

**NOT FOR DISSEMINATION IN THE UNITED STATES**

**PROJECT FINANCE CORP.**  
**Qualifying Transaction Update**

**August 25, 2010 - North Vancouver, British Columbia:** Project Finance Corp. (“**Corporation**”) is pleased to provide an update with respect to its proposed acquisition of all of the issued and outstanding units of Cascade Creek, LLC (“**Cascade**”), the owner of the Cascade Creek Project, a proposed lake-tap hydroelectric project on Swan Lake in the Thomas Bay area of Alaska (the “**Acquisition**”) and the related offering of units (“**Units**”) of the Corporation (the “**Financing**”) pursuant to an agency agreement dated July 26, 2010, as amended, (the “**Agency Agreement**”) between the Company and Raymond James Ltd. (the “**Agent**”). A filing statement of the Corporation dated July 22, 2010 (the “**Filing Statement**”), which describes the terms of the Acquisition is available on SEDAR under the Corporation’s profile at [www.sedar.com](http://www.sedar.com). In addition, the Corporation has filed a TSX Venture Exchange short form offering document dated July 26, 2010 (the “**Short Form**”) on SEDAR with respect to the Financing. Capitalized terms used herein but not otherwise defined have the meaning ascribed to them in the Filing Statement and the Short Form.

The Corporation wishes to supplement, and where applicable, supercede the disclosure in the Filing Statement and the Short Form to reflect the following:

1. The minimum number of Units offered under the Short Form is decreased from 8,500,000 Units to 6,875,000 Units for minimum aggregate gross proceeds under the Short Form of \$1,100,000. The Agency Agreement has been revised to reflect this decrease.
2. The corporate finance fee payable to the Agent under the Agency Agreement has been increased from \$18,000 plus applicable taxes to \$33,000 plus applicable taxes. In addition, on Closing the Agent will be granted 93,750 common share purchase warrants as part of its corporate finance fee (the “**Corporate Finance Warrants**”). The Corporate Finance Warrants will have the same terms as the Agent’s Warrants. The Agency Agreement has been revised to reflect the changes to the corporate finance fee and the issuance of the Corporate Finance Warrants.
3. The Corporation will be offering an aggregate of up to 2,500,000 Units at a price of \$0.16 per Unit, on a non-brokered private placement basis for aggregate gross proceeds of up to \$400,000 (the “**Non-Brokered Financing**”). These Units will not be issued under the Short Form. All Common Shares and Warrants issued under the Non-Brokered Financing will be subject to a four-month hold period in accordance with applicable securities laws. No finder’s fees or commissions will be payable in connection with the Non-Brokered Financing.
4. As a result of the decrease in the minimum number of Units offered under the Short Form to 6,875,000 Units, and the addition of the 2,500,000 Units issued pursuant to the Non-Brokered Financing, the aggregate number of Units anticipated to be issued on Closing is will be approximately 9,375,000 Units for aggregate gross proceeds of approximately \$1,500,000.
5. Effective August 19, 2010, three directors of the Corporation exercised an aggregate of 260,000 incentive stock options at an exercise price of \$0.10 per common share. The 260,000 common shares issued on exercise of these stock options have been deposited in escrow pursuant to the escrow agreement dated August 25, 2008 among the Corporation, Computershare Investor Services Inc. and certain shareholders of the Corporation.
6. Pursuant to two promissory notes between the Corporation and Cascade, the Corporation has advanced an aggregate of US\$72,000 to Cascade. These funds are repayable on demand and bear interest at a rate of 12% per annum. Cascade anticipates using these funds to pay certain ongoing expenses incurred in the development of the Cascade Creek Project as set out in the Filing Statement and the Short Form.

7. Upon closing of the Acquisition, in lieu of issuing certain Vendors non-voting convertible preferred shares (referred to as Project Exchangeable Shares in the Filing Statement and the Short Form), the Corporation will be issuing these Vendors the same number of common share acquisition warrants (the “**Project Exchangeable Warrants**”). All references in the Filing Statement and the Short Form to Project Exchangeable Shares should be read to refer to Project Exchangeable Warrants, as the context requires. Each Project Exchangeable Warrant, on conversion, will entitle the holder to acquire one common share in the capital of the Corporation for no additional consideration. Like the Project Exchangeable Shares, the Project Exchangeable Warrants will be non-voting, non-redeemable, non-retractable, non-transferable and non-assignable without the consent of the board of directors of the Corporation except to an affiliate of the original holder. In addition, upon completion of the Qualifying Transaction, the holders of the Project Exchangeable Warrants shall undertake to the TSX Venture Exchange and the Corporation not to convert the Project Exchangeable Warrants where such conversion would cause the Corporation to fail to comply with the TSX Venture Exchange’s tier maintenance requirements or where such conversion would cause the Resulting Issuer to cease to be a “foreign private issuer” pursuant to United States securities laws. As at the date of hereof, there are no Project Exchangeable Warrants issued and outstanding.

Closing of the Acquisition, Financing and Non-Brokered Financing is anticipated to occur on September 3, 2010. Closing will be subject to final approval of the TSX Venture Exchange. Upon completion of the Acquisition, it is anticipated that the Corporation will change its name to “Alaska Hydro Corporation” and will change its stock symbol to “AKH”.

**The Common Shares are currently halted from trading in accordance with the policies of the Exchange.**

For further information, please contact Cliff Grandison, President, at:

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**Cautionary Statements**

*Certain statements contained in this release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words “could”, “intend”, “expect”, “believe”, “will”, “projected”, “estimated” and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the Corporation’s current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. In particular, this release contains forward-looking information relating to the closing of the Acquisition and the terms and conditions of the Financing and Non-Brokered Financing. The material factors and assumptions in which the forward-looking information is based include: the parties to the Acquisition being able to obtain the necessary director, shareholder, third-party and regulatory approvals and no significant decline in markets. Risk Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things: the parties will not proceed with the Acquisition and associated transactions and that the proposed Qualifying Transaction and associated transactions will not be successfully completed for any reason including the failure to obtain the necessary director, shareholder, third-party and regulatory approvals to the Acquisition; changes in tax laws, general economic and business conditions; the inability of the Agent to complete the Financing; changes in the regulatory regulation. The Corporation cautions the reader that the above list of risk factors is not exhaustive. The forward-looking information contained in this release is made as of the date hereof and the Corporation is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained herein.*

*Neither the TSX Venture Exchange, Inc. nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) has in any way passed upon the merits of Acquisition, Financing and associated transactions and neither of the foregoing entities has in any way approved or disapproved of the contents of this press release.*