PROJECT FINANCE CORP.
(Alaska Hydro Corporation as at September 3, 2010)

INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIODS
ENDED JULY 31, 2010 AND 2009

(Unaudited)

These unaudited interim financial statements have not been reviewed by the Company's auditor.

Project Finance Corp.

Interim Balance Sheets
As at July 31, 2010 and April 30, 2010
(in Canadian Funds - unaudited)

	July 31 2010	April 30 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,875	$ 55,483
Accounts receivable	10,293	6,230
Deferred acquisition and financing costs	169,520	92,967
	$ 184,688	$ 154,680
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 72,534	$ 22,179
Shareholders' Equity:		
Share capital *(Note 2)*	208,071	208,071
Contributed surplus *(Note 2c)*	48,009	48,009
Deficit	(143,926)	(123,579)
	112,154	132,501
	$ 184,688	$ 154,680

Nature of Operations *(Note 1)*

On behalf of the Board:

Signed *"Clifford Grandison"* Director

Signed *"M. E. Hoole"* Director

The accompanying notes are an integral part of these interim financial statements

Project Finance Corp.

Interim Statements of Loss and Deficit
For the Three Month Periods ended July 31, 2010 and 2009
(in Canadian Funds - unaudited)

	Three months ended July 31 2010	2009
Expenses:		
Professional fees	$ 14,313	$ 4,154
Transfer agent	875	762
Filing fees	4,650	3,119
Office and miscellaneous	533	60
	20,371	8,095
Loss before other item	20,371	8,095
Other item:		
Interest income	24	924
Net Income (Loss) and comprehensive Income (Loss) for the period	(20,347)	(7,171)
Deficit, Beginning of period	(123,579)	(73,550)
Retained Earnings (Deficit), End of period	$ (143,926)	$ (80,721)
Net Income (Loss) per Share - Basic and Diluted	$ (0.01)	$ -
Weighted Average Shares Outstanding	4,000,000	4,000,000

The accompanying notes are an integral part of these interim financial statements

Project Finance Corp.

Interim Statements of Cash Flows
For the Three Month Periods ended July 31, 2010 and 2009
(in Canadian Funds - unaudited)

	Three months ended July 31 2010	2009
Cash Flows Provided by (Used in):		
Operating Activities:		
Income (Loss) for the period	$ (20,347)	$ (7,171)
Changes in non-cash working capital items:		
Accounts receivable	(4,063)	(839)
Accounts payable and accrued liabilities	9,330	5,996
Cash used in operating activities	(15,080)	(2,014)
Financing Activities:		
Deferred acquisition and financing costs	(35,528)	-
Cash provided by financing activities	(35,528)	-
Change in cash and cash equivalents during the period	$ (50,608)	$ (2,014)
Cash and cash equivalents - beginning of period	$ 55,483	$ 193,986
Cash and cash equivalents - end of period	$ 4,875	$ 191,972

1. NATURE OF OPERATIONS

Project Finance Corp. (the "Company") was incorporated on October 16, 2006 under the British Columbia Business Corporations Act. The Company intends to carry on as a "Capital Pool Company" ("CPC") as defined by Policies of the TSX Venture Exchange (the "TSX-V") until it successfully completes a qualifying transaction. (see below and see subsequent event note 6)

These unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the year ended April 30, 2010. The accounting policies applied to the preparation of the interim unaudited financial statements are consistent with those applied to the audited financial statements for the year ended April 30, 2010 with the exception of those listed below. These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the three-month period ended July 31, 2010 are not necessarily indicative of the results that may be expected for the full year ending April 30, 2011.

As at July 31, 2010, the Company has no business operations and its only asset is cash and term deposits. As a CPC, the Company's principal business is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholders' approval and acceptance by the TSX-V. Where an acquisition or participation (the "Qualifying Transaction") is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. (see below)

Under the policies of the TSX-V, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company's shares are listed for trading on the TSX-V. There is no assurance that the Company will be able to complete a Qualifying Transaction within 24 months from the date its shares are listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The TSX-V may suspend or de-list the Company's shares from trading should it not meet these requirements.

The Company announced that it had entered into a Letter of Intent ("LOI") dated December 7, 2009 with Cascade Creek, LLC, an Alaska limited liability company ("Cascade"). Cascade is in the business of energy development in Southeast Alaska. The main focus of Cascade to date has been the advancement of its Cascade Creek Project, a lake-tap hydroelectric project on Swan Lake in the Thomas Bay area of Alaska. The Cascade Creek Project is in phase two of the application process with the Federal Energy Regulation Commission ("FERC") and has a preliminary design capacity of 70 MW and generation potential of 205 GWh of electricity. In addition, Cascade is the holder of service contracts relating to two other hydroelectric power projects in the Thomas Bay area (together with the Cascade Creek Project, the "Projects"). Cascade is a closely-held entity owned by Tollhouse Energy Company, Steven C. Marmon, Kulin Revocable Trust and Kwaan Power and Energy, LLC (collectively, the "Vendors").

Under the terms of the LOI, the Company agreed to acquire all of the issued and outstanding capital of Cascade (the "Transaction") from the Vendors. It is intended that the Transaction will be the Company's Qualifying Transaction in accordance with the policies of the TSX-V. The Company and the Vendors are at arm's length, accordingly the Transaction is not a "Non-Arm's Length Qualifying Transaction". As such, it is anticipated the approval of the shareholders of the Company will not be required. Upon completion of the Transaction, the Company will be listed on the TSX-V as a Tier 2 industrial issuer.

1. NATURE OF OPERATIONS (continued)

Upon signing of the LOI, the Company advanced to Cascade $25,000 as a non-refundable deposit. As consideration for the acquisition of Cascade, the Company agreed to issue to the Vendors an aggregate of 40,000,000[1] common shares of the Company at a deemed price of $0.20[2] per common share (the “Share Consideration”). The Company and Cascade have agreed that the payment for the Share Consideration shall be issuable to the Vendors in three stages upon the occurrence of certain milestone events.

Funding for the operation and further development of the Projects will be provided by the existing working capital of the Company and Cascade. In addition, prior to Completion of the Transaction, Cascade raised US$150,000 in convertible debentures.

The filing statement of the Corporation dated July 22, 2010, which describes the terms of the Acquisition, was filed with the Exchange and applicable securities commissions and is available on SEDAR under the Corporations profile at www.sedar.com.

The Company engaged Raymond James Ltd. (“Raymond James” or the “Agent”) to act as agent on a commercially reasonable efforts basis for the Financing to close concurrently with the Company’s previously announced qualifying transaction with Cascade. The Financing will consist of a minimum of 6,875,000 units (the "Units") of the Company and a maximum of up to 9,375,000 Units at a price of $0.16 per Unit. Each Unit is comprised of one common share in the capital of the Company (“Common Share”) and one Common Share purchase warrant (“Warrant”). Each Warrant entitles the holder, on exercise, to acquire one Common Share (“Warrant Share”) at an exercise price of $0.32 per Warrant Share for a period of 5 years following the closing of the Financing. Additional information relating to the Financing is available at www.sedar.com.

The Company has agreed to pay the Agent a cash commission equal to 8% of the gross proceeds derived from the sale of Units by the Agent, provided that the Agent will only receive a cash commission of 5% of the gross proceeds for any Units sold to investors introduced by the Company to the Agent. The Agent will also be granted warrants (the "Agent’s Warrants") exercisable to acquire that number of Shares (the "Agent's Shares") that is equal to 8% of the number of Units sold under the Offering at a price of $0.16 per Agent’s Share for a period of two years from the date of issuance, provided that the Agent will only receive Agent’s Warrants entitling it to purchase Agent’s Shares in the amount of 5% of the total number of Units sold to investors introduced by the Company to the Agent. In addition, the Company will pay the Agent a non-refundable corporate finance fee of $18,000 plus applicable taxes, of which $9,000 plus applicable taxes has been paid to the Agent as a non-refundable deposit and of which the balance will be payable on the completion of the Offering.

In addition, the Company has agreed to pay the expenses reasonably incurred by the Agent in connection with the Offering. The Company has paid $10,000 to the Agent as a retainer to be applied against such expenses. (see Note 6-Subsequent Events)

[1] Changed to 30,000,000 common shares on March 29, 2010
[2] Changed to $0.08 on March 29, 2010

(In Canadian Funds)

1. NATURE OF OPERATIONS (continued)

Concurrently with completion of the Transaction, it is intended that the Company will also complete a non-brokered private placement financing in the amount of $1,000,000 (the "Financing"). Finder's fees may be paid in relation to the Financing in accordance with the policies of the TSX-V. (see Note 6-Subsequent Events)

On March 29, 2010, the terms of the LOI were amended to reduce the number of shares to be issued to the unit holders of Cascade from 40 million shares to 30 million shares. The LOI was also amended to include a performance clause requiring 6 million of the 30 million shares to be held pending receipt of the FERC license. Changes to the terms and conditions of the QT are a consequence of the Valuation of Cascade prepared for Project Finance.

Additional information relating to the Company's LOI is available on SEDAR at www.sedar.com.

The Company has completed the Qualifying Transaction (see Note 6-Subsequent Events).

2. SHARE CAPITAL

(a) Authorized:

100,000,000 Common shares without par value

Issued and outstanding:	Number of Shares		Amount
Issued	10,000	$	1
Balance April 30, 2007	10,000		1
Repurchased	(10,000)		(1)
Issued	1,500,000		75,000
Balance April 30, 2008	1,500,000		75,000
Issued May 8, 2008	500,000		25,000
Issued September 3, 2008	2,000,000		200,000
Share issue costs	-		(91,929)
Balance April 30, 2009, April 30, 2010 and July 31, 2010	4,000,000	$	208,071

- In October 2006, the Company issued 10,000 common shares for gross proceeds of $1.
- In April 2008, the Company repurchased the 10,000 common shares for $1.
- In April 2008, the Company issued 1,500,000 common shares for gross cash proceeds of $75,000.
- In May 2008, the Company issued 500,000 common shares for gross cash proceeds of $25,000.

(In Canadian Funds)

2. SHARE CAPITAL (continued)

- In September 2008, the Company completed its initial public offering, issuing 2,000,000 common shares for gross proceeds of $200,000 less cash issue costs of $81,511 and non-cash issue costs of $10,418 consisting of 200,000 agent options. Of these common shares 30,000 are subject to the escrow release schedule, in addition to the shares noted below.

- Under the terms of an escrow agreement undertaken pursuant to the terms of the Company's initial public offering, the 1,500,000 shares issued for $75,000 and the 500,000 shares issued for $25,000 are subjected to an escrow release schedule allowing those shares to be released from escrow as to 10% upon issue of the final TSX-V bulletin for a Qualifying Transaction, and as to 15% on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the issuance of final TSX-V bulletin, subject to a potentially longer escrow release period under certain circumstances.

(b) Stock Options:

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan") options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

On September 3, 2008, 400,000 options with an exercise price of $0.10 and a term of five years were granted to directors of the Company and 200,000 options with an exercise price of $0.10 and a term of two years were granted to the Company's agents in the course of closing the initial public offering. All of these options vested on grant.

The stock-based compensation related to these grants was estimated using the Black-Scholes option pricing model, using the following weighted average assumptions and results:

Expected life	4 years
Volatility	142%
Risk free interest rate	3%
Dividends	0%
Resulting fair value	$0.08

The weighted average remaining contractual lives of the outstanding options are:

	Number Outstanding and Vested	Exercise Price	Remaining Contractual Life
Directors options	400,000	$ 0.10	3.1 years
Agent options	200,000	0.10	0.1 years
Balance July 31, 2010	600,000	$ 0.10	2.1 years

(In Canadian Funds)

2. SHARE CAPITAL (continued)

(c) Contributed Surplus:

Stock based compensation - Directors options	$	37,591
Agent options		10,418
Balance July 31, 2010	$	48,009

3. INCOME TAXES

Significant components of the Company's future income tax assets are shown below:

		July 31 2010		April 30 2010
Combined statutory tax rate		26%		26%
Non-capital loss carry forwards	$	39,414	$	30,427
Share issue costs		6,717		10,414
	$	46,131	$	40,841
Valuation allowance		(46,131)		(40,841)
Balance, end of period	$	-	$	-

As at July 31, 2010, the Company has approximately $151,592 (April 30, 2010: $117,208) of non-capital loss carry forwards available to reduce taxable income for future years. The loss carry forwards begin to expire in 2026 if unused.

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

4. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital is to complete a qualifying transaction and to safeguard the Company's ability to continue as a going concern (see Note 1 and Note 6). The Company does not have any externally imposed capital requirements to which it is subject. The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. As the Company, as a young venture issuer, has no practicable ability presently to raise money by long term or any kind of debt, for practical purposes all of its capital management is directed towards management of its issues of equity including warrants. There is thus very limited flexibility in its capital management.

5. FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

As at July 31, 2010, the Company's financial instruments consist of cash and cash equivalents and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

The Company classifies its cash and cash equivalents as held-for-trading and its accounts payable as other financial liabilities.

Liquidity Risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper or similar instruments.

Foreign Exchange Risk

The Company does not have any foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company manages its interest rate risk by obtaining commercial deposit interest rates available in the market from major Canadian financial institutions.

The Company has guaranteed investment certificates. The following table summarizes the impact of reasonable possible changes in interest rates for the Company at July 31, 2010 and 2009. The sensitivity analysis is based on the assumption that the interest rate changes by 1% with all other variables remaining constant. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical rates for the preceding year.

	2010	2009
Impact on net loss:		
1% increase	$ 50	$ 2,000
1% decrease	$ (50)	$ (2,000)

Fair Value

The Corporation classifies its fair value measurements in accordance with an established hierarchy that priorities the inputs in valuation techniques used to measure fair value as follows:

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

(In Canadian Funds)

5. FINANCIAL INSTRUMENTS AND RISK (Continued)

The following table sets forth the Corporation's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 2010
Cash and cash equivalents	$ 4,875	$ –	$ –	$ 4,875
	$ 4,875	$ –	$ –	$ 4,875

6. SUBSEQUENT EVENTS

a) On September 3, 2010 the Company completed its previously announced Qualifying Transaction. The Company acquired all of the issued and outstanding units of Cascade. The Company issued an aggregate of 22,636,458 common shares and 6,238,542 special warrants to the Vendors 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. The Vendors 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".

Of the 22,636,458 common shares and 6,238,542 special warrants issued to the Vendors, an aggregate of 28,875,000 common shares and special warrants are held in value escrow pursuant to the policies of the TSX-V. 10% of the common shares subject to escrow will be released upon the issuance of the final TSX-V bulletin in connection with the Qualifying Transaction. The remaining common shares subject to escrow will be released in 15% tranches in 6 month intervals thereafter. Of these securities, 6,000,000 common shares issued to certain of the Vendors are also subject to a performance escrow agreement.

Upon completion of the Qualifying Transaction, Cascade became a wholly-owned subsidiary of the Company, and the Company will carry on the business of Cascade. Further information regarding the business of Cascade can be found in the Company's filing statement which is available at www.sedar.com.

6. SUBSEQUENT EVENTS (continued)

a) continued

Concurrently with the closing of the Qualifying Transaction, the Company completed a financing (the "Brokered Financing") of 6,983,500 units ("Units") of the Company at a price of $0.16 per Unit for aggregate proceeds of $1,117,360. Each Unit is comprised of one Common Share of the Company and one Warrant. Each Warrant entitles to holder, on exercise, to acquire one Common Share at a price of $0.32 per common share until September 3, 2015. The Brokered Financing was conducted by way of Exchange Short Form Offering Document. In consideration for its services, Raymond James Ltd., , the Agent, and members of its selling group received commission equal to 8% of the gross proceeds of the Brokered Financing. In addition, the Company issued an aggregate of 555,080 Agent's Warrants to the Agent and members of its selling group. Each Agent's Warrant entitles the holder, on exercise, to acquire one common share at a price of $0.16 per common share until September 3, 2012. In addition, the Agent receive a cash corporate finance fee and 93,750 corporate finance warrants, such warrants having the same terms as the Agent's Warrants. All of the Agent's Warrants, the corporate finance warrants and an aggregate of 930,000 common shares and Warrants issued under the Brokered Financing are subject to a 4-month hold period expiring on January 4, 2011.

In addition, concurrently with closing of the Qualifying Transaction, the Company completed a non-brokered private placement (the "Non-Brokered Financing") of 2,500,000 Units for aggregate proceeds of $400,000. No finder's fees or commissions were paid in connection with the Non-Brokered Financing. All of the common shares and Warrants issued under the Non-Brokered Financing are subject to a 4-month hold period expiring on January 4, 2011.

Effective September 3, 2010, Project Finance Corp. changed its name to "Alaska Hydro Corporation". The Company commenced trading on the TSX-V as a Tier 2 Issuer on September 8, 2010 under its new name and trading symbol "AKH".

Upon completion of the Qualifying Transaction, Terry Martinich and Rany Ratushny resigned as directors of the Company. Thom Fischer, Steve Marmon, Stephen Kulin and Matthew Bell were appointed as directors of the Company. In addition, Cliff Grandison resigned as President and Chief Executive Officer and Rany Ratushny resigned as Chief Financial Officer. Thom Fischer was appointed as President and Chief Executive Officer, Len Schmidt was appointed as Chief Financial Officer, Michael Hoole as Corporate Secretary, Cliff Grandison as Chairman of the Board, Duff Mitchell as VP Business Development and Steve Marmon as VP Operations. Mr. Mitchell subsequently left the employment of the Company.

b) Subsequent to July 31, 2010, the Company has received $26,000 and issued 260,000 shares upon the exercise of 260,000 directors share options.

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PROJECT FINANCE CORP.
(Alaska Hydro Corporation as at September 3, 2010)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIODS ENDED

JULY 31, 2010 AND 2009

As at September 28, 2010

The following discussion and analysis is for the three months periods ended July 31, 2010 and 2009. This MD&A is as of September 28, 2010.

INTRODUCTION

The discussion and analysis of the operating results and financial position of Project Finance Corp. ("the Company") should be read in conjunction with the attached Financial Statements and related Notes (the "Financial Statements"), which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP and their related notes). All monetary amounts are expressed in Canadian dollars unless otherwise indicated in the notes to the financial statements. 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.

DESCRIPTION OF BUSINESS

The Company was incorporated under the Business Corporations Act of British Columbia on October 16, 2006 and is a Capital Pool Company ("CPC") as defined by policy 2.4 of the TSX Venture Exchange (the "TSX-V"). As at July 31, 2010, the Company has no business operations and its only significant asset is cash. As a CPC, the Company's principal business is the identification and evaluation of assets, properties, or businesses with a view to acquisition or participation therein subject, in certain cases, to shareholder approval and acceptance by the TSX-V. Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares were listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

The Company announced that it had entered into a Letter of Intent ("LOI") dated December 7, 2009 with Cascade Creek, LLC, an Alaska limited liability company ("Cascade"). Cascade is in the business of energy development in Southeast Alaska. The main focus of Cascade to date has been the advancement of its Cascade Creek Project, a lake-tap hydroelectric project on Swan Lake in the Thomas Bay area of Alaska. The Cascade Creek Project is in phase two of the application process with the Federal Energy Regulation Commission ("FERC") and has a preliminary design capacity of 70 MW and generation potential of 205 GWh of electricity. In addition, Cascade is the holder of service contracts relating to two other hydroelectric power projects in the Thomas Bay area (together with the Cascade Creek Project, the "Projects"). Cascade is a closely-held entity owned by Tollhouse Energy Company, Steven C. Marmon, Kulin Revocable Trust and Kwaan Power and Energy, LLC (collectively, the "Vendors").

Under the terms of the LOI, the Company has agreed to acquire all of the issued and outstanding capital of Cascade (the "Transaction") from the Vendors. It is intended that the Transaction will be the Company's Qualifying Transaction in accordance with the policies of the TSX-V. The Company and the Vendors are at arm's length, accordingly the Transaction is not a "Non-Arm's Length Qualifying Transaction". As such, it is anticipated the approval of the shareholders of the Company will not be required. Upon completion of the Transaction, it is expected that the Company will be listed on the TSX-V as a Tier 2 industrial issuer.

1. DESCRIPTION OF BUSINESS (continued)

Upon signing of the LOI, the Company advanced to Cascade $25,000 as a non-refundable deposit. As consideration for the acquisition of Cascade, the Company has agreed to issue to the Vendors an aggregate of 40,000,000[1] common shares of the Company at a deemed price of $0.20[2] per common share (the "Share Consideration"). The Company and Cascade have agreed that the payment for the Share Consideration shall be issuable to the Vendors in three stages upon the occurrence of certain milestone events.

Funding for the operation and further development of the Projects will be provided by the existing working capital of the Company and Cascade. In addition, prior to Completion of the Transaction, Cascade has raised US$150,000 in convertible debentures.

The filing statement of the Corporation dated July 22, 2010, which describes the terms of the Acquisition, has been filed with the Exchange and applicable securities commissions and is available on SEDAR under the Corporations profile at www.sedar.com.

The Company has engaged Raymond James Ltd. ("Raymond James" or the "Agent") to act as agent on a commercially reasonable efforts basis for the Financing to close concurrently with the Company's previously announced qualifying transaction with Cascade. The Financing will consist of a minimum of 6,875,000 units (the "Units") of the Company and a maximum of up to 9,375,000 Units at a price of $0.16 per Unit. Each Unit is comprised of one common share in the capital of the Company ("Common Share") and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder, on exercise, to acquire one Common Share ("Warrant Share") at an exercise price of $0.32 per Warrant Share for a period of 5 years following the closing of the Financing. Additional information relating to the Financing is available at www.sedar.com.

The Company has agreed to pay the Agent a cash commission equal to 8% of the gross proceeds derived from the sale of Units by the Agent, provided that the Agent will only receive a cash commission of 5% of the gross proceeds for any Units sold to investors introduced by the Company to the Agent. The Agent will also be granted warrants (the "Agent's Warrants") exercisable to acquire that number of Shares (the "Agent's Shares") that is equal to 8% of the number of Units sold under the Offering at a price of $0.16 per Agent's Share for a period of two years from the date of issuance, provided that the Agent will only receive Agent's Warrants entitling it to purchase Agent's Shares in the amount of 5% of the total number of Units sold to investors introduced by the Company to the Agent. In addition, the Company will pay the Agent a non-refundable corporate finance fee of $18,000 plus applicable taxes, of which $9,000 plus applicable taxes has been paid to the Agent as a non-refundable deposit and of which the balance will be payable on the completion of the Offering.

In addition, the Company has agreed to pay the expenses reasonably incurred by the Agent in connection with the Offering. The Company has paid $10,000 to the Agent as a retainer to be applied against such expenses. (see Subsequent Events)

[1] Changed to 30,000,000 common shares on March 29, 2010
[2] Changed to $0.08 on March 29, 2010

1. DESCRIPTION OF BUSINESS (continued)

Concurrently with completion of the Transaction, the Company will also complete a non-brokered private placement financing in the amount of $1,000,000 (the “Financing”). Finder’s fees may be paid in relation to the Financing in accordance with the policies of the TSX-V. (see Subsequent Events)

Sponsorship of the Qualifying Transaction of a CPC is generally required by the TSX-V, unless exempted in accordance with TSX-V policies. The Company is currently reviewing TSX-V requirements for sponsorship and intends to comply with all applicable policies; however a sponsor has not yet been engaged. (see Subsequent Events)

On March 29, 2010, the Company and Cascade have agreed to reschedule the closing date from February 28, 2010 to May 30, 2010 or as soon thereafter as is reasonably practical. The terms of the LOI were amended to reduce the number of shares to be issued to the unit holders of Cascade from 40 million shares to 30 million shares. The LOI was also amended to include a performance clause requiring 6 million of the 30 million shares to be held pending receipt of the FERC license. Changes to the terms and conditions of the QT are a consequence of the Valuation of Cascade prepared for Project Finance.

Additional information relating to the Company’s LOI is available on SEDAR at www.sedar.com.

OVERALL PERFORMANCE

On September 3, 2008 the Company carried out its Initial Public Offering and commenced trading on the TSX-V on September 5, 2008 under the symbol “PF.P”. The public offering consisted of 2,000,000 common shares at a price of $0.10 per share. The company received proceeds net of brokerage fees and commissions and legal fees totalling $118,489 on closing.

The Company continues to make expenditures in respect to the completion of a Qualifying Transaction. Further details of these expenditures are detailed in the Selected Annual Information and Results of Operations sections below.

SELECTED ANNUAL INFORMATION

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

	Years ended April 30		
(In Canadian $ except per share data)	2010	2009	2008
Total revenue	$ 1,725	$ 3,570	$ 85
Net loss and comprehensive loss	50,029	73,370	180
Basic and diluted loss per share	0.01	0.02	-
Total assets	154,680	194,410	87,820
Total long-term financial liabilities	-	-	-
Cash dividends declared per share	$ -	$ -	$ -

SELECTED ANNUAL INFORMATION (Continued)

In April, May and September of 2008, the Company raised funds to carry on its principle business, which was identification, evaluation and acquisition of assets, properties or businesses or participation therein. This cash balance was at its highest in fiscal 2009. The interest derived from these deposits peaked in fiscal 2009 and dropped by approximately 50% in fiscal 2010 as the cash balance decreased. The total assets comprised mostly cash in 2008 and 2009 whereas at April 30, 2010 cash was only 35% of the assets. Deferred acquisition and financing costs made up most of the remainder of the total asset balance at April 30, 2010.

The selected financial data for these periods has been prepared in accordance with Canadian generally accepted accounting principles (GAAP and their related notes). All monetary amounts are expressed in Canadian dollars unless otherwise indicated.

RESULTS OF OPERATIONS

First Quarters ended July 31, 2010 and 2009

There was $24 interest income compared to $924 for the same period in 2009 which reflects a reduced cash balance for the current quarter. Minimal expenses $20,371 were incurred for legal, accounting, transfer agent and filing fees during the three months ended July 31, 2010. The comparable period in 2009 had $8,095 in similar administrative expenditures. The increase was mostly attributed to audit charges and increased accounting fees to reflect increasing activity during the period.

Cash was drawn down during the first three months by $50,608 vs $2,014 in the first three months of 2009, due mostly to $35,528 Deferred acquisition and financing cash expenditures vs Nil for the same period in 2009, and the loss of $20,347 in the three months ended July 31, 2010 compared to $7,171 loss for the same period in 2009.

During the quarter deferred acquisition and financing costs totalling $76,553 consisted $31,358 legal expenses, $24,025 for accounting and $19,000 advanced to the financing agent for the financing following the Company's proposed Qualifying Transaction. The Company is currently awaiting completion of its proposed qualifying transaction with Cascade. (see Subsequent Events)

SUMMARY OF QUARTERLY RESULTS

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

(In Canadian $ except per share data)

	Years ended April 30							
	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial Results								
Interest income	24	116	267	418	924	1,105	1,230	880
Net income (loss) for period	(20,347)	(16,875)	(15,629)	(10,354)	(7,171)	(18,968)	(7,205)	(47,495)
Per share	$(0.01)	$ -	$ -	$ -	$ -	$ -	$ -	$(0.01)
Balance Sheet Data								
Cash and cash equivalents	4,875	55,483	130,729	173,874	191,972	193,986	201,656	206,953
Total assets	184,688	154,680	191,509	175,318	193,235	194,410	201,656	209,037
Shareholder's equity	112,154	132,501	149,376	165,005	175,359	182,530	201,498	208,703

LIQUIDITY AND SOLVENCY

As at July 31, 2010, the Company has a working capital deficit of $57,366.

CAPITAL RESOURCES

The Company has entered into a financing agreement concurrent with the Qualifying Transaction with Cascade. See subsequent events.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

There are no related party transactions.

PROPOSED TRANSACTIONS

The Company has announced a proposed Qualifying Transaction. See subsequent events.

OUTSTANDING SHARE DATA

The Company had 1,500,000 common shares outstanding as of April 30, 2008. On May 8, 2008 500,000 common shares were issued at $0.05 per common share. On September 3, 2008 the Company completed its Initial Public Offering whereby it sold 2,000,000 common shares at $0.10 per common share. On April 30, 2008, the Company approved the granting of 400,000 stock options to its directors on the date an applicable securities commission issue a receipt for the filing of a prospectus for an initial public offering of the Company. These options will be exercisable to purchase 400,000 common shares at $0.10 per share for a five year period from September 3, 2008. (see Subsequent Events)

On September 3, 2008, 400,000 options with an exercise price of $0.10 and a term of five years were granted to directors of the Company and 200,000 options with an exercise price of $0.10 and a term of two years were granted to the Company's agents in the course of closing the initial public offering. (see Subsequent Events)

On August 19, 2010, 260,000 options granted to directors of the company were exercised, and on September 3, 2010 there were 33,244,958 common shares issued (see Subsequent Events). As at the date of this MD&A, there are 37,504,958 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.

As at July 31, 2010, the Company has no business operations and its only asset is cash and term deposits. On December 7, 2009 the Company entered into a letter of intent (the "LOI") with Cascade Creek, LLC. (see Description of Business and Subsequent Events) to acquire an interest in businesses and assets. As a CPC, the Company's principal business is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholders' approval and acceptance by the TSX-V. Where an acquisition or participation (the "Qualifying Transaction") is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

SUBSEQUENT EVENTS

a) On September 3, 2010 the Company completed its previously announced Qualifying Transaction. The Company acquired all of the issued and outstanding units of Cascade. The Company issued an aggregate of 22,636,458 common shares and 6,238,542 special warrants to the Vendors 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. The Vendors 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".

   Of the 22,636,458 common shares and 6,238,542 special warrants issued to the Vendors, an aggregate of 28,875,000 common shares and special warrants are held in value escrow pursuant to the policies of the TSX-V. 10% of the common shares subject to escrow will be released upon the issuance of the final TSX-V bulletin in connection with the Qualifying Transaction. The remaining common shares subject to escrow will be released in 15% tranches in 6 month intervals thereafter. Of these securities, 6,000,000 common shares issued to certain of the Vendors are also subject to a performance escrow agreement.

   Upon completion of the Qualifying Transaction, Cascade became a wholly-owned subsidiary of the Company, and the Company will carry on the business of Cascade. Further information regarding the business of Cascade can be found in the Company's filing statement which is available at www.sedar.com.

SUBSEQUENT EVENTS (continued)

a) continued

Concurrently with the closing of the Qualifying Transaction, the Company completed a financing (the “Brokered Financing”) of 6,983,500 units (“Units”) of the Company at a price of $0.16 per Unit for aggregate proceeds of $1,117,360. Each Unit is comprised of one Common Share of the Company and one Warrant. Each Warrant entitles to holder, on exercise, to acquire one Common Share at a price of $0.32 per common share until September 3, 2015. The Brokered Financing was conducted by way of Exchange Short Form Offering Document. In consideration for its services, Raymond James Ltd., , the Agent, and members of its selling group received commission equal to 8% of the gross proceeds of the Brokered Financing. In addition, the Company issued an aggregate of 555,080 Agent’s Warrants to the Agent and members of its selling group. Each Agent’s Warrant entitles the holder, on exercise, to acquire one common share at a price of $0.16 per common share until September 3, 2012. In addition, the Agent receive a cash corporate finance fee and 93,750 corporate finance warrants, such warrants having the same terms as the Agent’s Warrants. All of the Agent’s Warrants, the corporate finance warrants and an aggregate of 930,000 common shares and Warrants issued under the Brokered Financing are subject to a 4-month hold period expiring on January 4, 2011.

In addition, concurrently with closing of the Qualifying Transaction, the Company completed a non-brokered private placement (the “Non-Brokered Financing”) of 2,500,000 Units for aggregate proceeds of $400,000. No finder’s fees or commissions were paid in connection with the Non-Brokered Financing. All of the common shares and Warrants issued under the Non-Brokered Financing are subject to a 4-month hold period expiring on January 4, 2011.

Effective September 3, 2010, Project Finance Corp. changed its name to “Alaska Hydro Corporation”. The Company commenced trading on the TSX-V as a Tier 2 Issuer on September 8, 2010 under its new name and trading symbol “AKH”.

Upon completion of the Qualifying Transaction, Terry Martinich and Rany Ratushny resigned as directors of the Company. Thom Fischer, Steve Marmon, Stephen Kulin and Matthew Bell were appointed as directors of the Company. In addition, Cliff Grandison resigned as President and Chief Executive Officer and Rany Ratushny resigned as Chief Financial Officer. Thom Fischer was appointed as President and Chief Executive Officer, Len Schmidt was appointed as Chief Financial Officer, Michael Hoole as Corporate Secretary, Cliff Grandison as Chairman of the Board, Duff Mitchell as VP Business Development and Steve Marmon as VP Operations. Mr. Mitchell subsequently left the employment of the Company.

b) Subsequent to July 31, 2010, the Company has received $26,000 and issued 260,000 shares upon the exercise of 260,000 directors share options.