Receipt. The funds will be released upon closing of the plan of arrangement.

Also during the period the period the Company completed very limited work on the Stara Planina, Plavkovo, Lece, Parlozi and Bobija licenses. Exploration continued on the Brestovac-Metovnica and Jasikovo-Durlan Potok licenses that are subject to an earn-in agreement with Freeport and work has begun on the Deli Jovan licence that is subject to an earn-in agreement with Orogen.

The 18,279-hectare Brestovac-Metovnica and Jasikovo-Durlan Potok lie adjacent to the Bor Mining Licenses and cover northern and southern extensions of the host structures and geology of the Bor copper deposits. Reservoir and Freeport geologists and consultants have completed further detailed mapping and surface sampling along with an extensive program of induced polarization, magnetic and CSAMT (controlled-source audio-magneto-telluric) geophysical surveys, targeting copper mineralization. In addition to this on-going surface work, Freeport has commenced drilling to test some of the targets generated from the surveys, with the initial program of 1,775 metres already well advanced on the OK-Target (Ogasu Kucajna) within the southern Brestovac-Metovnica Permit.

During the period, Orogen completed a high-level review on the Deli Jovan license, which focussed on the proposals to access and resample the historical underground gold workings at Rusman and Gindusa. 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. Approvals were granted and work has begun subsequent to the end of the period.

OUTLOOK

The Company will continue to look for additional acquisitions in the renewable energy sector during the coming year. The Company expects to complete the spin-out of its minerals portfolio in October 2011 permitting it to fully focus its efforts on developing its renewable energy business. The Company's flagship project, the 58MW Brodarevo hydroelectric project, is nearing completion of permitting and feasibility studies and the Company has begun work on project financing with a view to starting construction early in 2012. In the coming period the Company also expects to complete licensing of the Cehotina hydroelectric project in Bosnia and begin feasibility studies and to advance its Vranjska Banja geothermal project in southern Serbia.

RESULTS OF OPERATIONS

The Company recorded a loss of $5,327,153 or $0.15 per share for the year ended April 30, 2011 compared to a loss of $4,738,039 or $0.17 per share for the comparative year ended April 30, 2010, an increase in loss of $589,114, or 12%. The loss is attributable to operations expenses of $3,963,117 (2010 - $2,790,182), general and administrative expenses of $1,382,527 (2010 - $1,733,545) and other income of $18,491 (2010 - expense of $214,312).

The current year increase in renewable energy expenditures of $1,292,585 was offset by a decrease in mineral property exploration expenditures of $119,650, as the Company focused more of its resources on the development of its hydroelectric energy projects during the year and the review of additional opportunities in the energy sector.

General and administrative expenses decreased by $351,018 during the year ended April 30, 2011. A smaller number of stock options granted for the year decreased stock-based compensation expense by $594,421, and other general and administrative costs increased by approximately 36% primarily due to a higher level of corporate activity related to the Company's expanding renewable energy business. There were no write-downs during the current period but during fiscal 2010, the Company wrote down $220,352 in acquisition costs previously capitalized for four of its mineral property licenses: Lece, Plavkovo, Stara Planina and Rakita.

FOURTH QUARTER RESULTS

The Company recorded a loss for the three month period ended April 30, 2011 of $1,742,617 or $0.04 per common share compared to a loss of $1,899,456 or $0.07 per common share for the comparative period ended April 30, 2010. The decrease in loss of approximately $315,570 is mainly due a decrease of $358,584 in general and administrative expenses, offset by an increase in operations expenditures on its mineral properties, energy projects and project investigation of $9,497. The larger operations expenditures in 2010 is primarily due to the efforts to complete the Pre-Feasibility Studies on the Brodarevo projects. Additionally, a tranche of stock options were granted during the comparative year's fourth quarter.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2011, the Company had working capital of $9,699,253 as compared to $3,029,317 at April 30, 2010. The increase in working capital of $6,669,936 from April 30, 2010 came primarily from the net increase in cash of $7,146,158, mainly due to net proceeds from share capital issued for cash of $11,890,162, offset by equipment purchases, and cash used in operations of $41,972, and $4,684,532 respectively. At April 30, 2011, the Company's working capital consists of cash and cash equivalents of $10,376,920, receivables of $302,580 and prepaids of $41,931 less accounts payable and accrued liabilities of $558,632 and advances from JV partners of $463,546. The Company has no long-term debt.

Subsequent to April 30, 2011, the Company received a further $413,214 on exercise of 496,267 warrants and 20,000 options.

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 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 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.

ANNUAL FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the Company's audited consolidated financial statements.

Year ended	**April 30, 2011**	**April 30, 2010**	**April 30, 2009**
Financial Results			
Revenues	$ -	$ -	$ -
Operations expenditures	3,963,117	2,790,182	1,722,369
Loss for the period	(5,327,153)	(4,738,039)	(2,501,681)
Loss per share - basic and diluted	(0.15)	(0.17)	(0.12)
Financial Position			
Working capital	$ 9,699,253	$ 3,029,317	$ 1,781,096
Energy licenses	239,143	239,143	239,143
Geothermal licenses	5,470	5,470	-
Mineral properties	249,518	249,518	469,870
Total assets	11,412,715	3,968,700	2,772,979
Long-term liabilities	-	-	-
Share capital	25,174,315	13,228,034	8,180,449
Deficit	(16,364,014)	(11,036,861)	(6,298,822)

QUARTERLY INFORMATION

Quarter ended	April 30, 2011	January 31, 2011	October 31, 2010	July 31, 2010
Financial Results				
Operations expenditures	$ 948,179	$ 1,279,486	$ 830,341	$ 905,111
Stock-based compensation	(11,949)	154,921	-	-
Loss for the period	(1,472,617)	(1,749,020)	(1,074,970)	(1,030,546)
Loss per share - basic and diluted	(0.04)	(0.05)	(0.04)	(0.03)

Quarter ended	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009
Financial Results				
Operations expenditures	$ 938,682	$ 727,449	$ 615,390	$ 508,661
Stock-based compensation	698,977	-	-	38,416
Loss for the period	(1,899,457)	(1,171,132)	(901,601)	(765,849)
Loss per share - basic and diluted	(0.07)	(0.04)	(0.03)	(0.03)

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the year ended April 30, 2011, the Company:

- Paid or accrued $201,600 (2010 - $192,600) to Seabord Services Corp, a management company controlled by a director, Michael D. Winn, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. At April 30, 2010, the Company had deposits for future management and administrative services amounting to $10,000 (2010 - $10,000).

- Paid $25,659 (2010 - $45,579) to Terrasearch Inc., a company controlled by a director, Michael D. Winn, for consulting services, included in general and administrative expenses.

- Paid $82,105 (2010 - $72,000) to the Chairman of the Company, Miles Thompson, $165,517 (2010 - $162,170) to the President and CEO, Miljana Vodovic, and $48,000 (2010 - $25,500) to the Vice President, Corporate Development, Chris MacIntyre.

- Paid or accrued $20,000 (2010 - $Nil) for director’s fees to directors of the Company.

As at April 30, 2011, a total of $46,153 (2010 - $21,758) 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. As at April 30, 2011, included in accounts receivable was $89,217 (2010 - $Nil) due from Reservoir Minerals Inc. ("Minerals"), a company which has one director in common.

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 year ended April 30, 2011, Reservoir paid $165,517 in salary to the President and CEO $82,105 in salary to the Chairman of the Company and $48,000 to 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.

Convergence with International Financial Reporting Standards ("IFRS")

The Company has completed the following steps which are subject to review by the Company's auditor and possible amendment thereafter:

- Determined its IFRS accounting policies
- Chosen which of the optional exemptions that it will take on the initial transition to IFRS
- Determined that only minor changes to internal controls and disclosure controls will be required in order to implement IFRS
- Determined that there is no significant adjustment to the transition balance sheet

Below are some specific comments on the more significant IFRS standards which impact the Company:

a) **Business combinations**
The Company has accounted for its more recent business combination as asset acquisition under GAAP; and under IFRS 3, the treatment is the same. However, the Company did not do a detailed review of all historical business combinations and has decided to take the IFRS 1 election regarding business combinations, and not restate any combinations prior to the transition date.

b) **Exploration for and evaluation of mineral resources and renewable energy projects**
The Company has decided to maintain its policy of expensing its exploration and evaluation costs under IFRS. This is the same treatment as the Company had under GAAP; and as a result, there is no transition date adjustment. Under IFRS, impairment testing of these assets is more rigorous than under GAAP. However, there is less likelihood that impairment will occur because the Company only capitalizes acquisition costs.

c) **Effects of changes in foreign exchange rates**
The Company has not finalized its determination of the functional currency of its subsidiary companies. This is a key determination and if the functional currency of the foreign subsidiaries is determined to be their local currency instead of the Canadian dollar, then the translation gains or losses would be reported as part of other comprehensive income. Under GAAP, translation gains or losses for all the Company's foreign subsidiaries are reported in the income statement.

d) **Property, plant and equipment**
For IFRS, the Company will carry its equipment at cost, less accumulated amortization and accumulated impairment losses. This is the same treatment as it is currently under GAAP. The Company will have to break out its equipment into more detailed categories as prescribed under IFRS. However, the Company's equipment assets consists mainly of vehicles, office items and computers; and none of these assets requires componentization and accordingly, this reduces the amount of work involved on the transition to IFRS.

e) **Financial instruments**
The Company's financial instruments include cash and cash equivalents, receivables, restricted cash, accounts payable and accrued liabilities and advances from JV partners. The standard under GAAP was substantially converged with IFRS. Accordingly, there is no transition date adjustment required for IFRS.

Internal control over financial reporting and disclosure controls

After selecting its accounting policies under IFRS, the Company has determined that the difference from GAAP are not significant enough to require major changes to internal controls over financial reporting and disclosure controls. The change in standards will mainly impact the collection and reporting of information at the head office level. The Company expects that it will have to add some additional general ledger accounts to capture some information at a more detailed level and also to amend worksheet calculations to comply with the new IFRS standards, mainly in terms of providing more detail for the notes to the financial statements. The Company will also have to amend its quarterly checklists for financial statement preparation and disclosure to ensure that all of the differences under IFRS are monitored and completed correctly. These changes are important and are being addressed but do not require a significant effort.

Financial reporting expertise

The Company has been training staff in IFRS through courses, working with consultants and through working directly on the conversion projects. Training is on-going, but the Company expects that the staff directly involved in the preparation of IFRS financial statements has been sufficient expertise and will have adequate supervision in order to comply with these new financial reporting standards for the first quarter of fiscal 2012.

Internal control over financial reporting and disclosure controls

The Company has determined that some changes to its head office general ledger system will be required in order to capture sufficient information to report under IFRS. However, these changes are not complex, and the Company does not expect that any outside resources will be required to complete them and that these changes can be accommodated in the normal quarterly workflow.

The Company expects to meet its IFRS reporting requirements for its quarterly report in fiscal 2012.

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 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.

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 eight 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.

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 August 18, 2011, the Company had 46,506,698 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 4,682,775 shares outstanding which expire on November 26 and November 29, 2012.

SUBSEQUENT EVENTS

Subsequent to April 30, 2011, the Company:

a) issued 386,267 common shares on the exercise of warrants at $0.80 per share,

b) issued 20,000 common shares on the exercise of options at $0.81 per share,

c) entered into a 20-year Power Purchase Agreement (the "PPAt"), for the sale of electricity from the Brodarevo hydroelectric project in Serbia, with GDF SUEZ Energia Italia S.p.A. ("GSEI"), a wholly-owned subsidiary of the GDF SUEZ Group. Under the terms of the PPA, electricity produced from Brodarevo will be exported for distribution into the Italian market at prevailing market prices and GSEI has furthermore agreed to purchase and pass on to the Company the value of any green energy incentives generated by the project. The PPA is conditional on completion of at least one of the plants by the end of December 2015 and further agreement between the parties once the arrangements for project financing and transmission are more advanced.

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.