



ALASKA HYDRO CORPORATION

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**

FOR THE THREE MONTHS ENDED

MARCH 31, 2014 AND 2013

As at May 29, 2014

Alaska Hydro Corporation

Management's Discussion and Analysis

For the three months ended March 31, 2014 and 2013

(In US Funds, unless otherwise indicated)

The following management's discussion and analysis is for the years ended December 31, 2013 and 2012. This MD&A is as of May 29, 2014.

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 financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as set out in the CPA Canada Handbook ("CPA Handbook"). In 2010, the CPA 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 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 was 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 was estimated to generate an approximate average of 204 GW.h per year of renewable energy plus some storage capacity. The Cascade Creek project was part of the Thomas Bay project initiative, which consisted 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") 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.

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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 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.

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.

On April 1, 2013 the Company advised that it intends to borrow up to C\$100,000 by way of an unsecured demand promissory note to provide working capital for the Company to complete its annual audit, pay TSX-V annual fees and other regulatory and related fees necessary to maintain the Company's TSX-V listing. As at the date of this MD&A C\$72,000 has been advanced to the Company by way of unsecured demand promissory notes.

In February 2014 the Company made a settlement with Whitewater Engineering Corporation with respect to unpaid invoices totaling \$116,460. The Company agreed to transfer to Whitewater ownership of four stream gages, two aluminum skiffs, and transfer title of a \$4,600 deposit to discharge the obligation.

On May 8, 2014, the TSX Venture Exchange halted the trading of the Company's shares. An application for reinstatement is in process.

OVERALL PERFORMANCE

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 Cascade Creek Hydroelectric Project ("the Project"). Notwithstanding 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, after careful consideration the Company determined that the probability of obtaining site control, in a form which would allow the Company to raise additional funds to pursue the Project was unlikely. 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 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.

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SELECTED ANNUAL INFORMATION

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

| (In US \$ except per share data) | Years ended December 31 | | |
|---------------------------------------|-------------------------|------------|-----------|
| | 2013 | 2012 | 2011 |
| Other items | \$ - | \$ 152,935 | \$ 11,344 |
| Net loss | 137,279 | 13,428 | 726,690 |
| Comprehensive loss | 78,172 | 24,669 | 712,429 |
| Basic and diluted loss per share | 0.00 | 0.00 | 0.02 |
| Hydro project expenditures | - | 895 | 321,255 |
| Total assets | 11,398 | 28,194 | 65,462 |
| Total long-term financial liabilities | 250,000 | 498,274 | 479,825 |
| Cash dividends declared per share | \$ - | \$ - | \$ - |

In 2011, 2012 and 2013, 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 2011, 2012 and 2013. All monetary amounts are expressed in US dollars unless otherwise indicated. In 2010, the CPA 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 March 31, 2014 and 2013:

Hydro project expenditures for the quarter ending March 31, 2014 are \$Nil, which is the same as during the same period in 2013. The Company officially abandoned any further effort to develop the Cascade Creek project during the fourth quarter of 2012 any project expenditures are now residual in nature.

General and Administrative expenditures for the first quarter ending March 31, 2014 are \$7,483 (2013 - \$21,688). CEO, CFO and Corporate Secretary fees that were previously being accrued for services are no longer being charged or accrued. This development is a move by management to present the Company's financial position in an unburdened fashion in preparation for possible future arrangements. Transfer agent, filing and sustaining fees are \$3,920 (2013 - \$5,118) and are minimal holding fees for the public company listing and ongoing secretarial administration. The Company recorded a gain on settlement of the Whitewater agreement of \$109,313. The low cash balance \$1,052 at March 31, 2014 is indicative of the activity during the quarter.

Cascade Creek

The Project was 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 was estimated to generate an approximate average of 204 GW.h per year of renewable energy plus some storage capacity. The Cascade Creek project was part of the Thomas Bay project initiative, which consisted 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") issued an order denying rehearing of Cascade's Preliminary Permit Application for development of the Cascade

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Creek Hydroelectric Project ("the Project"). Notwithstanding 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, after careful consideration the Company determined that the probability of obtaining site control, in a form which would allow the Company to raise additional funds to pursue the Project was unlikely. 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 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.

SUMMARY OF QUARTERLY RESULTS

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

| | Years ended December 31 | | | | | | | |
|--------------------------------|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2014 | | 2013 | | | 2012 | | |
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Financial Results | | | | | | | | |
| Interest income | (73) | - | - | - | 1 | - | 1 | 3 |
| Net income / (loss) for period | 101,757 | (53,144) | (14,886) | (10,248) | (21,687) | 151,886 | (40,878) | (76,227) |
| Per share | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Balance Sheet Data | | | | | | | | |
| Cash and cash equivalents | 1,052 | 395 | 903 | 208 | 4,901 | 12,717 | 20,207 | 19,114 |
| Total assets | 106,269 | 11,398 | 19,878 | 19,184 | 23,877 | 28,194 | 36,185 | 46,917 |
| Shareholder's equity | (530,143) | (901,874) | (832,297) | (821,111) | (838,863) | (838,034) | (995,203) | (954,803) |

LIQUIDITY AND SOLVENCY

As at March 31, 2014, the Company had a working capital deficit of \$270,709. 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. In 2013 the Company advised that it intends to borrow up to C\$100,000 by way of an unsecured demand promissory note to provide working capital for the Company. See "Description of Business".

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RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements adopted

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's financial statements for the periods presented.

IFRS 10 Consolidated Financial Statements - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 Joint Arrangements - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 Disclosure of Interests in Other Entities - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 Fair Value Measurement - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

New Accounting Standards Issued but Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

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New accounting standards effective January 1, 2014

IAS 36 *Impairment of Assets* - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a cash generating unit ("CGU") for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal. Management is currently evaluating the impact the final interpretation is expected to have on the Company's consolidated financial statements.

IFRIC 21 *Levies* - In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Management is currently evaluating the impact the final interpretation is expected to have on the Company's consolidated financial statements.

New accounting standards effective January 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

New accounting standards effective January 1, 2015 (continued)

The IASB extended the mandatory effective date for IFRS 9 to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32, Financial Instruments – Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

The Company has no contingent liabilities.

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RELATED PARTY TRANSACTIONS AND BALANCES

a) Due to Related Parties

As at March 31, 2014, the Company has accrued \$38,307 (March 31, 2013 - \$116,450) due to directors and companies controlled by directors or officers of the Company for loans, engineering and consulting services. The amounts are non-interest bearing, unsecured and due on demand.

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 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 year ending December 31, 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 year the company issued 780,439 shares for \$31,746 interest.

During the year ending December 31, 2013 the Company has elected to pay accrued interest on Convertible Debentures (Note 7) 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 this year the company issued 703,000 shares for \$14,546 interest.

During the quarter end March 31, 2014, 14,992,615 common shares and 238,542 special warrants were surrendered to the Company from shareholders of the Company, resulting in 41,070,853 common shares outstanding, of which 26,078,238 common shares are not owned by the Company.

As at the date of this MD&A, there are 41,070,853 common shares outstanding, of which 26,078,235 common shares are not owned by the Company.

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.

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