

RESERVOIR CAPITAL CORP.

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)**

THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim consolidated financial statements of Reservoir Capital Corp. (the "Company") for the three and six months ended October 31, 2008 have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102, management advises that these interim consolidated financial statements have not been reviewed by the Company's external auditors.

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

	October 31, 2008	April 30, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 3,027,009	\$ 1,413,247
Receivables	60,690	69,293
Prepays	22,943	48,318
	<u>3,110,642</u>	<u>1,530,858</u>
Equipment (Note 4)	123,773	108,739
Mineral properties (Note 5)	469,870	469,870
Restricted cash	57,500	57,500
	<u>\$ 3,761,785</u>	<u>\$ 2,166,967</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 113,633	\$ 280,384
Shareholders' equity		
Share capital (Note 7)	8,180,449	4,936,226
Contributed surplus (Note 7)	755,539	747,498
Deficit	(5,287,836)	(3,797,141)
	<u>3,648,152</u>	<u>1,886,583</u>
	<u>\$ 3,761,785</u>	<u>\$ 2,166,967</u>

Nature of operations (Note 1)

On behalf of the Board:

Signed: "*Miles F. Thompson*" Director Signed: "*Michael D. Winn*" Director

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

RESERVOIR CAPITAL CORP.**CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT**

(Unaudited - Expressed in Canadian dollars)

THREE AND SIX MONTHS ENDED OCTOBER 31

	Three months ended October 31,		Six months ended October 31,	
	2008	2007	2008	2007
EXPLORATION EXPENDITURES (Note 6)	\$ 340,447	\$ 350,084	\$ 897,557	\$ 659,425
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative services and office	48,506	30,096	97,471	63,418
Amortization	136	186	283	387
Management fees	51,305	46,239	103,279	92,802
Professional fees	17,724	58,945	48,912	77,871
Shareholder communication and investor relations	12,289	6,488	24,580	18,780
Stock-based compensation (Note 7)	(4,094)	36,373	15,143	108,894
Transfer agent and filing fees	16,640	18,467	36,181	35,224
Travel	31,652	63,912	77,546	104,412
	174,158	260,706	403,395	501,788
Loss before other items	(514,605)	(610,790)	(1,300,952)	(1,161,213)
OTHER ITEMS				
Foreign exchange gain (loss)	35,607	(47,098)	36,494	(50,404)
Interest income	26,302	27,676	34,510	50,674
Project investigation expenses	(205,228)	(64,662)	(260,747)	(82,276)
	(143,319)	(84,084)	(189,743)	(82,006)
Loss and comprehensive loss for the period	(657,924)	(694,874)	(1,490,695)	(1,243,21)
Deficit, beginning of period	(4,629,912)	(1,665,278)	(3,797,141)	(1,116,933)
Deficit, end of period	(5,287,836)	(2,360,152)	(5,287,836)	(2,360,152)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.04)	\$ (0.08)	\$ (0.09)
Weighted average number of common shares outstanding	21,709,143	16,409,225	19,493,247	14,560,075

RESERVOIR CAPITAL CORP.

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(Unaudited - Expressed in Canadian dollars)

THREE AND SIX MONTHS ENDED OCTOBER 31

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

RESERVOIR CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31

	Three months ended October 31,		Six months ended October 31,	
	2008	2007	2008	2007
Cash flows from operating activities				
Loss for the period	\$ (657,924)	\$ (694,874)	\$ (1,490,695)	\$ (1,243,219)
Items not affecting cash:				
Amortization	6,702	6,512	12,964	10,165
Stock-based compensation	(4,094)	36,373	15,143	108,894
Changes in non-cash working capital items:				
Receivables	39,745	34,439	8,603	3,517
Prepays	(18,595)	-	25,375	-
Accounts payable and accrued liabilities	(23,318)	26,392	(166,751)	20,472
Net cash (used in) provided by operating activities	(657,484)	(591,158)	(1,595,361)	(1,100,171)
Cash flows from investing activities				
Purchase of equipment	(14,748)	(57,960)	(27,998)	(105,392)
Net cash (used in) provided by investing activities	(14,748)	(57,960)	(27,998)	(105,392)
Cash flows from financing activities				
Capital stock issued for cash, net of share issue costs	10,491	(9,020)	3,237,121	2,202,479
Net cash (used in) provided by financing activities	10,491	(9,020)	3,237,121	2,202,479
Increase (decrease) in cash and cash equivalents during the period	(661,741)	(658,138)	1,613,762	996,916
Cash and cash equivalents, beginning of period	3,688,750	3,368,440	1,413,247	1,713,386
Cash and cash equivalents, end of period	3,027,009	2,710,302	3,027,009	2,710,302

Supplemental disclosure with respect to cash flows (Note 9)

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

RESERVOIR CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

1. NATURE OF OPERATIONS

Reservoir Capital Corp. (“Reservoir” or the “Company”) was incorporated under the *Business Corporations Act* (Alberta) on March 23, 2006 and was continued into British Columbia, under the *Business Corporations Act* (British Columbia), on November 15, 2007.

The Company’s principal business activities are the acquisition, exploration and development of mineral properties and hydroelectric projects in the Republic of Serbia and the region. The Company is currently exploring for precious and base metals on mineral properties in Serbia, has submitted applications for run-of-river hydroelectric projects and is reviewing additional acquisition opportunities in both the mineral and renewable energy sectors. The Company’s continuing operations and the ability of the Company to meet its mineral property commitments are dependent upon the ability of the Company to raise additional equity, debt financing and seeking joint venture partners.

The Company’s mineral exploration and hydroelectric project activities are located in emerging nations and, consequently, may be subject to a higher level of risk compared to more developed countries. Operations, the status of mineral property rights and the recoverability of investments in emerging nations can be affected by changing economic, regulatory and political situations.

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

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation for the results for the interim periods presented. Operating results for the three and six months ended October 31, 2008 are not necessarily indicative of the results that may be expected for the year ending April 30, 2009. These interim consolidated financial statements follow the same accounting policies as the annual financial statements of the Company, except as noted below. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, for the year ended April 30, 2008.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

3. CHANGES IN ACCOUNTING POLICES

The Company has adopted the following CICA handbook guidelines for the Company's first quarter commencing May 1, 2008:

Going-concern

The CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The adoption did not have a material impact on the consolidated financial statements for any of the periods presented.

Capital disclosures

The CICA issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. This information is disclosed in Note 11.

Financial instruments

The CICA issued two new standards, Section 3862, "Financial Instruments - Disclosures", and Section 3863, "Financial Instruments - Presentation". These sections replace the existing Section 3861, "Financial Instruments - Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This information is disclosed in Note 10.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

4. EQUIPMENT

	October 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 10,108	\$ 1,750	\$ 8,358
Field equipment	150,450	35,035	115,415
	\$ 160,558	\$ 36,785	\$ 123,773

	April 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 3,041	\$ 1,085	\$ 1,956
Field equipment	129,519	22,736	106,783
	\$ 132,560	\$ 23,821	\$ 108,739

5. MINERAL PROPERTIES

Mineral properties – acquisition costs

	October 31, 2008	April 30, 2008
Brestovac	\$ 191,935	\$ 191,935
Lece	57,581	57,581
Deli Jovan	57,580	57,580
Plavkovo	38,387	38,387
Stara Planina	38,387	38,387
Rakita	86,000	86,000
	\$ 469,870	\$ 469,870

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

6. EXPLORATION EXPENDITURES

Exploration expenditures

During the three months ended October 31, 2008 and 2007, the Company incurred the following exploration expenditures on its mineral properties, which were expensed as incurred:

2008	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	\$ 6,307	\$ 3,576	\$ 4,384	\$ 3,536	\$ 6,939	\$ 14,256	\$ 8,438	\$ (8,656)	\$ 38,780
Assays	8,181	-	118	-	1,694	583	2,464	7,394	20,434
Drilling	-	-	1,172	60	-	2,235	113,005	-	116,472
Field costs	3,033	191	1,927	420	6,870	3,395	10,692	2,043	28,571
Salaries and consultants	20,836	5,446	9,699	5,449	31,824	4,605	30,160	7,557	115,576
Technical studies	6,960	-	-	-	-	-	-	7,722	14,682
Travel and related costs	1,462	745	745	745	745	-	745	745	5,932
	\$ 46,779	\$ 9,958	\$ 18,045	\$ 10,210	\$ 48,072	\$ 25,074	\$ 165,504	\$ 16,805	\$ 340,447

2007	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	\$ 16,307	\$ 7,632	\$ 5,571	\$ 7,471	\$ 9,944	\$ 1,639	\$ 2,059	\$ 4,647	\$ 55,270
Assays	9,866	4,972	645	24	10,432	251	24	1,188	27,402
Drilling	22,177	-	23,740	15,438	209	-	-	1,179	62,743
Field costs	5,379	1,359	2,426	6,399	3,656	2,221	1,353	3,226	26,019
Salaries and consultants	29,271	8,554	8,089	15,357	15,614	5,364	3,593	9,071	94,913
Property costs	275	331	-	276	-	-	-	-	882
Technical studies	43,578	-	-	4,597	-	713	-	12,742	61,630
Travel and related costs	3,541	2,848	2,848	2,848	3,539	-	1,586	4,015	21,225
	\$ 130,394	\$ 25,696	\$ 43,319	\$ 52,410	\$ 43,394	\$ 10,188	\$ 8,615	\$ 36,068	\$ 350,084

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

6. EXPLORATION EXPENDITURES (cont'd...)

During the six months ended October 31, 2008 and 2007, the Company incurred the following exploration expenditures on its mineral properties, which were expensed as incurred:

2008	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	\$ 28,935	\$ 18,614	\$ 17,160	\$ 13,614	\$ 18,592	\$ 36,619	\$ 21,841	\$ 20,664	\$ 176,039
Assays	49,965	-	264	-	1,694	2,216	3,231	10,681	68,051
Drilling	130,366	-	5,060	11,115	-	2,235	113,005	-	261,781
Field costs	12,191	3,913	9,071	615	10,266	3,395	10,887	4,701	55,039
Salaries and consultants	55,138	23,080	26,327	14,811	49,558	8,074	47,722	29,530	254,240
Technical studies	15,633	-	-	-	559	-	38,717	11,148	66,057
Travel and related costs	3,868	1,973	1,973	2,080	2,510	-	1,973	1,973	16,350
	\$ 296,096	\$ 47,580	\$ 59,855	\$ 42,235	\$ 83,179	\$ 52,539	\$ 237,376	\$ 78,697	\$ 897,557

2007	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	\$ 25,798	\$ 16,379	\$ 10,310	\$ 12,198	\$ 14,786	\$ 1,639	\$ 2,059	\$ 9,319	\$ 92,488
Assays	14,099	8,111	644	24	11,127	251	25	1,528	35,809
Drilling	126,097	23,628	23,739	15,438	11,604	-	-	1,179	201,685
Field costs	11,803	5,452	3,116	7,459	7,401	2,221	1,353	8,055	46,860
Salaries and consultants	57,325	27,094	13,352	23,988	26,421	5,364	3,593	15,676	172,813
Property costs	485	540	477	485	-	-	-	3,250	5,237
Technical studies	43,578	-	-	8,327	-	713	-	24,120	76,738
Travel and related costs	5,421	4,020	4,020	4,020	4,711	-	1,586	4,017	25,795
	\$ 284,606	\$ 85,224	\$ 55,658	\$ 71,939	\$ 76,050	\$ 10,188	\$ 8,616	\$ 67,144	\$ 659,425

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

7. SHARE CAPITAL

	Number of Shares	Stated Amount	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Unlimited preferred shares, issuable in series			
Issued and outstanding common shares			
Balance as at April 30, 2007	13,450,000	\$ 2,738,034	\$ 421,830
Private placement	2,700,000	2,160,000	-
Shares issued on purchase of royalty (Note 7)	100,000	86,000	-
Shares issued on exercise of stock options	50,000	25,000	-
Shares issued on exercise of warrants	123,500	31,851	-
Stock based compensation	-	-	233,751
Reclassify initial fair value of stock options exercised from contributed surplus	-	17,334	(17,334)
Reclassify initial fair value of warrants exercised from contributed surplus	-	5,648	(5,648)
Share issue costs	-	(12,742)	-
Share issue costs – finder's warrants	-	(114,899)	114,899
Balance as at April 30, 2008	16,423,500	4,936,226	747,498
Private placement	5,000,000	3,250,000	-
Private placement – finder's fee	240,000	156,000	-
Reclassify initial fair value of warrants exercised from contributed surplus	-	7,102	(7,102)
Stock based compensation	-	-	15,143
Share issue costs	-	(23,529)	-
Share issue costs – finder's fees	-	(156,000)	-
Shares issued on exercise of warrants	106,500	10,650	-
Balance as at October 31, 2008	21,770,000	\$ 8,180,449	\$ 755,539

Private Placement

In July 2008, the Company closed a private placement and issued 5,000,000 units at a price of \$0.65 per unit for gross proceeds of \$3,250,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder thereof to acquire an additional common share at a price of \$1.00 per share for a period of two years from the closing of the private placement. In connection with this private placement, the Company issued 240,000 units, with an estimated fair value of \$156,000, with the same terms as described above to certain arms-length parties as a finder's fee.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

7. SHARE CAPITAL (cont'd...)

Escrowed Shares

At October 31, 2008, a total of 1,813,500 of the Company's issued common shares were held in escrow. These escrowed shares will be released evenly every six months to February 2, 2010.

Stock Options

The Company has adopted a stock option plan pursuant to the policies of the TSX-V. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined by the Company's Board of Directors at the time of the grant.

The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2007	1,080,000	\$ 0.50
Granted	585,000	0.82
Exercised	(50,000)	0.50
Balance as at April 30, 2008	1,615,000	0.62
Granted	15,000	0.20
Cancelled	(20,000)	0.85
Balance as at October 31, 2008	1,610,000	\$ 0.61

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

7. SHARE CAPITAL (cont'd...)

Stock Options (cont'd...)

The following table summarizes the stock options outstanding and exercisable at July 31, 2008, with a weighted average life of 3.17 years:

Date Granted	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
February 2, 2007	1,030,000	\$ 0.50	1,030,000	February 2, 2012
May 7, 2007	140,000	0.85	140,000	May 7, 2012
May 14, 2007	75,000	0.85	50,000	May 14, 2012
September 20, 2007	160,000	0.85	160,000	September 20, 2012
February 11, 2008	190,000	0.77	95,000	February 11, 2013
October 29, 2013	15,000	0.20	15,000	October 29, 2013
Total	1,610,000	\$ 0.61	1,490,000	

Warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at April 30, 2007	4,200,000	\$ 0.72
Issued	1,566,000	1.06
Exercised	(123,500)	0.28
Balance as at April 30, 2008	5,642,500	0.89
Issued	5,240,000	1.00
Exercised	(106,500)	0.10
Balance as at October 31, 2008	10,776,000	\$ 0.95

Share purchase warrants outstanding as at October 31, 2008 are as follows:

Expiry date	Exercise Price	Number of Warrants
February 2, 2009	0.85	3,970,000
June 15, 2009	0.80	216,000
June 15, 2009	1.10	1,350,000
July 16, 2010	1.00	5,240,000
Total	\$ 0.95	10,776,000

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

8. SEGMENTED INFORMATION

At October 31, 2008, the Company operates in a two reportable operating segments, being exploration and development of mineral properties and renewable energy.

Summarized financial information for the geographic and operating segments the Company operates in are as follows for the six months ended October 31, 2008 and 2007:

October 31, 2008	Canada	Serbia	Total
Cash and other assets	\$ 2,935,345	\$ 232,797	\$ 3,168,142
Equipment	1,673	122,100	123,773
Mineral properties	-	469,870	469,870
Total assets	\$2,937,018	\$ 824,767	\$ 3,761,785

October 31, 2008	Mineral Properties	Renewable Energy	General and Administrative	Total
Loss for the period	\$ 897,557	\$ 260,747	\$ 332,391	\$ 1,490,695

April 30, 2008	Canada	Serbia	Total
Cash and other assets	\$ 1,327,749	\$ 260,609	\$ 1,588,358
Equipment	1,956	106,783	108,739
Mineral properties	-	469,870	469,870
Total assets	\$1,329,705	\$ 837,262	\$ 2,166,967

October 31, 2007	Mineral Properties	Renewable Energy	General and Administrative	Total
Loss for the period	\$ 659,425	\$ 82,276	\$ 501,518	\$ 1,243,219

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

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended October 31, 2008, the Company issued 240,000 units as a finder's fee with an estimated fair value of \$156,000 which was included in share issue costs.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

10. FINANCIAL RISK MANAGEMENT

At October 31, 2008, the Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities. The fair value of the Company's financial instruments at October 31, 2008 approximate their carrying value due to their short-term maturity.

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

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Serbia and a portion of the Company's expenses are incurred in Serbian Dinars. A significant change in the currency exchange rates between the Canadian dollar relative to the Serbian Dinar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At October 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Serbian Dinars.

	Serbian Dinars
Cash and cash equivalents	11,371,262
Receivables	1,070,337
Accounts payable and accrued liabilities	(3,265,097)
Net exposure	9,176,502
<hr/>	
Canadian dollar equivalent	\$168,812

Based on the above net exposure as at October 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Serbian Dinar would result in an increase/decrease of approximately \$16,881 in the Company's pre-tax earnings (loss).

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and restricted cash. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents that are invested in asset based commercial paper.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long-term requirements.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
THREE AND SIX MONTHS ENDED OCTOBER 31, 2008

10. FINANCIAL RISK MANAGEMENT (con't...)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest-bearing accounts and highly liquid short-term interest bearing investments; management considers the interest rate risk to be limited.

11. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and acquire hydroelectric projects. In the management of capital, the Company includes the components of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, option its mineral properties for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. The Company expects its current capital resources will be sufficient to carry its exploration programs and hydroelectric project activities, and operating costs through its current operating period.