

**RESERVOIR CAPITAL CORP.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEAR ENDED APRIL 30, 2009**

**GENERAL**

This management's discussion and analysis of financial position and results of operations is prepared as at August 20, 2009, 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, 2009 and 2008 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](http://www.sedar.com) or on the Company's website at [www.reservoircapitalcorp.com](http://www.reservoircapitalcorp.com).

**COMPANY OVERVIEW**

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

The Company's principal business activities are the acquisition and development of hydroelectric projects, and the acquisition, exploration and development of mineral properties in the Republic of Serbia and southeast Europe. The Company has two energy licenses for run-of-river hydroelectric projects in Serbia and is currently exploring for precious and base metals on mineral properties in Serbia, and is reviewing additional acquisition opportunities in both the mineral and renewable energy sectors. Reservoir is a reporting issuer in British Columbia, Alberta and Ontario, and trades on the TSX Venture Exchange as a Tier 2 issuer under the symbol REO and on the Berlin and Frankfurt Exchanges under the symbol ROC.

**COMPANY HIGHLIGHTS**

Highlights since May 1, 2008 included:

- The awarding to the Company of the Brodarevo 1 and Brodarevo 2 energy licenses, to develop run-of-river hydroelectric projects with a combined 48 megawatts of power generating capacity on the River Lim in southwest Serbia.
- The engagement of Energoprojekt Hidroinzenjering Co. Ltd. to complete Pre-Feasibility Studies for the Company's Brodarevo 1 and 2 hydroelectric power projects.
- Significant mineralized drill intercepts reported from both the Parlozi (silver) and Brestovac (copper-gold) projects.
- The completion of a non-brokered private placement financing of \$3,250,000 in July 2008 by the issuance of 5,000,000 units at \$0.65 per unit.
- The announcement of a \$5,000,000 non-brokered private placement in July 2009 for the issuance of 8,333,333 units at \$0.60 per unit. Completion of this financing is subject to regulatory approvals.

## **OUTLOOK**

Looking ahead, the Company will continue to advance its Brodarevo 1 and 2 projects, working to increase their scope and proceed into construction and production. Recognizing how important support from local governments, authorities, communities, people and environments, the Company continues to pursue strong, respectful relationships with these groups. Renewable energy, particularly from hydroelectric sources, will be the focus of the Company's efforts as the company's mineral exploration portfolio is gradually reduced through possible joint ventures and sales.

## **RENEWABLE ENERGY OVERVIEW**

During the year ended April 30, 2009, the Company worked with the Ministry of Mines and Energy and the Serbian Government to approve the Brodarevo 1 and Brodarevo 2 ("Brodarevo Projects") energy licenses, to build run-of-river hydroelectric plants on the River Lim in southwest Serbia. These licenses were awarded to the Company in February 2009. The Brodarevo Projects have a design capacity of 48 Megawatt ("MW") and the Company is targeting production of 189 GWh/year of electricity production, to be sold at preferential renewable energy tariffs and under long-term power purchasing agreements.

In May 2009, the Company engaged Energoprojekt Group Ltd. ("EHC") to complete Pre-Feasibility Studies for the Brodarevo projects. The studies are expected to be completed within 10 months and will include an analysis to increase the size of the project from the proposed 48 MW capacity, to 75 MW and possibly 100 MW. EHC is a Belgrade-based engineering company founded in 1951 that specializes in the design and construction of hydro and thermal power plants. EHC's hydro engineering division covers all aspects of design, planning, permitting, feasibility, construction and operation of hydroelectric projects on a global basis.

The Brodarevo Projects were previously studied to feasibility stage in the 1980's, and the River Lim system currently has four active hydroelectric projects. Additionally, the Company has begun technical studies and the preparation of documentation for additional hydro license applications. The Company has also initiated discussions with the Serbian State-owned utility Elektro Privreda Srbije about joint venture possibilities and future projects.

Over 30% of Serbia's power generating capacity is hydroelectric, with 2,013 MW installed, most of which is run-of-river; the Serbian government estimates that there is potential to more than double this figure based on available sites in the country that are considered technically and economically feasible for hydro project development.

Lack of investment over the last ten to fifteen years has led to a fall in both generating capacity and electricity output, such that Serbia has become an importer of electricity. To encourage new investment, a series of laws have been passed to attract private investment to the sector, including allowing the free trade of energy nationally and internationally. Serbia is a signatory of the Kyoto Protocol on Climate Change, has become a host country for Clean Development Mechanism projects and is in the process of introducing preferential tariffs for renewable energy. By adopting a new Energy Law in 2004, aimed at reorganizing Serbia's energy sector and integrating it into the European Union, Serbia became a member of the Energy Community of southeastern Europe, which provides for complete participation in the regional energy market of southeastern Europe. The law also created the Regulatory Agency for the Energy Sector, which controls electricity prices as they become more in-line with EU standards. Serbia's laws and policies regarding energy pricing, production, and trading are all based on EU guidelines. Serbia's location, in the center of the Balkans, with eight bordering states, makes it a critical component in any European effort to upgrade the electrical network in southeastern Europe.

Renewable energy project development expenditures of \$514,336 were incurred during the year, up until the Brodarevo 1 and 2 licenses were granted to the Company in early February 2009. Since obtaining the licenses to the Brodarevo Projects the Company has incurred \$58,024 of expenditures to April 30, 2009 to further develop the projects.

## EXPLORATION OVERVIEW

The Company continues to seek joint venture partners for some, or all, of its exploration portfolio to support exploration programs in fiscal 2010 and leverage the investment to date.

### Brestovac

For its mineral property portfolio, the Company has focused its efforts at Brestovac, given its potential to host a world-class copper-gold deposit. The Bor-Majdanpek District is one of the richest in Europe, with an endowment (past production plus current reserves and resources) estimated at 23 million tonnes of copper and 29 million ounces of gold. Reservoir's Brestovac targets are just four kilometers due south of the Bor Mine and the Company's work to date has identified epithermal-type gold and copper mineralization in the same geological and structural setting as Bor. The Company completed 19 diamond drill holes to date, mostly targeting a 550 meter long epithermal gold target, known as the "Corridor Zone", where mineralization is associated with irregular zones of silicification and quartz veining in intensely altered andesitic volcanic rocks, containing disseminated pyrite and occasional sphalerite and galena. Most of these drill holes have intercepted high-grade gold-bearing structures within wider zones of disseminated mineralization.

During the early part of the fiscal year, the Company completed a scout drilling program to test geophysical and structural anomalies, targeting a deeper high-sulphidation epithermal and porphyry system, similar to that of the Bor Mine four kilometers to the north. Five diamond drill holes were completed for a total of 1,898.70 meters, intercepting zones of brecciated and locally strongly altered (silicified) andesite with quartz veinlets containing sulphide minerals. The mineralization intercepted in hole BN-19 is associated with intense pyritization in the matrix of breccias containing silicified and pyritized marls and volcanoclastics.

The significant intercepts are tabled below:

DRILL HOLE NO	FROM (meters)	TO (meters)	INTERVAL (meters)	Cu %	Au g/t
BN-17	85.00	93.00	8.00	-	3.95
BN-18	90.60	114.60	24.00	-	1.49
including	102.60	106.60	4.00	-	5.18
BN-19	35.30	60.10	24.80	0.33	0.16

The deep-drilling project was designed to test the following targets:

- Geophysical targets generated by an induced polarization (IP) survey over porphyry copper-gold targets associated with the epithermal gold mineralization already defined in the “Corridor” zone (BN-15 and -16);
- Extensions to depth of the Corridor epithermal gold mineralization (BN-17 and -18), and
- Alteration and copper mineralization reported from historical (1980’s) drilling on the northeast extension of the Corridor (BN-19).

The presence of copper mineralization in BN-19 supports the Company’s concept that the epithermal gold mineralization of the Corridor grades into a copper-rich zone. These results enhance the potential for the discovery of copper mineralization similar to that in the Bor mining district.

The Company has also acquired historic analytical data pertaining to 10 diamond drill holes that were drilled during exploration of the area in the 1980’s by the state-owned RTB Bor Company. Analytical results (2 meter core intervals) reported from 5 of these holes contained greater than 0.5% copper (maximum 3.9% copper) and 10 meter composite samples from 4 holes contained greater than 1 grams per ton (“g/t”) gold (maximum 3.4 g/t gold). Analyses from historic diamond drill hole B-11 recorded 1.39% copper over 24 meters and B-15 recorded 1.05% copper over 30 meters. The mineralized intercepts in all the holes are described as hydrothermally altered andesites. The historic data pertains to drill holes located between 200 and 420 meters ENE of the Company’s BN-01 drill hole at the northeastern end of the Corridor. The Company believes that these historic results are relevant, and is continuing to perform independent verification and follow-up.

Subsequent to completing the drill program, the Company undertook petrographic analyses, added and reinterpreted the geophysical datasets, and completed a third round of water sampling aimed at monitoring any environmental impacts from the drilling and building a baseline environmental database. The Company filed its annual exploration report and proposed 2008-09 work programs to the Serbian Ministry of Energy and Mines and has an extension of the Brestovac permit to June 30, 2010.

The 2008 drill program at Brestovac extended the gold mineralized “Corridor” target and confirmed the location of the Bor fault within the Company’s License, also exposing a new area of volcanic rocks with silica, clay and sulphide alteration with up to 1.375 g/t gold (7 channel samples, range 0.031 to 1.375 g/t gold, average 0.54 g/t gold) and up to 1,935 parts per million (“ppm”) copper (7 channel samples, range 47 to 1,935 ppm copper, average 645 ppm copper).

During the year ended April 30, 2009, the Company incurred \$342,018 (2008 - \$759,586) of exploration expenditures on Brestovac.

### **Parlozi**

The Parlozi property covers a historical lead-zinc-silver deposit in the Kosmaj-Babe area, in central Serbia. The mineralization is described as a silver-bearing vein and replacement-type zinc and lead sulphides hosted by carbonate sedimentary rocks associated with intrusive Neogene quartz-latite dykes and volcanic breccias. Exploration work in the Permit area during the 1970’s and 1980’s included 39 drill holes (15,105 meters), geophysical surveys, and detailed geological and mineralogical studies. The Serbian government’s mineral deposit database quotes a historical resource estimate of 6.5 million tonnes at an average grade of 4.1% lead, 2.1% zinc, 0.3% copper and 130 g/t silver. This resource estimate is not compliant with National Instrument 43-101, but is considered by the Company to be relevant.

During the second quarter, the Company completed a validation drill hole PA-01 to a depth of 600 meters on the Parlozi lead-zinc-silver project. The drill hole intersected a sequence of interbedded limestones and marls intruded by Neogene dacites. Silver-rich sulphide mineralization is associated with intense silicification of the marls and limestones. Gold is associated with arsenopyrite mineralization and occurs in strongly silicified metasedimentary rocks close to the contact with the intrusive dacite. The Company notes that the replacement style of mineralization is similar to other deposits associated with Neogene magmatism in the western Balkans, but that Parlozi is remarkable for its high content of precious metals.

The best intercepts in PA-01 include:

<b>From (meters)</b>	<b>To (meters)</b>	<b>Interval (meters)</b>	<b>Au g/t</b>	<b>Ag g/t</b>	<b>Pb %</b>	<b>Zn %</b>
121.60	127.65	6.15	2.81	5	0.1	0.1
172.55	182.40	9.85	1.01	37	1.1	0.7
195.30	203.10	7.80	0.14	214	4.8	1.4
Including 195.30	199.30	4.00	0.23	410	8.1	2.2
247.30	251.00	3.70	0.12	228	9.2	1.3
354.00	360.30	6.30	0.11	105	1.0	0.1
422.50	434.00	11.50	0.04	102	0.9	0.4
Including 424.00	424.80	0.80	0.21	1175	11.3	4.0

The Company is working on preparing a new geological model and interpreting geophysical data to define possible extensions of mineralization for drilling in the coming season.

During the year ended April 30, 2009, the Company incurred \$279,577 (2008 - \$45,931) on Parlozi.

### **Deli Jovan**

The Deli Jovan property is located in northeastern Serbia, about 18 kilometers to the northeast of Brestovac. The property covers an eight kilometer trend of bonanza-grade gold quartz veins hosted by gabbros. There is evidence of surface mining of these veins dating back to Roman times and there are several more recent workings, most notably the Gindusa and Rusman underground mines that were worked in the 19<sup>th</sup> century and explored in the 20<sup>th</sup> century.

Contract miners from the Bor Copper Institute were employed to reopen and clean the upper level of both Gindusa and Rusman earlier this year so that the Company's geologists could map and sample the veins. Although it is likely that selective past mining would have removed the better material, the Company has been very encouraged by the high-grade gold results of its sampling. Mapping and sampling of these upper levels is now complete and the Company is evaluating the possibility of draining the mines to access the lower levels and planning a first-pass drill program.

During the year, the Company completed detailed surface mapping and sampling of the 15km<sup>2</sup> area between the Gindusa and Rusman adits and completed some 30km of magnetic survey lines to better define host structures on the property. The original Deli Jovan exploration permit covered 75 square kilometers and was originally granted in May 2006. A one year renewal for a US\$140,000 work program expired in May 2009 on a permit area that covers 69 square kilometers. A further one year renewal was granted in June 2009 and expires on May 30, 2010.

Work at Deli Jovan has outlined extensive vein systems with bonanza gold grades. Variability of the veins and grade continuity between them remain an issue, but exploration continues to extend mineralization and identify new vein systems and new areas of past mining. The Company collected larger samples to assess the nugget effect and to undertake preliminary metallurgical testing.

During the year ended April 30, 2009, the Company incurred \$83,673 (2008 - \$170,084) on Deli Jovan.

### **Stara Planina**

The Stara Planina property covers two large intrusion-related gold-copper alteration systems in eastern Serbia. Soil and rock chip sampling has outlined two large gold and base metal anomalies. Gradiste is a roughly 3.4km by 1.0km copper-in-soil anomaly defined by 100 to 1,000 ppm copper, with anomalous molybdenum (> 0.5 ppm molybdenum, maximum 14.5 ppm), tungsten (0.5 – 8.0 ppm), tin, bismuth and tellurium. The Aldinac anomaly is defined by 100 to 2,000 ppm copper over an area of about 2.8 kilometers by 800 meters associated with the same suite of metals and geological setting as Gradiste.

Various gold targets have also been outlined within both the Gradiste and Aldinac anomalies. Trenching across gold-in-soil anomalies at Miljanina Cuka has identified a number of narrow and locally high grade zones of gold mineralization, with the best results 0.5 meters at 101.5 g/t gold and 1.3 meters at 35.7 g/t gold. This mineralization appears to be similar to the Gradiste road cut where rock samples from abandoned exploration adits yielded 59.4 g/t and 28.2 g/t gold and to the abandoned Aljin Do bismuth-gold mine where reports of historical work described grades of 24 g/t to 62 g/t gold.

The Company undertook follow-up campaigns on the Miljanina Cuka, Aljin Do and Gradiste-Dejanovac gold targets. Work comprised interpretation of satellite imagery (Aster), geological mapping, geochemical sampling, geophysical surveys (magnetic) and some trenching. The Company has completed a short program of sampling from channels, trenching and geological mapping around the old workings at Aljin Do to assess possible extensions of massive sulphide mineralization. Mineralization sampled from mine dumps near the old adit ranged in grade from 1.25 g/t to 42.9 g/t gold and 0.1% to 8.6% copper. Two trenches excavated along the trend identified extensions of the same alteration mineralization 100 meters along strike from the old workings.

Trench	Length (m)	Number of Samples	Gold (g/t Au)	Max (g/t Au)	Copper (g/t Cu)	Max (Cu %)
1	32	16	0.12	1.1	715	0.25
2	26	13	0.09	0.8	360	0.22

During the year ended April 30, 2009 the Company incurred \$107,618 (2008 – \$126,645) on Stara Planina.

## **Bobija**

In September 2007, the Company was awarded the Bobija exploration permit, a new 33 square kilometer exploration permit. The Bobija property surrounds the Bobija barite-lead-zinc-silver deposit, which has been explored and exploited for barite and the Tisovik lead occurrence in western Serbia. The fine-grained, stratabound nature of the mineralization at Bobija is typical of the sediment-hosted massive sulphide (“SEDEX”) or sedimentary-exhalative type of deposit that form the basis of major zinc-lead resources like Red Dog in Alaska. SEDEX deposits tend to occur in clusters within their host stratigraphy and the Company’s property contains a number of reported occurrences of lead and zinc mineralization. During the year, the Company undertook a program of surface work comprising stream sediment and rock chip sampling. A one year renewal for a work program of US\$71,000 was granted which expires in September 2009.

During the year ended April 30, 2009 the Company incurred \$27,916 (2008 – \$62,638) on Bobija.

## **Other projects**

There was minimal work done on the Company’s Lece, Rakita, and Plavkovo licenses during the year. The Company was awarded the Jasikovo exploration permit, a new 12.5 square kilometer exploration permit, with a work program of US\$35,000 which expires in July 2010.

Dr. Duncan Large, Chartered Engineer (UK) and Eur. Geol., a Qualified Person as defined by National Instrument 43-101 and consultant to the Company, is responsible for the preparation of, and has verified, the technical information in this MD&A.

## **RESULTS OF OPERATIONS**

The Company recorded a loss of \$2,501,681 or \$0.12 per share for the year ended April 30, 2009 compared to a loss of \$2,680,208 or \$0.17 per share for the comparative period ended April 30, 2008, a decrease in loss of approximately \$178,000, or 7%. The current year increase in renewable energy expenditures of \$375,400 was offset by a decrease in mineral property exploration expenditures of \$457,827, as the Company focused more of its resources on the acquisition of two hydroelectric energy licenses during the year and the review of additional opportunities in the energy sector. General and administrative expenses decreased by \$82,641 during 2009. Administrative services and management fees increased by a total of \$95,046 for the year mainly due to the monthly management services and office facilities agreement that the Company entered into effective January 1, 2009 with Seabord Services. However, as a result of the smaller number of stock options granted during the year, stock-based compensation expense decreased by \$200,827. Overall, the results of operations for the year ended April 30, 2009 were comparable to the previous year.

## **FOURTH QUARTER RESULTS**

The Company recorded a loss for the three month period ended April 30, 2009 of \$506,668 or \$0.02 per common share compared to a loss of \$821,919 or \$0.05 per common share for the comparative period ended April 30, 2008. The decrease in loss of approximately \$300,000 is mainly due to a decrease in operations expenditures on its mineral properties, energy projects and project investigation of \$315,860 and a decrease of \$101,348 in stock-based compensation expense. The decrease in operations expenditures is primarily due to the drilling on the Brestovac property that was undertaken during the fourth quarter of 2008; there was no drilling in the fourth

quarter of 2009. Additionally, fewer stock options were granted during the current year's fourth quarter.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2009, the Company had working capital of \$1,781,096 as compared to \$1,250,474 at April 30, 2008. The increase in working capital of approximately \$530,622 from April 30, 2008 came primarily from the net increase in cash of \$360,197, mainly due to net proceeds from share capital issued for cash of \$3,237,121, offset by energy licenses acquired, equipment purchases, and cash used in operations of \$239,143, \$23,221, and \$2,614,560 respectively.

All of the Company's cash and cash equivalents are held in interest bearing accounts and highly liquid short-term interest bearing investments with maturities of 90 days or less which can be liquidated at any time without penalties. The Company has not invested in any asset backed securities.

Subsequent to year end, the Company announced a \$5,000,000 non-brokered private placement by the issuance of 8,333,333 units at \$0.60 per unit. Completion of this financing is subject to regulatory approvals.

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

## ANNUAL FINANCIAL INFORMATION

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

<b>Years Ended</b>	<b>April 30,</b>	<b>April 30,</b>	<b>April 30,</b>
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Financial Results</b>			
Revenues	\$ -	\$ -	\$ -
Operations expenditures	1,722,369	1,607,836	208,751
Loss for the period	(2,501,681)	(2,680,208)	(1,113,469)
Loss per share - basic and diluted	(0.12)	(0.17)	(0.12)
Dividends declared	-	-	-
<b>Financial Position</b>			
Working capital	\$ 1,781,096	\$ 1,250,474	\$ 1,634,978

Energy licenses	239,143	-	-
Mineral properties	469,870	469,870	383,870
Total assets	2,772,979	2,166,967	2,142,368
Long-term liabilities	-	-	-
Share capital	8,180,449	4,936,226	2,738,034
Deficit	(6,298,822)	(3,797,141)	(1,116,933)

The loss in 2009 is comparable to 2008. While the Company increased expenditures on its renewable energy projects and project investigations, it decreased exploration expenditures on its mineral properties.

Total assets in 2009 are comparable to 2008 as the increase in assets is mainly due to share capital issued for cash which was offset by exploration and operating expenses incurred during the year.

### QUARTERLY INFORMATION

<b>Quarter Ended</b>	<b>April 30, 2009</b>	<b>January 31, 2009</b>	<b>October 31, 2008</b>	<b>July 31, 2008</b>
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)	(0.05)

<b>Quarter Ended</b>	<b>April 30, 2008</b>	<b>January 31, 2008</b>	<b>October 31, 2007</b>	<b>July 31, 2007</b>
Operations expenditures	\$ 582,160	\$ 480,935	\$ 414,746	\$ 326,955
Stock-based compensation	114,111	10,746	36,373	72,521
Loss for the period	(821,919)	(615,070)	(694,874)	(548,345)
Basic and diluted loss per share	(0.05)	(0.04)	(0.04)	(0.04)

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

### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

### RELATED PARTY TRANSACTIONS

During the year ended April 30, 2009, the Company:

- Paid or accrued \$62,400 (2008 - \$nil) for office facilities and administrative services to a company related by having a director in common, of which \$18,122 (2008 - \$nil) was in accounts payable and accrued liabilities at April 30, 2009.
- Paid \$30,975 (2008 - \$3,988) for consulting services to a company related by having a director in common.

- Paid or accrued \$135,400 (2008 - \$135,554) to the President of the Company and \$72,000 (\$2008 – 64,000) to the Chairman of the Company for consulting services, of which \$6,000 (2008 - \$6,000) was in accounts payable and accrued liabilities at April 30, 2009.

During the year ended April 30, 2008, the Company paid \$10,253 (2009 - \$nil) for office facilities to a company that was related by having a director in common.

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

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the financial statements for the year ended April 30, 2009 are set forth in note 2 of the consolidated financial statements, except as described in "Changes in Accounting Policies" below. They are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Accounting policies requiring significant judgments or estimates are as follows:

### **Mineral Properties**

The Company's accounting policy is to capitalize acquisition costs, net of recoveries received, until the property to which they relate is placed into production, sold or abandoned. Exploration expenditures, net of recoveries, are expensed as incurred until such time as the development potential of the property is evidenced by a positive economic analysis. This policy is an acceptable alternative under Canadian GAAP. On a quarterly basis, management reviews the carrying values of acquisition costs with a view to assessing whether there has been any impairment in value. In the event that resources are estimated to be insufficient to recover the carrying value of any property, the carrying value will be written down to estimated fair value or written-off, as appropriate.

### **Renewable Energy Projects**

Acquisition costs for renewable energy projects, net of recoveries, are capitalized on a project-by-project basis. 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.

## **Stock-Based Compensation**

Another significant estimate relates to accounting for stock-based compensation. From time to time, the Company may grant share purchase options to directors, officers, employees and consultants. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

## **Asset Retirement Obligations**

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred based on an estimate of fair value. The estimates include an assumption on the rate at which costs may inflate in future periods as well as the expected timing of future cash outflows. Actual costs and the timing of expenditures could differ from these estimates. The Company does not have any significant asset retirement obligations as of April 30, 2009.

## **CHANGES IN ACCOUNTING POLICIES**

### **New pronouncements effective for fiscal 2009 and later periods**

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

#### ***Going-concern***

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

#### ***Capital Disclosures***

The CICA issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. This information is disclosed in Note 14 of the consolidated financial statements.

#### ***Financial instruments***

The CICA issued two new standards, Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 requires an entity to provide users with information to evaluate the significance of the financial instruments of the

entity's financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This information is disclosed in Note 13 of the consolidated financial statements.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

The CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which will replace 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 expenses as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2009. Management is currently assessing the impact of this new accounting standard on its consolidated financial statements.

### ***Business Combinations, Consolidated Financial Statements and Non-Controlling Interests***

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

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

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

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

### ***International Financial Reporting Standards ("IFRS")***

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB

strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period.

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

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

## **RISKS AND UNCERTAINTIES**

In addition to the usual risks associated with an investment in a business at an early stage of development, management and the directors of the Company believe that, in particular, the following risk factors should be considered. It should be noted that the list is not exhaustive and that other risk factors may apply. An investment in the Company may not be suitable for all investors.

### **Hydroelectric Project Risks**

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

### **Mineral Property Exploration and Mining Risks**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims are in good standing and obtaining

permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

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

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

### **Financing Risks**

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

### **Insurance and Uninsured Risks**

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

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

## **Competition**

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

## **Environmental Risks and Hazards**

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

## **Share Price Fluctuations**

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

## **Foreign Country and Political Risk**

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

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

## **OUTSTANDING SHARE DATA**

As at August 20, 2009, the Company had 21,770,000 common shares issued and outstanding. There were also 1,765,000 stock options outstanding with expiry dates ranging from February 2, 2012 to May 26, 2014. In addition, there were 5,240,000 warrants outstanding with which expire on July 16, 2010.

## **SUBSEQUENT EVENTS**

On May 26, 2009, the Company granted 80,000 stock options to an officer and consultant at a price of \$0.68 per option for a period of 5 years.

On July 21, 2009, the Company announced that it has arranged a non-brokered private placement financing of \$5,000,000 by the issuance of 8,333,333 units at \$0.60 per unit (a "Unit"). Each Unit shall comprise one common share and one-non-transferable, common share purchase warrant valid for 2 years. Each warrant will entitle the holder thereof to acquire an additional share at price of \$0.80 per share during the first year and \$0.90 during the second year from the closing of the private placement. If, after the expiry of all resale restrictions, the closing price of the shares on the TSX Venture Exchange is \$1.20 or greater for a period of 20 consecutive trading days, the Company may, at its election, provide notice of an earlier expiry of the warrants, in which case the warrants shall expire 21 trading days after giving such notice. A finder's fee of 6.5 percent in Units will be paid on the private placement. Completion of this financing is subject to regulatory approvals.

## **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.