Alaska Hydro

ALASKA HYDRO CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTERS ENDED

SEPTEMBER 30, 2012 AND 2011

As at November 28, 2012

The following management's discussion and analysis is for the quarters ended September 30, 2012 and 2011. This MD&A is as of November 28, 2012.

INTRODUCTION

The discussion and analysis of the operating results and financial position of Alaska Hydro Corporation ("the Company") should be read in conjunction with the attached Consolidated Interim Financial Statements and related Notes (the "Financial Statements"), These consolidated interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we are reporting on this basis in these consolidated interim financial statements. In these consolidated interim financial statements and in this MD&A, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. This discussion and analysis may contain forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations. Additional information relating to the Company is available on SEDAR at www.sedar.com and at www.alaskahydro.com.

DESCRIPTION OF BUSINESS

The Company was incorporated on October 16, 2006 (as Project Finance Corp.) under the British Columbia Business Corporations Act. Effective September 3, 2010, Project Finance Corp. changed its name to "Alaska Hydro Corporation". The Company commenced trading on the TSX Venture Exchange (the "TSX-V") as a Tier 2 Issuer on September 8, 2010 under its new name and trading symbol "AKH".

On September 3, 2010 the Company completed the acquisition of Cascade Creek LLC ("Cascade"), which reflects the shareholders of Cascade owning approximately 80% of the common shares of the Company. This transaction has been accounted in accordance with IFRS 2, "Share Based Payments". The equity accounts have been presented as a continuation of Cascade.

The Company acquired all of the issued and outstanding units of Cascade by issuing an aggregate of 23,761,458 common shares and 6,238,542 special warrants at a deemed price of $0.08 per common share or special warrant, as the case may be. Each special warrant is convertible into one common share for no additional consideration. Cascade and the Company are at arm's length, accordingly the Qualifying Transaction was not a "Non-Arm's Length Qualifying Transaction". Upon completion of the Qualifying Transaction, the Company changed its name to "Alaska Hydro Corporation".

At September 3, 2010 the Cascade Creek Hydroelectric project ("the Project"). was owned by Cascade, and comprised of a proposed 70 MW lake syphon hydro electric facility connecting Swan Lake to a powerhouse and a transmission line to a location near Petersburg, Alaska, USA. The project is estimated to generate an approximate average of 204 GW.h per year of renewable energy plus some storage capacity. The Cascade Creek project is part of the Thomas Bay project initiative, which consists of three potential hydro electric facility sites – Cascade Creek, Ruth Lake, and Scenery Lake that would all share transmission lines from Thomas Bay to Petersburg, Alaska.

On September 24, 2012 the Company reported that the US Federal Energy Regulatory Commission ("FERC") has issued an order denying rehearing of Cascade's Preliminary Permit Application for development of the Project. However, there was a provision in the Order that would allow the company to continue to pursue the FERC pre-filing requirements to prepare a license application.

DESCRIPTION OF BUSINESS (continued)

On November 9, 2012 the Company announced its intention to abandon any further effort to develop the Cascade Creek hydropower project in Thomas Bay Alaska. The Company acquired the Cascade Creek hydropower project in 2010 and has spent $2,768,000 on the project in an effort to produce a completed application for a FERC hydropower project licence. At the time of acquisition the project was being developed under a second preliminary permit, with the aim that the second preliminary permit would be converted to a hydropower license, Subsequent to the acquisition the regulatory period for filing the hydropower license application expired before the Company was able to complete the necessary work to file the license application. In order to keep site control to further develop the project, the Company applied for a third preliminary permit. This preliminary permit application was denied and the Company sought a rehearing. The rehearing was denied and confirmed by FERC on September 20, 2012. The decision however left the door open to submit a proposal that would allow the company to proceed with no site control.

The Company had the right to appeal the rehearing decision, but has decided that the cost and time involved in the process and the low probability of success rendered the appeal process not viable. The Company initiated a response to FERC taking advantage of an opening in the FERC order but on November 9, 2012 decided after careful consideration that the probability of obtaining site control, in some form which would allow the Company to raise additional funds to pursue this course of action, was unlikely and the effort should be abandoned.

The Company does not generate cash flows from operations and accordingly the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

Of the 23,761,458 common shares and 6,238,542 special warrants issued to the Vendors, an aggregate of 4,210,874 common shares are held in value escrow pursuant to the policies of the TSX-V at September 30, 2012. These remaining common shares subject to escrow will continue to be released in 15% tranches in 6 month intervals with the next release scheduled March 7, 2013. Of these securities, 6,000,000 common shares issued to certain of the Vendors are also subject to a performance escrow agreement.

On April 25, 2012 the Company closed a non-brokered private placement. The private placement was in aggregate 1,600,000 Units ("the Offering") at a price of C$0.05 per Unit for total receipt of C$80,000. Each Unit is comprised of one Common Share in the capital of the Issuer (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at an exercise price of C$0.10 per Warrant Share until April 25, 2017.

OVERALL PERFORMANCE

On September 3, 2010 the Company completed the acquisition of Cascade; the shareholders of Cascade own approximately 80% of the common shares of the Company. The Company is in the development stage and its continuing operations are dependent upon its ability to develop the hydro electric project, to raise sufficient financing and to obtain the required licenses from FERC. On September 3, 2010 the Company completed additional financings for net proceeds of C$1,295,548. These funds were used to further the acquisition of required licences for its Cascade Creek hydroelectric project.

On January 30, 2012 Cascade was advised by FERC that it had issued an Order denying the successive preliminary permit application filed February 1, 2011 by Cascade for the Cascade Creek Hydroelectric Project No. 12495-003.

On March 28, 2012 Cascade received an "Order Granting Rehearing For Further Consideration" from FERC in response to Cascade's application for rehearing request filed February 29, 2012.

OVERALL PERFORMANCE (continued)

On September 24, 2012 the Company reported that FERC had issued an order denying rehearing of Cascade's Preliminary Permit Application for development of the Project. However, there was a provision in the Order that would allow the company to continue to pursue the FERC pre-filing requirements to prepare a license application.

On November 9, 2012 after careful consideration, the Company announced its intention to abandon any further effort to develop the Cascade Creek hydropower project in Thomas Bay Alaska. The Company decided that the probability of obtaining the necessary site control, in some form which would allow the Company to raise additional funds to pursue this course of action, was unlikely and the effort was abandoned.

SELECTED ANNUAL INFORMATION

The table below present's selected financial data for the Company's three most recently completed years.

	Years ended December 31		
(In US $ except per share data)	2011	2010	2009
Other income	$ 534	$ 1,799	$ 23,275
Net loss	726,690	2,218,187	316,743
Comprehensive loss	712,429	2,207,116	-
Basic and diluted loss per share [1]	0.02	0.18	-
Hydro project expenditures	321,255	1,193,269	209,101
Total assets	65,462	262,133	60,660
Total long-term financial liabilities	479,825	250,000	250,000
Cash dividends declared per share	$ -	$ -	$ -

[1] No loss per share information has been presented for the 2009 comparative year as these figures represent the assets and operations of Cascade Creek LLC, which did not have share capital separated into discrete shares

In 2009, 2010 and 2011, the Company raised funds to carry on its principal business, which was the Cascade Creek hydroelectric project. This is reflected in the expenditures outlines above for the 3 years. Net loss comprised mostly hydroelectric project expenditures in 2009, 2010 and 2011. The selected financial data for 2009 was has been prepared in accordance with Canadian GAAP. All monetary amounts are expressed in US dollars unless otherwise indicated. In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011 and show comparative numbers for 2010. Accordingly, we have commenced reporting on this basis.

RESULTS OF OPERATIONS

Three months ended September 30, 2012 and 2011:

Hydro project expenditures for the quarter ending September 30, 2012 are $185, significantly down when compared with $37,443 expended during the same period in 2011. Environmental studies are lower by $37,258 when compared to the third quarter last year; no new field investigations have been undertaken in the current quarter. The reduced expenditures are due to the Company awaiting the results of Cascade's application to FERC.

General and Administrative expenditures for the third quarter ending September 30, 2012 are $40,694 (2011 - $132,327). Expenses totalling $18,638 have been incurred for legal, and accounting and management consulting fees during the three months ended September 30, 2012 which are down from $72,359 during the same period of 2011. Share-based compensation expense totalling $669 ($28,388-2011) in this second quarter is employees, directors and consultants stock option valuation allocation. Accretion and Interest on convertible debentures was $3,353 for the third quarter, comparable to $2,810 for the same quarter in 2011. Transfer agent, filing and sustaining fees are $6,820 (2011 - $8,674). The cash balance of $20,207 is similar to our cash at September 30, 2011 balance at $9,238.

Nine months ended September 30, 2012 and 2011:

Hydro project expenditures for the nine months ending September 30, 2012 are $825 compared with $317,667 during the same period in 2011. No new field investigations have been undertaken in this current period. The reduced expenditures are due to the Company awaiting the results of Cascade's application to FERC. On November 9, 2012 the Company announced its intention to abandon any further effort to develop the Cascade Creek hydropower project in Thomas Bay Alaska.

General and Administrative expenditures for the nine months ending September 30, 2012 are $164,494 (2011 - $348,736). Expenses totalling $90,265 are incurred for legal, and accounting and management consulting fees during the nine months ended September 30, 2012 compared to $228,020 during the same period of 2011. The first nine months of 2011 professional fees are $137,755 higher than the 2012 first nine months professional fees, due to a reduction in activities originating from FERC denying the Company's successive preliminary permit application. Share-based compensation expense totalling $12,511 ($30,959-2011) in the first nine months is employees, directors and consultants stock option valuation allocation. Accretion and interest on convertible debentures is $33,640 for the nine months compared to $26,863 for the same period in 2011. Transfer agent, filing and sustaining fees are $19,235 (2011 - $21,734) which is comparable to 2011. The cash balance of $20,207 is similar to our cash balance at September 30, 2011 at $9,238.

Cascade Creek

The Project is comprised of a proposed 70 MW lake syphon hydro electric facility connecting Swan Lake to a powerhouse and a transmission line to a location near Petersburg, Alaska, USA. The project is estimated to generate an approximate average of 204 GW.h per year of renewable energy plus some storage capacity. The Cascade Creek project is part of the Thomas Bay project initiative, which consists of three potential hydro electric facility sites – Cascade Creek, Ruth Lake, and Scenery Lake that would all share transmission lines from Thomas Bay to Petersburg, Alaska.

On January 30, 2012 Cascade was advised by FERC that it had issued an Order denying the successive preliminary permit application filed February 1, 2011 by Cascade for the Cascade Creek Hydroelectric Project No. 12495-003. On September 24, 2012 the Company reported that FERC has issued an order denying rehearing of Cascade's Preliminary Permit Application for development of the Project. On November 9, 2012 after careful consideration, the Company announced its intention to abandon any further effort to develop the Cascade Creek hydropower project in Thomas Bay Alaska.

(In US Funds, unless otherwise indicated)

SUMMARY OF QUARTERLY RESULTS

The table below present's selected financial data for the Company's eight most recently completed quarters.

(In US$ except per share data)

	Years ended December 31							
	2012			2011				2010
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial Results								
Interest income	1	3	1	295	58	123	58	1,144
Net loss for period	40,878	76,227	48,209	95,366	144,066	256,783	230,475	1,586,205
Per share	$ -	$ -	$ -	$ -	$ -	$0.01	$0.01	$0.15
Balance Sheet Data								
Cash and cash equivalents	20,207	19,114	39,048	38,261	9,238	29,881	112,173	193,658
Total assets	36,185	46,917	65,945	65,462	89,512	112,471	188,655	262,133
Shareholder's equity	(995,203)	(954,803)	(954,689)	(938,501)	(864,591)	(821,822)	(570,665)	(373,795)

LIQUIDITY AND SOLVENCY

As at September 30, 2012, the Company had a working capital deficit of $507,294. The Company does not generate cash flows from operations and accordingly the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company had raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

The current cash resources are not adequate to pay our accounts payable and to meet our minimum commitments at the date of this MD&A, including planned corporate and administrative expenses. The Company is in the development stage and its ability to continue as a going concern is dependent upon its ability to attract and develop projects, to raise sufficient financing and to obtain the required licenses for any project and to ultimately generate income and cash flows from operations of the project. The outcome of these matters cannot be predicted at this time and in the event they do not occur, the carrying value of the Company's assets may be adversely affected.

CAPITAL RESOURCES

In 2010 the Company completed a financing concurrent with the Qualifying Transaction with Cascade. In 2011 the company issued Convertible Debentures in several tranches and in April 2012 the Company closed a non-brokered private placement. See "Description of Business".

RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

a) Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. 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 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

b) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will have to prepare an opening IFRS balance sheet and will have to provide comparative IFRS information for the previous fiscal year. As the Company's comparative IFRS information was previously reported under Canadian GAAP, restatement of amounts is required for comparative purposes.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in these consolidated financial statements. In the September 30, 2011 and subsequent consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The consolidated financial statements are expressed in US dollars and include the accounts of the Company, and its wholly owned subsidiary, Cascade Creek LLC. All inter-company transactions have been eliminated. First-time Adoption Exemptions Applied.

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. In accord with permissible exemption the Company has elected to not restate previous business combinations and the accounting thereof.

We have applied IFRS 1 in preparing the first IFRS consolidated interim financial statements for March 31, 2011 and subsequent financial statements. The statements include policies necessary to meet IFRS requirements.

(In US Funds, unless otherwise indicated)

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

The Company has no contingent liabilities.

RELATED PARTY TRANSACTIONS AND BALANCES

a) Due to Related Parties

As at September 30, 2012, the Company has accrued $266,340 (2011 - $181,695) due to directors and companies controlled by directors or officers of the Company for legal, accounting and consulting services. The amounts are non-interest bearing, unsecured and due on demand.

b) Transactions with Related Parties

During the nine month periods ended September 30, 2012 and 2011, the Company had the following related party transactions:

i) For the nine month period ended September 30, 2012, the Company paid or incurred a total of $46,437 (2011 - $121,138) to a director for legal services and to a company controlled by an officer for CFO services.

ii) For the nine month period ended September 30, 2012, the Company paid or incurred a total of $Nil (2011 - $116,460) to a company controlled by a former director, and in which another director is an officer, for consulting and engineering services relating to the Cascade Creek hydro electric project.

iii) The remuneration of the Company's directors and other key management is comprised as follows:

		Sep 30, 2012		Sep 30, 2011
Management fees	$	8,952	$	42,807
Share-based compensation		12,511		30,959
Total	$	21,463	$	73,766

These transactions are in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

OUTSTANDING SHARE DATA

On September 3, 2010 a total of 23,761,458 common shares and 6,238,542 special warrants were issued for 100% of Cascade. Each warrant is convertible into one common share of the Company for no additional consideration. This transaction resulted in a reverse takeover that was a capital transaction in substance. Of the 23,761,458 common shares and 6,238,542 special warrants issued to the Vendors, an aggregate of 7,956,822 common shares are held in value escrow pursuant to the policies of the TSX-V at September 30, 2012. These remaining common shares subject to escrow will continue to be released in 15% tranches in 6 month intervals with the next release scheduled September 7, 2012. Of these securities, 6,000,000 common shares issued to certain of the Vendors are also subject to a performance escrow agreement.

On September 3, 2010, the Company closed a non-brokered private placement of 2,500,000 units at $0.1537 (C$0.16) per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder, on exercise, to acquire one additional common share at an exercise price of $0.3074 (C$0.32) until September 3, 2015. No proceeds from the issuance of these units were allocated to the warrants as the warrants did not have intrinsic value at the time the units were issued. The equity financing raised net proceeds of $384,209. No finder's fees or commissions were paid in connection with this non-brokered private placement. These common shares and any additional common shares issued from exercise of these warrants will be subject to escrow arrangements similar to those outlined above

On September 3, 2010, the Company closed a brokered private placement of 6,983,500 units at a price of $0.1537 (C$0.16) per unit for gross proceeds of $1,073,249. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder, on exercise, to acquire one additional common share at an exercise price of $0.3074 (C$0.32) until September 3, 2015. No proceeds from the issuance of these units were allocated to the warrants as the warrants did not have intrinsic value at the time the units were issued. The Company paid share issuance costs of $161,910 in connection with this placement. The Company also issued 555,080 agents' warrants and 93,750 corporate finance warrants. Each warrant entitles the holder, on exercise, to acquire one additional common share at an exercise price of $0.1537 (C$0.16) until September 3, 2012.

On September 30, 2011 the Company settled $57,657 (C$59,900) of debts by the issuance of 374,375 common shares at a deemed price of $0.1540 (C$0.16) per share with a director and an officer of the Company.

During the year ended December 31, 2011, the Company has elected to pay accrued interest on Convertible Debentures by the issuance of common shares, at a price per share equal to the market price of the common shares at the date of issuance. During 2011 the company has issued 108,081 shares for $16,065 in interest payments.

On April 25, 2012 the Company closed a non-brokered private placement. The private placement was in aggregate 1,600,000 Units ("the Offering") at a price of C$0.05 per Unit for total receipt of $81,235 (C$80,000). Each Unit is comprised of one Common Share in the capital of the Issuer (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at an exercise price of C$0.10 per Warrant Share until April 25, 2017.

During the nine month period ending September 30, 2012 the Company has elected to pay accrued interest on Convertible Debentures by the issuance of common shares, at a price per share equal to the market price of the common shares at the date of issuance. During the nine month period the company issued 720,439 shares for $31,144 interest.

As at the date of this MD&A, there are 40,367,853 common shares outstanding.

RISKS AND UNCERTAINTIES

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking, which statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

The current cash resources are not adequate to pay our accounts payable and to meet our minimum commitments at the date of this MD&A, including planned corporate and administrative expenses. The Company is in the development stage and its ability to continue as a going concern is dependent upon its ability to attract and develop projects, to raise sufficient financing and to obtain the required licenses for any project and to ultimately generate income and cash flows from operations of the project. The outcome of these matters cannot be predicted at this time and in the event they do not occur, the carrying value of the Company's assets may be adversely affected.

The Company does not generate cash flows from operations and accordingly the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

On January 30, 2012 Cascade was advised by FERC that it had issued an Order denying the successive preliminary permit application filed February 1, 2011 by Cascade for the Cascade Creek Hydroelectric Project No. 12495-003. On September 24, 2012 the Company reported that FERC has issued an order denying rehearing of Cascade's Preliminary Permit Application for development of the Project. On November 9, 2012, after careful consideration, the Company announced its intention to abandon any further effort to develop the Cascade Creek hydropower project in Thomas Bay Alaska.