



**Transeastern Power Trust**

**Management's Discussion & Analysis**

**For the three and nine month periods ended  
September 30, 2015**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015**

**BASIS OF PRESENTATION**

This Management's Discussion and Analysis ("MD&A") is dated as of November 30, 2015 and should be read in conjunction with Transeastern Power Trust's ("Transeastern" or the "Trust") unaudited condensed interim consolidated financial statements and related notes as at and for the three and nine month periods ended September 30, 2015. The unaudited condensed interim consolidated financial statements should also be read in conjunction with the audited consolidated financial statements and the related notes for the period ended December 31, 2014, together with the notes thereto. The above referenced filings have been prepared in accordance with IFRS.

Reference should also be made to the Trust's filings with Canadian securities regulatory authorities, which are available at [www.sedar.com](http://www.sedar.com). This MD&A is the responsibility of management. The board of directors (the "Board") of Transeastern Power Administrator Inc. (the "Administrator"), the administrator of the Trust, carries out its responsibility for the review and disclosure both directly and through its audit committee.

All amounts are expressed in Canadian dollars (\$) unless otherwise stated. References to Transeastern or the Trust in this MD&A refer to the Trust and its controlled subsidiaries taken as a whole.

**TRUST OVERVIEW**

Transeastern 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 hydro-electric generation facilities comprised of run-of-river hydroelectric power plants with total capacity of over 5.1 MW (the "Hydro Projects") and two photovoltaic solar power production plants with a total capacity of over 16 MWp (the "Solar Projects" and, together with the Hydro Projects, the "Projects"). All of Transeastern's power production facilities are located in Romania.

Transeastern 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 the Romanian subsidiaries which hold the Projects.

Equity Financial Trust Company, trustee of Transeastern, has delegated most of its powers and duties relating to the operations and governance of Transeastern to the Administrator pursuant to an Administrative Services Agreement dated February 4, 2014. All of the shares of the Administrator are owned by Transeastern 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.

Transeastern qualifies as a "mutual fund trust" and not a "SIFT trust" each as defined in the Income Tax Act (Canada) (the "Tax Act") in accordance with the restrictions set forth in the Trust Indenture dated February 4, 2014. The Administrator is responsible for monitoring Transeastern's investments and holdings of property to ensure Transeastern is not at any time a "SIFT trust" and does not hold any "non-portfolio property" as defined in the Tax Act.

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

## **HIGHLIGHTS**

The Trust completed the acquisition of SC Power L.I.V.E. One SA and SC Corabia Solar SRL significantly increasing production capacity by adding a portfolio of solar assets with 16MWp to its producing asset base and closed the main tranche of its subscription receipt financing and closed a \$5 million debt facility

Produced 8,233 MWh of energy in the third quarter of 2015 generating revenue of \$1,540,749, with \$220,371 from the sale of electricity and \$1,320,378 in revenue from the sale of green certificates ("GCs").

Declared and paid third quarterly distribution of 2015 \$0.021875 per unit of the Trust (each, a "Unit"), an annualized dividend of \$0.0875 per unit, through a combination of cash and Unit issuances to unitholders who elected to participate in the Trust's Distribution Reinvestment Plan.

Incurred net loss of \$3,700,615 during the three months ended September 30, 2015 with basic and diluted loss of \$0.17 per Unit.

Earned operating margin (Revenues less cost of sales) of \$908,144 for the quarter ended September 30, 2015, an increase of over 800% over the September 30, 2014 third quarter where operating revenues were \$96,450.

Subsequent to the end of the quarter, on October 28, 2015, the Trust acquired all of the issued and outstanding shares of Mediterranean Resources Ltd ("Mediterranean"). See "Completed Transactions" below for further details.

## **OUTLOOK**

The Trust's goals for the remainder of 2015 are to:

- optimize and improve the performance of the Projects and generate distributable income for the year;
- continue to make quarterly distributions of a portion of its available cash to Unitholders;
- increase the market presence of the Trust and attract new Unitholders; and
- identify and pursue new acquisitions that are accretive to the Trust and add income generating assets to increase the base of distributable income.

## **REVIEW OF OPERATIONS**

### **Selected Financial Information**

The selected financial information in the table below has been derived from the unaudited condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2015 and September 30, 2014.

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	\$	\$	\$	\$
Revenue	1,540,749	130,290	2,378,405	150,665
Operating margin <sup>1</sup>	908,144	96,450	1,105,132	103,153
Operating Expense	3,355,084	955,231	5,520,817	3,954,532
Depreciation	1,434,841	198,657	1,800,908	256,921
Other Expenses (income)	1,939,823	(402,047)	5,027,826	(798,190)
Net Loss for the Period	3,700,615	429,345	8,126,648	3,015,262
Adjusted Net Loss <sup>2</sup>	1,690,020	739,951	2,983,507	3,876,537
Total Comprehensive Loss	1,262,796	1,077,699	5,806,664	3,839,571
Loss per share				
Basic and Diluted	(0.17)	(0.04)	(0.53)	(0.52)
	<b>September 30, 2015</b>	<b>December 31, 2014</b>		
	\$	\$		
Total assets	63,070,166	17,883,869		
Total liabilities	53,005,397	13,226,534		
Equity	10,064,769	4,657,335		

Note:

1 Operating margin is a non-GAAP measure calculated by deducting cost of sales from revenues. See non-GAAP measures section

for a reconciliation to IFRS figures.

2 Adjusted net loss is a non-GAAP measure that removes non-cash charges relating to mark to market losses on our debentures, non-recurring settlement charges, financing costs and non-cash charges relating from the revaluation of our Milestone units. See non-GAAP measures section for a reconciliation to IFRS figures.

## Hydro Projects

The three Hydro Projects are comprised of 11 hydroelectric run-of-river plants in Romania totaling over 5.1 MW of installed power. The Hydro Projects have installed power capacities and were commissioned and became fully operational on the following dates:

Hydro Project	Capacity	Commission Date	Fully Operational Date
Rott	1.657 MW	May 2012	May 2012
Zagra	1.43 MW	April 2014	See Note <sup>(1)</sup>
Suha	2.02 MW	September 2014	December 2014

### Note:

<sup>(1)</sup> Two of the three Zagra projects became fully operational in April 2014. The third Zagra project, which is undergoing capital improvements, is expected to be operational in 2016.

All information provided on the Hydro Projects in this section is as at September 30, 2015 unless otherwise indicated.

### Rott

The Rott project is a cascade of two run-of-river generating plants located on the Little Cugir River, approximately 58 km west of Sibiu in the Şureanu Mountains of Romania's Parâng Range in the Southern Carpathians. The Cugir River originates as two tributaries, Raul Mic, or "Little River" and Raul Mare, or "Big River" before their confluence at the town of Cugir in Alba County. The Cugir River then flows north to its confluence with Mureş River. The project develops the hydraulic potential of the Little River (Raul Mic).

Project Name	Operational Construction Status	Turbine Type	Years of Historical Hydrological Data Available	In-Take Height (mdMN)	Gross Drop ( $\Delta h$ )	Installed Flow ( $m^3/s$ )	Capacity Power (MW)	Pipe (m)	Pipe Diameter (mm)	Green Certificates Available/ MW
<i>ROTT</i>							1.657			3.00
<i>Plant 1</i>	Completed in June 2012	Pelton	63	513.0	122.5	0.98	.928	3635	800	
<i>Plant 2</i>	Completed in June 2012	Pelton	63	412.0	99.5	0.98	.729	3845	800	

### Note:

<sup>(1)</sup> As a recipient of EU funding, 1.04 of every three GCs were not initially received by Rott directly; the value of such GCs will be used to repay funding until the total funded amount of €1,800,000 is repaid. The value attributed to each GC is based on the formula: 1.04 x yearly production x (the median of the floor and ceiling GC prices taking into account inflation). After repayment of the EU funding, the 1.04 GCs shall be available to Rott. Additionally, by law, 0.96 GC will be restricted from trading until March 31, 2017, resulting in one GC being received and immediately tradable of every three GCs awarded.

Transeastern purchased Rott on a fully commissioned and operational basis. Rott has been fully operational, subject to hydrology, from the acquisition date to September 30, 2015 and produced 712.7 MWh of electricity during the third quarter of 2015 and 3,523.9 MWh for the nine months ended September 30, 2015.

Transeastern has been working to implement a new system control and data acquisition ("SCADA") system, which is expected to be fully implemented in the first quarter of 2016. The SCADA system will

record and archive data points that will be analyzed to gauge performance, optimize the plants and to monitor and take preventative measures as necessary. Transeastern has completed the SCADA tendering process and the installation is in progress with completion expected by the first quarter of 2016.

### *Zagra*

The Zagra project is located in the Rodna Mountains, Bistrita County, on the Zagra River. The Zagra River flows south from Rodna Mountains until its confluence with the Somesul Mare River.

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Turbine Type</b>	<b>Years of Historical Hydrological Data Available</b>	<b>In-Take Height (mdMN)</b>	<b>Gross Drop (<math>\Delta h</math>)</b>	<b>Installed Flow (<math>m^3/s</math>)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>	<b>Green Certificates Available MW</b>
<i>ZAGRA</i>							1.430			2.3
<i>Zagra 1</i>	Completed in April 2014	Pelton	45	880.0	126.0	0.42	.450	3027	600	
<i>Zagra 2</i>	Completed in April 2014	Pelton	45	754.9	74.0	0.600	.310	2383	700	
<i>Zagra 3</i>	Projected to be completed in 2016	Pelton	45	680.0	138.0	0.600	.670	5604	800	

Zagra 1 and 2 were fully operational, subject to hydrology, and produced 157.9 MWh of electricity during the third quarter of 2015 and 1,130.7 MWh for the nine months ended September 30, 2015.

During 2014, it became evident that the internet communication system and internet provider subscription did not have the appropriate bandwidth necessary to properly monitor the project. Consequently, Transeastern changed its internet service provider and altered its communication system from satellite to a combination of satellite and line of sight radio, which has allowed for increased connectivity and bandwidth for monitoring the project. The new internet connection and subscription will allow Transeastern to implement a more robust SCADA system and security system to monitor and archive the data points generated by the project. The data gathered will enable Transeastern to analyze performance, optimize the plants and to monitor and take preventive measures in response to the data. Transeastern has completed the tendering process and the installation began in September 2015 with completion expected in the first quarter of 2016.

Transeastern has also requested tenders for the installation of the remaining 3.7 km of penstock to connect Zagra 3 and Zagra 2. The Trust is currently ensuring the approvals are in place to proceed with the capital improvements and it is expected that they will be completed in 2016.

### *Suha*

The Suha Project is located in the Dorna Mountains, Suceava County, on the Suha Mare River and Suha Mica River. Both the Suha Mare River and the Suha Mica River flow east toward the Moldova River.

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Turbine Type</b>	<b>In-Take Height (mdMN)</b>	<b>Gross Drop (Δh)</b>	<b>Installed Flow (m<sup>3</sup>/s)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>	<b>Green Certificates Available MW</b>
<i>SUHA</i>						2.021			2.00
<i>Suha Mare</i>	Completed in September 2014	Francis	688.0	47.0	0.800	.289	2040	1000	
<i>Valeni</i>	Completed in September 2014	Pelton	640.0	119.0	0.600	.233	8300	600	
<i>Poiana</i>	Completed in September 2014	Francis	520.0	73.0	1.100	.565	6405	1000	
<i>Maleni</i>	Completed in September 2014	Francis	446.0	42.5	0.850	.249	4525	1000	
<i>Gainesti</i>	Completed in December 2014	Francis	519.0	80.0	1.050	.122	7366	1000	
<i>Slatina</i>	Completed in October 2014	Pelton	438.0	70.0	0.230	.563	2590	600	

The six Suha plants were fully operational throughout the third quarter of 2015, subject to hydrology, and produced 88.18 MWh of electricity during the third quarter of 2015 and 1,478.2 MWh for the nine months ended September 30, 2015.

During the recommissioning of Suha, as was the case with Zagra and Rott, it was identified that the project’s control system and SCADA required optimization. Transeastern completed the SCADA tendering process and the installation has begun with completion expected in the first quarter of 2016.

#### *Hydro Projects Capital Improvements*

Transeastern currently plans to undertake the following capital improvements for the Hydro Projects:

- 3.7 km of penstock to connect Zagra 3 and Zagra 2
- repairing the Slatina intake;
- replacing some of the gates throughout the Hydro projects; and
- complete SCADA installation on all three Hydro Projects in the first quarter of 2016.

After completion of the capital improvements, and subject to proper ongoing monitoring, maintenance and associated capital requirements, Transeastern does not foresee any further significant capital expenditures on the Hydro Projects in the near term.

#### **Solar Projects**

SC Power L.I.V.E. One SA (“Power LIVE”) and SC Corabia Solar SRL (“Corabia” and, together with Power LIVE, the “Solar Projects”) are under full-service long-term operational and maintenance contracts with Renovatio Asset Management, one of the largest private renewable energy asset managers in Europe.

Renovatio Asset Management specializes in the management, operation and maintenance services for wind farms and photovoltaic power plants. Renovatio Asset Management is a part of the Renovatio Group and an affiliate of the vendor of the Solar Projects and is the pioneer of renewable energy in Romania having built the first solar park in Romania and developed, built and now manages more than 330MW of wind and 80MW of solar production facilities. In Romania, Renovatio Group is the joint venture partner of EDP Renewables, the largest renewable energy company in the world. Renovatio Group owns over 400 MW of renewable power production facilities in partnership with EDP Renewables.

#### *Power LIVE*

The solar photovoltaic plant owned by Power LIVE is a ground-mounted photovoltaic plant located in Gogosaru village, Izvoru, Giurgiu County (Romania).

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Installed Capacity (MWp)</b>	<b>Panel Supplier</b>	<b>Panel Type</b>	<b>No. of Panels</b>	<b>Inverter Type</b>	<b>No. of Inverters</b>	<b>No. of Transformers</b>	<b>Land Area (sqm)</b>	<b>Green Certificates Available MW</b>
Power LIVE	Completed in March 2013	9.6	REC	Polycrystalline REC 240Wp	40,026	SMA SC800CP-XT	10	10	300,000	6 <sup>(1)</sup>

#### **Note:**

<sup>(1)</sup> By law, two GCs will be restricted from trading until March 31, 2017, resulting in four GCs being received and immediately tradable.

Power LIVE was fully operational throughout the third quarter of 2015, and produced 4,173 MWh of electricity from the date of acquisition to September 30, 2015 and has produced 11,012 MWh for the nine months ended September 30, 2015.

#### *Corabia*

The solar photovoltaic plant owned by Corabia is a ground-mounted photovoltaic plant located in Corabia Municipality, Olt County, Romania.

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Installed Capacity (MWp)</b>	<b>Panel Supplier</b>	<b>Panel Type</b>	<b>No. of Panels</b>	<b>Inverter Type</b>	<b>No. of Inverters</b>	<b>No. of Transformers</b>	<b>Land Area (sqm)</b>	<b>Green Certificates Available MW</b>
Corabia	Completed in February 2013	7	REC	Polycrystalline REC 240PE and REC 250PE	28,602	SMA SC500CP	14	7	210,000	6 <sup>(1)</sup>

#### **Note:**

<sup>(1)</sup> By law, two GCs will be restricted from trading until March 31, 2017, resulting in four GCs being received and immediately tradable.



Corbia was fully operational throughout the third quarter of 2015, and produced 3,101 MWh of electricity from the date of acquisition to September 30, 2015 and has produced 7,908MWh for the nine months ended September 30, 2015.

## SUMMARY OF QUARTERLY RESULTS

Given that the Trust acquired the Hydro Projects on May 28, 2014 and the Solar Projects in July of 2015, a comparison of operations between the periods set-out below is not relevant. It is difficult to compare operations over different parts of the year due to the seasonal nature of the respective Projects. A comparison to the same quarter from preceding year is much more relevant. The following table provides the available summary financial data for the Trust's completed quarters:

	Three Months ended September 30, 2015 (\$)	Three Months ended June 30, 2015 (\$)	Three months ended March 31, 2015 (\$)	Three months ended December 31, 2014 (\$)	Three months ended September 30, 2014 (\$)	Three months ended June 30, 2014 (\$)	Period from February 4, 2014 to March 31, 2014 (\$)
Revenue							
Electricity	220,371	180,815	126,382	90,075	95,999	20,375	-
Green Certificates	1,320,378	324,257	206,202	157,600	34,291	-	-
Revenue	1,540,749	505,072	332,584	247,675	130,290	20,375	
Operating Expenses	3,355,084	1,182,846	982,887	1,348,278	955,231	2,997,301	-
Other Expenses (income)	1,939,823	1,693,576	1,447,294	(936,868)	(402,047)	(396,143)	-
Net Loss for the period	3,700,615	2,355,362	2,070,671	163,735	429,345	2,585,917	-
Total Comprehensive Loss After Tax	1,262,796	2,333,759	2,210,109	455,612	1,077,699	2,761,872	-
Basic & Diluted loss per Unit	(0.17)	(0.20)	(0.18)	(0.16)	(0.04)	(0.23)	-

### Revenue from Sale of Electricity

The Trust, through its Romanian subsidiaries, has energy contracts and GC off take agreements for its Hydro production with Industrial Energy SA and sells its Solar electricity and GC's to Renovatio Trade.

On July 24, 2015, the Trust completed the acquisition of the Solar Projects which were operational for the entire period from closing to September 30, 2015. The production from the Solar Projects for the third quarter was strong as the acquisition took place during the seasonal peak for production by solar assets.

Hydro revenues in the third quarter and year to date were weak as they were negatively impacted by severe drought conditions in the second and third quarters of 2015. The implementation of updated SCADA monitoring software is set to be completed in the first quarter of 2016 in order to ensure that the plants are positioned to benefit from expected seasonal increases in hydrology in 2016.

Zagra 1 and Zagra 2 also became operational near the end of April 2014 after installation of a new communication system and, therefore, also had limited production during the three month period ended September 30, 2014. In October and November 2014, Zagra 1 and 2 were fully operational and available for production, performing at 90% of the Trust's long term average estimates as disclosed in the IPO

Prospectus. Zagra 3 is expected to be operational in 2016 following the completion of its capital improvements plan.

The following table lists the actual production of the Hydro Projects and the Solar Projects for the three and nine month periods ended September 30, 2015:

<b>Project</b>	<b>Power generation three months ended September 30, 2015 (MWh)</b>	<b>Power generation nine months ended September 30, 2015 (MWh)</b>
<i>Solar</i>		
Power Live One <sup>(1)</sup>	4,173	11,012
Corabia <sup>(1)</sup>	3,101	7,908
<i>Hydro</i>		
Rott	712.7	3,523.9
Zagra	157.9	1,130.7
Suha	88.18	1,478.2

**Note:**

- (1) The production for the quarter for the Solar Assets is for the period from acquisition on July 24, 2015 to September 30, 2015. Year to date production includes pre-acquisition production figures for the Solar Assets.

**Revenue from Green Certificates**

During the three months ended September 30, 2015, the Hydro Projects earned \$576,311 from 1,251 tradeable GCs and 683 deferred GCs earned based on the power produced in the power generation summary above.

During the three months ended September 30, 2015, the Solar Projects earned \$1,274,526 from 28,087 tradeable GCs and 14,046 deferred GCs earned based on the power produced in the power generation summary above.

For further details on the Romanian GC Program, see “Key Factors Affecting the Trust’s Business” below.

**Operating Expenses**

Operating expenses for the Hydro Projects are comprised of fixed and variable components and represent the costs of maintaining and operating the plants and equipment, including employee salaries, insurance, maintenance, repairs, utilities and supplies and are generally expected to be stable. The Trust acquired the Hydro Projects in May 2014 and subsequently spent the remainder of 2014 refurbishing and commissioning them. As a result, the comparative periods in 2014 are not indicative of full periods of operating results.

Significant components of operating expenses totaling \$3,355,084 for the three month period ended September 30, 2015 and \$5,520,817 for the nine month period ended September 30, 2015 (\$955,231 for the three month period ended September 30, 2014 and \$3,954,532 for period from February 4, 2014 to September 30, 2014) include:

- general and administrative expenses of \$256,040 for the three month period ended September 30, 2015 and \$887,014 for the nine month period ended September 30, 2015 (\$413,637 for the three month period ended September 30, 2014 and \$777,132 for the period from inception to September 30, 2014) the significant components being executive and director salaries, fees and ongoing administrative and public reporting costs;
- increase in the fair value of Units issuable under milestone unit agreements by an estimated fair value of \$359,695 for the three month period ended September 30, 2015 and \$790,599 for the nine month period ended September 30, 2015 (\$237,090 for the three month period ended September 30, 2014 and \$258,965 for the period from inception to September 30, 2014); and
- \$457,466 for the three month period ended September 30, 2015 and \$554,586 for the nine month period ended September 30, 2015 (\$71,774 for the three month period ended September 30, 2014 and \$97,093 for the period from inception to September 30, 2014) in legal and professional fees incurred relating to ongoing reporting issuer compliance advice and services performed on behalf of the Trust.

Significant components of other expenses totaling \$1,939,823 for the three month period ended September 30, 2015 and \$5,027,826 for the nine month period ended September 30, 2015 (\$402,047 gain for the three month period ended September 30, 2014 and a gain of \$798,190 for the period from inception to September 30, 2014) are:

- the \$13,763,000 principal amount of debentures (the “Debentures”) carried at fair value and, due to the change in the closing price of the Debentures on the TSX Venture Exchange from December 31, 2014 to September 30, 2015, a mark to market gain of \$465,781 was recorded for the three month period ended September 30, 2015 and a loss of \$1,866,819 for the nine month period ended September 30, 2015 (gain of \$588,150 for the three month period ended September 30, 2014 and \$1,176,300 gain for the period from inception to September 30, 2014);
- Debenture interest expense of \$222,369 for the three month period ended September 30, 2015 and \$663,482 for the nine month period ended September 30, 2015 (\$220,556 for the three month period ended September 30, 2014 and \$300,309 for the period from inception to September 30, 2014);
- \$948,019 in one-time settlement charges were recorded for the three and nine months ended September 30, 2015 relating to the settlement of the Trust’s note payable and the remaining vendor take back loan on the Suha acquisition; and
- financing costs of \$1,168,662 for the three month period ended September 30, 2015 and \$1,517,704 for the nine month period ended September 30, 2015 (\$40,454 for the three month period ended September 30, 2014 and \$56,060 for the period from inception to September 30, 2014) relating to accretion of the vendor take back loans, fees and fair value adjustments.

## SUMMARY OF FINANCIAL POSITION

Summarized selected consolidated financial information with respect to the Trust for all of the completed quarters since inception is as follows:

<u>As at</u>	<b>September 30, 2015</b> (\$)	<b>June 30, 2015</b> (\$)	<b>March 31, 2015</b> (\$)	<b>December 31, 2014</b> (\$)	<b>September 30, 2014</b> (\$)	<b>June 30, 2014</b> (\$)	<b>February 4, 2014</b> (\$)
Total Current Assets	3,767,555	6,311,601	876,398	744,153	927,897	1,740,548	15
Total Current Liabilities	6,729,204	9,407,860	3,939,402	3,284,255	2,465,435	2,908,111	-
Working Capital (deficit)	(2,961,649)	(3,096,259)	(3,063,004)	(2,540,102)	(1,537,538)	(1,167,563)	15
Total Assets	63,070,166	23,101,099	17,659,335	17,883,869	18,478,048	20,487,464	15
Total Liabilities	53,005,397	22,133,643	15,284,870	13,226,534	13,347,634	14,104,836	-
Trust capital	21,961,903	967,456	9,715,978	9,539,427	9,306,079	9,234,523	15
Deficit	12,983,097	8,720,742	6,085,889	3,765,906	3,351,356	2,675,940	-
Unitholders Equity	10,064,769	967,456	2,374,465	4,657,335	5,130,414	6,382,628	15
Total Liabilities and Equity	63,070,166	23,101,099	17,659,335	17,883,869	18,478,048	20,487,464	15

The changes in the working capital and financial position from December 31, 2014 to September 30, 2015 are the result of:

- \$1,309,010 addition to cash and \$1,168,757 increase in accounts receivable related to financings and acquisitions of Solar Projects in the third quarter;
- increased accounts payable from \$853,476 at December 31, 2014 to \$3,021,631 at September 30, 2015 and prepaid assets from \$44,415 at December 31, 2014 to \$361,022 at September 30, 2015 relating to transaction costs on the Mediterranean acquisition and accounts payable acquired in the Solar Projects acquisition;
- the current portion of capital leases on the Solar Projects of \$2,694,146 is recorded in current liabilities;
- at September 30, 2015, the Trust had \$561,740 in distributions payable compared with \$250,816 at December 31, 2014, the increase is attributable to additional unit issuances over the course of the year;
- the Trust incurred mark to market losses on the Debentures totaling \$1,866,819 for the nine month period ended September 30, 2015 (and a corresponding increase in debenture liabilities); and
- fair value adjustments on the Units issuable under milestone unit agreements of \$790,599 for the nine month period ended September 30, 2015 and a corresponding increase in milestone unit liabilities.

## LIQUIDITY AND CAPITAL RESOURCES

The Trust's objectives when managing capital are primarily to support the creation of Unitholder value while to ensuring that the Trust is able to meet its financial obligations as they become due.

### Financial Condition

The following table summarizes the cash inflows and outflows by activity for the periods indicated:

	Three months ended		Nine months ended	
	September 30, 2015 \$	September 30, 2014 \$	September 30, 2015 \$	September 30, 2014 \$
Cash generated by (used in)				
Operating activities	(2,049,129)	(806,163)	(2,317,625)	(1,559,060)
Financing activities	7,814,087	(98,220)	8,090,639	19,008,563
Investing activities	(5,686,831)	-	(5,637,846)	(16,848,683)
Net increase (decrease) in cash Cash and cash equivalents at end of period	1,423,917	(887,464)	1,309,010	596,369
	1,554,576	596,384	1,554,576	596,384

	September 30, 2015 \$	June 30, 2015 \$	March 31, 2015 \$	December 31, 2014 \$
Current Assets	3,767,555	6,311,601	876,398	744,153
Current Liabilities	6,729,204	9,407,860	3,939,402	3,284,255
Working Capital	(2,961,649)	(3,096,259)	(3,063,000)	(2,540,102)

Cash flows from operations are generally impacted by hydrology levels, hours of sunlight as well as the operational capability of the Projects. The Trust expects that its Hydro Projects will be fully operational with optimized monitoring systems in place by the first quarter of 2016, with the exception Zagra 3 which is expected to be operational later in 2016. Once fully operational, the revenues of the Hydro Projects are expected to generate pre-tax profits by exceeding projected raw materials and consumables used and general and administrative expenses including interest payable on intercompany debt.

Investing cash flows for the three and nine month periods ended September 30, 2015 include \$5,583,588 spent on the acquisition of the Solar Projects. The prior period investing cash flows include \$16,842,087 in acquisition costs for the Hydro Projects.

Financing cash flows for the three month period ended September 30, 2015 include \$4,912,537 from the issuance of Units and net inflows of \$4,665,729 from the debt facility offset by debenture interest payments of \$441,113, repayment of the Suha vendor take back and \$791,467 paid toward capital lease obligations.

The Trust has a number of long term financial liabilities outstanding on which there are ongoing principal and interest repayments required. The repayment schedules for those liabilities is set-out below:

	2015	2016	2017	2018	2019	2020+
Debt Facility	125,001	500,000	5,291,667	-	-	-
Convertible Debentures	473,373	1,032,225	1,032,225	1,032,225	14,279,113	-
Capital Leases	1,130,516	4,522,065	4,722,974	4,730,307	4,730,307	18,132,917
<b>Total</b>	<b>1,728,890</b>	<b>6,054,290</b>	<b>11,046,865</b>	<b>5,762,532</b>	<b>19,009,419</b>	<b>18,132,917</b>

## OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Trust does not have any off-balance sheet arrangements.

## COMPLETED TRANSACTIONS

### *Acquisition of Mediterranean Resources*

On October 28, 2015 Mediterranean received a final court order and closed the plan of arrangement whereby Mediterranean was acquired by a wholly-owned subsidiary of Transeastern (the “Transaction”). Pursuant to the terms of the arrangement agreement, holders of common shares in the capital of Mediterranean (“Mediterranean Shares”) will receive for each Mediterranean Share: (a) 0.247 Units of Transeastern (each, a “Transeastern Unit”); and (b) 0.247 transferable purchase warrants, with each whole warrant (each, a “Transeastern Warrant”) enabling the holder thereof to acquire one whole Transeastern Unit at a price of \$1.00 per Transeastern Unit for a period of 36 months commencing on the date of issuance of the Transeastern Units, subject to certain acceleration provisions. As a result of the Transaction, Transeastern has issued a total of approximately 4,156,812 Transeastern Units and the same number of Transeastern Warrants. This transaction resulted in \$3.49 million of additional cash for the Trust.

### *Acquisition of Solar Projects and financing*

On June 23, 2015, the Trust closed the main tranche of its subscription receipt financing at a price of \$1.00 per subscription receipt, each exercisable for one Unit and one purchase warrant (a “Warrant”). In connection with this financing, Jacob Securities Inc. acted as agent and affiliates of Sprott Inc. were lead investors. As a result of the satisfaction of applicable escrow release conditions by the Trust, on July 24, 2015, the subscription receipts each automatically converted into one Unit and one Warrant for no additional consideration and the funds were released from escrow to the Trust and used to fund the cash portion of the purchase price for the acquisition of the Solar Projects. A total of 6,200,194 Units and 5,995,194 Warrants were issued pursuant to these equity financings and a total of 6,812,070 Units were issued to the vendors of the Solar Projects as partial consideration of the purchase price of the Solar Projects.

On July 24, 2015, the Netherlands Subsidiaries acquired 100% of the shares of Corabia and Power LIVE for a total purchase price (net of assumed debt) of approximately €9.0 million (\$12.7 million) payable by way of approximately €4.17 million (\$5.88 million) in cash and the remainder through the issuance of Units. The Solar Project plants are fully operational and have a total capacity of over 16 MWp. The plants have been in production for over two years and have performed consistently over that timeframe.

Prior to the completion of the above-noted acquisitions, the Solar Projects entered into five year energy offtake and balancing agreements with an affiliate of the vendor of the Solar Projects. The agreements provide for an equivalent net value to Transeastern of €38.55 per MWh produced. The offtake agreements provide for the sale of all GCs produced for the next two years and also include a long-term, 12 year agreement for the sale of a minimum of 800,000 GCs and a maximum of 1,300,000 GCs. These amounts are currently estimated to represent a full offtake of the GCs expected to be produced by both Power LIVE and Corabia over the life of their GC accreditation.

On July 24, 2015, Transeastern also closed a \$5 million debt facility with Sprott Resource Lending Partnership (the "Sprott Debt Facility"). The Sprott Debt Facility is a \$5 million facility accruing interest at a rate of 10% per annum, compounded monthly. It has a two year term and is pre-payable at the Trust's option without penalty provided six months' interest has been paid. It is guaranteed by certain of the Trust's subsidiaries and is secured against the Hydro Projects. In conjunction with fees owing, the Trust issued 392,157 Units as directed by the lender as a bonus payment. It also settled outstanding secured debts by issuing \$2,000,000 principal amount of Debentures and the payment of €600,000.

## **RELATED PARTY TRANSACTIONS**

Apart from the transactions disclosed elsewhere in these unaudited condensed interim 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. Inter-company 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 nine month period ended September 30, 2015, the Trust expensed \$305,830 of salaries and benefits to the officers of the Trust in addition to \$52,500 in directors' fees. The board of directors and the Trust have agreed to the issuance of Trust Units to satisfy all of the outstanding directors' fees relating to 2014.

As at September 30, 2015, the Trust has amounts payable of \$192,712 to related parties consisting of advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust by the Executive Chairman and the Chief Executive Officer. These advances are non-interest bearing and due on demand.

## **NEW ACCOUNTING PRONOUNCEMENTS**

There have been no additional accounting pronouncements by the International Accounting Standards Board (IASB) beyond what is described in our annual financial statements impacting the unaudited condensed interim consolidated financial statements except that IFRS 15, Revenue from Contracts from Customers is mandatorily applicable for years beginning on or after January 1, 2017; however the IASB has voted to delay this mandatory application date by one year.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the year.

Judgments, estimates and assumptions are periodically evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas of judgment, estimate and assumptions that have the most significant effect on the amounts recognized in the financial statements are as follows:

### **Fair Value of Acquired Assets and Impairment Assessments**

The Trust completed three acquisitions in 2014 and assessed the Trust's acquired assets and liabilities in order to determine the fair value of the assets acquired and post-acquisition whether an impairment might exist in the carrying values of the acquired Companies. Assessing the fair value requires assumptions regarding forecasted prices of hydro, GC allotments, exchange rates, production costs and hydrology, cost of future maintenance and capital expenditures, and discounting. Changes in any of the assumptions or estimates used in determining the fair values could impact the carrying values and require impairment analysis.

The Trust performs impairment assessments over the course of the reporting period as and when there are significant changes in circumstances or at a minimum, annually. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. The determination of the recoverable amount requires the use of fair value estimates and assumptions as noted above.

## **CAPITAL MANAGEMENT**

The Trust manages its capital with the objective of ensuring sufficient financial flexibility to achieve the ongoing business objectives including funding Unitholder distributions, 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, taking on debt, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

To date, the Trust has been dependent on external financing to fund its activities. In order to continue to achieve its capital objectives, the Trust will attempt to spend/invest its existing working capital and raise additional amounts as needed.

The Trust considers its capital to be equity, comprising all aspects of Unitholder equity, plus convertible debentures and notes payable.

The Trust manages capital through its financial and operational forecasting processes including working capital forecasts and forecasts of future operational cash flows from our Projects. The Trust budget is



regularly updated based on actual experience and summary forecast information is frequently provided to the Board of Directors of the Trust.

## NON-GAAP MEASURES

The Trust has included adjusted net as non-IFRS performance measures in this MD&A.

Adjusted net loss excludes certain non-cash items from net loss to provide a measure which allows the Trust and investors to evaluate the results of the underlying operations of the Trust. Operating margin is calculated by deducting cost of sales from revenues. Accordingly, these are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented in other Companies.

Reconciliation of adjusted net loss:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	\$	\$	\$	\$
Net Loss for the Period	3,700,615	429,345	8,126,648	3,015,262
Less:				
Fair value loss (gain) on Debentures	(465,781)	(588,150)	1,886,819	(1,176,300)
Milestone Units	359,695	237,090	790,599	258,965
Finance Cost	1,168,662	40,454	1,517,704	56,060
Settlement Losses	948,019	-	948,019	-
Adjusted Net Loss	1,690,020	739,951	2,983,507	3,866,952

Reconciliation of operating margin:

	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	\$	\$	\$	\$
Total revenue	1,540,749	130,290	2,378,405	150,655
Less:				
Cost of sales	632,605	33,840	1,273,273	47,512
Operating margin	908,144	96,450	1,105,132	103,153
Less:				
Depreciation	1,434,841	198,657	1,800,908	256,921
Total operating expenses (net of operating expenses and depreciation)	1,287,638	724,734	2,446,636	3,650,099
Other expenses and taxes	1,886,280	(397,596)	4,984,236	(788,605)
Loss for the period	3,700,615	429,345	8,126,648	3,015,262

## **SUMMARY OF OUTSTANDING SECURITIES**

The authorized capital of the Trust consists of an unlimited number of Units, of which 30,166,508 Units are issued and outstanding as of the date of this MD&A.

The Trust issued 10,152,006 Warrants in connection with the exercise of the subscription receipts on July 24, 2015 with each Warrant being exercisable into a Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Unit. In addition, broker warrants to acquire 262,442 Units were issued in connection with the Subscription Receipt financing. Each broker warrant has the same terms and conditions as the Warrants. The Trust also issued \$2,000,000 principal amount of Debentures, for a total of \$13,763,000 principal amount of Debentures outstanding convertible into 11,010,400 Units and has issued 150,000 Restricted Trust Units (“RTUs”) under the Trust’s RTU plan. Further, up to 3,000,000 Units are issuable pursuant to existing milestone unit agreements the Trust in the event that the Trust achieves certain milestones over the periods covering any one of (i) the first full 12 fiscal quarters; (ii) the first 16 fiscal quarters; or (iii) the first 20 fiscal quarters after March 31, 2014.

Assuming the exercise or conversion of all of the Trust’s outstanding convertible securities, an aggregate of 54,741,356 Units would be issued and outstanding on a fully diluted basis.

## **KEY FACTORS AFFECTING THE TRUST’S BUSINESS**

### *Licensing and Accreditation*

In Romania, there are two regulatory licenses that are needed under applicable Romanian legislation for renewable power projects under the renewable support scheme. A producer needs: (i) a production license; and (ii) GC accreditation which grants the producer a certain number of GCs per MWh of production. Both licenses are granted by National Energy Regulation Authority of Romania (“ANRE”). The GC accreditation is enforced by the transmission system operator Transelectrica SA (“Transelectrica”) which monitors energy production and awards the GCs based on this production. The regulatory licenses for the Hydro Projects remain valid and up to date.

### *The Romanian Green Certificate Program*

Domestic incentive programs for renewable power vary across Europe, with some markets adopting a feed-in tariff (FIT) system (e.g., Spain and Germany) and other markets adopting a quota-based system (e.g., Italy, the UK, Sweden and Poland). Romania has had a supplier quota system of GCs in place since 2005.

Depending on the source of energy they use, producers receive a different number of GCs. The list of eligible technologies includes wind, solar and biomass generation, as well as hydroelectric plants with a capacity less than or equal to 10 MW, commissioned or modernised from 2004 onwards. All of the Projects meet these criteria. Producers using different technologies receive a different number of GCs per MWh of renewable electricity generation. For most producers (including Rott and Zagra), the GC system is available for the first 15 years of operation from the date that the plant receives accreditation (approval into the GC program once a plant is operational). For others, including Suha which consists of refurbished plants, it is available for 10 years. The incentive scheme will close to new entrants on

December 31, 2016 and accreditation into the program is no longer possible after this date. A GC is valid for 12 months from the date of issuance (or the day it is no longer suspended for trading) and need not be utilized in the calendar year in which it was issued.

GCs must be purchased by the energy suppliers from the producers of energy to whom they are issued, or parties to whom such producers have transferred such GCs, according to the expected value for renewable energy calculated by ANRE annually (the “Procurement Quota”). The Procurement Quota is established by ANRE on an annual basis in December of each year using calculation methodology set by law which takes into account forecasted information including percentage of gross energy consumption to come from renewable generation, the associated Banding level and the estimated final electricity consumption. There is a defined maximum amount of renewable electricity that can be derived from the GC system.

ANRE checks the Procurement Quota approximately half way through the year and may update the Procurement Quota if a difference of at least 10% is found between the Procurement Quota established in December and the recently calculated quota. In March following the year in question, ANRE publishes a final Procurement Quota with which suppliers must comply, based on outturn generation and demand in the preceding year.

Electricity suppliers are obliged to hold GCs in accordance with the amount of electricity they supply to customers on a quarterly basis. Based on laws implemented during 2015, within 45 days of the end of each quarter, ANRE checks the number of GCs that each supplier should have acquired for the supplied energy to their end consumers. Suppliers holding insufficient GCs (less than 90% of the required GCs) will be liable to a fine for each one outstanding. The fine is adjusted annually. GCs are awarded to producers on a monthly basis (approximately 15 days following month-end) by the Transmission and System Operator ‘TSO’ and can be traded on a central market administered by the Romanian Gas and Electricity Market Operator, ‘OPCOM’.

GCs are awarded to producers on a monthly basis by the TSO and can be traded on a central market administered by OPCOM. GC transactions are subject to a minimum and maximum price per GC. This mechanism gives power producers a hedge against inflation by linking the range of potential revenues realized from GC sales to prevailing inflation rates.

In the summer of 2013, the Romanian government issued a law which, among other items, restricted the ability to trade specific numbers of GCs for the period between July 1, 2013 and March 31, 2017. With respect to energy produced by hydroelectric plants, this law restricts the trading of one of the three GCs issued for each MWh produced by new hydroelectric plants with installed power up to a maximum of 10 MW with the parameters set out in the table below. With respect to energy produced by solar plants, this law restricts the trading of two of the six GCs issued for each MWh produced by solar plants with the parameters set out in the table below.

<b>Number of GCs Awarded Per MWh by Technology</b>				
<b>Technology</b>	<b>Awarded to Projects Accredited prior to January 1, 2014<sup>(1)</sup></b>		<b>Awarded to Projects Accredited after January 1, 2014<sup>(2)</sup></b>	
	<b>Number of GCs (GCs/MWh)</b>	<b>Restriction of Trading of GCs (GCs/MWh)</b>	<b>Number of GCs (GCs/MWh)</b>	<b>Support Period<sup>(3)</sup> (years)</b>

New hydro $\leq$ 10 MW	3	Restriction on trading of 1 GC until 31/03/2017	2.3	15
Refurbished hydro $\leq$ 10 MW	2	-	2	10
Existing hydro $\leq$ 10 MW	0.5	-	0.5	3
Solar	6	Restriction on trading of 2 GCs until 31/03/2017	3	15

**Notes:**

- (1) Applicable to Rott, Corabia and Power LIVE.
- (2) Applicable to the Zagra and Suha Projects, Zagra as a new hydro project, Suha as a refurbished project.
- (3) New projects are guaranteed to receive GCs under the condition that they are put into operation before December 31, 2016.

Prior to the commissioning dates noted above, the Hydro Projects were being developed and were incurring costs while not being available for power generation. Therefore, the Hydro Projects did not realize any revenues from the sale of GCs prior to becoming operational.

Rott is accredited to receive three GCs for each MW delivered into the grid, of which: (i) one GC is receivable by the Trust and is tradable immediately; (ii) 0.96 of a GC is granted and restricted from trading until March 31, 2017; and (iii) 1.04 GCs are used to retire an interest-free EU loan on Rott (the “EU Loan”).

Rott received the EU Loan in February 2014. Based on the terms of this loan, the number of tradable GCs issued to Rott to date were re-assessed, as the project operated with two tradable GCs between receiving approval for the EU Loan and the actual funding of this loan. The project was re-assessed with: (i) a lower number of tradable GCs (0.96 GCs); and (ii) with a GC clawback to cover the period that the project received the full number of tradable GCs. The clawback is issued by Transelectrica and is rated as a GC equivalent but given in MWh. The amount to be repaid as assessed by Transelectrica and ANRE for Rott was 3,825 MWh with a start date in February 2014. Given the production during this period, based on management’s calculations, this hurdle has been reached and management is in the process of confirming the release of the GCs and confirmation of satisfaction of the clawback with Transelectrica and ANRE. Under the terms of the clawback arrangement, Rott is now entitled to receive the 1.96 GCs, referred to in (i) and (ii) above.

Zagra was re-licensed and re-accredited in June 2014 to receive 2.3 immediately tradable GCs for each MW delivered into the grid while Suha receives two immediately tradable GCs for each MW delivered into the grid.

The Solar Projects, are entitled to four immediately tradable GCs plus another two GCs which are restricted from trading until March 31, 2017 for each MW delivered into the grid.

*Competitive Conditions*

Competitive conditions do not play a significant role in Transeastern’s operations. From an operational perspective, power produced by the Projects is sold through one or more bilateral contracts that are posted on the Centralized Market for Bilateral Contracts, on OPCOM ‘CMBC’.

From an acquisition perspective, the hydroelectric and solar power markets in Romania are fragmented with many small power producers. The size of project that Transeastern anticipates focusing on for future acquisitions will not generally be the target of larger power production companies. As Transeastern completes acquisitions, aggregates more power projects and becomes a larger power producer, it expects that its market position and competitive factors may change.

### *Seasonality*

#### Hydro Projects

Run-of-river power plants typically have a weir or diversion structure across the width of the river. This weir contains an intake structure, often consisting of a trash rack, an intake screen, and de-sanding elements to conduct the water into the penstock. These installations have a small reservoir behind the diversion to keep the intake flooded and reduce icing problems.

The output of a run-of-river hydroelectric plant is generally dependent on the watershed or drainage basin that feeds the particular river where the project is located. Apart from the constant flows of the river and constant runoff from variable annual precipitation, the spring snow melt and seasonal precipitation create periods of high flow, while flows generally diminish during the winter and summer dry seasons. A run-of-river power plant has little or no capacity for energy storage and therefore periods of low flow create periods of low electricity production.

In order to mitigate Transeastern's dependence on one watershed or one predominant weather system or micro climate, Transeastern chose to acquire the Hydro Projects on different water basins and on different sides of the mountain range. In Romania run-of-river hydro projects are generally located on the Carpathian Mountains. This range stretches across Romania like a horseshoe and because of this shape there are distinct weather systems that come from the south, north and west that push up against the mountains and deposit precipitation. The Hydro Projects are located in two regions which are geographically close to each other but are located on different areas or slopes of the mountains. Although the Hydro Projects will all be influenced by the same regional climate, all the projects will be influenced by different micro climates as they sit on different regions and aspects in the greater Carpathian Mountain range. Although Transeastern plans to mitigate hydrology risk further through additional future acquisitions, the Hydro Projects give Transeastern some diversity by mitigating the hydrology risk that would exist for assets located in one weather system.

Generally, production will reach a peak after the gradual meltdown of snow that has accumulated on the mountains. This is usually called "spring melt" or "runoff". Additionally, the Hydro Projects are located in areas with good rainfall conditions, which add extra flow to the rivers to keep the power plants operational through the year.

Peak consolidated power production by the Hydro Projects is generally expected to occur during the second quarter of the year, with the monthly peak occurring in May. As Transeastern diversifies its holdings through future acquisitions, monthly production is expected to become less variable.

#### Solar Projects

The recent acquisition of the Solar Projects is expected to decrease monthly variability in overall production as solar generation peaks during the summer months when run of river production is low due to hydrology. The output of a solar project is generally dependent on the amount of sunlight feeding into the solar cells. The peak period for sunlight runs from April to October and is highly correlated to the

number of hours of sunlight in a day. A solar park has little or no capacity for energy storage and therefore periods of low sunlight create lower electricity production.

Peak consolidated power production by the Solar Projects is generally expected to occur during the third quarter of the year, with the monthly peak occurring in July.

### *Environmental Protection*

Run-of-river hydroelectric power generation produces virtually no emissions and returns the original fuel source, water, into the river. Run-of-river facilities provide a smaller hydro generation option with a smaller footprint than traditional reservoir technology and operate with the seasonality of water flow within a given area. Run-of-river facilities also have a minimal impact on surrounding vegetation, fish, bird and wildlife habitats.

Solar power generation produces virtually no emissions. The post-production potential environmental impacts generally associated with solar power production are land use and habitat loss. Solar facilities have a minimal impact on surrounding land and animal habitat.

There are a number of different areas of environmental policy that are important to the power sector in Romania and have direct bearing on the Trust and other renewable energy producers in Romania, namely compliance with the following legislation and policies: (i) the Kyoto Protocol and the EU Emissions Trading Scheme; (ii) Large Combustion Plant Directive and the Industrial Emissions Directive; and (iii) the EU Renewables Directive.

These policies impact wholesale electricity prices indirectly by changing asset investment and retirement decisions, as well as directly impacting the costs of generation. The Trust is aware of two current legislative proposals applicable in Romania that would enact a feed in tariff (“FIT”) scheme for renewable energy producers with a name plate capacity of less than 1000 Kw (1 Mw) and 500 Kw (0.5 Mw).

If enacted, such a scheme may have a positive impact on the Trust’s assets by providing long-term fixed pricing with a stable counterparty for the sale of its energy produced as all of the Suha projects are under 1 MW and Zagra 1 and Zagra 2, which share a connection point, are also under 1000 Kw. The 1000 Kw proposal is currently at the EU parliament for approval while the 500 Kw proposal has been approved at the EU level and by the Romanian regulators and is now at the Romanian competition council for approval as a final step prior to implementation.

The Trust has been advised by ANRE that the 500 Kw FIT scheme can be implemented in the market within 30 days of the approval from the Romanian competition council. The Trust is waiting for further information on such proposals in order to assess its economic viability for the Trust.

### *Specialized Skills and Knowledge*

Transeastern relies on the specialized skills of management and consultants in the areas of evaluation of construction, plant operation and maintenance, business negotiations and management. The loss of any of these individuals could have an adverse effect on Transeastern. Transeastern will continue to engage specialized skilled contractors if and when needed.

### *Inflation and Foreign Exchange*

The key sources of revenue for the Trust are directly linked to inflation in the European Union. The floor and ceiling trading prices for GCs are subject to an annual inflation factor based on the EU inflation index. Local spot electricity prices are a function of market forces including inflation. This mechanism gives power producers a hedge against inflation by linking the range of potential revenues realized from GC sales to prevailing inflation rates. To mitigate these pricing risks, the Trust negotiated and entered into the Power and GC Purchase Agreements.

The Trust's operations are subject to fluctuations in currency. All of the operating assets of the Trust are currently located in Romania. The Hydro Projects' revenues are also received in RON or Euros. Interest and principal payments to Netherlands Holdco under certain intercompany loan agreements are denominated in Euros and any distributions paid by the Hydro Projects on their shares are denominated in Euros.

The Trust, on the other hand, raises capital and pays interest and principal on the Debentures and any distributions to Unitholders in Canadian dollars. The Trust also expects to raise funds primarily from the sale of offered securities in Canadian dollars and invest indirectly through its subsidiaries in Romanian assets, using Euros and RON. Thus, when the Canadian dollar increases in value against the Euro and/or the RON, the Trust's indirect investments in Romanian assets will be less expensive; however, the value of distributions received by the Trust directly or indirectly from subsidiaries will also be reduced. When the Canadian dollar decreases in value against the Euro and/or RON, the cost of the Trust's indirect investments in Romanian assets will be more expensive. However, the value of distributions received by the Trust directly or indirectly from the subsidiaries will increase.

The Trust may in the future utilize derivative instruments in order to manage exposures to changes in foreign currency rates and to mitigate the currency risk impact on the long-term sustainability of distributions to Unitholders and payments to holders of Debentures. The Trust may also change its offering currency or pursue other measures to mitigate its currency risk exposure.

### **RISKS AND UNCERTAINTIES**

The Trust and its operations are subject to various business, financial and operational risks that could materially adversely affect the Trust's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. For a more comprehensive discussion on the risks faced by the Trust, please refer to the Trust's management's discussion and analysis for the three and six month periods ended June 30, 2015.

### **FORWARD LOOKING INFORMATION**

Certain statements contained in this MD&A constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Trust's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Trust participates or is seeking to participate and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Trust's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and

involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements, to differ materially include, but are not limited to, the risk factors discussed herein under the section heading “Risks and Uncertainties”. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Trust. These forward-looking statements are made as of the date of this MD&A and the Trust assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Trust’s present and future business strategies and the environment in which the Trust will operate in the future, including assumptions regarding expected energy prices, business and operating strategies, future acquisitions and the Trust’s ability to operate its facilities on a profitable basis.

Some of the risks which could affect future results and would cause results to differ materially from those expressed in the forward-looking statements contained herein include: risks related to foreign operations (including various political, economic and other risks and uncertainties), the interpretation and implementation of the energy law, expropriation of property rights, political instability and bureaucracy, limited operating history, lack of profitability, high inflation rates, failure to obtain bank financing, fluctuations in currency exchange rates, competition from other businesses, reliance on various factors (including local labour, importation of machinery and other key items and business relationships), risks related to seasonality (including adverse weather conditions, shifting weather patterns, and global warming), a shift in energy trends and demands, a shift in energy generation in the European Union, vulnerability to fluctuations in the world market, the lack of availability of qualified management personnel and stock market volatility.

Risks may materially and adversely affect the Trust’s business, financial condition, results of operations and/or the market price of the Trust’s securities.