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ALASKA HYDRO CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended

JUNE 30, 2020 AND 2019

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Alaska Hydro Corporation

Condensed Interim Statements of Financial Position
As at
(Expressed in Canadian dollars)

	June 30, 2020	December 31, 2019
	$	$
ASSETS		
Current assets:		
Cash	8,306	3,833
Amounts receivable	461	3,947
	8,767	7,780
Deposits (Note 4)	10,500	10,500
Total Assets	19,267	18,280
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	79,919	81,486
Due to related parties (Note 5)	23,599	20,043
	103,518	101,529
Long term liabilities:		
Related party loan (Note 5)	76,000	55,000
Total liabilities	179,518	156,529
Shareholders' Equity (Deficit)		
Share capital (Note 6)	3,673,691	3,673,691
Contibuted surplus	1,180,578	1,180,578
Deficit	(5,014,520)	(4,992,518)
Total Shareholders' Equity (Deficit)	(160,251)	(138,249)
Total Liabilities and Shareholders' Equity (Deficit)	19,267	18,280

Nature of operations and going concern *(Note 1)*

On behalf of the Board on August 21, 2020

Signed *"Clifford A. Grandison"* Co-Chairman & Interim CEO

Signed: *"Greg Sunell"* Director

The accompanying notes are an integral part of these financial statements

Alaska Hydro Corporation
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	$	$	$	$
General and administrative				
Insurance	-	-	1,629	1,556
Investor relations	41	-	601	-
Land rental (Note 4)	-	-	1,000	1,000
Project costs (Note 4)	225	1,320	1,075	2,192
Professional fees	7,474	14,752	10,854	19,152
Office administration	245	82	294	403
Transfer agent, filing and sustaining fees	4,463	1,718	6,549	5,062
	12,448	17,872	22,002	29,365
Net loss and comprehensive loss	(12,448)	(17,872)	(22,002)	(29,365)
Net loss per share - basic and diluted (Note 6)	0.00	0.00	0.00	0.00
Weighted average number of common shares outstanding and held by other shareholders - basic and diluted	38,369,750	38,369,750	38,369,750	38,369,750
Common shares outstanding and held by other shareholders at end of year	38,369,750	38,369,750	38,369,750	38,369,750

The accompanying notes are an integral part of these financial statements

Alaska Hydro Corporation

Condensed Interim Statements of Changes in Equity (Deficit)
For the six months ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

	Number of common shares issued and outstanding	Amount $	Contributed surplus $	Deficit $	Total $
Balance, December 31, 2018	38,369,750	3,673,691	1,164,540	(4,847,893)	(9,662)
Comprehensive loss	-	-	-	(11,493)	(11,493)
Balance, June 30, 2019	38,369,750	3,673,691	1,164,540	(4,859,386)	(21,155)
Share-based compensation	-	-	16,038	-	16,038
Comprehensive loss	-	-	-	(133,132)	(133,132)
Balance, December 31, 2019	38,369,750	3,673,691	1,180,578	(4,992,518)	(138,249)
Comprehensive loss	-	-	-	(22,002)	(22,002)
Balance,June 30, 2020	38,369,750	3,673,691	1,180,578	(5,014,520)	(160,251)

The number of shares issued at June 30, 2020 is comprised as follows:

Shares considered previously issued	44,238,353
Issued and held by the Company	(5,868,603)
Issued and outstanding with other shareholders	38,369,750

Alaska Hydro Corporation

Condensed Interim Statements of Cash Flows
For the six months ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

	June 30, 2020	June 30, 2019
	$	$
Cash flows provided by (used in):		
Operating activities:		
Comprehensive loss for the period	(22,002)	(29,365)
Changes in non-cash working capital items:		
Amounts receivable	3,486	(4,100)
Accounts payable and accrued liabilities	1,989	2,151
Cash used in operating activities	(16,527)	(31,314)
Financing activities:		
Related party advances, net	21,000	20,000
Cash provided by financing activities	21,000	20,000
Change in cash during the period	4,473	(11,314)
Cash - beginning of period	3,833	26,775
Cash - end of period	8,306	15,461

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Alaska Hydro Corporation, formerly Project Finance Corp., (the "Company" or "Alaska Hydro") was incorporated on October 16, 2006 under the British Columbia Business Corporations Act. Prior to September 3, 2010, the Company was a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). On September 3, 2010 the Company completed its Qualifying Transaction (the "Qualifying Transaction") pursuant to the rules and policies of the Exchange by acquiring the net assets and operations of Cascade Creek LLC. ("Cascade"), a development stage hydroelectric project. On that date the Company also changed its name to Alaska Hydro Corporation. The Company commenced trading on the Exchange as a Tier 2 Issuer on September 8, 2010 under its new name and trading symbol "AKH". On January 21, 2019, the Company was assigned trading on the Exchange as a NEX issuer. Alaska Hydro is a British Columbia corporation with its head office located at 2633 Carnation Street North Vancouver, British Columbia, Canada V7H 1H6.

On August 18, 2014 the Company submitted an application for a water license permit to generate electricity from a proposed More Creek hydroelectric project in northwest British Columbia with a nameplate capacity of 75MW.

The Company incurred a net loss of $22,002 for the six months ended June 30, 2020 (2019 – $29,365). The Company had an accumulated deficit of $5,014,520 at June 30, 2020. For the Company to continue as a going concern it is dependent upon its ability to raise sufficient financing and to obtain the required licenses for its More Creek Project and to ultimately generate income and cash flows from operations of that project.

The Company does not generate cash flows from operations and, accordingly, the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

The current cash resources are not adequate to pay the Company's accounts payable and to meet its minimum commitments at the date of these financial statements, including planned corporate and administrative expenses, and other project implementation costs. The existence of such material uncertainties creates significant doubt as to the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IAFB"). The Company has consistently applied the same accounting policies throughout all periods presented.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Measurement Basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below. All amounts are expressed in Canadian dollars unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and bank deposits. As at June 30, 2020 and 2019, the Company had no cash equivalents.

c) Power Project Development Costs

Power project development costs, incurred prior to the determination of the economic feasibility of the power project and a decision to proceed with development are charged to operations as incurred.

If a project is deemed to be economically feasible and a decision to proceed with the project is made by the Company, costs associated with the development of the project are capitalized and subsequently amortized over the life of the project. Capitalized costs of unsuccessful projects are written off as impaired in the period that a project is abandoned or when recovery of the costs is no longer regarded as assured.

d) Foreign Currency Translation

The functional and presentation currency of Alaska Hydro is the Canadian dollar.

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statements of financial position date are retranslated at the period-end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

e) Long-lived Assets and Impairment

Long-lived assets are reviewed by management for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition.

f) Earnings/Loss per Share

Earnings (Loss) per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period.

g) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Use of Estimates and Judgements

The preparation of the financial statements requires management to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include expected future tax rates and fair value measurements for financial instruments. Financial results as determined by actual events could differ from those estimates.

Management has applied its judgement in the evaluating the Company's going concern prospects and related disclosures.

i) Financial Instruments

Adoption of IFRS 9 – Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 in accordance with the transitional provisions of the standard. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. The change did not impact the carrying value of any of the Company's financial assets on the transition date.

The impact on the statement of financial position from the change relating to IFRS 9 has been summarized below.

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 as follows:

Financial asset	**IAS 39**	**IFRS 9**
Cash	Fair value through profit or loss ("FVTPL")	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The classification of financial assets is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Transaction costs with respect to financial instruments classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments.

The Company's financial assets are classified into one of the following two measurement categories:

Financial assets held within a business model for the purpose of collecting contractual cash flows ("held to collect") that represent solely payments of principal and interest ("SPPI") are measured at amortized cost. Financial assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows represent solely payments of principal and interest are measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income Taxes

Income taxes are accounted for using the liability method of tax allocation. Under this method current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities. Deferred income tax assets and liabilities are measured using substantially enacted tax rates that apply for the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Flow-through shares are accounted for as compound instruments comprising liability and equity components upon issuance, with any premium received that can be reasonably determined being attributed to the tax benefit provided and considered a liability. Upon qualifying expenditures being incurred, this liability is reversed and recognized in income, and any deferred tax liability in respect to the amounts renounced to investors is recorded. Costs related to the liability component are also charged to profit or loss.

The Company estimates the value of the liability component using the residual method, whereby the quoted price of the Company's non-flow-through shares issued is compared to the price investors paid for the flow-through shares and any difference forms the premium amount.

k) Share-based compensation

The Company records all share-based payments at fair value. Share-based compensation expense for share option grants to employees and others providing similar services is based on the fair value of the stock options issued at the grant date, which is determined using the Black-Scholes Option-Pricing Model. Where equity instruments are granted to non-employees, they are recorded at the fair value of goods or services received in the Statements of Loss and Comprehensive Loss. When the value of goods or services cannot be reliably estimated, the Black-Scholes Option Pricing Model is used. Compensation expense for share options granted to non-employees is recognized as the options are earned and the services are provided. Compensation expense for share options granted to employees is amortized over the vesting period using a graded vesting assumption. On exercise of stock options, consideration paid together with fair value amount previously credited to contributed surplus is recorded as share capital.

l) New Accounting Standard Issued and Adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC"). The Company has adopted the following new and revised standard. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

New accounting standards adopted effective January 1, 2019

- IFRS 16 Leases.

The application of the above new and revised standard had no impact on the Company's results and financial position.

4. MORE CREEK PROJECT

On August 18, 2014 the Company submitted an application for a water license permit to generate electricity from a proposed hydroelectric project in northwest British Columbia. As at June 30, 2020, the Company had spent $10,500 on the applications for the Water License and Crown Land Tenure. In addition, the Company obtained the approval for the Investigative Use License on February 4, 2015. During the Six months ended June 30, 2020, the Company expensed project costs in the amount of $2,075 (2019 - $3,192) related to the project. The application fees of $10,500 has been treated as deposits pending the granting of the license and tenure by the government.

On March 14, 2018, the Company announced the acceptance of an Investigative Use Licence for the Forrest Kerr Diversion Project.

5. RELATED PARTY TRANSACTIONS AND BALANCES

At June 30, 2020, $21,129 (2019 - $15,400) was due to a private company controlled by R. Anderson, CFO of the Company.

During the period ended June 30, 2020, the Company incurred $8,686 (2019- $11,800) to a private company controlled by R. Anderson CFO of the Company for providing accounting services.

At June 30, 2020, $2,470 (2019 - $Nil) was due to M. Hoole, a director of the Company.

During the period ended June 30, 2020, the Company incurred $1,700 (2019 - $Nil) to M. Hoole, a director of the Company for providing management services.

During the period ended June 30, 2020, C. Grandison, Interim CEO of the Company loaned $21,000 (2019 - $45,000) to the Company, which is outstanding at period end. As at June 30, 2020, $76,000 (2019 - $45,000) was owing. The amount is non-interest bearing, unsecured and not expected to be repaid within the next twelve months.

These transactions are in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

6. SHARE CAPITAL

(a) Authorized: 100,000,000 common shares without par value.

(b) Issued and Outstanding:

At June 30, 2020, the Company has issued 44,238,353 (2019 - 44,238,353) shares, of which 5,868,603 (2019 – 5,868,603) shares have been surrendered to the Company and are held by the Company without cancellation and 38,369,750 (2018 – 38,369,750) are held by other shareholders.

Fiscal 2020

For the six months ended June 30, 2020, there were no share transactions.

Fiscal 2019

During fiscal 2019, there were no share transactions.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Fiscal 2018

On April 25, 2018, the Company closed a private placement consisting of 2,050,000 units at a price of $0.05 per unit for gross proceeds of $102,500. Each unit consists of one common share and one warrant to acquire an additional common share at a price of $0.08 for a period of three years.

(c) Warrants:

The current balance of outstanding warrants is as follows:

	Weighted Average Exercise Price	Warrants
Balance December 31, 2017	-	-
Issued April 25, 2018	0.08	2,050,000
Balance June 30, 2020 and 2019	0.08	2,050,000

(d) Options:

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan") options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's shares 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 8,214,179, 20% of the Company's issued and outstanding shares at the date the Plan was amended.

On November 20, 2019, the Company granted 810,000 stock options to officers, directors and consultants of the Company. These options are exercisable at $0.05 per common share, and expire five years from the grant date. The Company recognized share-based compensation of $16,038 in respect of these options.

The fair value of the stock options granted during the year was estimated using the Black-Scholes option pricing model with the following assumptions:

	2019	
Expected dividend yield	N/A	
Risk-free interest rate	1.43%	
Expected share price volatility	241.80%	
Expected life of the options	5 years	

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

The current balance of outstanding and exercisable options is as follows:

	Weighted Average Exercise Price	Options
Balance, December 31, 2017 and 2018	0.10	6,640,000
Issued November 20, 2019	0.05	810,000
Balance, June 30, 2020	0.09	7,450,000

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

Expiration Date	Outstanding	Weighted Average Exercise Price	Remaining Contractual Life
July 4, 2021	6,300,000	0.10	1 year
December 6, 2021	340,000	0.10	1.4 years
November 20, 2024	810,000	0.05	4.4 years
Balance June 30, 2020	7,450,000	0.09	1.4 years

7. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is subject to the usual Tier 2 Continuous Listing Requirements, which include, among other things, the requirement for adequate working capital in financial resources of the greater of $50,000 and an amount required to maintain operations for a period of six months. At June 30, 2020 this requirement is not met and accordingly the Company is trading on the NEX board. The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. As the Company is a development stage venture issuer it has limited ability presently to raise money by long term or any other kind of debt. For practical purposes and subject to limited exceptions all of its capital management is directed towards management of its issues of equity including warrants. There is very limited flexibility in its capital management.

8. FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

As at June 30, 2020, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, due to related parties and related party loan.

8. FINANCIAL INSTRUMENTS AND RISK (continued)

Liquidity Risk

All of the Company's current 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.

The Company does not generate cash flows from operations and accordingly the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

The current cash resources are not adequate to meet the Company's minimum commitments at the date of these financial statements, including planned corporate and administrative expenses, and other project implementation costs. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Foreign Exchange Risk

As at June 30, 2020, the Company has no transactions that are in US funds and as a result, it is not subject to foreign exchange risk.

Fair Value

The Company 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

The Company does not have financial assets measured at fair value on a recurring basis as at June 30, 2020.