
TRANSEASTERN POWER TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND MARCH 31, 2015
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE TO READER

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

Transeastern Power Trust
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

As at	March 31, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$ 743,523	\$ 1,711,071
Trade and other receivables	2,024,658	2,399,594
Green certificates (Note 4)	302,061	222,446
Prepaid and other assets	413,648	177,453
	3,483,890	4,510,564
Long-term		
Restricted cash (Note 7)	2,233,328	2,246,266
Restricted green certificates (Note 4)	4,986,556	4,738,734
Other non-current assets	38,512	38,329
Property, plant and equipment (Note 5)	46,407,482	48,820,389
	57,149,768	60,354,282
TOTAL ASSETS	\$ 57,149,768	\$ 60,354,282
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 4,927,757	\$ 3,560,082
Due to related parties (Note 10)	296,355	233,855
Distributions payable (Note 6)	672,472	659,892
Vendor take back loan and acquisition instalment payments (Note 3)	818,322	818,322
Current portion of capital leases (Note 7)	2,709,448	2,743,473
Debt facility (Note 7)	4,582,310	4,498,772
	14,006,664	12,514,396
Milestone units	1,204,049	1,067,186
Convertible debentures (Note 7)	11,010,400	12,386,700
Warrant liability	948,456	879,265
Deferred tax liabilities	1,473,484	1,242,490
Long-term portion of capital leases (Note 7)	23,365,613	24,450,892
	52,008,666	52,540,929
Unitholders equity	5,141,102	7,813,353
TOTAL LIABILITIES AND UNITHOLDERS EQUITY	\$ 57,149,768	\$ 60,354,282

Nature of operations (Note 1)

Subsequent events (Note 12)

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

Transeastern Power Trust

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

For the Three Months Ended March 31,	2016	2015
REVENUE		
Sale of electricity	\$ 324,188	\$ 126,382
Income from green certificates	981,848	206,202
	1,306,036	332,584
OPERATING EXPENSES		
Operating	677,977	307,409
Depreciation	719,471	184,886
	1,397,448	492,295
Cost of sales		
General and administrative (includes employee costs of \$384,589; 2015 - \$93,750)	502,159	218,144
Legal and professional	141,174	45,559
Milestone units	136,861	226,889
	2,177,642	982,887
Total operating expenses		
Operating Loss	(871,606)	(650,303)
OTHER EXPENSES		
Fair value gain (loss) on debentures (Note 7)	1,376,300	(1,176,300)
Interest and finance charges (Note 8)	(983,652)	(281,818)
Foreign exchange gain (loss)	(56,230)	10,824
Warrant revaluation	(69,191)	-
	(604,379)	(2,097,597)
INCOME (LOSS) BEFORE TAX		
Current income tax expense	-	(1,546)
Deferred income tax expense	51,025	28,472
	(553,354)	(2,070,671)
LOSS FOR THE PERIOD		
Items to be reclassified subsequently to income:		
Foreign currency translation gain (loss)	1,744,047	(139,438)
	\$ 1,190,693	\$ (2,210,109)
TOTAL COMPREHENSIVE INCOME (LOSS) AFTER TAX		
	\$ (0.02)	\$ (0.18)
Basic and diluted earnings (loss) per unit		
	30,651,723	11,493,666
Weighted average number of units outstanding - basic and diluted		

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

Transeastern Power Trust

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY (UNAUDITED)

	Trust Units	Trust Unit Value	Deficit	Comprehensive Loss - Foreign Currency Translation	Unitholders' Equity
Balance, December 31, 2014	11,349,122	\$ 9,539,427	\$ (3,765,906)	\$ (1,116,186)	4,657,335
Distribution reinvestment plan	206,492	176,551	-	-	176,551
Net loss for the period	-	-	(2,070,671)	-	(2,070,671)
Other comprehensive loss	-	-	-	(139,438)	(139,438)
Distribution to unitholders	-	-	(249,312)	-	(249,312)
Balance, March 31, 2015	11,555,614	\$ 9,715,978	\$ (6,085,889)	\$ (1,255,624)	2,374,465
Balance, December 31, 2015	30,203,705	25,769,159	(18,078,132)	122,326	7,813,353
Distribution reinvestment plan (Note 9)	537,916	297,622	-	-	297,622
Net loss for the period	-	-	(553,354)	-	(553,354)
Other comprehensive gain	-	-	-	(1,744,047)	(1,744,047)
Distribution to unitholders (Note 6)	-	-	(672,472)	-	(672,472)
Balance, March 31, 2016	30,741,621	\$ 26,066,781	\$ (19,303,958)	\$ (1,621,721)	5,141,102

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

Transeastern Power Trust
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Three Months Ended March 31,

2016

2015

CASH (USED IN) PROVIDED BY:

OPERATING ACTIVITIES

Net loss	\$ (553,354)	\$ (2,070,671)
Items related to financing activities:		
Fair value loss (gain) on debentures (Note 7)	(1,376,300)	1,176,300
Accretion expense	83,538	25,505
Warrant revaluation	69,191	-
Add (deduct) items not affecting cash:		
Depreciation (Note 5)	719,471	184,886
Unrealized foreign exchange losses (gains)	625,634	(10,824)
Deferred income tax expense (recovery)	(51,025)	(28,472)
Milestone units	15,788	226,889
Net change in non-cash working capital:		
Trade and other receivables	374,936	(80,846)
Green certificates-current and restricted	(327,437)	15,186
Prepaid and other assets	(236,195)	(247,628)
Other non-current assets	(183)	297
Accounts payable and accrued liabilities	1,109,620	464,041
Due to related parties	62,500	69,045
Convertible interest payable	-	217,535
	516,184	(58,757)

FINANCING ACTIVITIES

Distributions paid	(362,270)	(74,263)
Capital leases	(1,119,304)	-
	(1,481,574)	(74,263)

Effect of currency translation	(2,158)	824
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CHANGE IN CASH	(967,548)	(132,196)
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CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,711,071	245,566
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CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 743,523	\$ 113,370
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SUPPLEMENTARY CASH FLOW INFORMATION:

Cash paid for interest	\$ 725,596	\$ -
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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

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 condensed interim 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 \$10,522,774 as at March 31, 2016 (December 31, 2015 - \$8,003,832), an accumulated deficit of \$19,303,958 as at March 31, 2016 (December 31, 2015 - \$ 18,078,132 , and the Trust incurred a loss of \$ 553,354 (three months ended March 31, 2015 - \$2,070,671). 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 March 31, 2016, the Trust announced the execution of a letter of intent for a proposed \$10 million secured debt facility, a term sheet to refinance the solar assets and lower the interest rate on the solar capital leases, as described in note 12, as well as closing on two unit issuances.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

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

Going Concern (Continued)

The Trust believes that its current financing efforts along with the previously announced wind and hydro project acquisitions, together with 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 such acquisitions. Accordingly, the condensed interim consolidated 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 Projects' dependence on hydrology, water flows and sufficient sunshine.

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 26, 2016.

Basis of Consolidation

The condensed interim 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 condensed interim consolidated financial statements include the accounts of the Trust and the following subsidiaries:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Ownership Percentage</u>
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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

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 ¹	2,431,194
Vendor take-back loan	332,265
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Total consideration	\$ 5,198,465
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¹Units were valued at the trading price of the Units on the acquisition date of \$0.85.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

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:

Assets Acquired	
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
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Consideration	
Cash	\$ 3,362,627
Units ¹	3,359,171
Vendor take-back loan	412,324
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Total consideration	\$ 7,134,122

¹Units 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
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Closing balance	\$ 818,322

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.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

3. ACQUISITIONS (Continued)

ii) Acquisition of Mediterranean Resources Ltd. (Continued)

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:

Assets Acquired	
Cash	\$ 3,491,893
Accounts payable	(308,156)
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Net assets acquired	\$ 3,183,737
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Consideration	
Units ¹	\$ 3,782,699
Warrants ²	498,817
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Total consideration	\$ 4,281,516
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Excess of consideration paid for net assets acquired	\$ 1,097,779

Total transaction costs incurred during the year ended December 31, 2015 related to the acquisitions of the Solar Projects and Mediterranean were \$665,419.

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

²Fair 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%.

4. GREEN CERTIFICATES

Pursuant to applicable Romanian legislation, new hydro plants with production capacity of less than 10MW that commenced operations before January 1, 2014, such as the Trust's Rott project, 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 the Trust's Zagra project, 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 the Trust's Suha project, 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 March 31, 2016, the Trust has recognized tradable green certificates of \$302,061 (December 31, 2015: \$222,446) and restricted green certificates of \$4,986,556 (December 31, 2015: \$4,738,734).

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

5. PROPERTY, PLANT AND EQUIPMENT

	Land (\$)	Buildings (\$)	Equipment (\$)	Fixtures (\$)	Construction In Progress (\$)	Total (\$)
Cost						
Balance, December 31, 2014	296,065	10,317,976	5,038,928	23,076	1,725,371	17,401,416
Additions	-	-	-	-	-	-
Effect of currency translation	(4,066)	(141,703)	(69,203)	(317)	(23,696)	(238,985)
Balance, March 31, 2015	291,999	10,176,273	4,969,725	22,759	1,701,675	17,162,431
Balance, December 31, 2015	694,563	21,102,179	27,374,462	26,621	1,826,518	51,024,343
Additions	-	-	-	-	-	-
Effect of foreign currency translation	(21,717)	(659,818)	(855,939)	(832)	(57,111)	(1,595,417)
Balance, March 31, 2016	672,846	20,442,361	26,518,523	25,789	1,769,407	49,428,926
Accumulated Amortization						
Balance, December 31, 2014	-	(222,685)	(204,136)	(1,529)	-	(428,350)
Depreciation expense	-	(87,743)	(96,446)	(697)	-	(184,886)
Effect of currency translation	-	9,570	8,904	68	-	18,542
Balance, March 31, 2015	-	(300,858)	(291,678)	(2,158)	-	(594,694)
Balance, December 31, 2015	-	(953,762)	(1,234,703)	(15,489)	-	(2,203,954)
Depreciation expense	-	(295,785)	(418,012)	(5,674)	-	(719,471)
Effect of foreign currency translation	-	(42,418)	(54,912)	(689)	-	(98,019)
Balance, March 31, 2016	-	(1,291,965)	(1,707,627)	(21,852)	-	(3,021,444)
Net Book Value						
Balance, March 31, 2015	291,999	9,875,415	4,678,047	20,601	1,701,675	16,567,737
Balance, March 31, 2016	672,846	19,150,396	24,810,896	3,937	1,769,407	46,407,482

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

6. DISTRIBUTIONS PAYABLE

Record Date	March 31, 2016	December 31, 2015	September 28, 2015	July 6, 2015
Payment Date	April 15, 2016	January 15, 2016	October 15, 2015	July 15, 2015
Distributions declared	\$ 672,472	\$ 659,892	\$ 561,740	\$ 279,492
Distribution reinvestment plan	337,992	298,437	291,709	206,599
Cash distribution	\$ 334,480	\$ 361,455	\$ 270,031	\$ 72,893
Trust Units issued or issuable pursuant to reinvestment plan	209,727	537,916	330,174	255,850

7. 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 three months ended March 31, 2016, the Trust accrued interest expense of \$258,056 (March 31, 2015 - \$217,535), on the Debentures and recognized a mark-to-market gain of \$1,376,300 for the three months ended March 31, 2016 (mark-to-market loss for the three months ended March 31, 2015 - \$1,176,300).

A continuity of convertible debt is as follows:

Balance, December 31, 2014	\$ 9,410,400
Issuance	2,000,000
Fair value adjustment	976,300
Balance, December 31, 2015	\$ 12,386,700
Fair value adjustment	(1,376,300)
Balance, March 31, 2016	\$ 11,010,400

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

7. 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. 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 March 31, 2016 and 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 March 31, 2016, 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 March 31, 2016, the Trust has \$2,233,328 (December 31, 2015 - \$2,246,266) of restricted cash related to this requirement.

At March 31, 2016, the discounted balance of the capital lease facilities is \$26,075,061 (December 31, 2015 - \$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 March 31, 2016:

Within 1 year	\$	3,426,764
1 - 5 years		18,647,837
Greater than 5 years		13,321,278
		<hr/>
	\$	35,395,879

8. INTEREST AND FINANCE CHARGES

Three months ended March 31,	2016	2015
Debt interest (Note 7)	\$ 258,056	\$ 217,535
Interest on debt facility (Note 7)	156,389	-
Interest on capital leases	493,512	64,503
Finance income	(7,843)	(220)
Other finance costs	83,538	-
	<hr/>	
	\$ 983,652	\$ 281,818

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

9. TRUST UNITS

Trust Units

	Trust Units	Trust Unit Value
Balance, December 31, 2014	11,349,122	\$ 9,539,427
Distribution reinvestment plan	206,492	176,551
Balance, March 31, 2015	11,555,614	\$ 9,715,978
Balance, December 31, 2015	30,203,705	25,769,159
Distribution reinvestment plan	537,916	297,622
Balance, March 31, 2016	30,741,621	\$ 26,066,781

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 at March 31, 2016, the Trust has issued 10,411,148 warrants. 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.

10. RELATED PARTY TRANSACTIONS

Apart from the transactions disclosed elsewhere in these condensed interim consolidated financial statements, all transactions are in the normal course of business and are recorded at the exchange value agreed to by the related parties. Inter-company transactions and balances are eliminated upon consolidation.

Key management of the Trust consists of members of the board of directors and officers of the Trust and Administrator. During the three months ended March 31, 2016, the Trust expensed \$315,227 of salaries and benefits to the officers of the Trust in addition to \$33,750 in directors' fees.

As at March 31, 2016, the Trust has amounts payable of \$334,183 to related parties consisting of advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust by the Executive Chairman and the Chief Executive Officer. These advances are non-interest bearing and due on demand.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 (UNAUDITED)

11. 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

	March 31, 2015	December 31, 2015
Assets		
Hydro projects	\$ 17,558,681	\$ 15,185,070
Solar projects	38,990,214	43,090,307
Corporate	600,873	2,078,905
	\$ 57,149,768	\$ 60,354,282
Liabilities		
Hydro projects	\$ 1,948,809	\$ 1,778,065
Solar projects	29,973,781	30,289,774
Corporate	20,086,076	20,473,090
	\$ 52,008,666	\$ 52,540,929

Profit (loss) by Segment

March 31, 2016	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 217,894	\$ 1,088,142	\$ -	\$ 1,306,036
Operating				
Depreciation	(295,785)	(423,686)	-	(719,471)
Expenses	(327,622)	(819,450)	7,153	(1,139,919)
Profit (loss) for the period	\$ (405,513)	\$ (154,994)	\$ 7,153	\$ (553,354)

March 31, 2015	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 332,584	\$ -	\$ -	\$ 332,584
Operating				
Depreciation	(184,886)	-	-	(184,886)
Expenses	(310,890)	-	(1,907,479)	(2,218,369)
Profit (loss) for the period	(163,192)	-	(1,907,479)	(2,070,671)

12. SUBSEQUENT EVENTS

Subsequent to March 31, 2016, the Trust closed two private placements for total net proceeds of \$1.0 million and issued 1,472,442 Units, 1,472,442 Unit purchase warrants and a total of 90,263 broker warrants.

The Trust has entered into a non-binding term sheet for the refinancing of €17.5 million of existing debt facilities secured against the assets of the Trust's solar subsidiaries which be reduced from 7% per annum and 8.48% per annum commencing on January 1, 2017, to 5.95% per annum until maturity of the facilities on October 31, 2023.