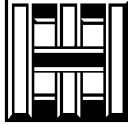


**PROJECT FINANCE CORP.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**APRIL 30, 2010 and 2009**



MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

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## AUDITORS' REPORT

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To the Shareholders of  
Project Finance Corp.

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

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

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

*Manning Elliott LLP*

Chartered Accountants

Vancouver, British Columbia

August 30, 2010

# Project Finance Corp.

Balance Sheets

As at April 30, 2010 and 2009

(in Canadian Funds)

	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents ( <i>Note 3c</i> )	\$ 55,483	\$ 193,986
Accounts receivable	6,230	424
Deferred acquisition and financing costs	92,967	-
	<u>\$ 154,680</u>	<u>\$ 194,410</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 22,179</u>	<u>\$ 11,880</u>
Shareholders' Equity:		
Share capital ( <i>Note 4</i> )	208,071	208,071
Contributed surplus ( <i>Note 4c</i> )	48,009	48,009
Deficit	<u>(123,579)</u>	<u>(73,550)</u>
	<u>132,501</u>	<u>182,530</u>
	<u>\$ 154,680</u>	<u>\$ 194,410</u>

Nature of Operations (*Note 1*)

Subsequent events (*Note 8*)

On behalf of the Board:

Signed "Clifford Grandison" Director

Signed "M. E. Hoole" Director

The accompanying notes are an integral part of these financial statements

## Project Finance Corp.

Statements of Loss, Comprehensive Loss and Deficit  
For the Years ended April 30, 2010 and 2009  
(in Canadian Funds)

	2010	2009
Expenses:		
Stock-based compensation-directors	\$ -	\$ 37,591
Professional fees	35,138	23,792
Transfer agent	5,531	6,188
Travel and accommodation	-	2,870
Filing fees	9,937	6,204
Office and miscellaneous	1,148	295
	<u>51,754</u>	<u>76,940</u>
Loss before other item	51,754	76,940
Other item:		
Interest income	1,725	3,570
Net Loss and comprehensive loss for the year	<u>50,029</u>	<u>73,370</u>
Deficit, Beginning of year	<u>73,550</u>	<u>180</u>
Deficit, End of year	<u>\$ 123,579</u>	<u>\$ 73,550</u>
Net loss per Share - Basic and Diluted	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Weighted Average Shares Outstanding	<u>4,000,000</u>	<u>3,305,479</u>

The accompanying notes are an integral part of these financial statements

## Project Finance Corp.

Statements of Cash Flows

For the Years ended April 30, 2010 and 2009

(in Canadian Funds)

	2010	2009
Cash Flows Provided by (Used in):		
Operating Activities:		
Loss for the year	\$ (50,029)	\$ (73,370)
Item not affecting cash:		
Stock-based compensation	-	37,591
	<u>(50,029)</u>	<u>(35,779)</u>
Changes in non-cash working capital items:		
Accounts receivable	(5,806)	(424)
Accounts payable and accrued liabilities	2,899	(1,120)
	<u>(52,936)</u>	<u>(37,323)</u>
Financing Activities:		
Deferred acquisition and financing costs	(85,567)	13,000
Common shares issued	-	225,000
Share issuance costs	-	(81,511)
	<u>(85,567)</u>	<u>156,489</u>
Change in cash and cash equivalents during the year	<u>\$ (138,503)</u>	<u>\$ 119,166</u>
Cash and cash equivalents - beginning of year	<u>\$ 193,986</u>	<u>\$ 74,820</u>
Cash and cash equivalents - end of year	<u>\$ 55,483</u>	<u>\$ 193,986</u>

The accompanying notes are an integral part of these financial statements

# Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

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## 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)

As at April 30, 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 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.

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<sup>1</sup> common shares of the Company at a deemed price of \$0.20<sup>2</sup> 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 will raised up to US\$150,000 in convertible debentures.

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<sup>1</sup> Changed to 30,000,000 common shares on March 29, 2010

<sup>2</sup> Changed to \$0.08 on March 29, 2010

# Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

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## 1. NATURE OF OPERATIONS (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 Note 8-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 Note 8-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](http://www.sedar.com).

## 2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

### a) Adoption of New Accounting Standards

In June 2009, the CICA amended the Handbook Section 3862, "Financial Instruments Disclosures". These amendments are applicable to financial statements relating to the Corporation's annual financial statements ended on April 30, 2010. The amendments provide for additional disclosure requirements about fair value measurements of financial instruments and enhanced liquidity risk disclosure requirements for publicly accountable enterprises. The additional required disclosures are included in Note 7 of these financial statements.

In January 2009, the CICA issued EIC-173, Credit risk and the fair value of financial assets and financial liabilities. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this EIC did not have any effect on the Corporation's financial statements.

In 2008, the Accounting Standards Board issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard was effective for the Company's interim and annual financial statements commencing May 1, 2009. The adoption of this standard has not had a material impact on the Company's financial statements.

In February 2008, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

# **Project Finance Corp.**

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

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## **2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

### b) Recent Accounting Pronouncements Not Yet Adopted

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 until it engages in a business combination.

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.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### (a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of future income tax assets and liabilities and assumptions used in valuing options in stock-based compensation calculations. Actual results could differ from the estimates and assumptions used.

### (b) Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. In management's opinion, the Company is not exposed to significant interest rate, currency exchange rate, liquidity or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values because of their current nature. The Company is not exposed to derivative financial instruments.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant Handbook Section 3840 – Related Party Transactions.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company classified its cash and cash equivalents as held-for-trading and its accounts payable as other financial liabilities.



# Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and Cash Equivalents

The Company considers deposits with banks and highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have original maturities of three months or less when acquired to be cash equivalents. Cash and cash equivalents include an investment in redeemable guaranteed investment certificates ("GIC") with interest rates of 0.4-0.5% per annum. At April 30, 2010, the fair value of the GIC's was \$58,045 (April 30, 2009 - \$183,655).

(d) Comprehensive loss

Comprehensive loss reflects net loss and other comprehensive income (loss) for the year. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

(e) Deferred Acquisition and Financing Costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

(f) Stock-based compensation

The Company applies the fair value method using a Black Scholes option pricing model to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

(g) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences which arise between the accounting basis and the tax basis of various assets and liabilities, and are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized.

(h) Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(i) Comparative Figures

Certain of the 2009 figures presented for comparative purposes have been re-classified to conform with the classification adopted for the current year's presentation.

# Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

## 4. 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 and April 30, 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 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.

# Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

## 4. SHARE CAPITAL Continued)

### (b) Stock Options:

The Company grants stock options to 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	3.3 years
Agent options	200,000	0.10	0.3 years
Balance April 30, 2010	600,000	\$ 0.10	2.3 years

### (c) Contributed Surplus:

Stock based compensation - Directors options	\$ 37,591
Agent options	10,418
Balance April 30, 2009 and 2010	\$ 48,009

## Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

### 5. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	April 30 2010	April 30 2009
Combined statutory tax rate	26%	31%
Income tax recovery on net loss at combined statutory rate	\$ 13,008	\$ 22,745
Temporary difference - financing costs	-	18,009
Stock based compensation	-	(11,653)
Change in enacted tax rates and other	-	(5,354)
	\$ 13,008	\$ 23,747
Valuation allowance	(13,008)	(23,747)
Income tax recovery	\$ -	\$ -

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

	April 30 2010	April 30 2009
Combined statutory tax rate	26%	26%
Non-capital loss carry forwards	\$ 30,427	\$ 13,722
Share issue costs	10,414	14,111
	\$ 40,841	\$ 27,833
Valuation allowance	(40,841)	(27,833)
Balance, end of year	\$ -	\$ -

As at April 30, 2010, the Company has approximately \$117,028 (April 30, 2009: \$52,778) 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.

### 6. 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). 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.

# Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

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## 7. FINANCIAL INSTRUMENTS AND RISK

### Financial Instruments

As at April 30, 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.

### Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk on cash and cash equivalents the Company places the instrument with a high credit quality financial institution.

### 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 April 30, 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	\$ 600	\$ 2,000
1% decrease	\$ (600)	\$ (2,000)

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### Fair Value

The Corporation classifies its fair value measurements in accordance with an established hierarchy that prioritizes 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

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# Project Finance Corp.

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

(In Canadian Funds)

## 7. 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	\$ 55,483	\$ –	\$ –	\$ 55,483
	\$ 55,483	\$ –	\$ –	\$ 55,483

## 8. SUBSEQUENT EVENTS

- a) Subsequent to April 30, 2010 the Company announced that it 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](http://www.sedar.com).

The Issuer 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 Issuer to the Agent. of the gross proceeds of the sale of Units by 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 Issuer to the Agent. In addition, the Issuer 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 Issuer has agreed to pay the expenses reasonably incurred by the Agent in connection with the Offering. The Issuer has paid \$10,000 to the Agent as a retainer to be applied against such expenses

- b) Subsequent to April 30, 2010, the Company has announced that the TSX-Venture has, subject to the satisfaction of certain conditions approved the acquisition (the "Acquisition") by the Corporation of all the issued and outstanding units of Cascade Creek, LLC, the owner of the Cascade Creek Project, a lake-tap hydroelectric project on Swan Lake in the Thomas Bay area of Alaska.

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](http://www.sedar.com).

## **Project Finance Corp.**

Notes to the Financial Statements

For the Years ended April 30, 2010 and 2009

*(In Canadian Funds)*

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### **8. SUBSEQUENT EVENTS (Continued)**

- c) Subsequent to April 30, 2010, the Company has received \$26,000 and issued 260,000 shares upon the exercise of 260,000 directors share options.
- d) Subsequent to April 30, 2010, the Company has granted loans totalling US\$72,000 to Cascade Creek, LLC, which are unsecured, due on demand, and bear interest at 1% per month with interest payable annually.
- e) On August 12, 2010, the Company received a subscription for 1,875,000 units at \$0.16 per unit together with the related proceeds of \$300,000. Each unit comprises one common share and one common share purchase warrant with the same terms as described in Note 8 a).

**PROJECT FINANCE CORP.**  
**MANAGEMENT'S DISCUSSION AND**  
**ANALYSIS**

**FOR THE YEAR ENDED**

**APRIL 30, 2010**

As at August 30, 2010  
(re-filed)



# **Project Finance Corp.**

## **Management Discussion and Analysis**

### **For the Year ended April 30, 2010**

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The following discussion and analysis is for the year ended April 30, 2010. This MD&A is as of August 30, 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](http://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 April 30, 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 LOI dated December 7, 2009 with Cascade Creek, LLC, an Alaska limited liability corporation (“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.

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<sup>1</sup> common shares of the Company at a deemed price of \$0.20<sup>2</sup> 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.

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<sup>1</sup> Changed to 30,000,000 common shares subsequent to yearend

<sup>2</sup> Changed to \$0.08 subsequent to yearend

**Project Finance Corp.**  
**Management Discussion and Analysis**  
**For the Year ended April 30, 2010**

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**DESCRIPTION OF BUSINESS (continued)**

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 will raise up to US\$150,000 in convertible debentures.

Concurrently with completion of the Transaction, the Company will also complete a financing. 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](http://www.sedar.com).

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 RTO are a consequence of the Valuation of Cascade prepared for Project Finance.

Pursuant to Policy 2.2 of the Exchange, sponsorship is generally required in conjunction with a Qualifying Transaction. Project has made application to the Exchange for an exemption from the sponsorship requirement on the basis that: (a) Project will file a transaction disclosure form in connection with the Acquisition; (b) close the Minimum Financing concurrently with completion of the Acquisition and (iii) a Filing Statement was prepared in connection with the Acquisition. There are no assurances that Project will be granted an exemption from sponsorship.

Additional information relating to the Company's LOI is available on SEDAR at [www.sedar.com](http://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.

**Project Finance Corp.**  
**Management Discussion and Analysis**  
**For the Year ended April 30, 2010**

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**SELECTED ANNUAL INFORMATION**

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

<i>(In Canadian \$ except per share data)</i>	Years ended April 30		
	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	\$ -	\$ -	\$ -

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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**

Three month period ended April 30, 2010

There was \$116 interest income compared to \$1,105 for the same period in 2009 which reflects a reduced cash balance and lower interest rates for the current quarter. Minimal expenses \$16,990 were incurred for legal, accounting, transfer agent and filing fees during the three months ended April 30, 2010. The comparable period in 2009 had \$20,073 in similar administrative expenditures. The decrease was mostly attributed to audit charges and filing fees charged proportionately for the period. During the quarter deferred acquisition and financing expenses totalling \$34,763 consisted \$17,260 paid for Cascade valuation reports and \$7,500 to the TSX-V for the Company's filing statement fee The Company is currently awaiting completion of its proposed qualifying transaction with Cascade. (see Subsequent Events)

**Project Finance Corp.**  
**Management Discussion and Analysis**  
**For the Year ended April 30, 2010**

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**RESULTS OF OPERATIONS (Continued)**

Twelve month period ended April 30, 2010

There was \$1,725 interest income compared to \$3,570 in 2009 due to a reduced cash balance. Expenses of \$51,754 were incurred for legal, accounting, transfer agent and filing fees during the twelve months ended April 30, 2010. The comparable period in 2009 had \$76,940 in similar administrative expenditures. This decrease was due mostly to stock-based compensation expenses of \$nil during the current twelve months compared to \$37,591 during the comparable period in 2009. This was due to nil options being granted during the year ended April 30, 2010 compared to 400,000 options being granted in the comparable twelve months in 2009. Offsetting this, professional fees were greater by \$11,346 and filing and sustaining fees increased \$3,733 over the same twelve month period of last year. During the year deferred acquisition and financing expenses totalling \$92,967 consisted of a non refundable advance of \$25,000 paid to Cascade and \$50,464 due diligence expenses. 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							
	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Financial Results</b>								
Interest income	116	267	418	924	1,105	1,230	880	355
Net income (loss) for period	(16,990)	(15,629)	(10,354)	(7,171)	(18,968)	(7,205)	(47,495)	298
Per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$(0.01)	\$ -
<b>Balance Sheet Data</b>								
Cash and cash equivalents	55,483	130,729	173,874	191,972	193,986	201,656	206,953	73,868
Total assets	154,680	191,509	175,318	193,235	194,410	201,656	209,037	100,118
Shareholder's equity	132,501	149,376	165,005	175,359	182,530	201,498	208,703	100,118

**LIQUIDITY AND SOLVENCY**

As at April 30, 2010, the Company has a working capital surplus of \$39,534.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

There are no related party transactions.

# **Project Finance Corp.**

## **Management Discussion and Analysis**

### **For the Year ended April 30, 2010**

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#### **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.

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.

On August 19, 2010, 260,000 options granted to directors of the company were exercised, (see Subsequent Events). As at the date of this MD&A, there are 4,260,000 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 April 30, 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) Subsequent to April 30, 2010 the Company announced that it 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](http://www.sedar.com).
- b) Subsequent to April 30, 2010, the Company has announced that the TSX-Venture has, subject to the satisfaction of certain conditions approved the acquisition (the "Acquisition") by the Corporation of all the issued and outstanding units of Cascade Creek, LLC, the owner of the Cascade Creek Project, a lake-tap hydroelectric project on Swan Lake in the Thomas Bay area of Alaska.

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 Corporation's profile at [www.sedar.com](http://www.sedar.com).

**Project Finance Corp.**  
**Management Discussion and Analysis**  
**For the Year ended April 30, 2010**

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**SUBSEQUENT EVENTS (Continued)**

- c) Subsequent to April 30, 2010, the Company has received \$26,000 and issued 260,000 shares upon the exercise of 260,000 directors share options.
- d) Subsequent to April 30, 2010, the Company has granted loans totalling US\$72,000 to Cascade Creek, LLC, which are unsecured, due on demand, and bear interest at 1% per month with interest payable annually.
- e) On August 12, 2010, the Company received a subscription for 1,875,000 units at \$0.16 per unit together with the related proceeds of \$300,000. Each unit comprises one common share and one common share purchase warrant with the same terms as described in Note 8 a).