

RESERVOIR CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

THREE MONTHS ENDED JULY 31, 2009
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim consolidated financial statements of Reservoir Capital Corp. (the "Company") for the three months ended July 31, 2009 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
(Expressed in Canadian dollars)
(Unaudited)

	July 31, 2009	April 30, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 1,062,061	\$ 1,773,444
Short-term investment (Note 4)	88,952	98,625
Receivables	34,485	10,886
Prepays	13,662	16,173
	<u>1,199,160</u>	<u>1,899,128</u>
Equipment (Note 5)	101,618	107,338
Energy licenses (Note 6)	239,143	239,143
Mineral properties (Note 7)	469,870	469,870
Restricted cash	57,500	57,500
	<u>\$ 2,067,291</u>	<u>\$ 2,772,979</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 139,777	\$ 118,032
Shareholders' equity		
Share capital (Note 8)	8,180,449	8,180,449
Contributed surplus (Note 8)	811,736	773,320
Deficit	(7,064,671)	(6,298,822)
	<u>1,927,514</u>	<u>2,654,947</u>
	<u>\$ 2,067,291</u>	<u>\$ 2,772,979</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

On behalf of the Board:

Signed: "Miles F. Thompson" Director

Signed: "Dale C. Peniuk" Director

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

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

(Expressed in Canadian dollars)

THREE MONTHS ENDED JULY 31

(Unaudited)

	2009	2008
OPERATIONS EXPENDITURES		
Brodarevo 1 and 2 hydro power projects (Note 6)	\$ 237,567	\$ -
Mineral property exploration (Note 7)	54,173	557,110
Renewable energy project development	216,921	55,519
	<u>508,661</u>	<u>612,629</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative services and office	63,492	49,112
Management fees	60,438	51,974
Professional fees	15,272	31,188
Shareholder communication and investor relations	8,628	12,291
Stock-based compensation (Note 8)	38,416	19,237
Transfer agent and filing fees	28,492	19,541
Travel	34,351	45,894
	<u>249,089</u>	<u>229,237</u>
Loss before other items	<u>(757,750)</u>	<u>(841,866)</u>
OTHER ITEMS		
Foreign exchange gain (loss)	(12,246)	887
Interest income	4,147	8,208
	<u>(8,099)</u>	<u>9,095</u>
Loss and comprehensive loss for the period	<u>(765,849)</u>	<u>(832,771)</u>
Deficit, beginning of period	<u>(6,298,822)</u>	<u>(3,797,141)</u>
Deficit, end of period	<u>\$ (7,064,671)</u>	<u>\$ (4,629,912)</u>
Basic and diluted loss per common share	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares outstanding	<u>21,770,000</u>	<u>17,287,236</u>

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

RESERVOIR CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
THREE MONTHS ENDED JULY 31
(Unaudited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (765,849)	\$ (832,771)
Items not affecting cash:		
Amortization	5,720	6,262
Stock-based compensation	38,416	19,237
Unrealized foreign exchange loss on short-term investment	9,673	-
Changes in non-cash working capital items:		
Receivables	(23,599)	(31,142)
Prepays	2,511	43,970
Accounts payable and accrued liabilities	21,745	(143,433)
Net cash used in operating activities	(711,383)	(937,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment	-	(13,250)
Net cash used in investing activities	-	(13,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued for cash, net of share issue costs	-	3,226,630
Net cash provided by financing activities	-	3,226,630
Change in cash and cash equivalents during the period	(711,383)	2,275,503
Cash and cash equivalents, beginning of period	1,773,444	1,413,247
Cash and cash equivalents, end of period	\$ 1,062,061	\$ 3,688,750
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 11)

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

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
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1. NATURE AND CONTINUANCE 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 and development of hydroelectric projects and the acquisition, exploration and development of mineral properties in the Republic of Serbia and southeast Europe. The Company is currently exploring for precious and base metals on mineral properties in Serbia, has two energy licenses 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, renewable energy and other commitments are dependent upon the ability of the Company to raise additional equity or debt financing and seeking joint venture partners.

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

The Company is in the process of developing its hydroelectric projects held for the generation of commercial production of electricity and has not yet determined the economic viability of its projects. The recoverability of the Company’s investment in its hydroelectric projects is dependent upon the existence of one or more economic projects, the Company’s ability to obtain the necessary financing to complete development and to secure and maintain the appropriate permits, rights and beneficial interest in the projects, and upon future profitable operations or proceeds from the sale of the projects.

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

The ultimate outcome of these matters cannot presently be determined.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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 complete 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 of the results for the interim period. Operating results for the three months ended July 31, 2009 are not necessarily indicative of the results that may be

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2. BASIS OF PRESENTATION (cont'd)

expected for the year ending April 30, 2010. These interim consolidated financial statements follow the same accounting policies as set out in Note 2 to the audited consolidated financial statements of the Company for the year ended April 30, 2009, except that the Company has adopted the following CICA standards effective for the Company's first quarter commencing May 1, 2009:

Goodwill and intangible assets

Effective May 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. Adoption of this new accounting standard did not affect the Company's consolidated financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations and Related Sections

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

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3. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd)

International Financial Reporting Standards ("IFRS")

In 2006, the CICA 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. In the Company's case, the transition date of May 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.

4. SHORT-TERM INVESTMENT

The Company's short-term investment consists of a US dollar, 2.5% bank discount note, due October 12, 2009. The face value of the note at July 31, 2009 is US\$81,869 (April 30, 2009 - US\$81,474).

5. EQUIPMENT

	July 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 10,108	\$ 3,119	\$ 6,989
Field equipment	145,673	51,044	94,629
	\$ 155,781	\$ 54,163	\$ 101,618

	April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 10,108	\$ 2,692	\$ 7,416
Field equipment	145,673	45,751	99,922
	\$ 155,781	\$ 48,443	\$ 107,338

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5. EQUIPMENT (cont'd)

During the quarter ended July 31, 2009, amortization of \$5,615 (2008 - \$6,115) has been included in exploration expenditures and amortization of \$105 (2008 - \$147) has been included in administrative services and office expenses.

6. ENERGY LICENSES

Renewable Energy – License Acquisition Costs

	July 31, 2009		April 30, 2009	
Brodarevo 1	\$	122,435	\$	122,435
Brodarevo 2		116,708		116,708
	\$	239,143	\$	239,143

In February 2009, the Company, through its wholly owned subsidiary Renewable Energy Ventures d.o.o., was awarded the Brodarevo 1 and Brodarevo 2 energy licenses, to develop run-of-river hydroelectric projects with a combined 48 megawatts of power generating capacity on the River Lim in Southwest Serbia. The acquisition costs consist of the cash consideration paid for legal, government taxes and project consultant expenses directly related to the acquisition. The licenses are for a period of two years with a one year extension of the license available at the end of the two year initial license period.

Brodarevo 1 and 2 Project Expenditures

During the quarter ended July 31, 2009, the Company incurred the following expenditures on its Brodarevo energy licenses, which were expensed as incurred:

	Brodarevo 1	Brodarevo 2	Total
Administration	\$ 33,863	\$ 33,819	\$ 67,682
Pre-feasibility studies	40,514	40,514	81,028
Field costs	3,254	3,245	6,499
Salaries and consultants	33,444	33,444	66,889
Technical studies	976	-	976
Travel and related costs	7,247	7,247	14,493
	\$ 119,298	\$ 118,269	\$ 237,567

To July 31, 2008, there were no comparative expenditures on the Brodarevo 1 and Brodarevo 2 licenses as they were acquired during February 2009.

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7. MINERAL PROPERTIES

Mineral properties – acquisition costs

	July 31, 2009	April 30, 2009
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

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

During the quarter ended July 31, 2009, there were no changes to the work programs approved and permit expiry dates from that disclosed in the notes to the financial statements for the year ended April 30, 2009.

Exploration Expenditures

During the quarter ended July 31, 2009 and 2008, the Company incurred the following exploration expenditures on its mineral properties, which were expensed as incurred:

2009	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbia	Total
Administration	\$ 2,091	\$ 1,455	\$ 2,977	\$ 2,078	\$ 1,247	\$ 9,267	\$ 1,537	\$ 4,055	\$ 24,707
Assays	9,436	245	-	245	-	-	244	244	10,414
Field costs	31	-	456	-	-	490	100	237	1,314
Salaries and consultants	999	993	2,533	1,568	1,600	-	2,137	7,909	17,739
	\$ 12,556	\$ 2,693	\$ 5,966	\$ 3,891	\$ 2,847	\$ 9,757	\$ 4,018	\$ 12,446	\$ 54,173

Included in the Regional Serbia expenditures are \$2,531 (2008 - \$35,918) incurred on the Bobija mineral property and \$4,290 (2008 - \$nil) incurred on the Jasikovo mineral property during the quarter ended July 31, 2009.

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7. MINERAL PROPERTIES (cont'd)

2008	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	\$ 22,628	\$ 15,039	\$ 12,776	\$ 10,077	\$ 11,653	\$ 2,363	\$ 13,403	\$ 15,320	\$ 103,259
Assays	41,784	-	146	-	-	1,634	766	3,287	47,617
Drilling	130,366	-	3,888	11,056	-	-	-	-	145,310
Field costs	9,158	3,721	7,144	195	3,396	-	195	2,658	26,468
Salaries and consultants	34,302	17,634	16,628	9,361	17,734	23,468	17,563	35,973	172,663
Technical Studies	8,673	-	-	-	559	-	38,717	3,426	51,375
Travel and related costs	2,406	1,228	1,228	1,335	1,765	-	1,228	1,228	10,418
	\$ 249,317	\$ 37,622	\$ 41,810	\$ 32,024	\$ 35,107	\$ 27,465	\$ 71,872	\$ 61,892	\$ 557,110

8. SHARE CAPITAL

Authorized:

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

	Number of Shares	Stated Amount	Contributed Surplus
Issued and outstanding common shares:			
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 fees	240,000	156,000	-
Shares issued on exercise of warrants	106,500	10,650	-
Stock based compensation	-	-	32,924
Reclassify initial fair value of warrants exercised from contributed surplus	-	7,102	(7,102)
Share issue costs	-	(23,529)	-
Share issue costs – finder's fees	-	(156,000)	-
Balance as at April 30, 2009	21,770,000	8,180,449	773,320
Stock based compensation	-	-	38,416
Balance as at July 31, 2009	21,770,000	\$ 8,180,449	\$ 811,736

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8. SHARE CAPITAL (cont'd)

Private Placements

Subsequent to July 31, 2009, the Company completed a \$5,000,000 private placement and issued 8,333,333 units at a price of \$0.60 per unit (note 14).

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.

Escrowed Shares

At July 31, 2009, a total of 1,209,000 of the Company's issued common shares were held in escrow. On August 2, 2009, 604,500 common shares were released from escrow. The remaining 604,500 will be released on February 2, 2010.

Stock Options

The Company has adopted a stock option plan pursuant to the policies of the TSX Venture Exchange ("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, 2009	1,685,000	\$ 0.60
Granted	80,000	0.68
Balance as at July 31, 2009	1,765,000	\$ 0.60

The following table summarizes the stock options outstanding and exercisable at July 31, 2009, with a weighted average life of 2.82 years:

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8. SHARE CAPITAL (cont'd)

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	190,000	February 11, 2013
October 29, 2008	15,000	0.20	15,000	October 29, 2013
March 30, 2009	75,000	0.35	37,500	March 30, 2014
May 26, 2009	80,000	0.68	80,000	May 26, 2014
Total	1,765,000		1,727,500	

Warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at April 30, 2009	6,806,000	\$ 1.01
Expired	(1,566,000)	1.06
Balance as at July 31, 2009	5,240,000	\$ 1.00

Share purchase warrants outstanding as at July 31, 2009 are as follows:

Expiry date	Exercise Price	Number of Warrants
July 16, 2010	\$ 1.00	5,240,000

Stock-based Compensation and Contributed Surplus

During the three months ended July 31, 2009, the Company granted 80,000 stock options to an officer and consultant of the Company, all of which vested immediately. Using the fair value method for stock-based compensation, the Company recorded a charge to operations of \$38,416 for stock options granted. During the three months ended July 31, 2008, the Company recorded a charge to operations of \$19,237 for previously granted stock options that vested during that quarter. These amounts were determined using the Black-Scholes option pricing model using the following assumptions:

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8. SHARE CAPITAL (cont'd)

Weighted average:	2009	2008
Risk free interest rate	2.42%	4.06%
Expected dividend yield	0%	0%
Expected stock price volatility	90%	68%
Expected life of options in years	5	5

9. RELATED PARTY TRANSACTIONS

During the three months ended July 31, 2009, the Company:

- Paid or accrued \$46,900 (2008 - \$nil) to a management company controlled by a director, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. At July 31, 2009, the Company had deposits for future management and administrative services amounting to \$10,000.
- Paid \$4,930 (2008 - \$nil) for consulting services to a company related by having a 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.

10. SEGMENTED INFORMATION

At July 31, 2009 and 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:

July 31, 2009	Canada	Serbia	Total
Cash and other assets	\$ 962,065	\$ 294,595	\$ 1,256,660
Equipment	1,326	100,292	101,618
Energy licenses	-	239,143	239,143
Mineral properties	-	469,870	469,870
Total assets	\$963,391	\$ 1,103,900	\$ 2,067,291

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10. SEGMENTED INFORMATION (cont'd)

July 31, 2009	Mineral Properties	Renewable Energy	General and Administrative	Total
Loss for the period	\$ 54,173	\$ 454,488	\$257,188	\$ 765,849

April 30, 2009	Canada	Serbia	Total
Cash and other assets	\$ 1,716,958	\$ 239,670	\$ 1,956,628
Equipment	1,431	105,907	107,338
Mineral properties	-	469,870	469,870
Energy License	-	239,143	239,143
Total assets	\$ 1,718,389	\$ 1,054,590	\$ 2,772,979

July 31, 2008	Mineral Properties	Renewable Energy	General and Administrative	Total
Loss for the period	\$ 557,110	\$ 55,519	\$220,142	\$ 832,771

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the three months ended July 31, 2008, the Company issued 216,000 units as a finder's fee with an estimated fair value of \$156,000 which was included in share issue costs.

12. FINANCIAL RISK MANAGEMENT

At July 31, 2009, the Company's financial instruments are comprised of cash and cash equivalents, short-term investments, receivables, restricted cash, accounts payable and accrued liabilities. The fair value of the Company's financial instruments at July 31, 2009 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.

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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.

12. FINANCIAL RISK MANAGEMENT (cont'd)

At July 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in Serbian Dinars.

	Serbian Dinars
Cash and cash equivalents	15,752,551
Receivables	1,879,595
Accounts payable and accrued liabilities	(4,360,875)
Net exposure	13,271,271
Canadian dollar equivalent	\$221,734

Based on the above net exposure as at July 31, 2009, 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 \$22,173 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 backed 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. Assuming the \$5 million financing referred to in note 15 closes, the Company believes that these sources will be sufficient to cover the likely requirements for the next fiscal year. However, there can be no assurance that this financing will close. Should the announced financing not close, management will pursue alternative debt or equity financing and/or pursue option, joint venture or sale of interests in certain assets to allow the Company to meet its obligations in the normal course of business. There can be no assurances that additional financing will be raised and, in the event the Company is required to option, joint venture or sell an asset or assets, there can be no assurance that the price obtained will support the amounts reflected in these financial statements.

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.

13. 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 hydroelectric projects and acquire additional mineral properties and hydroelectric projects. In the management of capital, the Company currently includes assets and 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 or joint-venture its mineral properties or hydroelectric projects 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 out its exploration programs, hydroelectric project activities and operating costs through its current operating period.

14. SUBSEQUENT EVENT

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