
BLOCKCHAIN POWER TRUST

(formerly “Transeastern Power Trust”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018
(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX
MONTHS ENDED JUNE 30, 2017)
(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of the Trust have been prepared by and are the responsibility of management. The condensed interim consolidated financial statements have not been reviewed by the Trust’s auditors.

Blockchain Power Trust (formerly "Transeastern Power Trust")
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

As at	June 30, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 1,542,407	\$ 1,129,524
Trade and other receivables (Note 3)	7,744,827	5,113,182
Green Certificates (Note 4)	1,180,692	2,367,698
Restricted Green Certificates (Note 4)	2,247,480	2,024,303
Digital currencies	186,042	-
Prepaid & other	690,078	912,970
	13,591,526	11,547,677
Long Term		
Restricted cash (Note 6v)	1,520,127	2,410,162
Restricted Green Certificates (Note 4)	20,283,035	20,194,061
Intangible assets	1,151,552	1,160,481
Property, plant, equipment (Note 5)	62,555,705	57,240,052
	\$ 99,101,945	\$ 92,552,433
LIABILITIES AND UNIT HOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,354,367	\$ 19,342,013
Convertible debentures (Note 6i)	-	31,410,000
Warrant liability	155,592	1,299,310
Current portion of capital leases (Note 6iii)	4,483,929	4,902,001
Debt facilities (Note 6iv)	3,798,616	35,087,184
	15,792,504	92,040,508
Long-Term Liabilities		
Vendor take-back loan (Note 6ii)	-	1,300,295
Warrant liability	2,237,654	1,394,674
Asset retirement obligations	2,755,565	2,717,659
Deferred tax liabilities	7,383,924	7,762,048
Long-term portion of capital leases (Note 6iii)	24,274,849	24,886,250
	36,651,992	38,060,926
	52,444,496	130,101,434
Unitholders equity (deficiency)	46,657,449	(37,549,001)
TOTAL LIABILITIES AND UNIT HOLDERS' EQUITY (DEFICIENCY)	\$ 99,101,945	\$ 92,552,433

Nature and description of the Trust (Note 1)

Approved on Behalf of the Board:

 "Ravi Sood"
 Director

 "John Huxley"
 Director

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

Blockchain Power Trust (formerly “Transeastern Power Trust”)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
REVENUE				
Sale of Electricity	\$ 1,586,386	\$ 767,143	\$ 3,981,266	\$ 1,557,947
Income from Green Certificates	3,032,209	2,600,876	5,696,828	4,590,042
Income from Digital Currencies	192,387	-	192,387	-
	4,810,982	3,368,019	9,870,481	6,147,989
OPERATING EXPENSES				
Cost of sales excluding depreciation	1,963,302	1,038,129	4,100,475	1,816,694
Depreciation	1,759,374	995,717	3,452,637	1,977,505
	3,722,677	2,033,846	7,553,113	3,794,199
General and administrative	498,111	365,470	953,957	656,255
Professional Fees	12,968	57,155	702,047	144,508
	4,233,756	2,456,471	9,209,117	4,594,962
Operating Income	577,226	911,548	661,364	1,553,027
OTHER EXPENSES				
Fair value gain on debentures and conversion features (Note 6)	-	-	1,184,249	-
Interest and finance charges	(1,432,626)	(1,358,088)	(3,410,662)	(3,387,624)
Foreign exchange (loss) gain	(1,903,350)	(58,452)	(83,969)	70,244
Gain (loss) on settlement of debt (Note 6)	786,928	320,254	(12,950,322)	-
Warrant revaluation gain (loss)	4,399,070	(209,382)	11,928,230	(2,282,212)
Revaluation of digital currencies gain (loss)	(6,776)	-	(6,776)	-
Transaction costs	87,115	(32,310)	(291,114)	(336,818)
	2,507,586	(426,430)	(2,969,001)	(4,383,383)
Deferred income tax recovery	330,342	1,386,867	365,620	1,509,999
	2,837,928	960,437	(2,603,381)	(2,873,384)
Items to be reclassified subsequently to loss:				
Foreign currency translation (loss) gain	(934,588)	(91,163)	3,401,970	(191,284)
TOTAL COMPREHENSIVE EARNINGS (LOSS)	\$ 1,903,340	\$ 869,274	\$ 798,589	\$ (3,064,668)
Basic and diluted net earnings (loss) per unit	\$ 0.01	\$ 0.02	\$ (0.01)	\$ (0.06)
Weighted average number of units outstanding - basic and diluted	226,604,956	48,970,060	215,097,982	48,964,232

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

Blockchain Power Trust (formerly “Transeastern Power Trust”)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY (DEFICIENCY) (unaudited)
AS AT JUNE 30, 2018 AND JUNE 30, 2017

	Units	Unit Value	Deficit	Comprehensive Income - Foreign Currency Translation	Contributed Surplus	Unitholders' Equity (Deficiency)
Balance, December 31, 2016	48,958,403	\$ 35,324,282	\$ (40,976,961)	\$ 4,060,762	\$ -	\$ (1,591,917)
Distribution Reinvestment plan	70,916	39,004	-	-	-	39,004
Net loss for the period	-	-	(2,873,384)	-	-	(2,873,384)
Other comprehensive loss	-	-	-	(191,284)	-	(191,284)
Balance, June 30, 2017	49,029,319	\$ 35,363,286	\$ (43,850,345)	\$ 3,869,478	\$ -	\$ (4,617,581)
Balance, December 31, 2017	49,040,630	\$ 35,371,094	\$ (75,589,293)	\$ 2,669,197	\$ -	\$ (37,549,001)
Net loss for the period	-	-	(2,603,381)	-	-	(2,603,381)
Other comprehensive income	-	-	-	3,401,970	-	3,401,970
Issuance of Trust Units – Private Placement (Note 7)	90,047,832	24,106,303	-	-	-	24,106,303
Issuance of Trust Units on settlement of debt (Note 7)	90,860,778	54,044,544	-	-	-	54,044,544
Issuance of Trust Units (Note 7)	208,868	51,173	-	-	-	51,173
Unit issue costs (Note 7)	-	-	-	-	5,205,841	5,205,841
Balance, June 30, 2018	230,158,108	\$ 113,573,114	\$ (78,192,674)	\$ 6,071,167	\$ 5,205,841	\$ 46,657,449

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

Blockchain Power Trust (formerly “Transeastern Power Trust”)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
OPERATING ACTIVITIES				
Net earnings (loss)	2,837,930	960,437	\$ (2,603,381)	\$ (2,873,384)
Items Relating to Financing Activities				
Revaluation of warrants (gain) loss	(4,399,071)	209,381	(11,928,230)	2,282,211
Fair value of debenture conversion	-	-	(1,184,249)	-
(Gain) loss on settlement of debt	(786,928)	-	12,950,322	-
Interest and finance charges	1,432,626	1,358,088	3,410,662	3,387,624
Add (deduct) items not affecting cash:				
Depreciation (Note 5)	1,759,374	995,717	3,452,637	1,977,505
Deferred income tax (recovery) expense	(330,342)	(1,843,271)	(365,620)	(1,509,999)
Unrealized foreign exchange losses (gains)	1,903,349	291,877	83,969	(70,244)
Revaluation of digital currency losses	6,776	-	6,776	-
Operating cash flow before changes in working capital	2,423,715	1,972,229	3,822,887	3,193,713
Net change in non-cash working capital:				
Trade and other receivables	(693,112)	93,038	(2,631,645)	174,897
Green Certificates - current and restricted	272,587	(1,983,755)	963,829	(1,947,521)
Prepaid and other assets	235,882	58,740	222,892	269,082
Digital currencies	(192,818)	-	(192,818)	-
Accounts payable and accrued liabilities	(1,478,487)	2,747,491	(8,555,221)	240,199
Net cash generated (used) in operating activities	567,766	2,887,743	(6,370,076)	1,930,370
INVESTING ACTIVITIES				
Additions to property, plant and equipment (Note 5)	(2,055,579)	-	(4,610,111)	-
Net cash used in investing activities	(2,055,579)	-	(4,610,111)	-
FINANCING ACTIVITIES				
Issuance of Units (Note 7)	35,000	39,004	38,250,868	39,004
Debt facility repayment (Note 6iv)	-	(318,247)	(23,711,154)	(3,358,871)
Proceeds from bridge loan facilities (Note 6iv)	-	-	-	1,279,808
Proceeds from secured debt facility (Note 6iv)	-	-	-	3,628,728
Interest and financing costs paid	-	(1,203,236)	(1,844,779)	(1,203,236)
Restricted cash	(1,047,370)	(95,593)	(890,035)	(101,585)
Capital leases	(1,011,578)	(1,904,482)	(1,029,473)	(2,927,634)
Net cash (used) provided by financing activities	(2,023,948)	(3,482,554)	10,775,426	(2,643,786)
Effect of currency translation	259,584	1,601,539	617,644	1,602,237
CHANGE IN CASH	(3,252,177)	1,006,728	412,883	888,821
CASH, beginning of period	4,794,583	122,796	1,129,524	240,703
Cash, end of period	\$ 1,542,406	\$ 1,129,524	\$ 1,542,407	\$ 1,129,524

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

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

1. NATURE AND DESCRIPTION OF THE TRUST

Blockchain Power Trust (formerly Transeastern Power Trust, “Blockchain Power” or the “Trust”) is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario that, through its subsidiaries, generates and sells electricity to licensed electricity buyers in Romania through its portfolio of two operational wind projects known as “Baia” and “OMV” with a total capacity of 62 MW (the “Wind Projects”), three hydro-electric generation facilities comprised of run-of-river hydroelectric power plants known as “Rott”, “Zagra” and “Suha” with total capacity of over 4.4 MW (the “Hydro Projects”) and two photovoltaic solar power production plants known as “Corabia” and “Power LIVE” with a total capacity of 16.6 MW (the “Solar Projects” and, together with the Hydro Projects and the Wind Projects, the “Projects”). All of the Projects are located in Romania.

In January 2018, the Trust changed its name to “Blockchain Power Trust” and the trust units in the capital of the Trust (each, a “Unit”) commenced trading on the TSX Venture Exchange (the “TSXV”) under a new symbol, “BPWR.UN”. In August 2018, the 2018 Warrants (as defined below) commenced trading on the TSXV under the symbol, “BPWR.WT”.

Commencing June 2018, the Trust began mining digital currencies in addition to its existing operations of generating green renewable energy and earning green certificates (“Green Certificates”). The Trust has been advised by the TSXV that it must obtain approval from the TSXV and the holders of Units (“Unitholders”) to further expand its business into data centers, cryptocurrency mining and other blockchain related activities

The Trust directly and indirectly owns all of the membership rights of Transeastern Power Coöperatief U.A. (“Netherlands Parent”), which owns all of the issued and outstanding shares of Transeastern Power B.V. (“Netherlands Holdco” and, together with the Netherlands Parent, the “Netherlands Subsidiaries”). The Netherlands Subsidiaries jointly own, directly or indirectly, 100% of six Romanian subsidiaries which hold the Hydro Projects, two Romanian subsidiaries that hold the Solar Projects, two Romanian subsidiaries that hold the Wind Projects, and a Romanian subsidiary that acts as a management company for the Romanian operations.

TSX Trust Company, (the “Trustee”), was appointed as trustee of Blockchain Power pursuant to a Trustee Indenture dated February 4, 2014. The Trustee has delegated most of its powers and duties relating to the operations and governance of Blockchain Power to Blockchain Power Administrator Inc. (formerly Transeastern Power Administrator Inc., the “Administrator”) pursuant to an Administrative Services Agreement dated February 4, 2014. All of the shares of the Administrator are owned by Blockchain Power Management Inc. (the “Administrator Shareholder”), all of the shares of which are owned by Mr. Eadie, the Chief Executive Officer and Mr. Sood, the Chairman of the Administrator, and are subject to the terms of a unanimous shareholders’ agreement dated May 28, 2014.

Blockchain Power qualifies as a “mutual fund trust” and not a “SIFT trust” (each as defined in the Income Tax Act (Canada)) in accordance with the restrictions set forth in the Trust Indenture. The Administrator is responsible for monitoring Blockchain Power’s investments and holdings of property to ensure Blockchain Power is not at any time a “SIFT trust” and does not hold any “non-portfolio property”.

The principal head and registered office of each of Blockchain Power, the Administrator, the Administrator Shareholder and Blockchain Power’s Canadian subsidiaries are located at Suite 1800, 181 Bay Street, Toronto, Ontario, Canada. References to Blockchain Power herein include reference to the applicable subsidiary where appropriate.

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2017 annual audited consolidated financial statements except as described below.

Statement of Compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements were authorized for issue by the Board of Directors of the Administrator on August 27, 2018.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust. Control is achieved when the Trust is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The consolidated financial statements include the accounts of the Trust and the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Ownership Percentage
Transeastern Power Holdings Inc.	Canada	100%
Transeastern Power Holdings2 Inc.	Canada	100%
Transeastern Power Coöperatief U.A.	Netherlands	100%
Transeastern Power B.V.	Netherlands	100%
OMV Petrom Wind Power S.R.L	Romania	100%
Holrom Renewable Energy S.R.L.	Romania	100%
Transeastern Hidroelectrica Del Ucea SPV I SRL	Romania	100%
Transeastern SPV III SRL	Romania	100%
Transeastern Power Services Limited	Romania	100%
Transeastern Vistea Hidroelectrica SPV IV SRL	Romania	100%
Zagra Hidro SA	Romania	100%
Rott Energy SA	Romania	100%
SC Corabia Solar SRL	Romania	100%
SC Power L.I.V.E One SA	Romania	100%
Transeastern Corporate Directorship SRL	Romania	100%
Transeastern Power Holdings B.C. Inc.	Canada	100%
Mediterranean Resources Ltd.	Canada	100%

Classification of digital currencies as current assets

The Trust’s determination to classify its holding of digital currencies as current assets is based on management’s assessment that the Trust’s digital currencies held can be considered to be commodities, the availability of liquid markets to which the Trust may sell a portion of its holdings and that the Trust is actively selling its digital currencies in the near future to generate a profit from price fluctuations.

Accounting for Digital Currencies

At present, there is limited guidance in IFRS on the recognition and measurement of digital currencies. Noted below are the key policies used to account for these assets.

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

Digital currency valuation

Digital currencies consist of cryptocurrency denominated assets and are included in current assets. Digital currencies are measured at fair value using the quoted price on www.coinmarketcap.com. Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The digital currencies are valued based on the closing price obtained from www.coinmarketcap.com at the reporting period corresponding to the digital currencies mined by the Trust. The Trust is relying on the data available at www.coinmarketcap.com to be an accurate representation of the closing price for the digital currencies. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position.

Revenue recognition of digital currencies

The Trust recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Trust receives digital currency from each specific network in which it participates (“coins”). Revenue is measured based on the fair value of the coins received. The fair value is determined using the closing price of the coin on the date of receipt from www.coinmarketcap.com. The coins are recorded on the statement of financial position, as digital currencies, at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit and loss in accordance with the Trust's treatment of its digital currencies as a traded commodity. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. Management has examined various factors surrounding the substance of the Trust's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received.

Carrying value of data centre equipment

The Trust evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes. When required, the determination of fair value and value in use requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit and loss.

Depreciation Method

Data centre equipment used for “cryptocurrency mining” is amortized on a straight-line basis. The rate at which the Trust generates digital currencies and, therefore, consumes the economic benefits of its mining equipment are influenced by a number of factors including the complexity of the mining process which is driven by the algorithms contained within digital currencies' open source software; the general availability of appropriate computer processing capacity and technological obsolescence reflecting rapid development in the mining machines.

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

Based on the Trust’s and the industry’s limited history to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital currencies and the assumptions included in such forecasts, including digital currencies’ price and network difficulty, and derived from management’s assumptions which are inherently judgmental. Based on current data available, management has determined that the straight-line method of amortization best reflects the current expected useful life of mining equipment. Management will review its estimates at each reporting date and will revise such estimates as and when data become available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption related to residual value at each reporting date.

New Accounting Standards effective in 2018

IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018, the Trust adopted IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”). IFRS 15 was issued by IASB in May 2014 and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations on revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

The adoption of IFRS 15 did not result in a change in the recognition and measurement of the Trust’s revenues.

IFRS 9 Financial Instruments

Effective January 1, 2018, the Trust adopted IFRS 9 *Financial Instruments* (“IFRS 9”), which replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 provides a revised model for the recognition and measurement of financial instruments including a single forward-looking ‘expected loss’ impairment model, amendments to the classification and measurement model for financial assets by adding a new fair value through comprehensive income category for certain financial instruments and provides guidance on how to apply the business model and contractual cash flow characteristics test. IFRS 9 also includes significant changes to hedge accounting.

The following summarizes the nature and effect of the changes to IFRS 9:

i) Measurement and Classification of Financial Instruments

IFRS 9 largely retains the existing requirement of IAS 39 for the classification and measurement of financial liabilities. The adoption of IFR 9 did not have a significant effect on the Trust’s accounting policies related to financial liabilities.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortized cost if it meets both of the following conditions and not designated as FVPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates for cash flows. Management reviewed and assessed the Trust’s existing financial assets as at January 2, 2018 based on the facts and circumstances that existed at that date and has classified and measured its financial assets as follows:

- Cash and restricted cash are classified as and measured at amortized cost.
- Trade receivables, Green Certificates and other assets are classified as and measured at amortized cost.

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

The adoption of IFRS 9 did not result in a material change in the carrying values of any of the Trust's financial instruments of the transition date.

ii) Impairment of Financial Assets

IFRS 9 introduced a single 'expected credit loss' impairment model, which is based on changes in credit quality since initial recognition. The 'expected credit loss' model replaced the 'incurred loss' model under IAS 39. The adoption of the expected credit loss impairment model under IFRS 9 did not have a significant impact on the carrying amounts of the Trust's financial assets on the transition date.

Amendments and Future changes to Accounting Standards not yet Effective

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively with early adoption permitted, provided IFRS 15 has been applied or is applied at the same date as IFRS 16. The Trust has completed the assessment of the impact of adoption of this new standard and does not expect to have a material impact on the Trust's consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IFRS Interpretation Committee issued IFRIC 23 *Uncertainty over Income Tax Treatments* (“IFRIC 23”), which clarifies how the recognition and measurement requirements of IAS 12 *Income Taxes* are applied where there is uncertainty over income tax treatments. IFRIC 23 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively with early adoption permitted. The Trust is in the process of assessing the impact of IFRIC 23 on the consolidated financial statements.

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

3. TRADE AND OTHER RECEIVABLES

	June 30, 2018	December 31, 2017
Trade receivables	\$ 4,044,926	\$ 2,682,170
VAT receivable	3,502,334	2,363,968
HST receivable	197,567	67,044
	\$ 7,744,827	\$ 5,113,182

4. GREEN CERTIFICATES

Pursuant to applicable Romanian legislation, new hydro plants with production capacity of less than 10MW that commenced operations before January 1, 2014, such as Rott, are entitled to receive three Green Certificates for each one MW of energy production that enters the Romanian power grid, with one Green Certificate restricted from trading until March 31, 2017. Projects with production capacity of less than 10MW that were accredited after January 1, 2014, such as Zagra Hidro SA (“Zagra”), are entitled to receive 2.3 Green Certificates for each one MW of energy production that enters the Romanian power grid, none of which are restricted from trading. Refurbished hydro projects with capacity of less than 10MW, such as Transeastern Vistea Hidroelectrica SPV IV SRL (“Suha”), are entitled to receive two Green Certificates for each one MW of energy production that enters the Romanian power grid, none of which are restricted from trading.

The Solar Projects are entitled to receive four tradable Green Certificates and two restricted Green Certificates per MWh produced and the Wind Projects are entitled to receive one tradable Green Certificate and 0.35 to 1 restricted Green Certificate per MWh produced. Restricted Green Certificates earned by the Solar Projects are restricted from trading until January 1, 2025 and those earned by the Wind Projects are restricted from trading until January 1, 2018. The tradable Green Certificates are usually sold in less than one year.

Prior to the acquisition of Rott Energy SA (“Rott”), the previous owner received financial support from the government. Under applicable Romanian legislation, an energy producer that benefits from the support mechanism of Green Certificates and that receives additional state support may have its entitlement to Green Certificates reduced until the support amounts are paid back in kind via a reduction in Green Certificates issued. Currently, Rott’s entitlement was reduced by 1.04 Green Certificates to 1.96 Green Certificates per MW of energy produced.

As at June 30, 2018, the Trust had recorded balances related to tradable Green Certificates of \$1,180,692 (2017 - \$2,367,698) and restricted Green Certificates of \$22,530,515 (2017 - \$22,218,364)

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Total
Cost				
Balance, December 31, 2016	\$ 694,563	\$ 24,999,332	\$ 36,406,630	\$ 62,100,525
Additions	-	-	119,945	119,945
Assets acquired on acquisitions	2,053	6,826,075	15,314,555	22,142,683
Reclassification	(113,481)	113,481	-	-
Effect of foreign currency translation	6,994	264,349	422,017	693,360
Impairment charge	-	(8,183,738)	(13,064,834)	(21,248,572)
Recovery of prior year impairment charge	-	1,654,783	2,641,760	4,296,543
Balance, December 31, 2017	\$ 590,129	\$ 25,674,282	\$ 41,840,073	\$ 68,104,484
Additions	-	-	4,610,111	4,610,111
Reclassification	118,291	(118,291)	-	-
Effect of foreign currency translation	19,281	838,833	1,517,625	2,375,738
Balance, June 30, 2018	\$ 727,701	\$ 26,394,824	\$ 47,967,809	\$ 75,090,333
Accumulated Depreciation				
Balance, December 31, 2016		\$ (2,954,639)	\$ (3,872,943)	\$ (6,827,582)
Depreciation expense	-	(1,545,087)	(2,466,637)	(4,011,724)
Effect of foreign currency translation	-	(9,677)	(15,449)	(25,126)
Balance, December 31, 2017	\$ -	\$ (4,509,403)	\$ (6,355,029)	\$ (10,864,432)
Depreciation expense	-	(652,148)	(1,041,115)	(1,693,263)
Effect of foreign currency translation	-	8,884	14,182	23,066
Balance, June 30, 2018	\$ -	\$ (5,152,667)	\$ (7,381,962)	\$ (12,534,629)
Net Book Value				
Balance, December 31, 2017	\$ 590,129	\$ 21,164,879	\$ 35,485,044	\$ 57,240,052
Balance, June 30, 2018	\$ 727,701	\$ 21,242,156	\$ 40,585,847	\$ 62,555,704

6. DEBT

i) Convertible debentures

As at December 31, 2017, the Trust had outstanding a total of \$31,410,000 principal amount of convertible debentures outstanding comprised of \$27,802,000 Series 1 convertible debentures (the “Series 1 Debentures”) and \$3,608,000 Series 2 convertible debentures (the “Series 2 Debentures”) and, together with the Series 1 Debentures, the “Debentures”). The principal amount of the Series 1 Debentures was payable at maturity in cash or, at the Trust’s option and subject to satisfaction of certain conditions, by delivery of Units or a combination of cash and Units. The principal amount of the Series 2 Debentures was payable at maturity in cash or Units at the option of the holder.

The Debentures bore interest at 7.5% per annum, which was payable in equal instalments semi-annually in arrears on June 30 and December 31 in each year.

In January 2018, the Trust closed a brokered private placement of 90,047,832 units (each, a “Private Placement Unit”) of the Trust at a price of \$0.48 per Private Placement Unit for aggregate gross proceeds of \$43,223,000 (the “January Private Placement”). Following the closing of the January Private Placement, the Trust redeemed all of its outstanding \$31,410,000 principal amount of Debentures, plus accrued interest thereon, by issuing an aggregate of 72,235,554 Units to the holders of such Debentures. The redemption was accounted for as an extinguishment of debt with a loss on extinguishment of \$11,204,641 recognized in the consolidated statement of operations during the three months ended March 31, 2018. As a result of such redemption, the Debentures were delisted from the TSXV.

Blockchain Power Trust (formerly "Transeastern Power Trust")

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

ii) Vendor take-back loans

The Trust issued two unsecured vendor take-back loans ("VTB"), one in connection with the acquisitions of SC Power L.I.V.E. One SA ("Power LIVE") and SC Corabia Solar SRL ("Corabia") (collectively, the "Solar VTB") and another ("Wind VTB") in connection with the acquisition of Holrom Renewable Energy S.R.L. ("Baia"). The Solar VTB principal amount was 796,470 Euros, non-interest bearing and due on demand. The Wind VTB principal amount was 5,421,597 Euros, unsecured, bearing interest at 5% per annum and was repayable three years from the date of issuance on September 2, 2019.

In July 2017, the Trust issued an aggregate of \$11,343,000 Series 1 Debentures to settle both the First Bridge Note (as defined below) and \$9,357,321 of VTBS. The remaining \$1.5 million VTB was unsecured, bearing interest at 5% per annum and repayable on September 2, 2019. The effective interest rate on this loan was 6.8%. The settlement of a portion of the VTB was accounted for as a debt extinguishment due to the terms of the Debenture being substantially different to the VTBS. The Trust recorded a loss on extinguishment of debt of \$1,164,020 during the year ended December 31, 2017.

In June 2018, the Trust settled the remaining VTB balance outstanding of €1,060,297 (\$1,378,272) of principal and accrued interest by issuing an aggregate of 3,854,166 Units.

iii) Capital leases

In connection with the acquisition of the Solar Projects and Baia, the Trust assumed leasing contracts with Unicredit Leasing Corporation IFN SA which were initially entered into for the purpose of financing the construction of the photovoltaic solar plants and windmills.

The interest rate on the leasing contracts on the Solar Projects is currently 8.5% for the remaining years until maturity in 2023. At the end of the contract, the ownership of the photovoltaic plants passes to the Trust for nominal consideration.

The interest rate on the leasing contract on Baia is the three-month Euro Interbank Offered Rate (June 30, 2018: -0.321%) plus 5% for the term of the lease, which ends in 2021. At the end of the lease, the ownership of the assets pass to the Trust for nominal consideration.

The capital lease agreements require the Solar Projects and Baia to maintain a debt service reserve account equal to three months debt service obligations.

As at June 30, 2018, the Trust had \$1,520,127 (2017 - \$2,410,162) of restricted cash related to this requirement. As at June 30, 2018, the discounted balance of the capital lease facilities was \$28,758,778 (2017 - \$29,788,251).

iv) Debt facilities

Promissory Notes

On January 20, 2017, the Sprott Debt Facility was fully repaid by a combination of a cash payment from the proceeds of the New Debt Facility and the issuance of a \$1.18 million unsecured convertible promissory note (the "Sprott Note") that bore interest at a rate of 5%, had a one year term, was convertible at the option of the holder into Units at a price of \$0.31 per Unit or, if the Sprott Note was not fully converted or paid by the maturity date, would be automatically converted into Units at a price equal to the volume weighted average price for the five trading days before maturity less the maximum discount allowed under the rules of the TSXV. The Trust issued 4,902,637 Units and paid approximately \$3,000 of cash in full satisfaction of the Sprott Note.

The conversion option was recorded as a derivative liability measured at fair value with changes in value recorded through profit and loss. As at December 31, 2017, the fair value of the conversion feature of \$1,205,419 was included in the New Debt Facility and the debt component was accreted to its fair value of \$1,442,149 at the end of the reporting period. The fair value of the conversion feature was estimated using the Black Scholes option pricing model using the following assumptions: volatility 140%,

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

risk free interest rate 1.66% and remaining life of 0.05 years.

On May 31, 2017, the Trust issued, by way of a non-brokered private placement, term promissory notes (the “May Notes”) to arm’s length parties in the aggregate principal amount of \$3,420,000 that bore interest at a rate of 1.5% per month. The May Notes were due on May 31, 2018 and were convertible at the option of the Trust into Units on maturity. If the Trust completed a qualified equity financing of at least \$4,000,000, the Trust would repay the principal amount of the May Notes, and accrued and unpaid interest thereon, in: (i) cash; and/or (ii) subject to the approval of the TSXV, Units at a price equal to the price at which the Units were issued pursuant to a qualified equity financing.

As at December 31, 2017, the fair value of the conversion feature of \$953,109 was included in the Promissory Notes and the debt component was being accreted to its fair value of \$3,146,141 at the end of the reporting period. The fair value of the conversion feature was estimated using the Black Scholes option pricing model using the following criteria: volatility 140%, risk free interest rate 1.66% and remaining life of 0.08 year.

On January 9, 2018, the May Notes and accrued and unpaid interest thereon, were converted through the issuance of 7,904,154 Units upon the completion of the January Private Placement. The Trust recognized a gain on conversion of \$1,184,249 in the consolidated statement of operations for the three months ended March 31, 2018 and six months ended June 30, 2018.

Secured Debt Facility

On January 20, 2017, the Trust closed \$3.8 million of its new, three-year \$10 million secured debt facility (the “New Debt Facility”), which is subject to a one-year extension at the option of the Trust under certain conditions. Interest is payable on the New Debt Facility at a rate of 5% per annum, compounding semi-annually. The New Debt Facility also provides for annual additional variable interest payments calculated as a percentage of the revenues of certain of Trust’s current Romanian operating subsidiaries. The overall effective interest rate for this debt facility is approximately 10.2% per annum. The New Debt Facility is secured by a first charge over the assets of each of the Trust and its subsidiaries, with the exception of certain of its Romanian operating subsidiaries.

First Bridge Note

On March 7, 2017, the Trust issued a term promissory note (the “First Bridge Note”) to an arm’s length party in the principal amount of \$1,000,000 bearing interest at a rate of 5% per annum. The First Bridge Note was due on July 7, 2017.

On July 28, 2017, the Trust issued an aggregate of \$11,343,000 principal amount of 7.5% Series 1 Debentures to settle the First Bridge Note and \$9,357,321 of vendor take-back loans.

Second Bridge Note

On March 16, 2017, the Trust issued a term promissory note (the “Second Bridge Note”) to an arm’s length party in the principal amount of US\$210,000 bearing interest at a rate of 5% per annum. The Second Bridge Note was repaid by the Trust in the second quarter of 2017.

Third Bridge Note

On May 9, 2017, the Trust issued a term promissory note (the “Third Bridge Note”) to an arm’s length party in the principal amount of \$400,000 bearing interest at a rate of 5% per annum. The Third Bridge Note was due on July 7, 2017. Pursuant to the terms of the Third Bridge Note, if \$220,000 of principal was repaid by May 31, 2017 (the “Early Repayment”), the remaining \$180,000 of the principal sum would be reduced and forgiven by the holder. The Trust completed the Early Repayment during the second quarter of 2017 and the balance of the principal of the Third Bridge Note was forgiven.

Fourth Bridge Notes

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

On December 1, 2017, the Trust issued term promissory notes (the “Fourth Bridge Notes”) to arm’s length parties in the principal amount of \$865,000 bearing interest at a rate of 1.5% monthly and due on December 1, 2018. Pursuant to the terms of the Fourth Bridge Notes, a minimum of six months interest would accrue and become payable upon the repayment of the Fourth Bridge Notes. Furthermore, if the Trust completed a qualified equity financing in the aggregate amount of not less than \$1,000,000, the Trust would be required repay the principal and accrued interest with units of the Trust, with each such unit consisting of: (i) one Unit at a price equal to the greater of (a) the applicable maximum allowable Discounted Market Price (as defined in the policies of the TSXV); and (b) the price at which units were issued pursuant to the applicable qualified equity financing less a 20% discount; and (ii) 1.67 Unit purchase warrants, with each such Unit purchase warrant entitling the holder thereof to purchase one Unit at a price equal to the market price of the Units at the time such Unit purchase warrant was issued for a period of one year following the date of issue.

The conversion option was a derivative liability measured at fair value with changes in value recorded through profit and loss. As at December 31, 2017, the fair value of the conversion feature of \$237,677 was included in the Fourth Bridge Notes and the debt component was being accreted to its fair value of \$745,012 as at December 31, 2017. The fair value of the conversion feature was estimated using the Black Scholes option pricing model using the following assumptions: volatility 140%, risk free interest rate 1.66% and remaining life of 0.08 year.

On January 9, 2018, the Trust repaid the principal amount, and accrued and unpaid interest thereon, of the Fourth Bridge Notes through the issuance of 1,964,267 Units and 3,280,332 Unit purchase warrants upon the completion of the January Private Placement. The Trust recognized a loss on settlement of the debt of \$1,160,875 in the consolidated statement of operations for the three months ended March 31, 2018 and for the six months ended June 30, 2018.

Fifth Bridge Notes

On December 15, 2017, the Trust issued secured promissory notes (the “Fifth Bridge Notes”) to arm’s length parties in the principal amount of \$990,000 bearing interest at a rate of 1.0% monthly. Pursuant to the terms of the Fifth Bridge Note, a minimum of six months interest and a fee of 5% of the principal amount would accrue and become payable upon the repayment of the Fifth Bridge Notes. All amounts owing under the Fifth Bridge Notes would be due and payable on the earlier of (i) the closing of the equity financing that was announced by the Trust on December 12, 2017 and (ii) December 15, 2018. Upon repayment of the Fifth Bridge Notes, the Trust would be required to issue 1.25 Unit purchase warrants for each \$1.00 of the principal amount of the Fifth Bridge Notes, with each such Unit purchase warrant entitling the holder thereof to purchase one Unit at a price equal to the market price of the Units at the time such Unit purchase warrant was issued for a period of one year following the date of issue.

The conversion feature was a derivative liability measured at fair value with changes in value recorded through profit and loss. As at December 31, 2017, the fair value of the conversion feature of \$75,983 was included in the Fifth Bridge Note and the debt component was being accreted to its fair value of \$885,101 at the end of the reporting period. The fair value of the Unit purchase warrant feature was estimated using the Black Scholes option pricing model using the following criteria: volatility 140%, risk free interest rate 1.66% and remaining life of 0.08 years.

On January 9, 2018, the Trust repaid the principal amount, and accrued and unpaid interest thereon, of the Fifth Bridge Notes through the payment of \$1,098,900 in cash and the issuance of 1,237,500 Unit purchase warrants upon the completion of the January Private Placement. The Trust recognized a loss on settlement of the debt of \$405,361 in the consolidated statement of operations for the three months ended March 31, 2018 and for the six months ended June 30, 2018.

Sixth Bridge Notes

On December 27, 2017, the Trust issued promissory notes (the “Sixth Bridge Notes”) to arm’s length parties in the principal amount of \$22,721,154. Pursuant to the terms of the Sixth Bridge Notes, a placement fee of 8% of the principal amount was payable on the date that was the earlier of: (i) the closing of a qualified equity financing; and (ii) January 31, 2018. For the three months ended March 31, 2018, the Trust accrued \$1,332,974.32 as financing fee relating to the Sixth Bridge Notes.

Blockchain Power Trust (formerly “Transeastern Power Trust”)**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018****(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)**

On January 9, 2018, the Trust repaid the principal amount, and applicable placement fee, of the Sixth Bridge Notes, which totaled \$24,538,864, in cash upon the completion of the January Private Placement. The Trust recognized a loss on settlement of the debt of \$460,000 in the consolidated statement of operations for the three months ended March 31, 2018 and for the six months ended June 30, 2018.

The following table summarizes the components of the debt facilities:

	June 30, 2018	December 31, 2017
Promissory notes	\$ -	\$ 4,588,290
Promissory notes – conversion feature	-	2,158,528
Secured Debt Facility	3,798,616	3,675,439
Bridge Notes	-	24,351,267
Bridge Notes – conversion feature	-	313,660
Total debt facilities	\$ 3,783,046	\$ 35,087,184

7. UNITS

	Units	Unit Value
Balance, December 31, 2016	48,958,403	\$ 35,324,282
Issuance of Units (i)	82,215	46,800
Exercise of Warrants (ii)	12	12
Balance, December 31, 2017	49,040,630	\$ 35,371,094
Issuance of Units from Private Placement (iii)	90,047,832	24,106,303
Issuance of Units on Settlement of Debt (iii)	90,860,778	54,044,544
Issuance of Units (iii)	208,868	51,173
Balance, June 30, 2018	230,158,108	\$ 113,573,114

Unit Activity

- i) On June 15, 2017, the Trust issued 70,916 Units at a fair value of \$0.55 per Unit to certain officers and directors of the Trust. On December 15, 2017, the Trust issued 11,299 deferred matching Units at a fair value of \$0.69 per Unit pursuant to the Unit purchase plan of the Trust.
- ii) On November 8, 2017, the Trust issued 12 Units upon the exercise of certain Unit purchase warrants issued on October 28, 2015 at an exercise price of \$1.00 per Unit.
- iii) On January 8, 2018, the Trust closed the January Private Placement of 90,047,832 Private Placement Units at a price of \$0.48 per Private Placement Unit for aggregate gross proceeds of \$43,223,000. Each Private Placement Unit is comprised of one Unit and one-half of one Unit purchase warrant. Each whole Unit purchase warrant entitles the holder thereof to acquire one Unit at an exercise price of \$0.80 per Unit for a period of twenty-four months from the closing date of the January Private Placement (the “2018 Warrants”). In connection with the January Private Placement, the Trust paid the agents a cash fee equal to \$3,024,000. The agents were also issued an aggregate of 6,303,348 non-transferable compensation options (the “Compensation Options”). Each such compensation option entitles the holder thereof to acquire one Private Placement Unit at an exercise price of \$0.48 at any time prior to the date that is twenty-four months following the closing date.

Following the closing of the January Private Placement, the Trust redeemed all of its outstanding \$31,410,000 principal amount Debentures, plus the accrued and unpaid interest thereon which was equal to \$3,260,000, by issuing an aggregate of 72,235,554 Units. The redemption was accounted for as an extinguishment of debt with a loss on extinguishment of \$11,204,641 recognized in the consolidated statement of operations during the three months ended March 31, 2018 and for the six months ended June 30, 2018.

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

Additionally, the Trust also repaid or settled an aggregate of approximately \$29,176,000 principal amount of promissory notes (plus and accrued and unpaid interest and fees thereon) issued by the Trust in January 2017, May 2017 and December 2017 through: (i) the issuance of 4,902,637 Units and approximately \$3,000 of cash to be paid by the Trust in full satisfaction of the Sprott Note; (ii) the issuance of 7,904,154 Units being in full satisfaction of the May Notes; (iii) the issuance of 1,964,267 Units and 3,280,322 Unit purchase warrants in partial satisfaction of the notes issued Fifth Bridge Notes, with the balance of such notes repaid in cash; and (iv) the repayment of the Sixth Bridge Notes in cash. Each of the aforementioned Unit purchase warrants entitle the holder thereof to acquire one Unit at an exercise price of \$0.65 per Unit for a period of 12 months from the date of issuance of such Unit purchase warrant, subject to acceleration in certain events.

In June 2018, the Trust settled an aggregate of €1,060,297 (\$1,378,272) principal and accrued interest on the VTB loan by issuing an aggregate of 3,854,166 Units. Additionally, in June 2018, the Trust issued an aggregate of 208,868 Units to management and directors as part of the Unit purchase plan of the Trust.

Warrants

The Trust issued several tranches of Unit purchase warrants in tandem with various Unit and debenture issuances in the first quarter of 2018. All of the Unit purchase warrants are convertible into Units at the exercise prices noted in the table below. Units are considered puttable instruments as they can be redeemed by the Trust at any time and, therefore, the Unit purchase warrants are treated as derivative liabilities in accordance and measured at fair value with changes in value recorded through profit and loss. At each reporting period end, a Black Scholes option pricing model is used to estimate the fair value of the Unit purchase warrants. At June 30, 2018, the fair value of the Unit purchase warrants of \$2,393,246 (2017 - \$2,693,983) was estimated using the Black Scholes option pricing model using the following criteria: volatility 120%-127%, risk free interest rate 1.9% and remaining lives between 0.17 and 1.5 years and expected dividend rate of 0%.

As at June 30, 2018, the Trust had 65,079,770 (2017 - 15,538,033) Unit purchase warrants issued and outstanding as follows:

Issue Date	Warrants	Type	Exercise Price (\$)	Expiry
24-Jul-15 (i)	5,995,194	Normal	1.00	24-Jul-18
24-Jul-15 (i)	259,142	Broker	1.00	24-Jul-18
28-Oct-15 (i)	4,156,800	Normal	1.00	28-Oct-18
05-Apr-16(ii)	1,156,043	Normal	1.00	05-Apr-19
05-Apr-16 (iii)	68,118	Broker	1.20	05-Apr-19
13-May-16 (ii)	316,399	Normal	1.00	13-May-19
13-May-16 (iii)	22,145	Broker	1.20	13-May-19
02-Sep-16 (iv)	3,387,400	Normal	1.00	28-May-19
02-Sep-16 (v)	176,792	Broker	1.00	01-Sep-19
08-Jan-18 (vi)	45,023,915	Normal/Broker	0.80	08-Jan-20
09-Jan-18 (vii)	4,517,822	Normal	0.63	09-Jan-19
	65,079,770		\$ 0.84	

- i) 10,411,136 of the outstanding Unit purchase warrants entitle the holder thereof to acquire one Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Unit. Such Unit purchase warrants contain an acceleration provision providing that if, after November 25, 2015, the closing price of the Units on the TSXV is higher than \$1.50 for 20 consecutive trading days, then on the 20th consecutive trading day the expiry date of the Unit purchase

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

warrants will be accelerated to the date that is 10 business day after the acceleration trigger date.

- ii) 1,472,442 of the outstanding Unit purchase warrants entitle the holder thereof to acquire one Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Unit. Such Unit purchase warrants contain an acceleration provision providing that, if: (i) four months and one day have passed since the issuance of such Unit purchase warrants and (ii) the closing price of the Units on the TSXV or such other exchange on which the Units are listed for trading is higher than \$1.25 for 20 consecutive trading days, then on the 20th consecutive trading day, the expiry date of the Unit purchase warrants will be accelerated to the date that is ten business days after the acceleration trigger date.
- iii) 90,263 of the outstanding Unit purchase warrants are broker Unit purchase warrants with the same terms as the Unit purchase warrants described in (ii) above, with the exception of the exercise price which is \$1.20 per Unit.
- iv) 3,387,400 of the outstanding Unit purchase warrants entitle the holder thereof to acquire one Unit until May 28, 2019 at an exercise price of \$1.00 per Unit. Such Unit purchase warrants contain an acceleration provision providing that, if: (i) four months and one day have passed since the issuance of such Unit purchase warrants and (ii) the closing price of the Units on the TSXV or such other exchange on which the Units are listed for trading is higher than \$1.25 for 20 consecutive trading days, then on the 20th consecutive trading day, the expiry date of such Unit purchase warrants will be accelerated to the date that is ten business days after the acceleration trigger date.
- v) 176,792 of the outstanding Unit purchase warrants are broker Unit purchase warrants with the same terms as the Unit purchase warrants described in (iv) above, except that they expire on September 1, 2019.
- vi) 45,023,915 of the outstanding Unit purchase warrants entitle the holder thereof to acquire one Unit for a period of 24 months from the date of issuance at an exercise price of \$0.80 per Unit. Included in such 45,023,915 Unit purchase warrants are 32,380,521 broker Unit purchase warrants with the same terms.
- vii) 4,517,822 of the outstanding Unit purchase warrants entitle the holder thereof to acquire one Unit for a period of 12 months from the date of issuance at an exercise price of \$0.63 per Unit.
- viii) There were no Unit purchase warrants exercised for the three and six months ended June 30, 2018 (2017 – 12) and no Unit purchase warrants were cancelled or expired during the three and six months ended June 30, 2018 (2017 – Nil).

Options

As at June 30, 2018, the Trust had an aggregate of 6,303,348 Compensation Options outstanding that were issued in connection with the closing of the January Private Placement. Each such Compensation Option entitles the holder thereof to acquire one Private Placement Unit at an exercise price of \$0.48 at any time prior to January 8, 2020. The Compensation Options vested immediately upon the date of issuance.

8. RELATED PARTY TRANSACTIONS

Apart from the transactions disclosed elsewhere in these consolidated financial statements, all transactions are in the normal course of business and are recorded at the exchange value agreed to by the related parties. Intercompany transactions and balances are eliminated upon consolidation. Key management of the Trust consists of members of the board of directors and officers of the Trust and Administrator. During the three and six months ended June 30, 2018, the Trust expensed \$181,442 and \$345,010, respectively (2017 - \$232,916 and \$465,832), of salaries and benefits to the officers of the Trust in addition to an expense recovery of \$85,780 and \$42,030, respectively (2017 - \$32,500 expense and \$64,500 expense), in directors' fees, which are included in general and administrative expenses. As at June 30, 2018, the Trust had amounts payable of \$189,583 (December 31, 2017 - \$958,958) to

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

related parties consisting of deferred salaries, advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust.

RG Renovatio Group Limited (“RGL”) holds significant influence over the Trust and is a related party. The Trust sells power and Green Certificates to subsidiaries of RGL and has operations and maintenance contracts with subsidiaries of RGL. During the three and six months ended June 30, 2018, the Trust expensed \$1,455,365 and \$2,094,394, respectively (2017 - \$842,446 and \$1,053,967), of operations and maintenance and balancing fees and recognized \$5,508,869 and \$8,589,909 (2017 - \$2,436,829 and \$3,035,376) in sales of power and Green Certificates to RGL and its subsidiaries. As at June 30, 2018, the Trust had \$2,645,948 (December 31, 2017 - \$718,363) in accounts receivable from and \$2,467,676 (December 31, 2017 - \$958,958) in accounts payable to RGL.

10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Capital Management

The Trust manages its capital with the objective of ensuring sufficient financial flexibility to achieve the ongoing business objectives, improving and maintaining the operation of Trust assets and the pursuit of accretive acquisitions.

The Trust monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Trust may manage its capital structure by issuing new Units, securing debt financing, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Trust considers its capital to be equity, comprising all aspects of Unitholder’s deficiency, plus convertible debentures and notes payable. In order to continue to achieve its capital objectives, the Trust will raise additional amounts as needed.

The Trust manages capital through its financial and operational forecasting processes including working capital forecasts and forecasts of future operational cash flows from its projects. The Trust’s budget is regularly updated based on actual experience and summary forecast information is frequently provided to the Board of Directors of the Trust.

Fair Value Measurements

The Trust’s financial instruments consist of cash, restricted cash, trade and other receivables, excluding HST and VAT, Green Certificates, digital currencies, accounts payable and accrued liabilities, due to related party, vendor take-back loans, Unit purchase warrant liability, capital leases, debt facility, and convertibles debentures. As of June 30, 2018, the Trust did not enter into any derivative contracts (2017 – Nil).

The following table presents the Trust’s assets and liabilities measured and disclosed at fair value classified by the fair value hierarchy:

	Measured at Fair Value (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
June 30, 2018				
Financial Assets				
Cash	1,542,407	1,542,407	-	-
Restricted cash	1,520,127	1,520,127	-	-
Digital currencies	186,042	-	186,042	-
Green Certificates	23,711,207	23,711,207	-	-
Financial Liabilities				
Warrant liability	2,393,246	-	2,393,246	-

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

December 31, 2017	Fair Value (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets				
Cash	1,129,524	855,524	-	-
Restricted cash	2,410,162	2,410,162	-	-
Green Certificates	24,586,062	24,586,062	-	-
Financial Liabilities				
Warrant liability	2,693,984	-	2,693,984	-
Conversion features	2,472,188	-	2,472,188	-
Convertible debentures	31,410,000	31,410,000	-	-

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Risk Management Policies

The Trust, through its financial assets and liabilities, is exposed to various risks. The Trust has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements. Refer to note 12 of the 2017 Annual Consolidated Financial Statements for further information.

11. SEGMENT INFORMATION

In accordance with IFRS 8 *Operating Segments*, the Trust has identified the following operating segments: (i) the Hydro Projects (located in Romania) consist of Rott, Zagra and Suha; (ii) the Solar Projects (located in Romania) consist of Corabia and Power LIVE; (iii) the Wind Projects (located in Romania) consist of Baia and OMV; (iv) digital currencies (located in Romania); and (v) corporate overhead which includes the management of the Projects (located in Romania) and corporate costs for administration of the Trust (located in Canada). The operating segments have been identified based upon the nature of operations and technology used in the generation of electricity. The Trust analyzes the performance of its operating segments based on their operating income (loss), which is defined as revenue less operating expenses.

Blockchain Power Trust (formerly “Transeastern Power Trust”)**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018****(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)***Segment Assets and Liabilities:*

	June 30, 2018	December 31, 2017
Assets		
Hydro Projects	7,006,433	6,522,334
Solar Projects	38,922,459	39,344,190
Wind Projects	51,394,199	46,283,589
Digital Currencies	3,662,111	-
Corporate	(1,883,257)	402,320
	\$ 99,101,945	\$ 92,552,433
Liabilities		
Hydro Projects	4,967,078	4,872,359
Solar Projects	25,010,880	26,255,931
Wind Projects	16,887,658	19,589,720
Digital Currencies	189,616	
Corporate	5,389,263	79,383,424
	\$ 52,444,496	\$ 130,101,434

For the three months ended June 30, 2018

	Wind Projects	Hydro Projects	Solar Projects	Digital Currencies	Corporate Overhead	Total
Revenue	\$ 2,348,146	\$ 248,859	\$ 2,021,591	\$ 192,387	\$ -	\$ 4,810,982
Total Expenses						
Depreciation	911,132	180,749	635,254	30,970	1,269	1,759,374
Expenses (gains)	2,902,143	350,603	907,375	189,616	(3,805,714)	544,022
Earnings (loss) before tax	\$ (1,465,129)	\$ (282,493)	\$ 478,962	\$ (28,200)	\$ 3,804,445	\$ 2,507,586

For the three months ended June 30, 2017

	Projects	Projects	Projects	Currencies	Overhead	Total
Revenue	\$ 672,270	\$ 590,785	\$ 2,104,964	\$ -	\$ -	\$ 3,368,019
Total Expenses						
Depreciation	175,231	(132,849)	953,335	-	-	995,717
Expenses	(349,219)	804,718	1,750,151	-	593,082	2,798,732
Earnings (loss) before tax	\$ 846,258	\$ (81,084)	\$ (598,522)	\$ -	\$ (593,082)	\$ (426,430)

Blockchain Power Trust (formerly “Transeastern Power Trust”)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

(WITH COMPARATIVES AS AT DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017)

For the six months ended June 30, 2018

	Wind Projects	Hydro Projects	Solar Projects	Digital Currencies	Corporate Overhead	Total
Revenue	\$ 6,292,899	\$ 458,602	\$ 2,926,594	\$ 192,387	\$ -	\$ 9,870,481
Total Expenses						
Depreciation	1,793,487	350,122	1,276,789	30,970	1,269	3,452,637
Expenses	4,089,733	616,042	1,305,620	189,616	3,185,835	9,386,845
Earnings (loss) before tax	\$ 409,679	\$ (507,562)	\$ 344,185	\$ (28,200)	\$ (3,187,104)	\$ (2,969,001)

For the six months ended June 30, 2017

	Projects	Projects	Projects	Currencies	Overhead	Total
Revenue	\$ 1,860,033	\$ 1,258,172	\$ 3,029,784	\$ -	\$ -	\$ 6,147,989
Total Expenses						
Depreciation	854,925	61,031	1,061,549	-	-	1,977,505
Expenses	993,715	897,907	1,833,749	-	4,828,496	8,553,867
Earnings (loss) before tax	\$ 11,393	\$ 299,234	\$ 134,486	\$ -	\$ (4,828,496)	\$ (4,383,383)

12. COMMITMENTS AND CONTINGENCIES

Commitments

The Trust had the following commitments on asset management and maintenance contract with RGL, security services and insurance:

Within 1 year	\$	1,880,835
1 – 3 years		6,620,477
3 – 5 years		5,646,910
Greater than 5 years		5,740,836
	\$	<u>19,889,059</u>

The Trust has long term financial liabilities on which there are ongoing principal and interest obligations as follows:

Within 1 year	\$	7,410,089
1 - 3 years		11,064,939
Greater than 3 years		22,341,636
	\$	<u>40,816,664</u>

Contingencies

Due to the nature and complexity of the Trust’s operations, various legal and tax matters are outstanding from time to time. In the event that the Trust’s estimates of the future resolution of these matters changes, the effects of the changes will be recognized in the consolidated financial statements.

13. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.