**RESERVOIR CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE NINE MONTHS ENDED JANUARY 31, 2017 AND 2016**

## GENERAL

This management's discussion and analysis of the financial position and results of operations is prepared as at March 22, 2017 and should be read in conjunction with the condensed consolidated interim financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the nine months ended January 31, 2017 and 2016 and the related notes thereto. Those condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in Canadian dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at www.sedar.com or on the Company's website at www.reservoircapitalcorp.com.

## FORWARD LOOKING INFORMATION

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Reservoir's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicate herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities regulations.

## COMPANY OVERVIEW

Reservoir's principal business activity is the development of renewable energy in southeast Europe. In Serbia, the Company has two energy permits at Brodarevo to develop run-of-river hydroelectric projects ("HPP") on the River Lim. These HPP have an aggregate design capacity of 59.1 megawatts ("MW"). Feasibility Studies for the projects were completed in June 2012. Reservoir is actively looking for a partner to provide capital for the development of Brodarevo. Reservoir is a reporting issuer in British Columbia, Alberta, and Ontario, and its common shares trade on the TSX Venture Exchange under the symbol REO and on the Berlin and Frankfurt Exchanges under the symbol ROC.

## HIGHLIGHTS FOR THE QUARTER

During the three months ended January 31, 2017 and subsequently, the Company:

- Recorded a loss of $107,409 for the three months ended January 31, 2017 compared to a loss of $591,972 for the comparative period.

## BRODAREVO HYDROELECTRIC PROJECT

The project currently comprises three-year energy permits, granted in March 2015 covering two sections of the River Lim, denominated Brodarevo-1 and Brodarevo-2, to develop run-of-river hydroelectric power projects. The energy permits were originally granted in 2009 and extended for three years in 2012.

In June 2012, Energoprojekt Hidroinzenjering Co. Ltd. ("Energoprojekt") completed the Feasibility Studies for the Brodarevo hydroelectric projects, including environmental impact assessments in accordance with both Serbian standards and legislation and World Bank guidelines. The studies recommended an installed capacity 59.1 MW, with a corresponding average output of 232.5 GWh/year. The studies also defined dam sites and provided final recommendations for the design of the hydroelectric power plants.

In June 2013, the Ministry of Energy, Development, and Environment of the Republic of Serbia approved the Company's Environmental Impact Assessment ("EIA") for the Brodarevo HPP. The primary aim of the EIA is to assess the positive and negative changes to the environment that could occur during the construction and operation of the Brodarevo HPP and propose measures to prevent, minimize, or reduce to acceptable limits any adverse impacts. The EIA included gathering and interpreting baseline data on the geology, geomorphology, soils, sediment, erosion characteristics, hydrology, air and water quality, meteorology, biodiversity, cultural properties and socio-demographic and economic development aspects of the project. During fiscal 2016, the approval of the Company's EIA was challenged in the Serbian courts. As a result, the Company will need Energoprojekt to complete certain amendments in order to finalize the EIA.

The first Location Permit was granted in February 2015, for preparatory works for Brodarevo 2 (see Company news release dated March 16, 2015), encompassing a temporary river crossing, access road to the upstream coffer dam, site roads on the right river bank, entrance structure with bridge, diversion canal, protective structures and supporting walls, gravity dam on the right river bank, upstream coffer dam, downstream coffer dam and excavated material landfill sites. In September 2015, the Company was also granted Location Permits for both the Brodarevo 1 and Brodarevo 2 dam sites, reservoirs and accompanying facilities (see Company news release dated September 15, 2015). These Location Permits have been granted based on the conceptual engineering and design documentation filed by the Company for the construction of the dams.

## OUTLOOK

The focus of the Company remains to limit expenditures to costs related to evaluating strategic alternatives to find a partner to advance Brodarevo into construction. During 2016, the Company made progress on the permitting of Brodarevo, but both time and additional investment will be required to complete development. There is no certainty that a partner will be secured or that the Company will be able to raise the necessary funds to advance the project. During the current fiscal year, funding for the operations of the business has come from directors and other insiders. There is no certainty that these funds will continue to be available.

## QUARTERLY FINANCIAL INFORMATION

The loss for the quarters varies primarily based on the level of operations expenditures incurred in the quarter.

| Quarter ended | | January 31 2017 | | October 31 2016 | | July 31 2016 | | April 30 2016 |
|---|---|---|---|---|---|---|---|---|
| **Financial Results** | | | | | | | | |
| Operations expenditures | $ | 45,765 | $ | 32,087 | $ | 128,246 | $ | 646,537 |
| Share-based payments | | - | | - | | - | | - |
| Loss for the period | | (107,409) | | (124,244) | | (349,013) | | (820,094) |
| Loss per share - basic and diluted | | (0.01) | | (0.01) | | (0.02) | | (0.05) |

| Quarter ended | | January 31 2016[1] | | October 31 2015[1] | | July 31 2015[1] | | April 30 2015[1] |
|---|---|---|---|---|---|---|---|---|
| **Financial Results** | | | | | | | | |
| Operations expenditures | $ | 467,846 | $ | 365,867 | $ | 314,106 | $ | 433,592 |
| Share-based payments | | - | | - | | - | | - |
| Loss for the period | | (367,309) | | (493,576) | | (399,744) | | (556,255) |
| Loss per share - basic and diluted | | (0.02) | | (0.03) | | (0.02) | | (0.06) |

[1] Comparative information has been restated to show the discontinued operation separately.

## RESULTS OF OPERATIONS

### Three months ended January 31, 2017

The Company recorded a loss of $107,409 or $0.01 per share for the three months ended January 31, 2017 compared to a loss of $642,309 or $0.04 per share for the comparative period, a decrease in loss of $534,900. The loss is attributable to operations expenditures of $45,765 (2016 - $206,098), general and administrative expenses of $56,555 (2016 - $188,654), other loss of $5,089 (2016 - $50,171), and loss from discontinued operation, net of tax, of $Nil (2016 - $56,614).

In the current quarter, there was a net decrease of loss and comprehensive loss for the period from decreases in renewable energy expenditures pursuant to the Brodarevo projects, general and administrative expenses, other loss, and loss from discontinued operations.

### Nine months ended January 31, 2017

The Company recorded a loss of $591,972 or $0.03 per share for the nine months ended January 31, 2017 compared to a loss of $1,260,629 or $0.07 per share for the comparative period, a decrease in loss of $668,657. The loss is attributable to operations expenditures of $206,098 (2016 - $1,147,819), general and administrative expenses of $188,654 (2016 - $215,833), other loss of $197,183 (2015 - income of $247,966), and loss from discontinued operation, net of tax, of $37 (2015 - $144,943).

In the current period, there was a net decrease of loss and comprehensive loss for the period primarily from a decrease in renewable energy expenditures pursuant to the Brodarevo projects, partially offset by a loss on the disposals of former subsidiaries.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2017, the Company had a working capital deficit of $1,609,654, which primarily comprised cash of $5,960, accounts payable and accrued liabilities of $929,652, and promissory notes of $644,348. The Company had no long-term debt.

Compared to the working capital deficit of $1,048,992 at April 30, 2016, the increase in working capital deficit of $560,662 for the period came primarily from the net increase of promissory notes of $402,939 and net decrease in cash of $41,912, mainly due to cash used in operating activities of $237,521, cash used in investing activities of $194,349, and cash provided by financing activities of $390,000.

In order to continue as a going concern, the Company will need to find a partner to provide capital for the development of Brodarevo or require substantial additional financing through debt or equity issuances or other available means. Since February 2016, directors and other insiders of the Company have been providing funds to the Company for basic operating expenses.

Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations.

Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The condensed 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 actively looking for a partner to provide for the development of Brodarevo.

## RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

| **Nine months ended January 31, 2017** | Salary or Fees | Share-based Payments | **Total** |
|---|---|---|---|
| Management and outside directors | $ - | $ - | $ - |
| Seabord Services Corp. | 90,000 | - | 90,000 |
| | $ 90,000 | $ - | $ 90,000 |

| **Nine months ended January 31, 2016** | Salary or Fees | Share-based Payments | **Total** |
|---|---|---|---|
| Management and outside directors | $ - | $ - | $ - |
| Seabord Services Corp. | 90,000 | - | 90,000 |
| | $ 90,000 | $ - | $ 90,000 |

Seabord is a management services company controlled by a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to the Company. The Chief Financial Officer and Corporate Secretary of the Company are employees of Seabord and are not paid directly by the Company.

Reservoir Minerals Inc. (“Minerals”) was a company with common directors. The Company provides consulting services in Serbia to Minerals. During the nine months ended January 31, 2017, the Company charged Minerals $Nil (2016 - $10,000) for the above services.

In August 2016, the Company entered into arrangements with related parties for aggregate proceeds of $470,000 with interest at the rate of 4% per annum. As at January 31, 2017, the Company owed $478,962, which included accrued interest expense of $8,962.

| Related party assets (liabilities) | Items or services | | January 31, 2017 | | April 30, 2016 |
|---|---|---|---|---|---|
| **Included in accounts payable and accrued liabilities** | | | | | |
| Seabord Services Corp. | Administrative services and expense reimbursements | $ | (198,943) | $ | (102,000) |
| **Included in promissory notes** | | | | | |
| Chairman | | $ | (428,009) | $ | (130,000) |
| Seabord Services Corp. | | $ | (50,953) | $ | - |

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING JUDGMENTS

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities and disclosure of contingent assets or liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- recorded costs, less any provision for impairment, of energy permits and geothermal licenses, are not intended to reflect their present or future values. The Company undertakes a review of the carrying value of energy projects and related expenditures whenever events or changes in circumstances indicate that the carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. An impairment loss is recognized when the carrying value of these assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates based upon factors such as estimates of foreign exchange rates, energy prices, future capital requirements, production costs and decommissioning costs.

- the determination of the fair value of stock options or warrants using Black-Scholes option pricing models requires the input of highly subjective assumptions, including the expected price volatility and expected life of the option. Changes in the subjective input assumptions could significantly affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options and warrants.

- the Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

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

- the valuation of loans and receivables financial instruments requires a review for any objective evidence that would indicate the receivables are impaired individually and collectively. In undertaking this review, management of the Company is required to make significant estimates on recoverable amounts based upon factors such as, significant financial difficulty of the counterparty, default or delinquency in interest or principal payments, and probability that the borrower will enter bankruptcy or financial re-organization.

## NEW ACCOUNTING POLICIES

### Accounting Pronouncements Not Yet Effective

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The effective date for IFRS 9 is January 1, 2018. The Company is currently evaluating the impact that the final standard is expected to have on its consolidated financial statements.

## 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.

### 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.

### Financing Risks

In order to continue as a going concern and to meet its corporate objectives, which primarily comprise obtaining and developing its renewable energy projects, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be required to delay or postpone further development of its projects with the possible result of loss of such properties and ultimately, the Company may be unable to meet its obligations as they come due. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet. The Company's annual consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**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.

**Insurance and Uninsured Risks**

In the course of exploration, development and production of hydroelectric projects and geothermal projects, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability. Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

**Environmental Risks and Hazards**

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

**Foreign Country and Political Risk**

The hydroelectric projects and geothermal projects on which the Company is currently pursuing its exploration and development activities are all located in Serbia, Montenegro and Bosnia. As a result, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability, which may result in the impairment or loss of energy licenses or mineral concessions. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies. At this time there are no currency hedges in place. The Company does not have any sources of revenues.

**Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**OUTSTANDING SHARE DATA**

As of the date of this MD&A, the Company had 18,611,544 common shares issued and outstanding. There were also stock options to purchase 177,750 shares outstanding with expiry date of September 7, 2017. In addition, there were share purchase warrants to purchase 7,985,582 shares outstanding with expiry dates from July 9, 2019 to November 6, 2020.