

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three and six month periods ended June 30, 2015

(EXPRESSED IN CANADIAN DOLLARS)

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

TRANSEASTERN POWER TRUST

Condensed Interim Consolidated Statements of Financial Position

| | <u>As at June 30, 2015</u> | <u>As at December 31, 2014</u> |
|---|--------------------------------|------------------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 130,659 | \$ 245,566 |
| Restricted cash [note 10] | 4,914,194 | |
| Trade and other receivables [note 3] | 421,641 | 323,066 |
| Green certificates [note 4] | 69,315 | 131,106 |
| Prepays and other assets | <u>775,792</u> | <u>44,415</u> |
| Total current assets | 6,311,601 | 744,153 |
| | | |
| Restricted green certificates [note 4] | 246,592 | 137,703 |
| Other non-current assets | 28,808 | 28,947 |
| Property, plant and equipment, net [note 5] | <u>16,514,098</u> | <u>16,973,066</u> |
| Total assets | <u>\$ 23,101,099</u> | <u>\$ 17,883,869</u> |
| | | |
| LIABILITIES AND UNITHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities [note 6] | \$ 1,439,721 | \$ 853,476 |
| Due to related parties [note 7] | 220,505 | 81,213 |
| Distributions payable [note 9] | 279,491 | 250,816 |
| Vendor take back loan and acquisition instalment payments | 1,319,397 | 1,369,097 |
| Deferred tax liability | 138,552 | 129,653 |
| Note payable [note 11] | 600,000 | 600,000 |
| Private placement funds held in trust [note 10] | <u>5,410,194</u> | <u>-</u> |
| Total current liabilities | 9,407,860 | 3,284,255 |
| | | |
| Milestone Units | 962,783 | 531,879 |
| Convertible debentures [note 8] | <u>11,763,000</u> | <u>9,410,400</u> |
| Total liabilities | <u>22,133,643</u> | <u>13,226,534</u> |
| | | |
| Unitholders' equity [note 12] | <u>967,456</u> | <u>4,657,335</u> |
| | <u>\$ 23,101,099</u> | <u>\$ 17,883,869</u> |

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

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

| | Three month period ended June 30, 2015 | Three month period ended June 30, 2014 | Six month period ended June 30, 2015 | Period from February 4, 2014 to June 30, 2014 |
|--|---|---|---|--|
| REVENUE | | | | |
| Sale of electricity | \$ 180,815 | \$ 20,375 | \$ 307,197 | \$ 20,375 |
| Income from green certificates | 324,257 | - | 530,459 | - |
| | <u>505,072</u> | <u>20,375</u> | <u>837,656</u> | <u>20,375</u> |
| OPERATING EXPENSES | | | | |
| Operating | 333,259 | 13,672 | 640,668 | 13,672 |
| Depreciation [note 5] | 181,181 | 58,264 | 366,067 | 58,264 |
| Cost of sales | 514,440 | 71,936 | 1,006,735 | 71,936 |
| General and administrative | 412,830 | 363,495 | 630,974 | 363,495 |
| Legal and professional | 51,561 | 25,319 | 97,120 | 25,319 |
| Milestone units | 204,015 | 21,875 | 430,904 | 21,875 |
| Transaction costs | - | 2,514,676 | - | 2,514,676 |
| Total operating expenses | 1,182,846 | 2,997,301 | 2,165,733 | 2,997,301 |
| Operating Loss | <u>677,774</u> | <u>2,976,926</u> | <u>1,328,077</u> | <u>2,976,926</u> |
| OTHER EXPENSES | | | | |
| Fair value loss (gain) on Debentures [note 8] | 1,176,300 | (588,150) | 2,352,600 | (588,150) |
| Debenture interest [note 8] | 223,578 | 79,753 | 441,113 | 79,753 |
| Foreign exchange gains | 10,000 | 98,660 | (824) | 98,660 |
| Finance income | (25,236) | (2,012) | (53,928) | (2,012) |
| Finance cost | 284,539 | 15,606 | 349,042 | 15,606 |
| Loss before tax | <u>2,346,955</u> | <u>2,580,783</u> | <u>4,416,080</u> | <u>2,580,783</u> |
| Current income tax expense | 8,407 | 5,134 | 9,953 | 5,134 |
| Deferred income tax recovery | - | - | - | - |
| Loss for the period | <u>\$ 2,355,362</u> | <u>\$ 2,585,917</u> | <u>\$ 4,426,033</u> | <u>\$ 2,585,917</u> |
| Amounts to be recycled subsequently to profit and loss | | | | |
| Foreign currency translation loss | (21,603) | 175,955 | 117,835 | 175,955 |
| Total comprehensive loss after tax | <u>\$ 2,333,759</u> | <u>\$ 2,761,872</u> | <u>\$ 4,543,868</u> | <u>\$ 2,761,872</u> |
| Loss per weighted average number of Units outstanding – basic and diluted | <u>\$ 0.20</u> | <u>\$ 0.23</u> | <u>\$ 0.38</u> | <u>\$ 0.23</u> |
| Weighted average number of Units outstanding – basic and diluted | 11,998,388 | 11,045,800 | 11,747,421 | 11,045,800 |

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

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Statements of Unitholders' Equity

| | Trust Units | | Deficit | Accumulated Comprehensive Loss – Foreign Currency Translation | Unitholders' Equity |
|-----------------------------------|-------------------|---------------------|-----------------------|---|------------------------|
| | Number | Value | | | |
| February 4, 2014 | 15 | \$ 15 | \$ - | -\$ | 15 |
| Net loss | - | - | - | - | - |
| March 31, 2014 | 15 | 15 | - | - | 15 |
| Issuance of Trust Units [note 12] | 11,045,785 | 9,272,042 | - | - | 9,272,042 |
| Net loss | - | - | (2,585,917) | - | (2,585,917) |
| Other comprehensive loss | - | - | - | (175,955) | (175,955) |
| Distributions to Unitholders' | - | - | (90,023) | - | (90,023) |
| June 30, 2014 | 11,045,800 | \$ 9,272,057 | \$ (2,675,940) | -\$ (175,955) | 6,420,162 |

| | Trust Units | | Deficit | Accumulated Comprehensive Loss – Foreign Currency Translation | Unitholders' Equity |
|--|-------------------|----------------------|-----------------------|---|------------------------|
| | Number | Value | | | |
| December 31, 2014 | 11,349,122 | \$ 9,539,427 | \$ (3,765,906) | -\$ (1,116,186) | 4,657,335 |
| Distribution Reinvestment Plan [note 12] | 206,492 | 176,551 | - | - | 176,551 |
| Net loss | - | - | (2,070,671) | - | (2,070,671) |
| Other comprehensive loss | - | - | - | (139,438) | (139,438) |
| Distributions to Unitholders' | - | - | (249,312) | - | (249,312) |
| March 31, 2015 | 11,555,614 | 9,715,978 | (6,085,889) | (1,255,624) | 2,374,465 |
| Distribution Reinvestment Plan [note 12] | 209,727 | 199,241 | - | - | 199,241 |
| Issuance of Trust Units [note 12] | 1,011,410 | 1,007,000 | - | - | 1,007,000 |
| Net loss | - | - | (2,355,362) | - | (2,355,362) |
| Other comprehensive loss | - | - | - | 21,603 | 21,603 |
| Distributions to Unitholders' | - | - | (279,491) | - | (279,491) |
| June 30, 2015 | 12,776,751 | \$ 10,922,219 | \$ (8,720,742) | -\$ (1,234,021) | 967,456 |

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

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Statements of Cash Flows

| | Three month period ended June 30, 2015 | Three month period ended June 30, 2014 | Six month period ended June 30, 2015 | Period From February 4, 2014 to June 30, 2014 |
|--|---|---|---|--|
| OPERATING ACTIVITIES | | | | |
| Loss for the period | \$ (2,355,362) | \$ (2,585,917) | \$ (4,426,033) | \$ (2,585,917) |
| Add items related to financing activities | | | | |
| Transaction costs related to Debentures | - | 1,890,725 | - | 1,890,725 |
| Fees settled with subscription receipts | 496,000 | - | 496,000 | - |
| Accretion expense | 5,685 | - | 31,190 | - |
| Add (deduct) items not affecting cash | | | | |
| Fair value loss (gain) on Debentures [note 8] | 1,176,300 | (588,150) | 2,352,600 | (588,150) |
| Depreciation | 181,181 | 58,264 | 366,067 | 58,264 |
| Foreign exchange gains | 10,000 | (340) | (824) | (340) |
| Deferred income tax recovery | - | 5,134 | - | 5,134 |
| Milestone Units | 204,015 | 21,875 | 430,904 | 21,875 |
| Changes in non-cash working capital | | | | |
| Trade and other receivables | (17,729) | (155,729) | (98,575) | (155,729) |
| Green certificates-current and restricted | (62,284) | - | (47,098) | - |
| Prepays and other assets | (291,749) | - | (539,377) | - |
| Other non-current assets | (297) | - | - | - |
| Accounts payable and other | 140,699 | 267,414 | 518,392 | 267,414 |
| Accrued liabilities | 9,977 | - | 67,853 | - |
| Convertible debenture interest payable | 223,578 | - | 441,113 | - |
| Due to related parties | 70,247 | 333,824 | 139,292 | 333,824 |
| Cash used in operating activities | (209,739) | (752,897) | (268,496) | (752,897) |
| INVESTING ACTIVITIES | | | | |
| Acquisitions (net of cash required) | - | (16,842,087) | - | (16,842,087) |
| Additions to property, plant and equipment | 48,985 | (6,596) | 48,985 | (6,596) |
| Cash used in investing activities | 48,985 | (16,848,683) | 48,985 | (16,848,683) |
| FINANCING ACTIVITIES | | | | |
| Distributions paid [note 10] | (50,072) | - | (124,335) | - |
| Interest paid on debentures | (441,113) | - | (441,113) | - |
| Proceeds from Subscription Receipts | 4,914,194 | - | 4,914,194 | - |
| Issuance of Debentures [note 10] | - | 9,872,275 | - | 9,872,275 |
| Issuance of Trust Units, net [note 11] | 815,000 | 9,234,508 | 815,000 | 9,234,508 |
| Cash provided by financing activities | 5,238,009 | 19,106,783 | 5,163,746 | 19,106,783 |
| Effect of currency translation | (145,773) | (21,370) | (144,949) | (21,370) |
| Net (decrease)/increase in cash during the period | 4,931,482 | 1,483,833 | 4,799,286 | 1,483,833 |
| Cash, beginning of period | 113,370 | 15 | 245,566 | 15 |
| Cash, end of period | 5,044,852 | 1,483,848 | 5,044,852 | 1,483,848 |
| Supplemental information: | | | | |
| Cash paid for interest | \$ - | \$ - | \$ - | \$ - |
| Cash paid for income taxes | \$ - | \$ - | \$ - | \$ - |

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

TRANSEASTERN POWER TRUST

Notes to Unaudited Condensed Interim Consolidated Financial Statements

1. Nature and Description of the Trust and Going Concern

a) Nature and Description of the Trust

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.

b) Going concern

These 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 as the Trust has a working capital deficiency of \$3,096,259 as at June 30, 2015, an accumulated deficit of \$8,720,742 as at June 30, 2015 and for the six month period ended June 30, 2015, the Trust incurred a loss of \$4,426,033. 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.

On June 23, 2015, the Trust issued an aggregate of 5,410,194 subscription receipts (the “Subscription Receipts”) at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,410,194. As a result of the satisfaction of applicable escrow release conditions by the Trust, on July 24, 2015, the Subscription Receipts each automatically converted into one Unit and one warrant for no additional consideration. On July 24, 2015, the Trust also completed the acquisition of the Solar Projects and entered into a \$5 million debt facility. See “Subsequent Events” described in Note 14 below. The Trust believes that these transactions and increased revenues from operations will provide sufficient cash flow for it to continue as a going concern in its present form for the foreseeable future, however, there can be no assurances that future revenues from operations will increase. 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 volume 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. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 (“Interim Financial Reporting”) and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2014 which have been prepared in accordance with IFRS.

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting. All amounts are expressed in Canadian dollars.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Administrator on August 31, 2015.

b) Significant Accounting Policies

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Trust’s most recent annual financial statements for the year ended December 31, 2014. The Trust has consistently applied the same accounting policies throughout all periods presented.

c) Significant Accounting Judgements, Estimates and Assumptions

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in these unaudited condensed interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Trust’s latest audited annual financial statements for the year ended December 31, 2014.

d) Basis of consolidation

These unaudited 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.

e) Future accounting policies

There have been no additional accounting pronouncements by the International Accounting Standards Board (IASB) beyond what is described in our annual financial statements impacting these unaudited condensed interim consolidated financial statements except that IFRS 15, Revenue from Contracts from Customers is mandatorily applicable for years beginning on or after January 1, 2017; however the IASB has voted to delay this mandatory application date by one year. At this time, the final amendments to the standard detailing the delay is expected to be released by the IASB in September 2015.

3. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

| | <u>June 30, 2015</u> | <u>December 31, 2014</u> |
|-------------------|----------------------|--------------------------|
| Trade receivables | \$ 274,907 | \$ 61,143 |
| VAT receivable | 128,990 | 131,923 |
| HST receivable | 17,744 | 130,000 |
| Total | <u>\$ 421,641</u> | <u>\$ 323,066</u> |

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 its Rott Hydro Project (“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 its Zagra Hydro Project (“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 its Suha Hydro Project (“Suha”), are entitled to receive two green certificates for each 1 MW of energy production that enters the Romanian power grid, none of which are restricted from trading.

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.

As at June 30, 2015, the Trust has recognized tradeable green certificates of \$69,315 (December 31, 2014: \$131,106) and restricted green certificates of \$246,592 (December 31, 2014: \$137,703).

5. PROPERTY, PLANT AND EQUIPMENT

| | Land \$ | Buildings \$ | Machinery & Equipment \$ | Furniture & Fixtures \$ | Construction in Progress \$ | Total \$ |
|--|------------|-----------------|--------------------------------|-------------------------------|-----------------------------------|-------------|
| Cost | | | | | | |
| Balance at December 31, 2014 | 296,065 | 10,317,976 | 5,038,928 | 23,076 | 1,725,371 | 17,401,416 |
| Additions | - | 10,182 | 37,577 | 1,226 | - | 48,985 |
| Transfer of assets | | | | | | |
| Effect of foreign currency translation | (2,459) | (85,681) | (41,844) | (192) | (14,328) | (144,504) |
| Balance at June 30, 2015 | 293,606 | 10,242,477 | 5,034,661 | 24,110 | 1,711,043 | 17,305,897 |
| Accumulated depreciation | | | | | | |
| Balance at December 31, 2014 | - | (222,685) | (204,136) | (1,529) | - | (428,350) |
| Depreciation expense | - | (171,764) | (192,824) | (1,479) | - | (366,067) |
| Effect of foreign currency translation | - | 1,160 | 1,446 | 12 | - | 2,618 |
| Balance at June 30, 2015 | - | (393,289) | (395,514) | (2,996) | - | (791,799) |
| Net book value at December 31, 2014 | 296,065 | 10,095,291 | 4,834,792 | 21,547 | 1,725,371 | 16,973,066 |
| Net book value at June 30, 2015 | 293,606 | 9,849,188 | 4,639,147 | 21,114 | 1,711,043 | 16,514,098 |

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2015 | December 31, 2014 |
|--|---------------|-------------------|
| Accounts payable | \$ 1,114,213 | \$ 635,297 |
| Salaries and related contributions due | 4,916 | 5,394 |
| Taxes payable | 89,634 | 34,427 |
| Other payables | 35,837 | 51,090 |
| Accrued liabilities | 195,121 | 127,268 |
| | \$ 1,439,721 | \$ 853,476 |

7. RELATED PARTY TRANSACTIONS

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

Key management of the Trust consists of members of the board of directors and officers of the Trust and Administrator. During the period ended June 30, 2015, the Trust expensed \$214,583 of salaries and benefits to the officers of the Trust in addition to \$35,000 in directors' fees.

As at June 30, 2015, the Trust has amounts payable of \$220,505 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.

8. CONVERTIBLE DEBENTURES

On May 28, 2014, the Trust issued 11,763 7.5% unsecured convertible debentures (the “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.

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 and six months ended June 30, 2015, the Trust recorded interest expense of \$223,578 and \$441,113, respectively, on the Debentures and recognized mark-to-market losses of \$1,176,300 and \$2,352,600 on the Debentures for the three and six months ended June 30, 2015.

9. DISTRIBUTIONS PAYABLE

The Trust declared distributions as follows:

| Record date | July 6, 2015 ⁽¹⁾ | March 31, 2015 | December 31, 2014 |
|--|-----------------------------|------------------|-------------------|
| Payment date | July 15, 2015 | April 15, 2015 | January 13, 2015 |
| Distributions declared | \$ 279,491 | \$ 249,312 | \$ 250,816 |
| Distribution reinvestment plan | 206,599 | 199,241 | 176,552 |
| Cash distribution | <u>\$ 72,892</u> | <u>\$ 50,071</u> | <u>\$ 74,264</u> |
| Units issued pursuant to reinvestment plan | 255,850 | 209,727 | 206,492 |

On an annualized basis, the current distribution is equal to \$0.0875 per Unit or a 8.75% yield based on a \$1.00 initial issuance price.

Note:

(1) Distribution was approved by the board of directors of the Administrator on June 23, 2015.

10. RESTRICTED CASH AND PRIVATE PLACEMENT FUNDS HELD IN TRUST

On June 23, 2015, the Trust issued an aggregate of 5,410,194 subscription receipts (the “Subscription Receipts”) at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,410,194. A total of 496,000 Subscription Receipts were issued to settle outstanding debts and amounts owing. The balance of the proceeds received of \$4,914,194 are presented as restricted funds in the unaudited condensed interim consolidated balance sheet as at June 30, 2015.

11. 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% upfront structuring fee. The Trust and the holder of the Note Payable extended the maturity date of the Note Payable to April 2, 2015.

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 discussed in note 14 - Subsequent Events.

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 an issuance of Subscription Receipts as described in note 14 - Subsequent Events.

During the six month period ended June 30, 2015, the Trust accrued \$17,852 (June 30, 2014: nil) in interest related to the Note Payable. At June 30, 2015, interest payable on the Note Payable totaled \$20,120 (December 31, 2014: \$2,268).

12. TRUST UNITS

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.

During the year ended December 31, 2014, the Trust issued 303,322 Units to settle distributions payable of \$267,370 pursuant to the Trust’s distribution reinvestment plan.

During the six month period ended June 30, 2015, the Trust:

- issued 209,727 and 206,492 Units to settle first quarter 2015 and fourth quarter 2014 distributions payable of \$199,241 and \$176,551, respectively, pursuant to the Trust’s distribution reinvestment plan;
- issued 192,000 Units to settle agent and finder fees in connection with the Subscription Receipt offering;
- issued 29,410 Units at \$0.85 per Unit pursuant to the Trust’s Unit purchase plan for gross cash proceeds of \$25,000; and
- issued 790,000 Units at \$1.00 per Unit pursuant to the private placement for gross cash proceeds of \$790,000.

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.

13. 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;

and (ii) Corporate Overhead which includes the management of the Hydro 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.

a) Segmented Profit (Loss)

Profit (loss) by segment for the six month period ended June 30, 2015 is as follows:

| | Rott | Zagra | Suha | Corporate Overhead | Total |
|------------------------------|------------|-------------|--------------|-----------------------|----------------|
| Revenue | \$ 390,977 | \$ 189,475 | \$ 257,204 | \$ - | \$ 837,656 |
| Operating | 287,940 | 111,378 | 241,350 | - | 640,668 |
| Depreciation | 130,743 | 95,849 | 139,475 | - | 366,067 |
| Expenses | - | - | - | 1,158,998 | 1,158,998 |
| Operating (loss) | (27,706) | (17,752) | (123,621) | (1,158,998) | (1,328,077) |
| Profit (loss) for the period | \$ 23,169 | \$ (20,679) | \$ (158,784) | \$ (4,269,739) | \$ (4,426,033) |

Inter-segment charges are eliminated upon consolidation.

b) Segment Assets and Liabilities

| | As at June 30, 2015 | As at December 31, 2014 |
|--------------------------|------------------------|----------------------------|
| Assets | | |
| Rott | \$ 5,153,161 | \$ 5,239,310 |
| Zagra | 6,419,648 | 6,482,656 |
| Suha | 5,842,938 | 5,879,060 |
| Corporate | 5,685,352 | 282,843 |
| Total assets | \$ 23,101,099 | \$ 17,883,869 |
| Liabilities | | |
| Rott | \$ 181,526 | \$ 190,818 |
| Zagra | 237,826 | 235,684 |
| Suha | 1,404,070 | 1,363,223 |
| Corporate | 20,310,221 | 11,436,809 |
| Total liabilities | \$ 22,133,643 | \$ 13,226,534 |

14. SUBSEQUENT EVENTS

As a result of the satisfaction of applicable escrow release conditions by the Trust, on July 24, 2015, the Subscription Receipts issued by the Trust on June 23, 2015 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.

The subscription funds from the Subscription Receipts were released from escrow to the Trust and used to fund the cash portion of the purchase price for the acquisition of the Solar Projects. A total of 6,200,194 Units and 5,995,194 Warrants were issued pursuant to the equity financing and a total of 6,812,070 Units were issued to the vendors of the Solar Projects as partial consideration of the purchase price of the Solar Projects. In connection with the closing of the offering, agent and finder fees of \$151,402 became payable. In addition, in respect of agent and finder fees, 192,000 Units were issued and 218,942 non-transferable broker warrants, containing the same terms as the Warrants were issued.

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”) for a total purchase price (net of assumed debt) of approximately €9.0 million (approximately \$12.7 million) payable by way of approximately €4.17 million (approximately \$5.88 million) cash and the remainder in Units. 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.

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

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

On July 24, 2015, the Trust closed the \$5 million secured debt facility and elected to repay the aggregate of the principal and accrued interest owing under the Note Payable by issuing to the holder Debentures.