

**RESERVOIR CAPITAL CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
THREE MONTHS ENDED JULY 31, 2009**

GENERAL

This management's discussion and analysis of financial position and results of operations is prepared as at September 23, 2009, and should be read in conjunction with the unaudited interim consolidated financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the three months ended July 31, 2009 and the related notes thereto. Those interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers may want to refer to the Company's April 30, 2009 annual consolidated financial statements and accompanying notes. All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are expressed in Canadian dollars except where otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or on the Company's website at www.reservoircapitalcorp.com.

COMPANY OVERVIEW

Reservoir 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 activity is the acquisition and development of hydroelectric projects in the Republic of Serbia and southeast Europe. The Company has two energy licenses for run-of-river hydroelectric projects in Serbia, has applied for a third license, and is reviewing additional renewable energy opportunities in the region.

Reservoir also holds a portfolio of highly prospective mineral properties in Serbia, targeting base and precious metals. Given the Company's efforts are now focused on its hydroelectric development projects and renewable energy, partners are being sought for some or all of the mineral exploration projects.

Reservoir is a reporting issuer in British Columbia, Alberta and Ontario, and trades on the TSX Venture Exchange as a Tier 2 issuer under the symbol REO and on the Berlin and Frankfurt Exchanges under the symbol ROC.

COMPANY HIGHLIGHTS

Highlights since May 1, 2009 included:

- Energoprojekt Hydroinzenjering Co. Ltd. contracted to prepare Pre-Feasibility studies on the Company's Brodarevo 1 and Brodarevo 2 hydropower projects.
- Completion of preliminary technical studies and applications for the Vrutci hydropower project ("HPP").
- Business development work initiated in the Serbian Republic of Bosnia ("Republika Srpska") and Montenegro.
- Completion of a non-brokered private placement financing of \$5,000,000 by the issuance of 8,333,333 units at \$0.60 per unit.

OUTLOOK

Looking ahead, the Company is expected to advance its Brodarevo 1 and 2 projects, working to increase their scope and if warranted, proceed into construction and production. Recognizing how important support from local governments, authorities, and communities, the Company continues to pursue partnerships with these stakeholders to provide a strong working relationship towards the success of these projects. Renewable energy, particularly from hydroelectric sources, will be the focus of the Company's efforts as the company's mineral exploration portfolio is gradually reduced through possible joint ventures and sales.

RENEWABLE ENERGY OVERVIEW

During the three-month period ended July 31, 2009 (the "Period"), the Company's focus has been on initiating the Brodarevo 1 and Brodarevo 2 hydropower projects ("the Brodarevo HPP") Pre-Feasibility Studies. Belgrade-based Energoprojekt Hydroinzenjering Co. Ltd. ("EHC") was contracted during the period to complete the study, which is projected to be completed in the first quarter of 2010 and will include an analysis to increase the size of the project from the currently proposed 48 MegaWatt ("MW") capacity, to 75 MW and possibly 100MW. Reservoir's geological teams are also providing geotechnical support to EHC, with geological mapping, remote sensing, and topographic and geotechnical studies that are part of the evaluation process for the dam sites. EHC's work is currently on budget and on schedule.

During the Period, the Company also began technical studies and the preparation of documentation for additional license applications as well as initiated discussions with the Serbian State-owned utility Elektro Privreda Srbije ("EPS") about joint venture opportunities. The first of these new business efforts to come to fruition has been the Vrutci HPP. Subsequent to the end of the Period, the Company has submitted an application to the Serbian Ministry of Mining and Energy for the Vrutci HPP, on the Djetinja River in the municipality of Uzice in southwest Serbia. Assuming it is granted, the Vrutci Energy License will give the Company the exclusive right to work in conjunction with the local municipality to develop a project converting an existing water supply reservoir into a hydroelectric power plant.

The existing Vrutci dam and reservoir were constructed in 1984 on the Djetinja River to provide a water supply and flood protection for the municipalities of Uzice and Sevojno. The dam is a double-curvature arch, 77 meters high, 241 meters long and contains approximately 54 million cubic meters of water. The proposed Vrutci HPP will have an installed capacity of 32 MW and estimated initial production of 45 gigawatt hours annually.

Reservoir continues to review hydro opportunities in Serbia. The Company has also started looking more seriously at opportunities in the Republika Srpska and in Montenegro. Subsequent to the end of the Period, the Company opened a branch office in the Republika Srpska to target projects on the Drina, Lim and Neretva Rivers.

EXPLORATION OVERVIEW

During the Period, the Company maintained a low-level exploration effort on its property portfolio. The Company continues to seek joint venture partners for some, or all, of its exploration portfolio to support exploration programs and leverage the investment to date.

RESULTS OF OPERATIONS

The Company recorded a loss of \$765,849 for the three months ended July 31, 2009 (2008 - \$832,771).

Operations expenditures of \$508,661 were \$103,968 less during the three months ended July 31, 2009 than during the comparative three months of 2008:

- Expenditures of \$237,567 (2008 - \$nil) on the Brodarevo 1 and 2 projects support the Company's focus on its renewable energy operations. There were no direct expenditures during 2008 for Brodarevo 1 and 2, as the licenses were not granted until February 2009.
- Mineral property exploration expenditures were dramatically reduced during the current quarter, from \$557,110 in first quarter of 2008 to \$54,173 during the first quarter of 2009. The focus of the Company's efforts has changed to the renewable energy sector, and it is anticipated the Company's mineral exploration portfolio will gradually be reduced through possible joint ventures and sales.
- Renewable energy project development costs were \$216,920 (2008 - \$55,519) and were incurred for evaluation of new energy opportunities. The principal focus during the period was on the Vrutci project.

General and administrative expenditures for the period were \$249,089 compared to \$229,237 in the prior comparative period. The increase of \$19,852 can be attributed mainly to:

- An increase in stock-based compensation of \$19,179 due the increase in the number of stock options that were granted during the current period.
- An increase in transfer agent and filing fees of \$8,951 was due to a larger amount being paid to the TSX Venture Exchange for filing fees on the private placement undertaken during the quarter.
- A decrease of professional fees of \$15,915 from the prior comparative period occurred because of international tax advice that was received in 2008 regarding the Company's Serbian operations.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2009, the Company had working capital of \$1,059,383 compared to \$1,781,096 as at April 30, 2009. The decrease in working capital of \$721,713 is attributed to operating activities during the quarter.

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. The Company has not invested in any asset backed securities.

Subsequent to quarter end, the Company closed a \$5,000,000 non-brokered private placement by the issuance of 8,333,333 units at \$0.60 per unit. With the closing of the financing, management believes that its financial resources will be sufficient to cover the likely requirements for the next twelve months.

QUARTERLY INFORMATION

Quarter Ended	July 31, 2009	April 30, 2009	January 31, 2009	October 31, 2008
Operations expenditures	\$ 508,661	\$ 266,300	\$ 297,765	\$ 545,675
Stock-based compensation	38,416	12,763	5,018	(4,094)
Loss for the period	(765,849)	(506,668)	(504,318)	(657,924)
Basic and diluted loss per share	(0.04)	(0.02)	(0.02)	(0.03)

Quarter Ended	July 31, 2008	April 30, 2008	January 31, 2008	October 31, 2007
Operations expenditures	\$ 612,629	\$ 582,160	\$ 480,935	\$ 414,746
Stock-based compensation	19,237	114,111	10,746	36,373
Loss for the period	(832,771)	(821,919)	(615,070)	(694,874)
Basic and diluted loss per share	(0.05)	(0.05)	(0.04)	(0.04)

The loss for the quarters varies primarily based on 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 three months ended July 31, 2009, the Company:

- Paid or accrued \$46,900 (2008 - \$nil) to Seabord Services Corp. (“Seabord”), 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.

MANAGEMENT COMPENSATION

During the three months ended July 31, 2009, Reservoir paid \$42,000 in salary to the President and CEO, Miljana Vodovic and \$17,863 in salary to the Chairman of the Company, Miles Thompson. Christina Cepeliauskas, the Chief Financial Officer and Kim Casswell, the Corporate Secretary are employees of Seabord and received no direct management compensation from Reservoir.

CHANGES IN ACCOUNTING POLICIES

Adopted

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.

To be adopted

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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 Handbook 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. CICA Handbook Section 1582 revises 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.

CICA Handbook Section 1601 revises standards for the preparation of consolidated financial statements.

CICA Handbook 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).

CICA Handbook Section 1601 and Section 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.

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 confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Company, the changeover to IFRS will be required for interim and annual financial statements beginning on May 1, 2011. As a result, the Company will continue to develop a plan to convert its consolidated financial statements to IFRS. The Company has completed a scoping study which identifies the mandatory and optional exemptions from retrospective application of IFRS accounting policies and provides a comparison of the Company's current accounting policies with those prescribed under IFRS. The Company will provide training to key employees and will be monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

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.

Hydroelectric Project Risks

The ability of the Company to become a viable provider of renewable and clean power is dependant upon a number of factors and includes, but is not limited to, the following: successful completion of hydrological studies to confirm that water flows are sufficient to generate enough electricity to provide a suitable return on investment, environmental and other permits to build and operate the projects, the successful negotiation of a long term contract with a purchaser of electricity, the ability to obtain sufficient equity and long term financing to construct the projects, community and stakeholder support, the ability to connect the projects to a transmission system and successful construction and operation of the generation facilities and related transmission lines. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

Mineral Property Exploration and Mining Risks

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

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

Serbia is in the process of rewriting its Mining Code, along with many other laws, to European Union standards as part of its efforts to eventually join the European Union. Elements of the new Mining Code and related regulations are already in place and are working. However, there is the risk that these changes may have unforeseen impact on the Company's Serbian business interests.

Financing Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain such financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible result of loss of such properties.

Insurance and Uninsured Risks

In the course of exploration, development and production of hydroelectric 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 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.

OUTSTANDING SHARE DATA

As at September 23, 2009, the Company had 30,597,874 common shares issued and outstanding. There were also 1,765,000 stock options outstanding with expiry dates ranging from February 2, 2012 to May 26, 2014. In addition, there were 8,834,374 warrants outstanding with expiry dates ranging from September 4, 2011 to September 14, 2012.

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 Venture Exchange 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.

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.