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2010 ANNUAL REPORT
YEAR ENDED APRIL 30, 2010



FOCUSED ON RENEWABLE ENERGY
TSX-V:REO



To Our Shareholders,

On behalf of the Board of Directors of Reservoir Capital Corp. (“Reservoir” or “the Company”), I am pleased to present this report of our activities and achievements in 2009, our plans for 2010 and onward.

The Company has made strong progress since we moved our focus to renewable energy development. Over the past year we’ve completed positive Pre-Feasibility Studies on our two Brodarevo hydroelectric projects in Serbia and are now engaged in negotiating Power Purchase Agreements, permitting, project financing and feasibility work for construction. We also have a third hydroelectric project at Vrutci under application and have added four geothermal exploration licenses in Serbia. Looking forward, we have opened subsidiaries in Bosnia and Montenegro where we’re working with governments, local companies and funding our own studies for new hydroelectric and geothermal projects, as we continue to seek opportunities throughout the region.

Although mineral exploration is no longer our primary business, we’ve been encouraged by the renewed interest in our portfolio. We are particularly proud to have embarked on a new joint venture with Freeport-McMoRan Exploration Corporation (“Freeport”) to explore for copper and gold in the Timok District, where we have secured highly prospective brown-fields ground along strike of the Bor Copper Mines in northeast Serbia. We expect to be able to complete further joint ventures in the coming months as we work towards spinning out the mineral portfolio in order to build it as a separate business.

Recognizing how important support is from local governments, authorities, communities, people and environments, we continue to pursue strong, respectful relationships with these stakeholders. We maintain a predominantly local management team wherever we work and give priority to local contractors. During the year, we opened new offices in Prijepolje and Brodarevo to support our hydroelectric projects and better integrate ourselves into the local communities. We’ve also opened an office across the border in Foca to establish our presence in Bosnia and Herzegovina.

Hydroelectric Projects. Our local contractor Energoprojekt Hidroinzenjering Ltd. (“EHC”) delivered the completed Pre-Feasibility Studies for the Brodarevo 1 and 2 projects in July 2010. We’re pleased to report that the studies recommended a capacity increase from the original application case of 48 megawatts (“MW”) to 58.4 MW, with a corresponding increase in output from 189 gigawatt hours per year (“GWh/year”) to 232 GWh/year; with an estimated construction cost of 139 million Euros. We’re currently reviewing proposals for completing the Feasibility Studies, progressing the permitting and negotiating Power Purchasing Agreements for these projects. Progress at Brodarevo has built our credibility in the region and we’re now working to add to our pipeline, reviewing projects and investment opportunities, not only in Serbia, but also Montenegro, Bosnia and Herzegovina, Bulgaria, Turkey and elsewhere in the region.

Geothermal Projects. As part of our new business efforts we have started evaluating the geothermal potential of the region and have so far applied for and been granted four geothermal exploration licenses

at Vranjska Banja in southern Serbia and Kupusina, Adorijan and Vrbica in the Vojvodina Province of northern Serbia. All four areas have data from historic drilling, with the most promising results from Vranjska Banja, where the VG-2 well intercepted a hot water aquifer with 126 degrees centigrade between 864-890 meters depth and the VG-3 well intercepted a zone containing three intervals with measured temperatures of 124 degrees centigrade, between 1,500 and 1,575 metres depth. We've already reached an agreement with the owner of these wells and initiated reservoir studies to confirm these historic values.

Exploration. Despite decades of under-investment, Serbia still has a large and diverse mining industry. The government has privatized most of it over the last 10 years and has been very supportive of new foreign investment, attracting such well-known mining companies as Rio Tinto and Freeport. The country's diverse geology produces a range of exchange-traded metals such as copper, zinc, gold and silver, while also hosting deposits of rare commodities such as boron, lithium and antimony. Reservoir holds eight exploration licenses that are prospective for precious and base metals, two of which are already in joint venture with Freeport. Based on various expressions of interest and growing activity in the country, we are optimistic that we will be able to add value for the Company's shareholders from this portfolio in the coming year.

Our People. We have assembled a team of professionals committed to success, shareholder value and sustainable growth, to which we attribute the progress we have made to date. We have added new members with expertise in the energy industry and project management, while retaining the majority of our mineral exploration team for the geotechnical work on the Brodarevo Projects and to develop our exploration and geothermal projects. Our core strengths are knowledge of the local energy industry, regional operating experience and well-established relationships locally and regionally. We would like to thank our Board of Directors, management, employees and contractors for their contributions and we look forward to celebrating their future achievements.

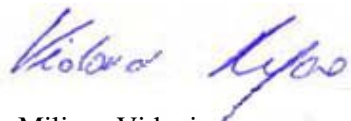
Outlook. Looking ahead, we're focused on renewable energy while maximizing value for the mineral exploration assets through option/JV agreements and other transaction opportunities. We will continue working to complete Feasibility Studies and commence construction of our Brodarevo Projects, while aiming to add more renewable energy assets in the region. New renewable energy projects, completion of Brodarevo, and successful joint ventures are our main priorities for the coming year.

Thank you to our shareholders for getting the Company to where it is today, and for the ongoing support, without which none of this would have been possible.

On behalf of the executive and the board of directors,



Miles Thompson
Executive Chairman



Miljana Vidovic
President & CEO



RESERVOIR CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED APRIL 30, 2010

GENERAL

This management's discussion and analysis of financial position and results of operations is prepared as at August 13, 2010, and should be read in conjunction with the audited consolidated financial statements of Reservoir Capital Corp. (the "Company" or "Reservoir") for the years ended April 30, 2010 and 2009 and the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are expressed in Canadian dollars except where otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or on the Company's website at www.reservoircapitalcorp.com.

COMPANY OVERVIEW

Reservoir's principal business activities are the acquisition and development of renewable energy (hydroelectric and geothermal) projects in Serbia, Montenegro, Bosnia and Herzegovina and elsewhere in southeast Europe. The Company has two energy licenses for run-of-river hydroelectric projects in Serbia, and has applied for a third license in Serbia. The Company has also been granted four exploration licenses for geothermal energy in Serbia. The Company is also pursuing 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 that the Company's efforts are now focused on renewable energy development, partners are being sought for the entire mineral exploration portfolio.

Reservoir is a reporting issuer in British Columbia, Alberta and Ontario, and its common shares trade on the TSX Venture Exchange under the symbol REO and on the Berlin and Frankfurt Exchanges under the symbol ROC

COMPANY HIGHLIGHTS

Highlights since May 1, 2009 include:

- Completion of the Pre-Feasibility Studies by Energoprojekt Hidroinzenjering Co. Ltd. ("EHC") for Brodarevo 1 & Brodarevo 2 hydroelectric projects ("Brodarevo projects") with a recommended capacity increase from the original combined application case of 48 megawatts ("MW") to 58.4 MW, with a corresponding increase in output from 189 gigawatt hours per year ("GWh/year") to 232 GWh/year.
- Initiated discussions with various energy-trading groups with the intent of signing an indicative Power Purchase Agreement ("PPA") for the sale of electricity from the Brodarevo projects.
- Initiated discussions with potential partners to facilitate the financing and construction of the Brodarevo projects should feasibility studies conclude a construction decision is warranted.
- Granting of the first exploration license for geothermal energy to a private company in Serbia. The Vranjska Banja exploration license covers 17.5 square kilometres in southern Serbia, where two existing geothermal wells (VG-2 and VG-3) have confirmed a high temperature gradient.

- Granting of three additional geothermal exploration licenses in northern Serbia. The Adorijan-Novı Knezevac and Banatsko Arandjelovo-Vrbica licenses are 22.5 and 48 square kilometres in area respectively and lie close to each other near the Hungarian border; and the Kupusina license comprises a 26.5 square kilometre area.
- Signing of an Earn-in Agreement with Freeport-McMoRan Exploration Corporation ("Freeport") which grants Freeport the right to earn an interest in the Company's Brestovac and Jasikovo exploration licenses in the Bor District of northeast Serbia. Additionally, the signing of a Net Smelter Royalty Agreement with Euromax Resources Ltd. to acquire the Brestovac East and Durlan Potok exploration licenses in the same district, both of which have been included in the agreement with Freeport.
- The completion of a non-brokered private placement financing of \$5,000,000 in September 2009 by the issuance of 8,333,333 units at \$0.60 per unit, with each unit consisting of a share and a warrant.

RENEWABLE ENERGY OVERVIEW

Brodarevo Hydroelectric Projects

In February 2009, the Company, through its wholly owned subsidiary Renewable Energy Ventures d.o.o., was awarded the Brodarevo 1 and Brodarevo 2 energy licenses, to develop run-of-river hydroelectric projects on the River Lim in southwest Serbia.

During the year ended April 30, 2010, the Company worked with EHC to complete Pre-Feasibility Studies for the Brodarevo projects. The Company released the findings of the Pre-Feasibility Studies on July 14, 2010. EHC recommended a capacity increase from the original application case of 48 MW to 58.4 MW, with a corresponding increase in output from 189 GWh/year to 232 GWh/year. The study defined dam sites, provided recommendations for the design of the hydroelectric power plants and calculated preliminary cost estimates for their construction, as summarized in the table below:

License	Project Site	Water Level (m.a.s.l.)	Gross Head (m)	Discharge (Qins) (m ³ /s)	Capacity (MW)	Output (GWh/year)	Construction Cost (€m) *
Brodarevo 1	Junakovina	519	19.73	150.00	26.0	102.33	71.099
Brodarevo 2	Lucice	488	24.70	150.00	32.4	130.59	68.830
Total					58.4	232.84	139.929

* includes contingencies of 10% on the civil works, moving sections of the road, anticipated expropriation costs and transmission grid connection.

The estimated construction costs are budgeted into three areas: €46.3 million for construction works; €51.2 million for equipment purchases; and €42.4 million for other investments related to the hydroelectric power plant. €33.7 million of the €42.4 million that is anticipated to go into other investments is related to deviation of 7.31 kilometres of the state road M21, on the section Prijepolje - Bijelo Polje.

The Company is currently engaged in negotiations with various parties for: completion of an indicative power purchase agreement, completion of feasibility studies and arranging project financing for the Brodarevo projects.

Vrutci Hydroelectric Project

During the year ended April 30, 2010, the Company completed preliminary technical studies on the Vrutci Project, for a proposed 32 MW electricity generating facility on the River Djetinja in southwest Serbia. The project proposes to draw water from excess capacity on an existing water reservoir that serves the town of Uzice, with potentially a second phase to include a new dam to turn the project into a pump-storage, peak-power facility. All necessary documentation has been filed with the Ministry of Mines and Energy and the Company is awaiting issuance of an energy license.

Geothermal Projects

During the year, the Company was granted an exploration license for geothermal energy at Vranjska Banja in southern Serbia and was granted three exploration licenses (Kupusina, Adorijan and Vrbica) for geothermal energy in the Vojvodina Province of northern Serbia.

The Vranjska Banja license covers 17.5 square kilometres in area, which has an elevated geothermal gradient attributed to the presence of Tertiary-age intrusives. The Company's license surrounds an existing 200 square meter exploitation license, where two existing geothermal wells (VG-2 and VG-3) have confirmed the high temperature gradient. Well VG-2 intercepted several hot water aquifers, the best of which measured 126 degrees centigrade between 864-890 meters depth. Well VG-3 intercepted a zone containing three intervals with measured temperatures of 124 degrees centigrade, between 1,500 and 1,575 metres depth. In May 2010, the Company signed a Business and Technical Cooperation Agreement with Jumko A.D. ("Jumko"), to evaluate the VG-2 and VG-3 wells operated by Jumko.

The Kupusina license comprises a 26.5 square kilometre area, with seven historical drill holes drilled between 1978 and 1987, testing limestone and sandstone aquifers that range in depth from 57 metres to 1,382 metres. Aquifer temperatures are estimated to be in excess of 80 degrees centigrade for most of the deeper aquifers, with potential of up to 160 degrees centigrade. The Adorijan and the Vrbica licenses are 22.5 and 48 square kilometres in area respectively, and lie close to each other, in northern Serbia near the Hungarian border. Twenty-four drill holes were executed for oil and gas and geothermal exploration in the area during the 1970's and 1980's. The holes intercepted a series of hot water aquifers in sandstones at depths between 421 and 1,854 metres. Aquifer temperatures are estimated to be in excess of 90 degrees centigrade for most of the deeper aquifers, with potential in excess of 200 degrees centigrade for one of the deeper oil and gas drill holes.

The historical data available on the Company's license areas is drawn primarily from historic oil and gas drilling reported in various academic papers. This historical data is indicative of the potential of the areas and the Company has commenced phased exploration programs to verify them, starting with Vranjska Banja, and will continue to explore the current license areas and review additional geothermal energy opportunities in Serbia and the region.

New Business

The company is currently reviewing a number of acquisition opportunities, in Serbia, Montenegro, Bosnia and Herzegovina and elsewhere in the region with a view to acquire more hydroelectric projects. The Company has also initiated discussions with the Serbian State-owned utility Elektro Privreda Srbije about joint venture possibilities and future projects.

In March 2010, the Company signed a Memorandum of Understanding to acquire a 75% interest in a 30.4 MW portfolio of six small-scale hydroelectric development projects in western and northwestern Turkey. After completion of technical and legal due diligence, the Company concluded that aspects of the projects were higher risk than originally contemplated and the Company elected not to proceed with the transaction.

MINERAL EXPLORATION OVERVIEW

The Company has moved in a direction to focus on renewable energy and is working to maximize the value of its mineral exploration assets through option/JV arrangements as well as strategic transactions concerning the entire portfolio. Over the past 12 months, the Company has maintained a low-level exploration effort and completed its first significant joint venture (“the Timok Agreement”) with Freeport-McMoRan Exploration Corporation (“Freeport”).

The Company has contributed its Brestovac and Jasikovo licenses to the joint venture and the Brestovac East and Durlan Potok licenses acquired from Euromax Resources Ltd. The licenses have been combined into two blocks and reissued to the Company’s subsidiary Rakita D.o.o.; representing a significant brown-fields land position along strike to the north and to the south of the Bor Copper Mines. Under the terms of the Timok Agreement, Freeport may earn an initial 55% interest in Rakita by investing US\$3 million in exploration (US\$400,000 committed for year one) over a four-year period. During this initial earn-in phase, Reservoir will act as operator of the exploration work and provide support for Freeport’s exploration and geophysical teams. Once Freeport has earned its initial 55% interest, Freeport may become the operator and may elect to earn an additional 20% interest (75% in total) by completing a Scoping Study within four years, a Pre-Feasibility Study within eight years and a Feasibility Study within thirteen years. In the event that Freeport decides to withdraw from this second option, its ownership interest in Rakita would remain at 55%, with on-going funding on a pro-rata basis. If Freeport delivers a Feasibility Study and the project goes into production, it would be able to recover Reservoir’s share of the cost of the Feasibility Study from 80% of the Company’s first cashflow.

The Company continues to seek partners for the remainder of its portfolio of mineral projects.

OUTLOOK

Looking ahead, the Company is focusing on renewable energy while maximizing value for its mineral exploration assets through option/JV agreements and other transaction opportunities. The Company will continue to advance its Brodarevo projects including completion of feasibility studies, entering into an indicative PPA, selection of an EPC contractor, and ultimately construction of the projects (if warranted), while aiming to expand its renewable energy assets in the region. The Company will also continue to advance its geothermal projects to feasibility, by completing the phased exploration programs. Recognizing how important support from local governments, authorities, communities and environmental groups is, the Company continues to pursue strong, respectful relationships with these stakeholders to ensure the success of these projects.

RESULTS OF OPERATIONS

The Company recorded a loss of \$4,738,039 or \$0.17 per share for the year ended April 30, 2010 compared to a loss of \$2,501,681 or \$0.12 per share for the comparative year ended April 30, 2009, an increase in loss of \$2,236,358, or 89%. The loss is attributable to operations expenses of \$2,790,182 (2009 - \$1,722,369), general and administrative expenses of \$1,733,545 (2009 - \$865,679) and other expenses of \$214,312 (2009 - income of \$86,367).

The current year increase in renewable energy expenditures of \$1,953,113 was offset by a decrease in mineral property exploration expenditures of \$885,300, as the Company focused more of its resources on the development of its hydroelectric energy projects during the year and the review of additional opportunities in the energy sector.

General and administrative expenses increased by \$867,866 during the year ended April 30, 2010. A larger number of stock options granted for the year increased stock-based compensation expense by \$704,469, and other general and administrative costs increased by approximately 20% primarily due to a higher level of corporate activity related to the Company's expanding renewable energy business. Additionally, the Company wrote down \$220,352 in acquisition costs previously capitalized for four of its mineral property licenses: Lece, Plavkovo, Stara Planina and Rakita, to better reflect the focus of the Company on its renewable energy sector. There were no write-downs in the comparative prior year.

FOURTH QUARTER RESULTS

The Company recorded a loss for the three month period ended April 30, 2010 of \$1,899,456 or \$0.07 per common share compared to a loss of \$506,668 or \$0.02 per common share for the comparative period ended April 30, 2009. The increase in loss of approximately \$1,400,000 is mainly due to an increase in operations expenditures on its mineral properties, energy projects and project investigation of \$910,950 and an increase of \$698,977 in stock-based compensation expense. The increase in operations expenditures is primarily due to the efforts to complete the Pre-Feasibility Studies on the Brodarevo projects. Additionally, a large tranche of stock options were granted during the current year's fourth quarter.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2010, the Company had working capital of \$3,029,317 as compared to \$1,781,096 at April 30, 2009. The increase in working capital of \$1,248,221 from April 30, 2009 came primarily from the net increase in cash of \$1,465,318, mainly due to net proceeds from share capital issued for cash of \$5,030,255, offset by equipment purchases, and cash used in operations of \$21,606, and \$3,545,861 respectively. At April 30, 2010, the Company's working capital consists of cash and cash equivalents of \$3,230,762, receivables of \$57,061 and prepaids of \$25,638 less accounts payable and accrued liabilities of \$284,144. The Company has no long-term debt.

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.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of obtaining and developing its renewable energy projects, the Company will require

additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company is currently assessing the most appropriate means of obtaining additional funding to continue its activities as planned.

ANNUAL FINANCIAL INFORMATION

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

Years Ended	April 30,	April 30,	April 30,
	2010	2009	2008
Financial Results			
Revenues	\$ -	\$ -	\$ -
Operations expenditures	2,790,182	1,722,369	1,804,796
Loss for the period	(4,738,039)	(2,501,681)	(2,680,208)
Loss per share - basic and diluted	(0.17)	(0.12)	(0.17)
Financial Position			
Working capital	\$ 3,029,317	\$ 1,781,096	\$ 1,250,474
Energy licenses	239,143	239,143	-
Geothermal licenses	5,470	-	-
Mineral properties	249,518	469,870	469,870
Total assets	3,968,700	2,772,979	2,166,967
Long-term liabilities	-	-	-
Share capital	13,228,034	8,180,449	4,936,226
Deficit	(11,036,861)	(6,298,822)	(3,797,141)

QUARTERLY INFORMATION

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

Quarter Ended	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008
Operations expenditures	\$ 266,300	\$ 297,765	\$ 545,675	\$ 612,629
Stock-based compensation	12,763	5,018	(4,094)	19,237
Loss for the period	(506,668)	(504,318)	(657,924)	(832,771)
Basic and diluted loss per share	(0.02)	(0.02)	(0.03)	(0.04)

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the year ended April 30, 2010, the Company:

- Paid or accrued \$192,600 (2009 - \$62,400) to Seabord Services Corp, a management company controlled by a director, Michael D. Winn, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. At April 30, 2010, the Company had deposits for future management and administrative services amounting to \$10,000 (2009 - \$10,000).
- Paid \$45,579 (2009 - \$30,975) to Terrasearch Inc., a company controlled by a director, Michael D. Winn, for consulting services, included in general and administrative expenses, of which \$7,712 (2009 - \$18,122) was in accounts payable and accrued liabilities at April 30, 2010.
- Paid \$72,000 (2009 - \$72,000) to the Chairman of the Company, Miles Thompson, \$162,170 (2009 - \$135,400) to the President and CEO, Miljana Vodovic, and \$25,500 (2009 – nil) to the Vice President, Corporate Development, Chris MacIntyre.

As at April 30, 2010, a total of \$135 (2009 - \$6,000) was included in accounts payable and accrued liabilities which was due to related parties. Due to related parties consists of amounts owed to directors and officers and owed to companies which have at least one director in common with Reservoir.

These transactions were in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

MANAGEMENT COMPENSATION

During the year ended April 30, 2010, Reservoir paid \$162,170 in salary to the President and CEO \$72,000 in salary to the Chairman of the Company and \$25,500 to the Vice President, Corporate Development.

Christina Cepeliauskas, the Chief Financial Officer and Kim Casswell, the Corporate Secretary are employees of Seabord Services and received no direct management compensation from Reservoir.

NEW ACCOUNTING POLICIES

Goodwill and intangible assets

The Company adopted the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year beginning May 1, 2009. This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of the section did not have any significant impact on the Company’s financial position.

Financial Instrument Disclosures

In May 2009, the CICA amended Section 3862, Financial Instruments - Disclosures, to include additional disclosure requirements about fair market value measurements for financial statements and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations, Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, 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.

These new sections effectively bring Canadian GAAP into line with IFRS. The Company does not expect to adopt these new CICA Handbook sections prior to January 1, 2011. At that point, the Company will begin reporting its financial results under IFRS and therefore does not expect that these new Handbook sections will have any impact on the Company's financial statements in the interim period.

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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. That date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. 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.

The Company has made significant progress with respect to its transition to International Financial Reporting Standards ("IFRS") reporting. The first IFRS reporting period for the Company will be the quarter ended July 31, 2011. Because Reservoir is an "exploration-stage" company, the IFRS transition issues are not as complex as for a company with operating activities and revenues from the sales of energy, concentrates or bullion. At this stage of the Company's transition work, management believes the most significant impact with respect to the restatement of 2011 financials will be the effect of adopting the IFRS policy with respect to foreign currency translation, particularly as it applies to the translation of Reservoir's wholly-owned subsidiaries.

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 is reviewing and assessing this information but has not determined the impact on the consolidated financial statements at this time. The Company will be selecting the exemptions it will make for the transition to IFRS and will be documenting its new accounting policies under IFRS.

Reservoir expects to use the following optional exemptions provided under IFRS transitional rules:

Business Combinations

For business combinations, the Company may use the exemption which means that it does not have to restate the accounting for any business combinations that occurred before January 1, 2010. If the Company enters into any business combinations in 2010, it will likely adopt the new CICA Handbook standard for business combinations which is in compliance with current IFRS standards. This means that the Company will most likely not have to restate any 2010 business combinations in order to be IFRS compliant.

Fair Value or Revaluation as Deemed Cost

Reservoir expects to use the cost method of accounting for office and field equipment and if it does, will not elect to fair value any of the Company's equipment.

Cumulative Translation Differences

On translation of a foreign operation in accordance with IAS 21 “The Effect of Changes in Foreign Exchange Rates”, certain exchange differences are recognized as a separate component of equity and under the amendments to IAS 21 in 2007, are to be shown as part of other comprehensive income. IAS 21 also requires an entity to disclose the net exchange differences classified as a separate component of equity as well as a reconciliation of the opening and closing balances. On subsequent disposal of a foreign operation, the accumulated translation differences related to the specific foreign operation are recognized in profit or loss for the period as part of the gain or loss on disposal of the subsidiary.

Under IFRS 1 a first-time adopter may elect not to calculate this translation difference retrospectively and thereby set corresponding translation differences at the date of transition to zero. The gain or loss on subsequent disposal of a foreign operation then includes only foreign exchange differences that arose subsequent to the date of transition. The Company has elected not to calculate this translation difference retrospectively.

Additional Note Disclosures

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board 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 standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note disclosures. The Company is continuing to assess the level of presentation and disclosures required to 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.

Financing Risks

The Company’s financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 rather than through a process of forced liquidation. The Company incurred a loss of \$4,738,039 during the year ended April 30, 2010 and further losses are anticipated in the development of its business plan. In addition, the Company has no sources of operating cash flow and working capital of

\$3,029,317 as of April 30, 2010, which will not be sufficient to meet the Company's corporate objectives. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern in the preparation of the Company's financial statements.

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

Hydroelectric Project Risks

The ability of the Company to become a viable provider of renewable and clean power is 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.

Geothermal Project Risks

A portion of the Company's business involves the exploration and development of geothermal energy resources. These activities are subject to uncertainties, which vary among different geothermal reservoirs and are in some respects similar to those typically associated with mineral and oil and gas exploration, development and exploitation, such as unproductive wells, pressure, temperature decline, corrosion and scaling, all of which could increase the capital requirements and risk. The generation of power from geothermal resources is a function of temperature and flow. Geothermal energy projects may suffer an unexpected decline in the capacity of their respective geothermal wells and are exposed to a risk of geothermal reservoirs being insufficient for sustained generation of the electrical power capacity desired over time. In addition, the Company may fail to find commercially viable geothermal resources in the required quantities and temperatures, which would adversely affect the development of the geothermal power projects. Additionally, active geothermal areas, such as the areas in which the projects are located, are subject to frequent low-level seismic disturbances. Any of these could have an adverse impact on the Company's geothermal business activities.

Mineral Property Exploration and Mining Risks

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

Reservoir is currently exploring 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.

Insurance and Uninsured Risks

In the course of exploration, development and production of hydroelectric projects, geothermal projects and mineral properties, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

Environmental Risks and Hazards

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

Share Price Fluctuations

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies such as the Company, have experienced wide fluctuations in price which have not necessarily been related to operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Foreign Country and Political Risk

The hydroelectric projects, geothermal projects and mineral properties on which the Company is actively pursuing its exploration and development activities are all located in Serbia. As a result, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability, which may result in the impairment or loss of energy licenses or mineral concessions. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business.

The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies. At this time there are no currency hedges in place. The Company does not have any sources of revenues.

OUTSTANDING SHARE DATA

As at August 13, 2010, the Company had 30,661,687 common shares issued and outstanding. There were also stock options to purchase 2,740,000 shares outstanding with expiry dates ranging from February 2, 2012 to March 9, 2015. In addition, there were share purchase warrants to purchase 8,827,061 shares outstanding which expire on September 4, 2011.

SUBSEQUENT EVENTS

On July 16, 2010, 5,240,000 share purchase warrants with an exercise price of \$1.00 expired unexercised.

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.



RESERVOIR CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

April 30, 2010

AUDITORS' REPORT

To the Shareholders of
Reservoir Capital Corp.

We have audited the consolidated balance sheets of Reservoir Capital Corp. as at April 30, 2010 and 2009 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

August 9, 2010



RESERVOIR CAPITAL CORP.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)
AS AT APRIL 30,

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	\$ 3,230,762	\$ 1,773,444
Short-term investment (Note 4)	-	98,625
Receivables	57,061	10,886
Prepays	25,638	16,173
	<u>3,313,461</u>	<u>1,899,128</u>
Equipment (Note 5)	103,608	107,338
Energy licenses (Note 6)	239,143	239,143
Geothermal licenses (Note 6)	5,470	-
Mineral properties (Note 7)	249,518	469,870
Restricted cash	57,500	57,500
	<u>\$ 3,968,700</u>	<u>\$ 2,772,979</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 284,144	\$ 118,032
Shareholders' equity		
Share capital (Note 8)	13,228,034	8,180,449
Contributed surplus (Note 8)	1,493,383	773,320
Deficit	(11,036,861)	(6,298,822)
	<u>3,684,556</u>	<u>2,654,947</u>
	<u>\$ 3,968,700</u>	<u>\$ 2,772,979</u>

Nature of operations and going concern (Note 1)

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)

YEARS ENDED APRIL 30,

	2010	2009
OPERATIONS EXPENDITURES		
Brodarevo hydroelectric projects (Note 6)	\$ 1,307,163	\$ 58,024
Geothermal projects (Note 6)	29,245	-
Mineral property exploration (Note 7)	264,709	1,150,009
Renewable energy project investigation	1,189,065	514,336
	<u>2,790,182</u>	<u>1,722,369</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative services and office	264,884	221,450
Amortization	381	525
Management fees	235,898	222,493
Professional fees	139,826	102,732
Shareholder communication and investor relations	68,292	56,743
Stock-based compensation (Note 8)	737,393	32,924
Transfer agent and filing fees	80,023	66,270
Travel	206,848	162,542
	<u>1,733,545</u>	<u>865,679</u>
Loss before other items	<u>(4,523,727)</u>	<u>(2,588,048)</u>
OTHER ITEMS		
Foreign exchange gain (loss)	(18,955)	37,629
Interest income	24,995	48,738
Write-down of mineral properties	(220,352)	-
	<u>(214,312)</u>	<u>86,367</u>
Loss and comprehensive loss for the year	<u>(4,738,039)</u>	<u>(2,501,681)</u>
Deficit, beginning of year	<u>(6,298,822)</u>	<u>(3,797,141)</u>
Deficit, end of year	<u>\$ (11,036,861)</u>	<u>\$ (6,298,822)</u>
Basic and diluted loss per common share	<u>\$ (0.17)</u>	<u>\$ (0.12)</u>
Weighted average number of common shares outstanding	<u>27,562,258</u>	<u>20,622,267</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)
YEARS ENDED APRIL 30,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (4,738,039)	\$ (2,501,681)
Items not affecting cash:		
Amortization	25,335	24,622
Stock-based compensation	737,393	32,924
Write-down of mineral properties	220,352	-
Changes in non-cash working capital items:		
Receivables	(46,175)	58,407
Prepays	(9,465)	32,145
Short term investment	98,625	(98,625)
Accounts payable and accrued liabilities	166,113	(162,352)
Net cash used in operating activities	(3,545,861)	(2,614,560)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment	(21,606)	(23,221)
Energy licenses	-	(239,143)
Geothermal licenses	(5,470)	-
Net cash used in investing activities	(27,076)	(262,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued for cash, net of share issue costs	5,030,255	3,237,121
Net cash provided by financing activities	5,030,255	3,237,121
Increase in cash and cash equivalents during the year	1,457,318	360,197
Cash and cash equivalents, beginning of year	1,773,444	1,413,247
Cash and cash equivalents, end of year	\$ 3,230,762	\$ 1,773,444
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 renewable energy projects and the acquisition, exploration and development of mineral properties in the Republic of Serbia, the Federation of Bosnia and Herzegovina and southeast Europe. The Company currently has two energy licenses for run-of-river hydroelectric projects and four geothermal licenses in Serbia, is exploring for precious and base metals on mineral properties in Serbia, and is reviewing additional acquisition opportunities in the renewable energy sector. The Company’s continuing operations and the ability of the Company to meet its renewable energy, mineral property, and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and seeking joint venture partners.

The Company’s hydroelectric and geothermal projects 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 energy and geothermal licenses and mineral property rights 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 and geothermal projects held for the potential 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 and geothermal 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.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) 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 rather than through a process of forced liquidation. The Company incurred a loss of \$4,738,039 for the year ended April 30, 2010 and further losses are anticipated in the development of its business plan. In addition, the Company has working capital of \$3,029,317 as of April 30, 2010, which will not be sufficient to meet the Company’s corporate objectives. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of obtaining and developing its renewable energy projects and exploring its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be 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 sheet. These consolidated financial statements do not include any

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
YEAR ENDED APRIL 30, 2010

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd...)

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of Reservoir and its wholly-owned subsidiaries, and its 95% owned Bosnian subsidiary, "REV" Electrical Power Production and Distribution Company Ltd. Foca. All significant intercompany transactions and balances have been eliminated upon consolidation.

Financial Instruments

All financial instruments are classified into one of the following four categories:

i) **Financial assets and financial liabilities held for trading**

Financial assets and financial liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are recognized at fair value based on market prices, with any resulting gains and losses reflected in net income (loss) for the period in which they arise.

ii) **Held-to-maturity financial assets**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A gain or loss is recognized in net income (loss) when the financial asset is derecognized or impaired, and through the amortization process.

iii) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity financial assets, or held for trading. They are measured at fair value. Fair value is determined based on market prices. Equity instruments that do not have a quoted market price in an active market are measured at cost. Gains and losses are recognized directly in other comprehensive income (loss) until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income (loss) is recognized in net income (loss) for the period.

iv) **Loans and receivables and other financial liabilities**

Loans and receivables and other financial liabilities are measured at amortized cost, using the effective interest rate method less any impairment loss.

Reservoir's financial instruments consist of cash and cash equivalents, short-term investments, receivables, restricted cash, and accounts payable and accrued liabilities. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

Cash and cash equivalents and short-term investments are classified as financial assets held for trading and are accounted for at fair value. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Accounts receivable is designated as loans and receivables and accordingly are carried at their amortized costs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd ...)

Restricted cash is classified as financial assets held-to-maturity.

The Company classifies its accounts payable and accrued liabilities as other financial liabilities.

Renewable energy projects

Acquisition costs for renewable energy projects, including hydroelectric and geothermal, net of recoveries, are capitalized on a project-by-project basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for projects pursuant to the terms of the agreement. Project expenditures, net of recoveries, are charged to operations as incurred, until such time as the commercial feasibility of the project is determined. After a project is determined to be commercially feasible, all expenditures related to the project are capitalized. When there is little prospect of further work on a project being carried out by the Company or its partners, when a project is abandoned, or when the capitalized costs are no longer considered recoverable, the related project costs are written down to management's estimate of their fair value. The costs related to a project that goes into commercial production, together with the costs of production equipment, will be amortized on a systematic and rational basis.

Mineral properties and exploration expenditures

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties pursuant to the terms of the agreement. A mineral property acquired under an option agreement where payments are made at the sole discretion of the Company, is capitalized at the time of payment. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property are capitalized. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their fair value. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfer and may be affected by undetected defects.

The amounts shown for mineral properties represent acquisition costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values.

Restricted cash

The Company has posted term deposits held at its primary financial institution as security deposits for two credit cards issued for business use. Accordingly, these term deposits are restricted from general use.

Equipment

Equipment is recorded at cost and amortized over its estimated useful life using the declining balance method at a rate of 20% per annum. Amortization on equipment used directly on exploration projects is included in exploration expenditures for that mineral property.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd ...)

Asset retirement obligations

Asset retirement obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. An asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently charged to operations on a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. Reservoir has no known asset retirement obligations.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the appropriate transaction date rates, except for amortization, which is translated at the same rate as the related asset. Translation gains and losses are reflected in the statements of operations.

Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations, with the offset credited to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred from contributed surplus to share capital. Stock-based compensation awards are calculated using the Black-Scholes option pricing model.

Income taxes

Income taxes are accounted for using the future income tax method. Under this method, income taxes are recognized for the estimated income taxes payable for the current period, and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities, and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. To the extent that Reservoir does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess. Future income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

Income (loss) per share

Basic income or loss per share is calculated by dividing the net income or loss for the year by the weighted average number of shares outstanding during the year. Diluted income per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted income per share assumes that the deemed proceeds received from the exercise of stock

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd ...)

options, share purchase warrants and their equivalents would be used to repurchase common shares of Reservoir at the average market price during the year. Existing stock options and share purchase warrants have not been included in the current year computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, the current year basic and diluted loss per share are the same.

Valuation of equity units issued in private placements

Reservoir has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant areas requiring the use of management estimates include:

- i) Recorded costs of mineral, hydroelectric and geothermal properties are not intended to reflect present or future values. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that a change in future conditions could require a material change in the recognized amount.
- ii) The determination of the fair value of stock options or warrants using stock-based compensation models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate, therefore the existing models do not necessarily provide a reliable single measure of the fair value of Reservoir's stock options and warrants.
- iii) The determination of future income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- iv) Option or sale agreements, under which Reservoir may receive shares as payment, require Reservoir to determine the fair value of shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, volume of shares, resale restrictions, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is highly subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.
- v) The determination of the fair value of asset retirement obligations 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.

3. NEW AND FUTURE ACCOUNTING STANDARDS

Goodwill and Intangible Assets

The CICA issued 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. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2009. The Company adopted the standard effective May 1, 2009. The adoption of the standard had no material impact on the Company’s financial statements.

Amendment to Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
and

Level 3 – Inputs that are not based on observable market data.

See note 13 for relevant disclosures.

Section 1582, Business combinations

Section 1601, Consolidated financial statements

Section 1602, Non-controlling interests

These sections are effective for fiscal years beginning on or after January 1, 2011, and replace Section 1581, Business combinations and Section 1600, Consolidated financial statements. Early adoption is permitted provided the change is disclosed and all sections are applied at the same time. Reservoir is currently assessing the effects of these new sections on the consolidation of its subsidiaries. These new sections provide the Canadian equivalent to International Financial Reporting Standards (“IFRS”), which will replace all Canadian standards and will be implemented as discussed below.

International Financial Reporting Standards

A decision of the CICA Accounting Standards Board (the “AcSB”) will require the Company to report under IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2011 for the Company will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. The Company has not completed its determination of the impact of the changeover to IFRS on the consolidated financial statements at this time.

4. SHORT-TERM INVESTMENT

The Company’s short-term investment of US\$81,474 as of April 30, 2009 consisted of a US dollar, 2.5% bank discount note that was redeemed on October 12, 2009. At April 30, 2010, the Company does not hold any short-term investments.

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5. EQUIPMENT

	April 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 23,373	\$ 4,927	\$ 18,446
Field equipment	154,013	68,851	85,162
	\$ 177,386	\$ 73,778	\$ 103,608

	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

During the year ended April 30, 2010, amortization of \$24,954 (2009 - \$24,097) has been included in exploration expenditures and amortization of \$381 (2009 - \$525) has been included in general and administrative expenses.

6. ENERGY AND GEOTHERMAL LICENSES

Hydroelectric – License Acquisition Costs

	April 30, 2010	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 on the River Lim in southwest Serbia. The acquisition costs consist of the cash 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.

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6. ENERGY AND GEOTHERMAL LICENSES (cont'd...)

Brodarevo 1 and 2 Project Expenditures

During the year ended April 30, 2010, the Company incurred the following expenditures on its Brodarevo energy licenses, which were expensed as incurred:

Year ended April 30, 2010	Brodarevo 1	Brodarevo 2	Total
Administration	\$ 186,798	\$ 186,214	\$ 373,012
Assays	15,327	4,429	19,756
Pre-feasibility studies	260,566	235,121	495,687
Field costs	36,920	36,114	73,034
Salaries and consultants	132,050	131,692	263,742
Technical studies	23,441	22,465	45,906
Travel and related costs	18,041	17,985	36,026
	\$ 673,143	\$ 634,020	\$ 1,307,163

During the year ended April 30, 2009, the Company incurred the following expenditures on its Brodarevo energy licenses, following acquisition in February 2009, which were expensed as incurred:

Year ended April 30, 2009	Brodarevo 1	Brodarevo 2	Total
Administration	\$ 29,012	\$ 29,012	\$ 58,024
	\$ 29,012	\$ 29,012	\$ 58,024

Geothermal – License Acquisition Costs

In January 2010, the Company, through its wholly owned subsidiary, Southern European Exploration d.o.o. ("SEE"), was granted an exploration license for geothermal energy at Vranjska Banja in southern Serbia. In February 2010, SEE was granted three exploration licenses (Kupusina, Banatsko Arandjelovo-Vrbica and Adorijan-Novı Knezevac) for geothermal energy in the Vojvodina Province of northern Serbia. Total amounts capitalized for the acquisition costs of the four licenses was \$5,470.

Geothermal – Project Expenditures

During the year ended April 30, 2010, the Company incurred the following expenditures on its geothermal licenses, which were expensed as incurred:

Year ended April 30, 2010	V.Banja	Kupusina	Vrbica	N.Knezeva	Total
Administration	\$ 3,391	\$ 658	\$ 817	\$ 834	\$ 5,700
Field costs	2,142	34	34	34	2,244
Salaries and consultants	6,957	2,335	2,334	2,334	13,960
Technical studies	3,783	1,142	1,254	1,142	7,321
Travel and related costs	5	5	5	5	20
	\$ 16,278	\$ 4,174	\$ 4,444	\$ 4,349	\$ 29,245

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7. MINERAL PROPERTIES

Mineral Properties – Acquisition Costs

	April 30, 2010	April 30, 2009
Brestovac	\$ 191,935	\$ 191,935
Lece	1	57,581
Deli Jovan	57,580	57,580
Plavkovo	1	38,387
Stara Planina	1	38,387
Rakita	-	86,000
	\$ 249,518	\$ 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.

On February 2, 2007, the Company completed the purchase of Southern European Exploration BVI (“SEE BVI”) from Eurasian Minerals Inc. (“Eurasian”). SEE BVI holds, through its Serbian subsidiary, SEE, the following Properties, all of which are located in Serbia. The Company: (i) has granted to Eurasian a net smelter returns royalty on the Properties at a rate of 2% for gold and silver and 1% for all other metals; (ii) agreed to incur a minimum of \$1,000,000 on the Properties within three years of the completion of the acquisition (minimum expenditure limit has been incurred); and (iii) within 10 years from the completion of the acquisition, is to pay \$500,000 in cash or shares per Property, to Eurasian on the completion of a bankable feasibility study for a maximum of two Properties of up to an aggregate total of \$1,000,000 in cash or shares. The Company assigned no value to the net smelter royalty and payment due on the preparation of a bankable feasibility study, due to the contingent nature of these obligations.

Brestovac-Metovnica

The original Zlot-Brestovac exploration permit covered 77 square kilometers and was granted to SEE in December 2004. The Zlot portion of the license has been relinquished. The remaining license on the Brestovac area of 25.5 square kilometers was relinquished in 2010 and a new license was applied for and received for the combined Brestovac and Metovnica (Brestovac East) license areas. The 90 square kilometer Metovnica license was acquired from Euromax Resources Ltd. (“Euromax”) in 2010 (described below) and the combined Brestovac-Metovnica license is part of the Earn-in Agreement with Freeport McMoRan Exploration Corporation (“Freeport”) signed in March 2010 (also described below). The new Brestovac-Metovnica license expires June 11, 2011 and has a proposed work program of US\$132,000.

Lece

The original Lece exploration permit covered 51 square kilometers and was granted to SEE in June 2003. The existing permit on the Lece area of 40 square kilometers has a proposed work program of US\$55,000 and expires on December 31, 2010.

7. MINERAL PROPERTIES (cont'd...)

Deli Jovan

The original Deli Jovan exploration permit covered 75 square kilometers and was granted to SEE in May 2006. The existing permit on the Deli Jovan area of 69 square kilometers has a proposed work program of US\$107,000 and expires on May 30, 2011.

Plavkovo

The original Plavkovo exploration permit covered 35 square kilometers and was granted to SEE in February 2004. The existing permit on the Plavkovo area of 20 square kilometers has a proposed work program of US\$50,000 and expires on December 31, 2010.

Stara Planina

The original Stara Planina exploration permit covered 63 square kilometers and was granted to SEE in March 2005. The existing permit on Star Planina has a proposed work program of US\$72,000 and expires on April 1, 2011.

Rakita

In May 2007, the Company was granted the Rakita exploration permit, a permit on an 80 square kilometer permit area which had been applied for by SEE prior to the acquisition by the Company.

A renewal for a US\$75,000 work program was granted in June 2009 and the Company chose not to renew it on expiry in June 2010. Accordingly, the Company wrote-off the total acquisition costs of \$86,000 during the year ended April 30, 2010.

Parlozi

In August 2007, the Company was awarded the Parlozi exploration permit, a 91 square kilometer exploration permit over a historical lead-zinc silver resource. A work program of US\$299,000 was granted which expires in September 2010. This license is not subject to the NSR commitment to Eurasian.

Bobija

In September 2007, the Company was awarded the Bobija exploration permit, a 33 square kilometer exploration permit. The permit has a work program of US\$49,000 which expires in October 2010. This license is not subject to the NSR commitment to Eurasian.

Jasikovo

The Company was awarded the 12.5 square kilometer Jasikovo exploration license in 2009. This license is not subject to the NSR commitment to Eurasian. The license was relinquished in 2010 and a new license was applied for and received for the combined Jaskivovo and Durlan Potok license areas. The 54 square kilometer Durlan Potok license was acquired from Euromax in 2010 (described below) and the combined Jasikovo-Durlan Potok license is part of the Earn-in Agreement with Freeport signed in March 2010 (also described below). The new Jasikovo-Durlan Potok license expires June 11, 2011 and has a proposed work program of US\$217,000.

As a result of the change in focus of the Company's business to renewable energy, the inability to locate joint venture

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7. MINERAL PROPERTIES (cont'd...)

or other partners for certain of the Company's mining properties and uncertainty over the ability of the Company to recover the deferred costs in the current economic environment, the Company wrote down the previously capitalized mineral property acquisition costs of Lece (\$57,580), Plavkovo (\$38,386), and Stara Planina (\$38,386). The Company also relinquished the Rakita license and wrote-off the deferred acquisition costs of \$86,000. The Company continues to seek partners for all of its mineral projects and has retained the carrying values of the Brestovac license and the Deli Jovan license due to the current interest in these projects by other parties, one of which is described below.

On March 18, 2010 the Company signed an Earn-in Agreement with Freeport-McMoRan Exploration Corporation ("Freeport"), which grants Freeport the rights to earn an interest in the Company's Brestovac and Jasikovo exploration licenses. Reservoir also signed a Net Smelter Royalty Agreement with Euromax Resources Ltd. ("Euromax") to acquire the Brestovac East and Durlan Potok exploration licenses in the same district, which are included in the agreement with Freeport. All four licenses, totalling 18,395 hectares in area, have been transferred to Rakita D.o.o., a wholly-owned subsidiary of Rakita (BVI) Ltd., ("Rakita") an indirect wholly-owned subsidiary of the Company. Under the terms of the agreement, Freeport may earn an initial 55% interest in Rakita by investing US\$3 million in exploration (US\$400,000 committed for year one) over a four-year period. During this initial earn-in phase, Reservoir will act as operator of the exploration work and provide support for Freeport's exploration and geophysical teams. Once Freeport has earned its initial 55% interest, Freeport may become the operator and may elect to earn an additional 20% interest (75% in total) by completing a Scoping Study within four years, a Pre-Feasibility Study within eight years and a Feasibility Study within thirteen years. In the event that Freeport decides to withdraw from this second option, its ownership interest in Rakita would remain at 55%, with on-going funding on a pro-rata basis. If Freeport delivers a Feasibility Study and the project goes into production, it would be able to recover Reservoir's share of the cost of the Feasibility Study from 80% of the Company's first cashflow from Rakita.

Exploration Expenditures

During the years ended April 30, 2010 and 2009, the Company incurred the following exploration expenditures on its mineral properties, which were expensed as incurred:

Year ended April 30, 2010	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbia	Total
Administration	\$ 8,988	\$ 7,008	\$ 11,251	\$ 7,631	\$ 9,776	\$ 31,902	\$ 6,497	\$ 23,886	\$ 106,939
Assays	41,506	1,190	-	1,190	-	-	7,374	1,190	52,450
Field costs	1,978	165	1,805	185	448	1,833	164	1,085	7,663
Salaries and consultants	8,757	6,181	11,462	6,757	9,669	2,217	6,357	29,613	81,013
Technical Studies	2,640	-	1,762	-	4,552	-	2,207	997	12,158
Travel	252	252	1,202	252	905	510	252	861	4,486
	\$ 64,121	\$ 14,796	\$ 27,482	\$ 16,015	\$ 25,350	\$ 36,462	\$ 22,851	\$ 57,632	\$ 264,709

Included in the Regional Serbia expenditures are \$11,301 (2009 - \$27,916) incurred on the Bobija mineral property and \$18,009 (2009 - \$9,287) incurred on the Jasikovo mineral property.

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7. MINERAL PROPERTIES (cont'd...)

Year ended April 30, 2009	Brestovac	Lece	Deli Jovan	Plavkovo	Stara Planina	Rakita	Parloz	Regional Serbi	Total
Administration	\$ 34,218	\$ 22,583	\$ 22,378	\$ 17,778	\$ 23,052	\$ 50,595	\$ 28,135	\$ 34,839	\$ 233,578
Assays	67,938	497	2,529	497	4,762	3,238	13,241	15,680	108,382
Drilling	130,726	-	5,061	11,115	-	2,235	113,005	209	262,351
Field costs	13,562	4,157	9,951	1,121	10,648	4,470	10,930	7,290	62,129
Salaries and consultants	74,827	33,157	41,388	24,129	65,112	11,315	71,165	70,638	391,731
Technical Studies	15,633	-	-	-	558	-	40,737	11,148	68,076
Travel and related costs	5,114	2,664	2,366	3,167	3,486	57	2,364	4,544	23,762
	\$ 342,018	\$ 63,058	\$ 83,673	\$ 57,807	\$ 107,618	\$ 71,910	\$ 279,577	\$ 144,348	\$ 1,150,009

8. SHARE CAPITAL

Authorized:

Unlimited common shares, without par value

Unlimited preferred shares, issuable in series

Issued and outstanding common shares:	Number of Shares	Stated Amount	Contributed Surplus
Balance as at April 30, 2008	16,423,500	\$ 4,936,226	\$ 747,498
Stock based compensation	-	-	32,924
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	-
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	-	-	737,393
Private placement	8,333,333	5,000,000	-
Private placement – finder’s fees	501,041	300,625	-
Shares issued on exercise of options	50,000	25,000	-
Reclassify initial fair value of options exercised from contributed surplus	-	17,330	(17,330)
Shares issued on exercise of warrants	7,313	5,850	-
Share issue costs	-	(595)	-
Share issue costs – finder’s fees	-	(300,625)	-
Balance as at April 30, 2010	30,661,687	\$ 13,228,034	\$ 1,493,383

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

Private Placements

In September 2009, the Company completed a \$5,000,000 private placement by issuing a total of 8,834,374 common shares and share purchase warrants. The financing 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 ("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. A total of 501,041 Units, with the same terms as described above, were issued with a fair value of \$300,625, pursuant to these finder's fees.

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 share purchase 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 April 30, 2010, none of the Company's issued common shares were held in escrow. At April 30, 2009, 1,209,000 of the Company's issued common shares were held in escrow.

Stock Options

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. 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, 2008	1,615,000	\$ 0.62
Granted	90,000	0.33
Cancelled	(20,000)	0.85
Balance as at April 30, 2009	1,685,000	0.60
Granted	1,355,000	0.79
Exercised	(50,000)	0.50
Cancelled/forfeited	(250,000)	0.68
Balance as at April 30, 2010	2,740,000	\$ 0.69

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

The following table summarizes the stock options outstanding and exercisable at April 30, 2010.

Date Granted	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
February 2, 2007	930,000	\$ 0.50	930,000	February 2, 2012
May 7, 2007	65,000	0.85	65,000	May 7, 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	25,000	0.35	25,000	March 30, 2014
May 26, 2009	80,000	0.68	80,000	May 26, 2014
November 16, 2009	200,000	0.74	200,000	November 16, 2014
March 9, 2010	1,075,000	0.81	1,075,000	March 9, 2015
Total	2,740,000		2,740,000	

Warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at April 30, 2008	5,642,500	\$ 0.89
Issued	5,240,000	1.00
Exercised	(106,500)	0.10
Expired	(3,970,000)	0.85
Balance as at April 30, 2009	6,806,000	1.01
Issued	8,834,374	0.80
Exercised	(7,313)	0.80
Expired	(1,566,000)	1.06
Balance as at April 30, 2010	14,067,061	\$ 0.87

Share purchase warrants outstanding as at April 30, 2010 are as follows:

Expiry date	Exercise Price	Number of Warrants
July 16, 2010 (expired unexercised subsequent to year end)	\$ 1.00	5,240,000
September 4, 2011	\$ 0.80/0.90*	8,827,061
		14,067,061

* 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.

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

Stock-based Compensation and Contributed Surplus

During the year ended April 30, 2010, the Company granted 1,355,000 stock options, all of which vested immediately. Using the fair value method for stock-based compensation, the Company recorded a charge to operations of \$728,869 for stock options granted in the year and \$8,524 for previously granted stock options that vested during the year for a total stock based compensation expense of \$737,393. During the year ended April 30, 2009, the Company granted 90,000 stock options of which 52,500 vested immediately and the remaining 37,500 vested on the first anniversary of the grant date. The Company recorded a charge to operations of \$32,924 for stock-based compensation expense during the year ended April 30, 2009. These amounts were determined using the Black-Scholes option pricing model using the following assumptions:

Weighted average:	April 30, 2010	April 30, 2009
Risk free interest rate	2.42%	1.88%
Expected dividend yield	0%	0%
Expected stock price volatility	112%	93%
Expected life of options in years	5	5

The weighted average fair value of options granted during the year was \$0.54 (2009-\$0.23).

9. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2010, the Company:

- Paid or accrued \$192,600 (2009 - \$62,400) to Seabord Services Corp., 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 April 30, 2010, the Company had deposits for future management and administrative services amounting to \$10,000 (2009 - \$10,000).
- Paid \$45,579 (2009 - \$30,975) to Terrasearch Inc., for consulting services, included in general and administrative expenses, a company related by having a director in common, of which \$7,712 (2009-\$18,122) was in accounts payable and accrued liabilities at April 30, 2010.
- Paid \$72,000 (2009 - \$72,000) to the Chairman of the Company, \$162,170 (2009 - \$135,400) to the President and CEO, and \$25,500 (2009 – nil) to the Vice President, Corporate Development.

As at April 30, 2010, a total of \$135 (2009 - \$6,000) was included in accounts payable and accrued liabilities which was due to related parties. Due to related parties consists of amounts owed to directors and officers and owed to companies which have at least one director in common with Reservoir.

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.

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10. INCOME TAXES

A reconciliation of income tax recovery at statutory rates is as follows:

	April 30, 2010	April 30, 2009
Loss for the year	\$ (4,738,039)	\$ (2,501,681)
Expected income tax recovery	\$ (1,397,721)	\$ (767,265)
Effect of lower tax rates in foreign jurisdictions	653,489	401,494
Non-deductible items	221,010	11,633
Unrecognized benefit of non-capital losses	523,222	354,138
Total income tax recovery	\$ -	\$ -

The significant components of the Company's future income tax assets and liabilities are as follows:

	April 30, 2010	April 30, 2009
Future income tax assets:		
Non-capital loss carry forwards	\$ 1,012,079	\$ 609,666
Other	93,641	33,017
Future income tax assets	1,105,720	642,683
Valuation allowance	(1,105,720)	(642,683)
Net future income tax assets	\$ -	\$ -

As at April 30, 2010, the Company had available for deduction against future taxable income non-capital losses of approximately \$2,400,000 (2009 – \$1,422,000) and \$4,600,000 (2009 - \$2,600,000) in Canada and Serbia respectively. These losses, if not utilized, will expire from 2026 through 2030 and 2012 through 2015 in Canada and Serbia respectively. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

11. SEGMENTED INFORMATION

At April 30, 2010 and 2009, the Company operates in a three reportable operating segments, being exploration and development of mineral properties and geothermal and hydroelectric energy.

Summarized financial information for the geographic and operating segments the Company operates in are as follows:

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11. SEGMENTED INFORMATION (cont'd)

April 30, 2010	Canada	Serbia	Total
Cash and other assets	\$ 2,882,842	\$ 488,119	\$ 3,370,961
Equipment	1,050	102,558	103,608
Hydroelectric licenses	-	239,143	239,143
Geothermal licenses	-	5,470	5,470
Mineral properties	-	249,518	249,518
Total assets	\$ 2,883,892	\$ 1,084,808	\$ 3,968,700

Year ended April 30, 2010	Mineral Properties	Geothermal	Hydroelectric	General and Administrative	Total
Loss for the year	\$ 264,709	\$ 29,245	\$ 2,496,228	\$ 1,947,857	\$ 4,738,039

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
Hydroelectric licenses	-	239,143	239,143
Total assets	\$ 1,718,389	\$ 1,054,590	\$ 2,772,979

Year ended April 30, 2009	Mineral Properties	Hydroelectric	General and Administrative	Total
Loss for the year	\$ 1,150,009	\$ 572,360	\$ 779,312	\$ 2,501,681

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

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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended April 30, 2010, the Company issued 501,041 units as a finder's fee with a fair value of \$300,625, which was included in share issue costs.

During the year ended April 30, 2009, the Company issued 240,000 units as a finder's fee with a fair value of \$156,000, which was included in share issue costs.

13. RISK AND CAPITAL MANAGEMENT FINANCIAL INSTRUMENTS

The Company is a junior renewable energy company whose principal business activity is the acquisition and development of mineral, hydroelectric and geothermal projects in the Republic of Serbia and southeast Europe, and considers items included in shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and will be required to raise additional funds. As at April 30, 2010, the Company had working capital of \$3,029,317 which is not expected to be sufficient to meet the Company's corporate objectives. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk of characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through public and/or private placements, sell assets or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Fair Value

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,230,762	-	-	\$ 3,230,762

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

Credit Risk

The Company is exposed to credit risk by holding cash and cash equivalents. This risk is minimized by holding the funds in Canadian banks or Canadian treasury bills. The Company has minimal accounts receivable exposure.

RESERVOIR CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
YEAR ENDED APRIL 30, 2010

13. RISK AND CAPITAL MANAGEMENT; FINANCIAL INSTRUMENTS (cont'd...)

Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Management believes the interest rate risk is low given the current low global interest rate environment. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

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 April 30, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in Serbian Dinars.

	Serbian Dinars
Cash and cash equivalents	14,242,502
Receivables	3,847,645
Accounts payable and accrued liabilities	(8,340,319)
Net exposure	9,749,828
Canadian dollar equivalent	\$129,980

Based on the above net exposure as at April 30, 2010, 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 \$13,593 in the Company's pre-tax earnings (loss).

CORPORATE INFORMATION

DIRECTORS

MILES F. THOMPSON
Toronto, Ontario

MICHAEL D. WINN
Laguna Beach, California

DALE PENIUK
Vancouver, British Columbia

WINSTON BENNETT
Toronto, Ontario

SIMON INGRAM
Dubai, United Arab Emirates

OFFICERS

MILES F. THOMPSON
Chairman

MILJANA VIDOVIC
President & Chief Executive Officer

CHRISTINA CEPELIAUSKAS
Chief Financial Officer

KIM C. CASSWELL
Corporate Secretary

HEAD OFFICE

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REGISTRAR AND TRANSFER AGENT

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SHARE CAPITALIZATION

August 20, 2010: 30,661,687

SHARES LISTED

TSX Venture Exchange
Symbol: REO

Frankfurt and Berlin Exchange
Symbol: ROC

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 10:00 a.m. on Thursday, September 30, 2010 at:

Reservoir Capital Corp.
Suite 300 - 570 Granville Street
Vancouver, British Columbia