

**PROJECT FINANCE CORP.**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTH PERIODS  
ENDED OCTOBER 31, 2009 AND 2008**

(Unaudited)

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

# Project Finance Corp.

Interim Balance Sheets

As at October 31, 2009 and April 30, 2009

(in Canadian Funds - unaudited)

	October 31	April 30
	2009	2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents ( <i>Note 3</i> )	\$ 173,874	\$ 193,986
Accounts receivable	1,444	424
	<u>\$ 175,318</u>	<u>\$ 194,410</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 10,313</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>(91,075)</u>	<u>(73,550)</u>
	165,005	182,530
	<u>\$ 175,318</u>	<u>\$ 194,410</u>

Nature of operations (*Note 1*)

Subsequent events (*Note 8*)

On behalf of the board:

Signed: "Clifford A. Grandison" Director

Signed "F.M. Rany Ratushny" 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 and Six Month Periods ended October 31, 2009 and 2008

(in Canadian Funds - unaudited)

	Three months ended October 31		Six months ended October 31	
	2009	2008	2009	2008
Expenses:				
Stock-based compensation-directors	\$ -	\$ 37,591	\$ -	\$ 37,591
Professional fees	7,700	5,040	11,854	5,040
Transfer agent	1,142	5,013	1,904	5,013
Filing fees	1,600	698	4,719	698
Office and miscellaneous	330	33	390	90
	<u>10,772</u>	<u>48,375</u>	<u>18,867</u>	<u>48,432</u>
Loss before other item	10,772	48,375	18,867	48,432
Other item:				
Interest income	418	880	1,342	1,235
Net loss and comprehensive loss for the period	<u>(10,354)</u>	<u>(47,495)</u>	<u>(17,525)</u>	<u>(47,197)</u>
Retained earnings (deficit), beginning of period	<u>(80,721)</u>	<u>118</u>	<u>(73,550)</u>	<u>(180)</u>
Deficit, end of period	<u>\$ (91,075)</u>	<u>\$ (47,377)</u>	<u>\$ (91,075)</u>	<u>\$ (47,377)</u>
Net loss per share - basic and diluted	<u>\$ -</u>	<u>\$ (0.01)</u>	<u>\$ -</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding	<u>4,000,000</u>	<u>3,813,187</u>	<u>4,000,000</u>	<u>2,614,754</u>

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

## Project Finance Corp.

Interim Statements of Cash Flows

For the Three and Six Month Periods ended October 31, 2009 and 2008

(in Canadian Funds - unaudited)

	Three months ended October 31		Six months ended October 31	
	2009	2008	2009	2008
Cash flows provided by (used in):				
Operating activities:				
Loss for the period	\$ (10,354)	\$ (47,495)	\$ (17,525)	\$ (47,197)
Item not affecting cash:				
Stock-based compensation	-	37,591	-	37,591
	(10,354)	(9,904)	(17,525)	(9,606)
Changes in non-cash working capital items:				
Deferred financing costs	-	24,166	-	10,916
Accounts receivable	(181)	-	(1,020)	-
Accounts payable and accrued liabilities	(7,563)	334	(1,567)	(12,666)
Cash provided by (used in) operating activities	(18,098)	14,596	(20,112)	(11,356)
Financing activities:				
Common shares issued	-	200,000	-	225,000
Share issuance costs	-	(81,511)	-	(81,511)
Cash provided by financing activities	-	118,489	-	143,489
Change in cash and cash equivalents during the period	\$ (18,098)	\$ 133,085	\$ (20,112)	\$ 132,133
Cash and cash equivalents - beginning of period	\$ 191,972	\$ 73,868	\$ 193,986	\$ 74,820
Cash and cash equivalents - end of period	\$ 173,874	\$ 206,953	\$ 173,874	\$ 206,953

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

# **Project Finance Corp.**

Notes to the Interim Financial Statements

For the Three and Six Month Periods ended October 31, 2009 and 2008

*(In Canadian Funds - Unaudited)*

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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 Note 7-Subsequent Events)

These unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the year ended April 30, 2009. 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, 2009 with the exception of those listed in note 2. 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 six-month period ended October 31, 2009 are not necessarily indicative of the results that may be expected for the full year ending April 30, 2010.

As at October 31, 2009, the Company has no business operations and its only asset is cash and term deposits. To date the Company has not entered into any agreements to acquire an interest in businesses or assets. (see Note 7-Subsequent Events) As a CPC, the Company’s principal business will be 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 Note 7-Subsequent Events)

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.

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

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.

# Project Finance Corp.

Notes to the Interim Financial Statements

For the Three and Six Month Periods ended October 31, 2009 and 2008

(In Canadian Funds - Unaudited)

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

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 is effective for the Company's interim and annual financial statements commencing May 1, 2009. The Company does not expect that the adoption of this standard will have 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.

## 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include an investment in redeemable guaranteed investment certificates ("GIC") with interest rates of 0.04-0.05% per annum. At October 31, 2009, the fair value of the GIC's was \$174,997 (April 30, 2009 - \$183,655).

## 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 October 31, 2009	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.

# Project Finance Corp.

Notes to the Interim Financial Statements

For the Three and Six Month Periods ended October 31, 2009 and 2008

(In Canadian Funds - Unaudited)

## 4. SHARE CAPITAL (continued)

### (a) Authorized (continued):

- In September 2008, the Company completed its initial public offering, issuing 2,000,000 commons 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.
- 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 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	3.8 years
Agent options	200,000	0.10	0.8 years
Balance October 31, 2009	600,000	\$ 0.10	2.8 years

## Project Finance Corp.

Notes to the Interim Financial Statements

For the Three and Six Month Periods ended October 31, 2009 and 2008

(In Canadian Funds - Unaudited)

### 4. SHARE CAPITAL (continued)

(c) Contributed Surplus:

Stock based compensation - Directors options	\$	37,591
Agent options		10,418
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Balance October 31, 2009	\$	48,009

### 5. INCOME TAXES

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

	October 31 2009	April 30 2009
Combined statutory tax rate	26%	26%
Non-capital loss carry forwards	\$ 21,976	\$ 13,722
Share issue costs	10,414	14,111
<hr/>		
	\$ 32,390	\$ 27,833
Valuation allowance	(32,390)	(27,833)
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Balance, end of period	\$ -	\$ -

As at October 31, 2009, the Company has approximately \$84,522 (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 Interim Financial Statements

For the Three and Six Month Periods ended October 31, 2009 and 2008

(In Canadian Funds - Unaudited)

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## 7. FINANCIAL INSTRUMENTS AND RISK

### Financial Instruments

As at October 31, 2009, 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 the best 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 October 31, 2009 and 2008. 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.

	October 31, 2009	October 31, 2008
Impact on net loss:		
1% increase	\$1,700	\$ 2,000
1% decrease	\$(1,700)	\$ (2,000)

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# Project Finance Corp.

Notes to the Interim Financial Statements

For the Three and Six Month Periods ended October 31, 2009 and 2008

(In Canadian Funds - Unaudited)

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## 8. SUBSEQUENT EVENTS

- a) 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 common shares of the Company at a deemed price of \$0.20 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 raise up to US\$150,000 in convertible debentures.

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"). The terms of the Financing have not been finalized and will be disclosed in due course. Finder's fees may be paid in relation to the Financing in accordance with the policies of the TSX-V. Closing of the Transaction will take place on or before February 28, 2010. Completion of the Transaction is subject to certain conditions precedent.

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.

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

- b) Subsequent to October 31, 2009, the Company entered into an agreement for services with Knight Piésold Ltd., to prepare an overview due diligence assessment as part of the Company's due diligence for the qualifying transaction with Cascade Creek LLC.

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

**FOR THE THREE AND SIX MONTH PERIODS**  
**ENDED OCTOBER 31, 2009**

As at December 14, 2009

# **Project Finance Corp.**

## **Management Discussion and Analysis**

### **For the Three and Six Month Periods ended October 31, 2009 and 2008**

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The following discussion and analysis is for the three and six month periods ended October 31, 2009 and 2008. This MD&A is as of December 14, 2009.

#### **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 October 31, 2009, the Company has no business operations and its only significant asset is cash. During the six month period ending October 31, 2009, the Company did not enter into any agreements to acquire an interest in businesses or assets. (see Subsequent Events) 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.

#### **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.

#### **RESULTS OF OPERATIONS**

Three month period

There was \$418 interest income compared to \$880 for the same period in 2008 which reflects a reduced cash balance and lower interest rates for the current quarter. Minimal expenses \$10,772 were incurred for legal, accounting, transfer agent and filing fees during the three months ended October 31, 2009. The comparable period in 2008 had \$10,784 in similar administrative expenditures. Stock-based compensation was nil during the current quarter compared to \$37,591 during the same quarter in 2008. This was due to nil options being granted during the three months ended October 31, 2009 compared to 400,000 options being granted in the comparable three months in 2008. The Company has examined and is continuing to examine a number of qualifying opportunities during the three months ended October 31, 2009. (see Subsequent Events)

**Project Finance Corp.**  
**Management Discussion and Analysis**  
**For the Three and Six Month Periods ended October 31, 2009 and 2008**

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**RESULTS OF OPERATIONS (continued)**

Six month period

There was \$1,342 interest income compared to \$1,235 for the same period in 2008. Minimal expenses \$18,867 were incurred for legal, accounting, transfer agent and filing fees during the six months ended October 31, 2009. The comparable period in 2008 had \$10,841 in similar administrative expenditures. Stock-based compensation was nil during the current six months compared to \$37,591 during the comparable period in 2008. This was due to nil options being granted during the six months ended October 31, 2009 compared to 400,000 options being granted in the comparable six months in 2008. The Company has examined and is continuing to examine a number of qualifying opportunities during the six months ended October 31, 2009. (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				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Financial Results</b>								
Interest income	418	924	1,105	1,230	880	355	85	-
Net income (loss) for period	(10,354)	(7,171)	(18,968)	(7,205)	(47,495)	298	(180)	-
Per share	\$ -	\$ -	\$ -	\$ -	\$(0.01)	\$ -	\$ -	\$ -
<b>Balance Sheet Data</b>								
Cash and short-term deposits	173,874	191,972	193,986	201,656	206,953	73,868	74,820	1
Total assets	175,318	193,235	194,410	201,656	209,037	100,118	87,820	1
Shareholder's equity	165,005	175,359	182,530	201,498	208,703	100,118	74,820	1

**LIQUIDITY AND SOLVENCY**

As at October 31, 2009, the Company has a working capital surplus of \$165,005.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

There are no related party transactions.

**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. As at the date of this MD&A, there are 4,000,000 common shares outstanding. 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.

**Project Finance Corp.**  
**Management Discussion and Analysis**  
**For the Three and Six Month Periods ended October 31, 2009 and 2008**

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**OUTSTANDING SHARE DATA (continued)**

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.

**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 October 31, 2009, 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 Subsequent Events) to acquire an interest in businesses and assets. As a CPC, the Company's principal business will be 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) 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 common shares of the Company at a deemed price of \$0.20 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 raise up to US\$150,000 in convertible debentures.

**Project Finance Corp.**  
**Management Discussion and Analysis**  
**For the Three and Six Month Periods ended October 31, 2009 and 2008**

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**SUBSEQUENT EVENTS (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"). The terms of the Financing have not been finalized and will be disclosed in due course. Finder's fees may be paid in relation to the Financing in accordance with the policies of the TSX-V. Closing of the Transaction will take place on or before February 28, 2010. Completion of the Transaction is subject to certain conditions precedent.

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.

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

- b) Subsequent to October 31, 2009, the Company entered into an agreement for services with Knight Piésold Ltd., to prepare an overview due diligence assessment as part of the Company's due diligence for the qualifying transaction with Cascade Creek LLC.