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**TRANSEASTERN POWER TRUST**  
CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE PERIODS ENDED DECEMBER 31, 2015 AND 2014  
(EXPRESSED IN CANADIAN DOLLARS)

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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Transeastern Power Trust

We have audited the accompanying consolidated financial statements of **Transeastern Power Trust**, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, unitholders' equity and cash flows for the year ended December 31, 2015 and for the period from February 4, 2014 to December 31, 2014, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

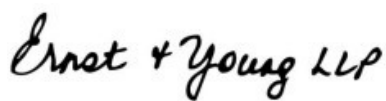
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2015 and 2014, and its financial performance and its cash flows for the year ended December 31, 2015 and for the period from February 4, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that as at December 31, 2015, the Trust had a working capital deficiency of \$8,003,832 and an accumulated deficit of \$ 18,078,132 and incurred a loss of \$12,561,790 for the year ended December 31, 2015. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
April 29, 2016

**Transeastern Power Trust**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<b>As at December 31,</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current		
Cash	\$ 1,711,071	\$ 245,566
Trade and other receivables (Note 4)	2,399,594	323,066
Green certificates (Note 5)	222,446	131,106
Prepaid and other assets	177,453	44,415
	<b>4,510,564</b>	<b>744,153</b>
Long-term		
Restricted cash (Note 9)	2,246,266	-
Restricted green certificates (Note 5)	4,738,734	137,703
Other non-current assets	38,329	28,947
Property, plant and equipment (Note 6)	48,820,389	16,973,066
<b>TOTAL ASSETS</b>	<b>\$ 60,354,282</b>	<b>\$ 17,883,869</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 3,560,082	\$ 853,476
Due to related parties (Note 12)	233,855	81,213
Distributions payable (Note 8)	659,892	250,816
Vendor take back loan and acquisition instalment payments (Note 3)	818,322	1,369,097
Note payable (Note 9)	-	600,000
Current portion of capital leases (Note 9)	2,743,473	-
Debt facility (Note 9)	4,498,772	-
	<b>12,514,396</b>	<b>3,154,602</b>
Milestone units (Note 2)	1,067,186	531,879
Convertible debentures (Note 9)	12,386,700	9,410,400
Warrant liability	879,265	-
Deferred tax liabilities (Note 14)	1,242,490	129,653
Long-term portion of capital leases (Note 9)	24,450,892	-
	<b>52,540,929</b>	<b>13,226,534</b>
<b>Unitholders equity</b>	<b>7,813,353</b>	<b>4,657,335</b>
<b>TOTAL LIABILITIES AND UNITHOLDERS EQUITY</b>	<b>\$ 60,354,282</b>	<b>\$ 17,883,869</b>

Nature of operations (Note 1)

Subsequent events (Note 16)

Approved on Behalf of the Board:

\_\_\_\_\_  
*"Ravi Sood"*  
 Director

\_\_\_\_\_  
*"John Huxley"*  
 Director

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

**Transeastern Power Trust**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Year Ended December 31, 2015	Period from February 4 to December 31, 2014
<b>REVENUE</b>		
Sale of electricity	\$ 792,203	\$ 206,449
Income from green certificates	2,698,026	191,891
	<b>3,490,229</b>	<b>398,340</b>
<b>OPERATING EXPENSES</b>		
Operating (includes employee costs of \$101,976; 2014 - \$49,232)	2,040,280	676,986
Depreciation	1,765,481	444,897
	<b>3,805,761</b>	<b>1,121,883</b>
Cost of sales		1,121,883
General and administrative (includes employee costs of \$313,333; 2014 - \$481,321)	1,298,701	699,954
Legal and professional	717,726	305,569
Milestone units (Note 2)	535,307	531,879
Transaction costs (Note 3)	665,419	2,643,525
	<b>7,022,914</b>	<b>5,302,810</b>
Total operating expenses		5,302,810
Operating Loss	<b>(3,532,685)</b>	<b>(4,904,470)</b>
<b>OTHER EXPENSES</b>		
Fair value gain (loss) on debentures (Note 9)	(976,300)	2,352,600
Interest and finance charges (Note 10)	(2,281,796)	(648,061)
Foreign exchange gain (loss)	(122,369)	24,479
Loss on settlement of bridge loan and VTB (Note 9)	(1,248,019)	-
Excess of consideration paid for net assets acquired (Note 3(ii))	(1,097,779)	-
Impairment charge (Note 6)	(3,269,905)	-
	<b>(12,528,853)</b>	<b>(3,175,452)</b>
<b>LOSS BEFORE TAX</b>	<b>(12,528,853)</b>	<b>(3,175,452)</b>
Current income tax expense	-	(584)
Deferred income tax expense (Note 14)	(32,937)	(2,961)
	<b>(12,561,790)</b>	<b>(3,178,997)</b>
<b>LOSS FOR THE YEAR</b>	<b>(12,561,790)</b>	<b>(3,178,997)</b>
<b>Amounts to be recycled subsequently to profit and loss</b>		
Foreign currency translation gain (loss)	1,238,512	(1,116,186)
	<b>\$ (11,323,278)</b>	<b>\$ (4,295,183)</b>
<b>TOTAL COMPREHENSIVE LOSS AFTER TAX</b>	<b>\$ (11,323,278)</b>	<b>\$ (4,295,183)</b>
<b>Basic and diluted loss per unit</b>	<b>\$ (0.65)</b>	<b>\$ (0.43)</b>
<b>Weighted average number of units outstanding - basic and diluted</b>	<b>19,249,313</b>	<b>7,462,907</b>

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

**Transeastern Power Trust**  
**CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY**

	Trust Units	Trust Unit Value	Deficit	Comprehensive Loss - Foreign Currency Translation	Unitholders' Equity
<b>Balance, February 4, 2014</b>	15	\$ 15	\$ -	\$ -	\$ 15
Issuance of Trust units	11,045,785	9,272,042	-	-	9,272,042
Distribution reinvestment plan	303,322	267,370	-	-	267,370
Net loss for the period	-	-	(3,178,997)	-	(3,178,997)
Other comprehensive loss	-	-	-	(1,116,186)	(1,116,186)
Distribution to unitholders	-	-	(586,909)	-	(586,909)
<b>Balance, December 31, 2014</b>	<b>11,349,122</b>	<b>\$ 9,539,427</b>	<b>\$ (3,765,906)</b>	<b>\$ (1,116,186)</b>	<b>\$ 4,657,335</b>
Issuance of Trust units (Note 11)	17,849,040	16,347,165	-	-	16,347,165
Distribution reinvestment plan (Note 8)	1,002,243	874,101	-	-	874,101
Net loss for the year	-	-	(12,561,790)	-	(12,561,790)
Other comprehensive gain	-	-	-	1,238,512	1,238,512
Costs of issuance (Note 11)	-	(994,834)	-	-	(994,834)
Exercise of warrants	3,300	3,300	-	-	3,300
Distribution to unitholders (Note 8)	-	-	(1,750,436)	-	(1,750,436)
<b>Balance, December 31, 2015</b>	<b>30,203,705</b>	<b>\$ 25,769,159</b>	<b>\$ (18,078,132)</b>	<b>\$ 122,326</b>	<b>\$ 7,813,353</b>

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

**Transeastern Power Trust**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31, 2015	Period from February 4 to December 31, 2014
<b>CASH (USED IN) PROVIDED BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (12,561,790)	\$ (3,178,997)
Items related to financing activities:		
Fair value loss (gain) on debentures (Note 9)	976,300	(2,352,600)
Accretion expense	178,714	53,034
Transaction costs related to debentures	-	1,890,725
Add (deduct) items not affecting cash:		
Impairment charge (Note 6)	3,269,905	-
Depreciation (Note 6)	1,765,481	444,897
Unrealized foreign exchange losses (gains)	775,663	(24,479)
Deferred income tax expense (recovery)	32,937	2,961
Milestone units	535,307	531,879
Loss on settlement of vendor take-back loan (Note 6)	550,000	-
Loss on settlement of bridge loan (Note 6)	698,019	-
Excess of consideration paid for net assets acquired (Note 3(ii))	1,097,779	-
Net change in non-cash working capital:		
Trade and other receivables	(1,671,678)	(228,303)
Green certificates-current and restricted	(1,223,359)	(207,317)
Prepaid and other assets	(139,047)	(44,415)
Other non-current assets	(9,382)	(19,604)
Accounts payable and accrued liabilities	1,169,270	606,611
Due to related parties	152,642	81,213
	<b>(4,403,239)</b>	<b>(2,444,395)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisitions (net of cash acquired of \$3,705,427)	(2,092,206)	(16,842,087)
Additions to property, plant and equipment	(54,259)	(151,448)
	<b>(2,146,465)</b>	<b>(16,993,535)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of debentures	-	9,872,275
Vendor take-back loan	(846,000)	-
Notes payable	-	600,000
Distributions paid	(470,257)	(68,724)
Issuance of Trust units	5,673,827	9,272,042
Debt facility (net of cash transaction costs)	4,711,577	-
Capital leases	(1,174,287)	-
	<b>7,894,860</b>	<b>19,675,593</b>
Effect of currency translation	120,349	7,888
<b>CHANGE IN CASH</b>	<b>1,465,505</b>	<b>245,551</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>245,566</b>	<b>15</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,711,071</b>	<b>\$ 245,566</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 1,203,164	\$ 648,061

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

# Transeastern Power Trust

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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#### 1. NATURE AND DESCRIPTION OF THE TRUST AND GOING CONCERN

Transeastern Power Trust (“Transeastern” 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 hydro-electric generation facilities comprised of 11 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 the power production facilities are located in Romania.

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 five Romanian subsidiaries which hold the Romanian hydroelectric power projects, two Romanian subsidiaries that hold the Romanian photovoltaic solar power production plants and a Romanian subsidiary that acts as a management company for the Romanian operations.

Equity Financial Trust Company (the “Trustee”), trustee of Transeastern, has delegated most of its powers and duties relating to the operations and governance of Transeastern to 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 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 Tax Act) in accordance with the restrictions set forth in the Trust Indenture. 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”.

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

#### Going Concern

These consolidated financial statements are prepared under the going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. While management considers that the preparation of the financial statements under the going concern basis is appropriate, there is significant doubt about the Trust’s ability to continue as a going concern without securing additional financing or operating assets with adequate positive cash flow. The Trust has a working capital deficiency of \$8,003,832 as at December 31, 2015 (2014 - \$2,410,449), an accumulated deficit of \$18,078,132 as at December 31, 2015 (2014 - \$3,765,906), and the Trust incurred a loss of \$12,561,790 (2014 - \$3,178,997). The cashflow forecasts prepared by management rely on the assumption that the operations will be profitable. The Trust’s ability to continue as a going concern is dependent upon the Trust’s ability to raise additional capital through equity and/or debt financings and achieve profitable operations. Should the Trust be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

Subsequent to December 31, 2015, the Trust entered into letters of intent for the proposed acquisition of a New Wind Project and New Hydro Projects as described in Note 16 below.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**1. NATURE AND DESCRIPTION OF THE TRUST AND GOING CONCERN (Continued)**

Going Concern (Continued)

On April 5, 2016, the Trust closed a private placement for net proceeds of \$810,000 and issued 1,156,043 Units (as defined below) and 1,156,043 Unit purchase warrants.

The Trust believes that its current financing efforts along with the above noted transactions and increased revenues from operations will provide sufficient cash flow for it to continue as a going concern for the foreseeable future, however, there can be no assurances that future revenues from operations will increase or that it will complete the transactions discussed in Note 16. Accordingly, the financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Trust be unable to continue as a going concern.

The amount of energy produced by the Projects is seasonal and depends on water flows and sunshine. Under normal circumstances of operations, no disruptions are foreseen. However there are uncertainties that may arise due to the Project's dependence on hydrology, water flows and sufficient sunshine.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The consolidated financial statements (the "Financial Statements") were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements were authorized for issue by the Board of Directors of the Administrator on April 29, 2016.

**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:

<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Ownership Percentage</b>
Transeastern Power Holdings Inc.	Canada	100%
Transeastern Power Holdings 2 Inc.	Canada	100%
Transeastern Power Coöperatief U.A.	Netherlands	100%
Transeastern Power B.V.	Netherlands	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%



**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Measurement**

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting.

**Estimates and Uncertainty**

The preparation of the consolidated financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported expenses incurred during the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following: going concern assessment, carrying values of fixed assets and impairment analysis, fair value assumptions in assessing adjustments to the reported values of financial liabilities (including milestone units, convertible debentures and warrants) and the recoverability of tax losses incurred in Romania.

**Cash**

Cash includes bank balances and cash on hand.

**Restricted Cash**

Restricted cash is restricted as prescribed by the capital lease agreements on the Solar Projects.

**Trust Units**

An unlimited number of trust units in the capital of Transeastern (each a "Unit") may be issued pursuant to the Trust Indenture. Each Unit represents an equal, undivided beneficial interest in the Trust and all Units rank equally and ratably with all of the other Units without discrimination, preference or priority. Each Unit entitles the holder to one vote at all meetings of Unitholders. Unitholders are entitled to receive non-cumulative distributions from the Trust if, as and when, declared by the Trustee. Units are redeemable on demand by the holders thereof, and may be purchased for cancellation by the Trust through offers made to, and accepted by, such holders. Under IAS 32, Financial Instruments - Presentation ("IAS 32"), puttable instruments, such as the Units, represent financial liabilities. However, if certain criteria are met the puttable instruments may be presented as equity. The Units meet the criteria under IAS 32 to be presented as equity.

**Business Combinations**

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred, the liabilities incurred to former owners of the acquired business, and equity instruments issued by the acquirer in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for income taxes which are measured in accordance with IAS 12, Income Taxes.

To the extent that the aggregate of the fair value of consideration paid, the amount of any non-controlling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent that this excess is negative, the excess is recognized as a gain in income.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Milestone Unit Agreements**

Pursuant to the terms of milestone unit agreements dated May 28, 2014 between the Administrator, the Trust and certain officers of the Administrator and subsidiaries of the Trust (the "Milestone Unit Agreements"), 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 (each, a "Milestone Period"), the Trust will issue to such individuals an aggregate of 3,000,000 Units (the "Milestone Units") and pay to such individuals a cash payment equal to the distributions paid by the Trust on the Units for the applicable Milestone Period as if the individuals owned the Milestone Units from the date of the Milestone Unit Agreements. The milestone which triggers the issuance of the Milestone Units and the cash payment is the achievement by the Trust of certain milestones related to "distributable cash flow" and distributions paid to unitholders. The award will be recognized over the vesting period at fair value as a liability. The fair value of the Milestone Units has been estimated using a discounted cashflow model assuming vesting over the first 20 fiscal quarters after March 31, 2014.

**Foreign Currency Translation**

The functional currency of the Trust and its subsidiaries is the currency of the primary economic environment in which it each entity operates. All figures of the Trust's financial statements are reflected in Canadian Dollars, which is the functional and presentation currency of the Trust. The functional currency of the Trust's operations is the Romanian Leu.

At the end of each reporting period, the Trust translates foreign currency balances as follows:

- monetary items are translated at the closing rate in effect at the consolidated balance sheet date;
- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;
- revenue and expense items are translated using the average exchange rate during the period; and
- exchange gains and losses arising from translation are included in the determination of net loss and comprehensive loss.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue and Other Income Recognition**

Revenue and other income are recognized to the extent that it is probable that the economic benefits will flow to the Trust and the revenue/other income can be reliably measured, regardless of when the payment is being made. Revenue and other income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sale of Electricity

Revenues from sale of electricity are recognized in the period when the energy has been delivered into the Romanian national electric grid.

Income From Green Certificates

Green certificates are recognized as income is earned (ie. as energy is delivered into the grid).

**Income Taxes**

The Trust is an unincorporated open-ended trust and has been established to provide investors with a distribution-producing investment from the cash flows generated by the Projects.

Net earnings in Romania are taxed at 16%. Interest and dividends paid from Romania to the Netherlands and from the Netherlands to Canada are not subject to withholding tax. Net earnings in the Netherlands and in the Canadian taxable subsidiaries of the Trust will be subject to tax but such amounts will be nominal. The Trust expects to make distributions to the unitholders. Distributions of the Trust's taxable income will be deductible in computing the Trust's taxable income. The Trust expects to distribute all of its taxable income such that it is not expected the Trust will pay any income tax. As such, the Trust is considered in-substance tax exempt and does not apply IAS 12.

Subsidiaries of the Trust are subject to tax and IAS 12 has been applied to recognize both current and deferred taxes for the Trust's subsidiaries. Current tax and deferred tax expenses are recognized in the consolidated statement of loss except to the extent that they relate to a business combination or to items recognized directly in equity. Current tax expense is based on substantively enacted statutory tax rates and laws at the balance sheet date. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis of such assets and liabilities measured using tax rates and laws that are substantively enacted at the balance sheet date and effective for the reporting period when the temporary differences are expected to reverse.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Green Certificates**

Green certificates are an incentive provided by the Romanian Government to the producers of energy from renewable sources. Green certificates are issued monthly by the grid operator, Transelectrica S.A., based on the quantity of renewable electricity produced and delivered into the network. The certificates are issued to the producers as an incentive for producing energy from renewable sources and are contractually priced or priced at the market floor rate. The compensation of production costs takes place when the certificates are sold by the Trust to buyers in the marketplace who engage in activities that require them to purchase green certificates.

Green certificates are recognized when the Trust is entitled to receive them. The Trust is entitled to receive green certificates when it produces electricity that is registered on the electrical grid by Transelectrica SA.

Current Green certificates are recorded at the current trading price while deferred green certificates are recorded initially at the market floor price as prescribed by OPCOM. Any gain or loss on trading is recognized as the difference between the consideration received and the carrying value. On a regular basis, at least each period end, the Trust considers if there is any impairment to the carrying value from the acquisition date value. For this management considers current and expected market trading prices.

For the restricted green certificates there are uncertainties relating to the applicable valuation arising from matters such as the future operation of the market, the evolution of the nationwide consumption of energy, the ongoing investment in renewable energy production capacity and Romanian Government and European Union policy in this area.

**Property, Plant and Equipment**

Initial Recognition

Property, plant and equipment are reported at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Trust recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (including interest expense); and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, if the Trust has this obligation.

Construction-in-progress includes cost of construction, cost of tangible assets and other direct costs. These are not depreciated until such time as the relevant assets are completed and operational.

Depreciation method

The useful life is the period of time over which an asset is expected to be available for use by the Trust. Depreciation is calculated on a straight-line basis over the useful life of the assets. Land is not depreciated.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, Plant and Equipment (Continued)**

<u>Type</u>	<u>Useful Life (Years)</u>
Buildings	40
Machinery, equipment and penstock	15 - 25
Furniture and fixtures, other equipment (including IT equipment)	3 - 15

The lifespan and the depreciation method are periodically reviewed, and, if the case, adjusted prospectively, to be compatible with the expectations regarding the economic benefits brought by items of tangible assets.

Disposal

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of loss and comprehensive loss when the asset is derecognized.

**Borrowing Costs**

Borrowing (both from banks and related parties) costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Borrowing costs consist of interest and other costs that the Trust incurs in connection with the borrowing of funds.

The Trust capitalizes borrowing costs less any investment income on the temporary investment of those borrowings until the assets are available for use. After that date all borrowing costs are expensed in the period they occur.

**Financial Instruments**

The fair values of derivative financial instruments reflect the estimated amount that the Trust would have been required to pay if forced to settle all unfavourable outstanding contracts or the amount that would be received if forced to settle all favourable contracts at period end. The fair value represents a point-in-time estimate that may not be relevant in predicting the Trust's future earnings or cash flows.

The Trust determines the fair value of its financial instruments based on the following hierarchy:

- LEVEL 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur with significant frequency and volume to provide pricing information on an ongoing basis.
- LEVEL 2 – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's-length market transactions, and comparisons to the current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, counterparty risk and volatility are used.
- LEVEL 3 – Valuations at this level are those with inputs that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment; any changes in assumptions may affect the reported fair value of financial instruments.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Instruments (Continued)**

Financial Assets

Financial assets are classified into one of the following four categories: loans and receivables; financial assets at fair value through profit or loss; held-to-maturity investments; and available-for-sale financial assets. The Trust determines the classification of its financial assets at initial recognition. The category determines subsequent measurements and whether any resulting income and expense are recognized in income or loss or in comprehensive income or loss for the year. All financial assets are initially recorded at fair value.

All financial assets except those at fair value through profit or loss are subject to review for impairment no less often than at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Trust's financial assets include cash, trade and other receivables.

Loans and Receivables

Financial assets are classified as loans and receivables if they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are carried at amortized cost using the effective interest rate method with gains and losses recognized when the asset is derecognized. The Trust's trade, lease and other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Trust that do not meet the hedge accounting criteria as defined by IAS 39, "Financial Instruments Recognition and Measurement" (IAS 39). Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated for accounting purposes as effective hedging instruments. Financial assets at fair value through profit and loss are carried on the statement of financial position at fair value with gains or losses recognized in the income statement.

The Trust has not designated any financial assets at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the statement of loss. Reassessment occurs only if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Trust has determined that it does not have any embedded derivatives that are required to be accounted for separately.

Held-to-Maturity Investments

Financial assets are classified as held to maturity if management has the positive intention and ability to hold to maturity and they have fixed maturity dates with fixed or determinable payments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, with gains and losses recognized when the asset is derecognized. The Trust did not have any held-for-maturity investments at December 31, 2015.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Instruments (Continued)**

Available For Sale

Financial assets are classified as available for sale if they are designated as such or are not classified in any of the three preceding categories. Available-for-sale financial assets are carried at fair value, with unrealized gains and losses recorded in equity until the asset is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the income statement.

For available-for-sale financial investments, the Trust assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Trust determines the classification of its financial liabilities at initial recognition.

The Trust's financial liabilities include accounts payable and accrued liabilities, bank indebtedness, interest-bearing loans, vendor take back loans, a note payable, amounts due to related parties, accrued liabilities, borrowings, distributions payable and the debentures. Financial liabilities are initially measured at fair value, with subsequent measurement determined based on their classification as described below.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Trust that do not meet hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement. Warrants and convertible debentures are classified as financial liabilities at fair value through profit or loss.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the amortization process. The Trust's financial liabilities classified as loans and borrowings include accounts payable, bank indebtedness, interest-bearing loans and borrowings, distributions payable and vendor take back loan and acquisition instalment payments.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right of set off of the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Instruments (Continued)**

Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions) without any deduction for transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transactions, reference to the current fair value of another instrument that is essentially the same, discounted cash flow analysis or other valuation models.

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. The carrying values of the Trust's financial instruments as at December 31, 2015 and 2014 are as follows:

	2015	2014
Financial assets held for trading <sup>(1)</sup>	\$ 3,957,337	\$ 245,566
Loans and receivables <sup>(2)</sup>	\$ 2,399,594	\$ 323,066
Loans and borrowings <sup>(3)</sup>	\$ 31,693,137	\$ 600,000
Financial liabilities at fair value through profit or loss <sup>(4)</sup>	\$ 12,386,700	\$ 9,410,400
Warrant liability	\$ 879,265	\$ -
Other financial liabilities <sup>(5)</sup>	\$ 6,339,337	\$ 3,086,481

<sup>(1)</sup> Cash and restricted cash

<sup>(2)</sup> Trade and other receivables

<sup>(3)</sup> Debt facility, capital lease obligations and note payable

<sup>(4)</sup> Convertible debentures

<sup>(5)</sup> Accounts payable and accrued liabilities, distributions payable, vendor take back loans, milestone unit liability and amounts due to related parties

**Convertible Debentures**

The principal amount of the Trust's outstanding unsecured convertible debentures (the "Debentures") is 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 Debentures bear interest from May 28, 2014 at 7.5% per annum, which is payable in equal instalments semi-annually in arrears on June 30 and December 31 in each year. The Debentures are direct, unsecured obligations of the Trust and rank equally with one another and with all other existing and future unsecured indebtedness of the Trust, other than senior indebtedness, except as prescribed by law. Holders may convert their Debentures into Units at any time prior to the close of business on the earlier of: (a) the business day immediately preceding the maturity date; (b) if called for redemption, the business day immediately preceding the date specified by the Trust for redemption of the Debentures; and (c) if called for repurchase pursuant to a change of control, the business day immediately preceding the date specified by the Trust for repurchase of the Debentures, based on an initial conversion rate of 800 Units per \$1,000 principal amount of Debentures (equivalent to an initial conversion price of \$1.25 per Unit), subject to the satisfaction of certain conditions as set out in the debenture indenture. The Trust may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Debentures on redemption or at maturity together with accrued and unpaid interest thereon through, in whole or in part, the issuance of freely tradable Units upon at least 40 days and not more than 60 days prior notice, by delivering that number of Units obtained by dividing such amount that the Trust elects to pay through the issuance of Units by 95% of the then current market price of the Units. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, paragraph 11A, the entire Debentures, including the holder conversion feature, is accounted for at fair value through profit and loss.



**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unitholders Equity and Warrants**

Financial instruments issued by the Trust are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Units are classified as equity instruments. Incremental costs directly attributable to the issuance of new Units in equity are deducted from the value of equity issued.

The Trust accounts for warrants using the guidance of IAS 32 'Financial Instruments: Presentation' as a derivative financial liability that is measured at fair value, with changes in value recorded in profit or loss.

Several variables are used when determining the value of warrants using the Black-Scholes valuation model:

- Expected term:** The Trust uses the maximum expected term of the warrants for the purposes of calculating their value as it difficult to determine with any reasonable degree of accuracy when these warrants will be exercised.
- Volatility:** The Trust uses historical information on the market price of its Units to determine the degree of volatility at the date the warrants were granted and at each period end. Given the limited trading history of the Trust, volatility can fluctuate significantly from period to period.
- Risk-free interest rate:** The Trust uses the interest rate available for government securities of an equivalent expected term to value the warrants. The risk-free interest rate varies depending on the current macroeconomic circumstances at each valuation date.
- Distribution yield:** The Trust uses the actual projected dividend yield for its Units for the purposes of the valuation of the warrants.

**Amendments and Future changes to Accounting Standards**

A number of new standards and amendments to existing standards are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements. Transeastern does not intend to early adopt any of the following amendments to existing standards and does not expect the amendments to have a material impact on the financial statements, unless otherwise noted.

- i. Revenue: In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15). IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The extent of the impact of adoption of IFRS 15 has not yet been determined.
- ii. Financial Instruments: In July 2014, the IASB issued IFRS 9, Financial Instruments (IFRS 9). IFRS 9 replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets, a new expected credit loss model for calculating impairment on financial assets and new hedge accounting requirements. It also carries forward, from IAS 39, guidance on recognition and derecognition of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. The Trust does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.
- iii. Leases: In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. 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. The extent of the impact of adoption of IFRS 16 has not yet been determined.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Debt Facility**

Long-term debt is carried at an amount equal to unpaid principal balance, net of unamortized debt-issue costs which are recognized as a component of interest expense over the period the debt is expected to be outstanding.

**3. ACQUISITIONS**

i) Romanian Solar Projects

On July 24, 2015, the Trust acquired the Solar Projects, being 100% of the shares of two Romanian photovoltaic solar power production companies, SC Corabia Solar SRL (“Corabia”) and SC Power L.I.V.E. One SA (“Power LIVE”) The Solar Projects 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.

Acquisition of Corabia

The acquisition price for Corabia was \$5,198,465, consisting of a cash payment of \$2,435,006, the issuance of \$2,431,194 of Units and a vendor take back loan of 232,029 Euros due two years from close of the acquisition. The fair value of the vendor take-back loan was determined using a discount rate of 12%

The transaction was accounted for using the acquisition method as set out in IFRS 3 “Business Combinations”. The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed based on the Trust’s preliminary estimates of fair value:

**Assets Acquired**

Working capital	\$ (273,098)
Property, plant and equipment	15,063,432
Green certificates	1,458,728
Deferred tax	(392,701)
Restricted cash	942,328
Capital lease	(11,600,224)

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Net assets acquired	\$ 5,198,465
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**Consideration**

Cash	\$ 2,435,006
Units <sup>1</sup>	2,431,194
Vendor take-back loan	332,265

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Total consideration	\$ 5,198,465
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<sup>1</sup>Units were valued at the trading price of the Units on the acquisition date of \$0.85.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**3. ACQUISITIONS (Continued)**

i) Romanian Solar Projects (Continued)

Acquisition of Power LIVE

The acquisition price for Power LIVE was \$7,134,122, consisting of a cash payment of \$3,362,627, the issuance of \$3,359,171 of Units and a vendor take back loan of 287,936 Euros (\$412,324) due two years from close of the acquisition. The loan is recorded at amortized cost and has been discounted using a rate of 12%.

The transaction is accounted for using the acquisition method as set out in IFRS 3. The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed based on the Trust's preliminary estimates of fair value:

<b>Assets Acquired</b>	
Working capital	\$ (251,768)
Property, plant and equipment	20,862,560
Green certificates	2,010,284
Deferred tax	(954,389)
Restricted cash	1,257,643
Capital lease	(15,790,208)
<hr/>	
Net assets acquired	\$ 7,134,122
<hr/>	
<b>Consideration</b>	
Cash	\$ 3,362,627
Units <sup>1</sup>	3,359,171
Vendor take-back loan	412,324
<hr/>	
Total consideration	\$ 7,134,122

<sup>1</sup>Units were valued at the trading price of the Units on the acquisition date of \$0.85.

**Summary of Vendor Take Back Loans**

Opening balance	\$ -
Acquired on acquisition of Corabia	332,265
Acquired on acquisition of Power LIVE	412,324
Accretion	39,926
Foreign exchange translation	33,807
<hr/>	
<b>Closing balance</b>	<b>\$ 818,322</b>

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**3. ACQUISITIONS (Continued)**

ii) Acquisition of Mediterranean Resources Ltd.

On October 28, 2015, Transeastern, through a subsidiary, acquired all of the outstanding shares of Mediterranean Resources Ltd ("Mediterranean") from the shareholders of Mediterranean (the "Mediterranean Shareholders") by way of plan of arrangement. Pursuant to the terms of the acquisition, Mediterranean Shareholders received 4,156,812 Units and 4,156,812 transferable Unit purchase warrants, with each whole warrant (each, a "Transeastern Warrant") enabling the holder thereof to acquire one whole Unit at a price of \$1.00 per Unit for a period of 36 months commencing on the date of issuance of the Units, subject to certain acceleration provisions.

The acquisition of Mediterranean has been accounted for as an acquisition of assets, not a business combination. The difference between the purchase price of \$4,281,516 and the net assets acquired of \$3,183,737 has been recorded as a loss on the Trust's statement of operations. The purchase price has been allocated to the fair value of the net assets acquired as follows:

<b>Assets Acquired</b>	
Cash	\$ 3,491,893
Accounts payable	(308,156)
<hr/>	
Net assets acquired	\$ 3,183,737
<hr/>	
<b>Consideration</b>	
Units <sup>1</sup>	\$ 3,782,699
Warrants <sup>2</sup>	498,817
<hr/>	
Total consideration	\$ 4,281,516
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Excess of consideration paid for net assets acquired	\$ 1,097,779
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Total transaction costs incurred during the year ended December 31, 2015 related to the acquisitions of the Solar Projects and Mediterranean were \$665,419.

<sup>1</sup>Units were valued at the trading price of the units on the acquisition date of \$0.91.

<sup>2</sup>Fair value of \$0.12 per warrant calculated using the Black-Scholes option pricing model, using a unit price of \$0.91, a risk free rate of 0.6% and a volatility of 40%.

iii) Romanian Hydroelectric Projects

On May 28, 2014, the Trust used the net proceeds of its initial public offering to complete the acquisition of the Romanian Projects which are comprised of two Romanian hydroelectric power companies, Rott Energy Srl ("Rott") and Zagra Hidro Srl ("Zagra"), and the assets of a third hydroelectric power project ("Suha") as follows:

Acquisition of Rott

The acquisition price for Rott was \$5,412,436 (€3,662,000). The first instalment of \$5,319,618 (€3,599,200) was paid at the closing of the acquisition. The second instalment of \$92,818 (€62,800) was payable at December 31, 2014 and was adjusted from €100,000 to €62,800 based on post-closing reconciliations.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**3. ACQUISITIONS (Continued)**

iii) Romanian Hydroelectric Projects (Continued)

The transaction is accounted for using the acquisition method as set out in IFRS 3 “Business Combinations”. The purchase price has been allocated to the fair value of the net assets acquired as follows:

<b>Assets Acquired</b>	
Property, plant and equipment	\$ 5,366,113
Green certificates	65,989
Other long term assets	7,589
	<hr/> 5,439,691
<b>Liabilities Assumed</b>	
Working capital (includes cash acquired of \$5,931)	27,255
	<hr/>
Net assets acquired	\$ 5,412,436
	<hr/>
<b>Consideration</b>	
1st Instalment	\$ 5,319,618
2nd Instalment	92,818
	<hr/>
Total consideration	\$ 5,412,436
	<hr/>

Acquisition of Zagra

The acquisition price for the acquisition of Zagra was \$6,651,000 (€4,500,000).

The transaction is accounted for using the acquisition method as set out in IFRS 3 “Business Combinations”. The purchase price has been allocated to the fair value of the assets and liabilities of Zagra acquired as follows:

<b>Assets Acquired</b>	
Property, plant and equipment	\$ 6,914,054
Other long term assets	2,437
	<hr/> 6,916,491
<b>Liabilities Assumed</b>	
Working capital	129,414
Deferred tax liability	136,077
	<hr/>
Net assets acquired	\$ 6,651,000
	<hr/>
<b>Consideration</b>	
1st Instalment	\$ 5,284,511
2nd Instalment	1,366,489
	<hr/>
Total consideration	\$ 6,651,000
	<hr/>

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**3. ACQUISITIONS (Continued)**

iii) Romanian Hydroelectric Projects (Continued)

Acquisition of Suha

The acquisition price of Suha of \$6,243,836 (€4,224,517) was assigned to property, plant and equipment. The first instalment of \$4,877,400 (€3,300,000) was paid on closing. The balance of the purchase price is in the form of a non-interest bearing vendor take back loan provided by the Suha sellers in the amount of \$1,478,000 (€1,000,000), repayable on the date that is 14 months from closing and secured by way of a fixed charge against the Suha assets. The fair value of the vendor take back loan was calculated using a discount rate of 7%, which resulted in a fair value of \$1,366,436 (€924,517). This amount was included in the determination of the acquisition price and was settled in 2015 through the issuance of 1,000,000 convertible debentures and a \$846,000 cash payment. Asset transfers can be subject to VAT and the Trust is currently working with its Romanian counsel on an exemption to VAT and currently does not anticipate paying VAT on the Suha acquisition.

Transaction costs related to the acquisitions of Rott, Zagra and Suha of \$626,184 have been recognized in the loss reported for the period from February 4, 2014 to December 31, 2014.

If the acquisitions had taken place at the beginning of the period the additional revenue and net loss from the acquisitions would have been \$248,571 and \$863,034, respectively, for the period of February 4, 2014 to December 31, 2014.

**4. TRADE AND OTHER RECEIVABLES**

	2015	2014
Trade receivables	\$ 2,117,618	\$ 61,143
VAT receivable	184,746	131,923
HST receivable	97,230	130,000
	<b>\$ 2,399,594</b>	<b>\$ 323,066</b>

**5. 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, 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 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 six tradable green certificates for each one MW of production with two green certificates restricted from trading until March 31, 2017. The tradable green certificates are usually sold in less than one year.

Prior to the acquisition of 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 has been reduced by 1.04 green certificates to 1.96 green certificates per MW of energy produced.

As at December 31, 2015, the Trust has recognized tradable green certificates of \$222,446 (December 31, 2014: \$131,106) and restricted green certificates of \$4,738,734 (December 31, 2014: \$137,703).

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**6. PROPERTY, PLANT AND EQUIPMENT**

	Land (\$)	Buildings (\$)	Equipment (\$)	Fixtures (\$)	Construction In Progress (\$)	Total (\$)
<b>Cost</b>						
<b>Balance, February 4, 2014</b>	-	-	-	-	-	-
Additions through business acquisitions	317,720	11,080,155	4,843,848	24,764	2,257,516	18,524,003
Additions	-	-	151,448	-	-	151,448
Transfer of assets	-	-	378,285	-	(378,285)	-
Effect of currency translation	(21,655)	(762,179)	(334,653)	(1,688)	(153,860)	(1,274,035)
<b>Balance, December 31, 2014</b>	<b>296,065</b>	<b>10,317,976</b>	<b>5,038,928</b>	<b>23,076</b>	<b>1,725,371</b>	<b>17,401,416</b>
Additions	-	11,100	40,966	2,193	-	54,259
Additions through business acquisitions	381,142	10,168,234	25,269,077	-	-	35,818,453
Effect of foreign currency translation	17,356	604,869	295,396	1,352	101,147	1,020,120
Impairment charge	-	-	(3,269,905)	-	-	(3,269,905)
<b>Balance, December 31, 2015</b>	<b>694,563</b>	<b>21,102,179</b>	<b>27,374,462</b>	<b>26,621</b>	<b>1,826,518</b>	<b>51,024,343</b>
<b>Accumulated Amortization</b>						
<b>Balance, February 4, 2014</b>	-	-	-	-	-	-
Depreciation expense	-	(231,291)	(212,017)	(1,589)	-	(444,897)
Effect of currency translation	-	8,606	7,881	60	-	16,547
<b>Balance, December 31, 2014</b>	-	<b>(222,685)</b>	<b>(204,136)</b>	<b>(1,529)</b>	-	<b>(428,350)</b>
Depreciation expense	-	(725,814)	(1,025,743)	(13,924)	-	(1,765,481)
Effect of foreign currency translation	-	(5,263)	(4,824)	(36)	-	(10,123)
<b>Balance, December 31, 2015</b>	-	<b>(953,762)</b>	<b>(1,234,703)</b>	<b>(15,489)</b>	-	<b>(2,203,954)</b>
<b>Net Book Value</b>						
<b>Balance, December 31, 2014</b>	<b>296,065</b>	<b>10,095,291</b>	<b>4,834,792</b>	<b>21,547</b>	<b>1,725,371</b>	<b>16,973,066</b>
<b>Balance, December 31, 2015</b>	<b>694,563</b>	<b>20,148,417</b>	<b>26,139,759</b>	<b>11,132</b>	<b>1,826,518</b>	<b>48,820,389</b>

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

In 2015, the Trust identified indicators of impairment at Zagra and Suha run of river hydro projects including lower than expected production and operating losses for the year. The estimated recoverable amount of the Zagra and Suha run of river hydro projects of \$9,792,479 (Zagra: \$4,950,766 and Suha \$4,841,703) was calculated by discounting the estimated future net cash flows of each of the projects over the estimated life of the projects using a discount rate of 9.6%, commensurate with the estimated level of risk associated with those assets. The recoverable amount calculation was based on third party reports supporting long term estimates of hydrology levels, using power prices of 40 Euros per MWh and including capital and operating costs based on the current operating models maintained by the Trust. As the Zagra and Suha projects carrying amounts exceeded the estimated recoverable amount at December 31, 2015, an impairment loss of \$3,269,905 (Zagra: \$1,959,319 and Suha \$1,310,586) was recognized. The impairment loss was allocated to machinery and equipment which are comprised mainly of turbines, penstock and fixtures included in the carrying value of the projects. The discounted cash flow approach uses significant unobservable inputs and is therefore considered a Level 3 fair value measurement under the fair value hierarchy.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2015	2014
Accounts payable	\$ 3,305,960	\$ 635,297
Accrued liabilities	243,552	127,268
Salaries and related contributions due	2,037	5,394
Taxes payable	-	34,427
Other payables	8,533	51,090
	<b>\$ 3,560,082</b>	<b>\$ 853,476</b>

Taxes payable as at December 31, 2014 relate to special construction tax assumed in the acquisition of the Hydro Projects.

**8. DISTRIBUTIONS PAYABLE**

<b>Record Date</b>	December 31, 2015	September 28, 2015	July 6, 2015	March 31, 2015
<b>Payment Date</b>	January 15, 2016	October 15, 2015	July 15, 2015	April 15 2015
Distributions declared	\$ 659,892	\$ 561,740	\$ 279,492	\$ 249,312
Distribution reinvestment plan	298,437	291,709	206,599	199,241
Cash distribution	\$ 361,455	\$ 270,031	\$ 72,893	\$ 50,071
Trust Units issued or issuable pursuant to reinvestment plan	537,916	330,174	255,850	209,727



**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**9. DEBT**

*Convertible Debentures*

On May 28, 2014, the Trust issued 11,763 Debentures as part of its initial public offering at a price of \$1,000 per Debenture for proceeds of \$11,763,000. Transaction costs related to the issuance of the Debentures of \$1,890,725 were expensed. The Debentures bear an interest rate of 7.5% and mature on May 28, 2019 and have interest payable semi-annually. The outstanding principal under the Debentures may, at the option of the holder, be converted into Units at a conversion rate of 800 Units per \$1,000 of the principal amount of the Debentures.

During the year ended December 31, 2015, the Trust issued Debentures in the aggregate principal amount of \$2,000,000 towards the settlement of the note payable and the vendor take-back loan related to the acquisition of Suha.

The principal amount of the Debentures is 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.

For the year ended December 31, 2015, the Trust recorded and paid interest expense of \$957,225 (December 31, 2014 - \$520,866), on the Debentures and recognized a mark-to-market loss of \$976,300 for the year ended December 31, 2015 (mark-to-market gain for the year ended December 31, 2014 - \$2,352,600).

A continuity of convertible debt is as follows:

Balance, February 4, 2014	\$	-
Issuance		11,763,000
Fair value adjustment		(2,352,600)
<hr/>		
<b>Balance, December 31, 2014</b>	<b>\$</b>	<b>9,410,400</b>
Issuance		2,000,000
Fair value adjustment		976,300
<hr/>		
<b>Balance, December 31, 2015</b>	<b>\$</b>	<b>12,386,700</b>

*Note Payable*

On December 1, 2014, the Trust entered into a \$600,000 short term secured debt financing arrangement in the form of a promissory note (the "Note Payable"), maturing on February 1, 2015. The Note Payable carries interest of 6% per annum, payable upon maturity and a 10% up front structuring fee. The Trust and the holder of the Note Payable extended the maturity date of the Note Payable below.

The Trust and the holder of the Note Payable negotiated a second extension agreement which extended the repayment terms to the earlier of June 30, 2015 and the moment that is immediately prior to the closing of the secured debt facility.

In exchange for both the extension of the maturity date and the Trust's right to settle the obligations under the Note Payable with Debentures, the Trust agreed to an additional fee of \$300,000, which the holder agreed to settle by way of receiving Subscription Receipts as described in note 11 – Trust Units.

During the year ended December 31, 2015, the Trust accrued \$20,713 (December 31, 2014 - \$2,268) in interest related to the Note Payable.

During the year ended December 31, 2015, the Trust settled the Note Payable and related interest of \$22,981 with the issuance of \$300,000 of Units, \$21,000 of warrants and Debentures in the principal amount of \$1,000,000. As a result of this settlement, the Trust recorded a loss on settlement of \$698,019.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**9. DEBT (Continued)**

*Debt Facility*

The Trust has a \$5 million debt facility with Sprott Resource Lending Partnership (the "Sprott Debt Facility"). The Sprott Debt Facility accrues 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. The debt agreement prescribed a bonus payment of \$300,000 on closing, which the Trust settled in Units (see Note 11(vii)). Debt is presented net of amortized financing costs of \$502,353.

The Sprott Debt Facility includes financial covenants requiring that the Trust and all of its subsidiaries, except for Corabia and Power LIVE (the "Credit Parties"), maintain \$2,000,000 in unrestricted cash and cash equivalents and \$2,000,000 in working capital in the Credit Parties. If these covenants are breached, the lender's remedies include calling the debt and any accrued interest and taking possession of the assets of the Credit Parties. The Trust was in breach of covenants as at December 31, 2015, The Trust has been receiving a waiver on a monthly basis from the lender, however, since the Trust does not have the irrevocable right to defer payments for 12 months as at December 31, 2015 the debt has been classified as current.

*Capital Leases*

In connection with the acquisition of the Solar Projects, 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. The interest rate on the leasing contracts is 7% until the end of 2015 escalating to 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 capital lease agreements require the Solar Projects to maintain a debt service reserve account equal to three months debt service obligations. As at December 31, 2015, the Trust has \$2,246,266 of restricted cash related to this requirement. The amount of consideration in excess of the balance of the vendor take back loan, \$550,000, has been recognized in the statement of loss and comprehensive loss.

At December 31, 2015, the discounted balance of the capital lease facilities is \$27,194,365. The following is a summary of the stated scheduled future minimum payments under the Trust's capital lease and term loan obligations as at December 31, 2015:

Within 1 year	\$ 4,569,019
1 - 5 years	18,647,837
Greater than 5 years	13,321,278
	<hr/>
	\$ 36,538,134

During the year ended December 31, 2015, the Trust settled the vendor take back loan related to the acquisition of Suha through the payment of \$846,000 in cash and the remaining amount was settled by the issuance of \$1,000,000 principal amount of unsecured convertible debentures of the Trust.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**10. INTEREST AND FINANCE CHARGES**

	2015	2014
Debt interest (Note 9)	\$ 957,225	\$ 520,866
Interest on debt facility (Note 9)	245,939	-
Interest on capital leases	866,123	130,528
Finance income	(4,961)	(3,333)
Other finance costs	217,470	-
	<b>\$ 2,281,796</b>	<b>\$ 648,061</b>

**11. TRUST UNITS**

*Trust Units*

	Trust Units	Trust Unit Value
Balance, February 4, 2014	15	\$ 15
Issuance of Trust Units (i)	11,045,785	9,272,042
Distribution reinvestment plan (ii)	303,322	267,370
<b>Balance, December 31, 2014</b>	<b>11,349,122</b>	<b>\$ 9,539,427</b>
Issuance of Trust Units (iii)(iv)(v)(vi)(viii)(ix)(x)(xi)(xii)	17,849,040	16,347,165
Distribution reinvestment plan (vii)	1,002,243	874,101
Exercise of warrants	3,300	3,300
Issuance costs	-	(994,834)
<b>Balance, December 31, 2015</b>	<b>30,203,705</b>	<b>\$ 25,769,159</b>

- i) Issued 205,000 Units at \$1.00 per Unit pursuant for gross cash proceeds of \$205,000.
- ii) On May 28, 2014, the Trust issued 11,045,800 Units as part of its initial public offering at a price of \$1.00 per Unit for proceeds of \$9,272,042 which is net of \$1,773,743 in transaction costs.
- iii) During the year ended December 31, 2014, the Trust issued 303,322 Trust Units to settle distributions payable of \$267,390, pursuant to the Trust's distribution reinvestment plan.
- iv) Issued 5,995,070 Units related to the subscription receipts issued by the Trust on June 23, 2015 (the "Subscription Receipts") for proceeds of \$5,423,829.
- v) Issued 192,000 Units to settle agent and finder fees in connection with issuance of the Subscription Receipts.
- vi) Issued 6,812,194 Units valued at \$5,790,365 to acquire the Solar Projects.
- vii) Issued 4,156,812 Units valued at \$3,782,699 (Note 3(ii)).
- viii) Issued 392,157 Units valued at \$333,333 as a bonus payment on the Spratt Debt Facility.
- ix) Issued 32,500 Units valued at \$32,500 for investor relation services.
- x) Issued 33,897 Units at \$0.59 per Unit pursuant to the Trust's Unit purchase plan for gross cash proceeds of \$19,999.
- xi) Issued 3,300 Units at \$1.00 per Unit on exercise of warrants for gross cash proceeds of \$3,300.
- xii) Issued 29,410 Units at \$0.85 per Unit pursuant to the Trust's Unit purchase plan for gross cash proceeds of \$25,000.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**11. TRUST UNITS (Continued)**

During the year ended December 31, 2015, the Trust incurred issuance costs related to Units of \$994,834 which has been deducted from Unit capital.

*Restricted Trust Units*

On March 31, 2015, the Trust issued 150,000 restricted trust units (the "RTUs") as compensation to a third party consultant for services, of which 75,000 RTUs vested on issuance and the remaining 75,000 RTUs vested on June 30, 2015. The RTUs can be settled in either cash or by issuing Units, at the option of the Trust, pursuant to the Trust's RTU plan.

*Warrants*

As a result of the satisfaction of applicable escrow release conditions by the Trust, the Subscription Receipts each automatically converted into one Unit and one Warrant for no additional consideration. Each Warrant entitles 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. The Warrants contain an acceleration provision providing that if, after November 25, 2015, the closing price of the Units on the TSX Venture Exchange is higher than \$1.50 for 20 consecutive trading days, then on the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the Warrants will be accelerated to the 10th business day after the Acceleration Trigger Date. A total of 5,410,070 Warrants were issued in connection with the closing of the Subscription Receipts. In addition, the Trust issued 4,156,812 warrants in consideration for all of the common shares of Mediterranean Resources Ltd.

**12. 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. 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 year ended December 31, 2015, the Trust expensed \$723,413 (2014 - \$436,938) of salaries and benefits to the officers of the Trust in addition to \$105,000 (2014 - \$44,383) in directors' fees.

As at December 31, 2015, the Trust has amounts payable of \$233,855 (2014 - \$81,213) 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 CEO. These advances are non-interest bearing and due on demand.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**13. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

*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, 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 equity, 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.

*Financial Instruments*

The Trust's financial instruments consist of cash, trade and other receivables, accounts payable and other, due to related party, distributions payable, vendor take back loans and the debentures. As of December 31, 2015, the Trust has not entered into any derivative contracts.

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

<b>2015</b>	<b>Measured at Fair Value (\$)</b>	<b>Level 1 (\$)</b>	<b>Level 2 (\$)</b>	<b>Level 3 (\$)</b>
<b>Financial Assets</b>				
Cash	1,711,071	1,711,071	-	-
<b>Financial Liabilities</b>				
Milestone units	1,067,186	-	-	1,067,186
Vendor take-back loan	818,322	-	818,322	-
Debt facility	4,498,772	-	4,498,772	-
Capital leases	27,194,365	-	27,194,365	-
Warrant liability	879,265	-	879,265	-
Debentures	12,386,700	-	12,386,700	-

<b>2014</b>	<b>Measured at Fair Value (\$)</b>	<b>Level 1 (\$)</b>	<b>Level 2 (\$)</b>	<b>Level 3 (\$)</b>
<b>Financial Assets</b>				
Cash	245,566	245,566	-	-
<b>Financial Liabilities</b>				
Milestone units	531,879	-	-	531,879
Vendor take-back loan	1,369,097	-	1,369,097	-
Note payable	600,000	-	600,000	-
Debentures	9,410,400	9,410,400	-	-

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

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**13. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**

*Financial Instruments (Continued)*

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. The following analysis provides a measurement of risks as at December 31, 2015.

Credit Risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Trust's credit risk is primarily attributable to fluctuations in the realizable values of its cash and accounts receivable. Cash accounts are maintained with major international financial institutions of reputable credit and therefore bear minimal credit risk. In the normal course of business, the Trust is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk.

Outstanding customer receivables are monitored at each reporting date and any significant outstanding receivables from major customers is analyzed. Impairment indicators are analyzed at each reporting date, based on the ageing, but also on other specific information for large individual customers. The maximum credit risk exposure at the reporting date is given by the carrying amount of the trade receivables. The Trust evaluates the concentration of risk with respect to trade receivables as low. The license of the client to purchase energy does not allow the build-up of uncollected receivables. As at December 31, 2015, all trade receivables were current.

Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due within one year. The Trust's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. The Trust manages liquidity risk by closely monitoring changing conditions in its investees, participating in the day to day management and by forecasting cash flows from operations and anticipated investing and financing activities (see going concern disclosure in note 1).

	Total	0 to 12, Months	12 to 24 Months	After 24 Months
Trade and other receivables	\$ 2,399,594	\$ 2,399,594	\$ -	\$ -
Accounts payable and accrued liabilities	(3,560,082)	(3,560,082)	-	-
Due to related party	(233,855)	(233,855)	-	-
Distributions payable	(659,892)	(659,892)	-	-
Vendor takeback loan and acquisition instalment payments	(818,322)	(818,322)	-	-
Note payable	-	-	-	-
Debentures	(13,763,000)	-	-	(13,763,000)
Debenture interest	(3,526,769)	(1,032,225)	(1,032,225)	(1,462,319)
	<b>\$ (20,162,326)</b>	<b>\$ (3,904,782)</b>	<b>\$ (1,032,225)</b>	<b>\$ (15,225,319)</b>

*The carrying amounts in the table above are the same as the contractual amounts.*

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**13. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**

*Financial Instruments (Continued)*

Foreign Exchange Risk

The Trust is exposed to foreign currency risk through its operations in Romania. The risks and fluctuations are related to cash and accounts payable and other that are denominated in Romanian Leu.

	Cash	Accounts Receivable	Accounts Payable and Loans	Capital Leases
RON	\$ 64,288	\$ 793,725	\$ (347,546)	\$ -
EUR	\$ 10,610	\$ 1,636,408	\$ (1,988,699)	\$ (27,194,365)

The effect of a 10% strengthening of the Romanian Leu against the Canadian dollar at the reporting date on the Romanian denominated trade receivables and accounts payable carried at that date would, had all other variables held constant, have resulted in an increase in other comprehensive income for the period and increase of net assets of \$42,027. A 10% weakening in the exchange rate would, on the same basis, have decreased other comprehensive income and decreased net assets by \$54,047.

The effect of a 10% strengthening of the Euro against the Canadian dollar at the reporting date on the accounts payable denominated in Euros carried at that date would, had all other variables held constant, have resulted in an increase in profit for the period and increase of net assets of \$2,753,605. A 10% weakening in the exchange rate would, on the same basis, have decreased profit and decreased net assets by \$2,753,605.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is exposed to interest rate risk on its fixed interest rate financial instruments. These fixed-rate instruments subject the Trust to a fair value risk.

Commodity Price Risk

Commodity price risk is defined for these purposes as the risk that the fair value of future cash flows of a financial instrument held by the Trust will fluctuate because of changes in commodity prices. The Trust is exposed to commodity price risk related to its revenue recognized and the future realization of green certificates.

**14. INCOME TAX**

The provision for income taxes has been computed as follows:

	2015	2014
Expected income tax (recovery) at the statutory rate of 26.50%	\$ 3,320,146	\$ 841,495
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	-	(1,168)
Effect of difference of foreign tax rates compared to Canadian rates	(181,774)	(132,718)
Tax benefits not recognized	(3,171,309)	(711,154)
Provision for income taxes	\$ (32,937)	\$ (3,545)

The Trust has Canadian tax losses of \$7,875,592 and Romanian tax losses of \$12,105,604 available to be applied against future years' taxable income. The Canadian tax losses expire in 2034 and 2035 and the Romanian tax losses expire between 2017 and 2022.

As at December 31, 2015, the Trust has deferred tax liabilities of \$1,242,490 (2014 - \$129,653) relating to book to tax basis differences on its hydro and solar acquisitions.

**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**15. SEGMENT INFORMATION**

In accordance with IFRS 8, "Operating Segments," the Trust has identified the following operating segments: (i) three hydroelectric run of river companies (located in Romania) which consists of Rott, Zagra and Suha; (ii) two Solar Projects (located in Romania) which consist of Corabia and Power LIVE; and (iii) corporate overhead which includes the management of the Hydro and Solar 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.

Segment Assets and Liabilities

	2015	2014
<b>Assets</b>		
Hydro projects	\$ 15,185,070	\$ 17,601,026
Solar projects	43,090,307	-
Corporate	2,078,905	282,843
	<b>\$ 60,354,282</b>	<b>\$ 17,883,869</b>
<b>Liabilities</b>		
Hydro projects	\$ 1,778,065	\$ 1,789,725
Solar projects	30,289,774	-
Corporate	20,473,090	11,436,809
	<b>\$ 52,540,929</b>	<b>\$ 13,226,534</b>

Profit (loss) by Segment

2015	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 1,099,730	\$ 2,390,499	\$ -	\$ 3,490,229
Operating				
Depreciation	(705,362)	(1,060,119)	-	(1,765,481)
Expenses	(1,601,101)	(1,189,228)	(8,226,304)	(11,016,633)
Impairment	(3,269,905)	-	-	(3,269,905)
Profit (loss) for the year	\$ (4,476,638)	\$ 141,152	\$ (8,226,304)	\$ (12,561,790)

2014	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 398,340	\$ -	\$ -	\$ 398,340
Operating				
Depreciation	(444,897)	-	-	(444,897)
Expenses	(715,834)	-	(2,416,606)	(3,132,440)
Profit (loss) for the period	(762,391)	-	(2,416,606)	(3,178,997)



**Transeastern Power Trust**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**16. SUBSEQUENT EVENTS**

Subsequent to December 31, 2015, the Trust entered into letters of intent for the proposed acquisition of a 17 MW operational wind project (the “New Wind Project”) located in Romania and three operational hydro projects totaling 3.65 MW (the “New Hydro Projects”) located in Romania. The New Wind Project has been in operation since 2012, has an off-take agreement in place, and generates approximately 45,000 MWh of electricity annually.

The purchase price of the New Wind Project is €20,400,000 (Cdn.\$30,600,000) less the amount of debt financing on the New Wind Project as at the closing date. The net purchase price shall be payable as to 50% by way of an interest free vendor-take-back loan with the remaining 50% payable by the issuance to the vendor of a combination of Units at a deemed issuance price of Cdn.\$1.00 per Unit and Debentures.

The New Hydro Projects have over 20 years of operating history, were refurbished in 2012 and 2014, have an offtake agreement in place and generate approximately 10,000 MWh of electricity annually.

The purchase price of the New Hydro Projects is €5,000,000 (Cdn.\$7,500,000), calculated on a debt free basis. The purchase price shall be payable (i) as to 50% in cash; and (ii) as to 50% in Units at a deemed issuance price of Cdn.\$1.00 per Unit, calculated in Euros in accordance with the applicable exchange rate on the day immediately prior to the closing date.

The Trust also signed a letter of intent to obtain a \$10 million secured debt and royalty facility with a three year term, subject to a one year extension at the option of the Trust under certain conditions. Interest is payable on the facility at a rate of 5% per annum, compounding semi-annually. The facility also carries a 2% production royalty. The Trust plans to use the net proceeds from the debt facility to repay existing secured indebtedness at both the Trust and Romanian subsidiary levels, to facilitate the purchase of the New Wind Project and New Hydro Projects.

The closing of the acquisitions of New Wind Project and the New Hydro Projects are subject to various conditions precedent.

On April 5, 2016, the Trust closed a private placement for net proceeds of \$810,000 and issued 1,156,043 Units and 1,156,043 Unit purchase warrants.