

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Financial Statements

As of and for the three months ended September 30, 2014 and for the period from February 4, 2014 to September 30, 2014

(EXPRESSED IN CANADIAN DOLLARS)

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TRANSEASTERN POWER TRUST

Unaudited Consolidated Interim Statement of Financial Position

	September 30, 2014	February 4, 2014
ASSETS		
Current		
Cash	\$ 596,384	\$ 15
Trade and other receivables [note 4]	306,321	-
Green certificates [note 5]	5,968	-
Prepays	19,224	-
Total current assets	927,897	15
Restricted green certificates [note 5]	62,980	-
Intangible assets	4,394	-
Other non-current assets	31,218	-
Property, plant and equipment, net [note 6]	17,451,559	-
Total assets	\$ 18,478,048	\$ 15
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities		
Accounts payable and other [note 7]	\$ 396,003	\$ -
Due to related party [note 12]	39,088	-
Distributions payable [note 8]	246,071	-
Debenture interest payable [note 10]	220,556	-
Vendor take back loan and acquisition instalment payments [note 3]	1,426,398	-
Tax payable	12,044	-
Deferred tax liability	125,275	-
Total current liabilities	2,465,435	-
Milestone Units [note 2(f)]	258,965	-
Other non current liabilities	36,534	-
Convertible debentures [note 10]	10,586,700	-
Total liabilities	13,347,634	-
Unitholders' equity [note 11]	5,130,414	15
	\$ 18,478,048	\$ 15

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

TRANSEASTERN POWER TRUST

Unaudited Consolidated Interim Statements of Loss and Comprehensive Loss

	Three months ended September 30, 2014	Period from February 4, 2014 to September 30, 2014
REVENUE		
Sale of electricity	\$ 95,999	\$ 116,374
Income from green certificates	34,291	34,291
	<u>130,290</u>	<u>150,665</u>
EXPENSES		
Raw materials and consumables used	14,930	21,878
General and administrative	413,637	777,132
Legal and professional	71,774	97,093
Employee benefits [note 9]	18,910	25,634
Depreciation [note 6]	198,657	256,921
Milestone Units [note 2(f)]	237,090	258,965
Transaction costs [notes 3 and 10]	2,233	2,516,909
	<u>(826,941)</u>	<u>(3,803,867)</u>
Fair value gain on Debentures [note 10]	(588,150)	(1,176,300)
Debenture interest [note 10]	220,556	300,309
Foreign exchange (gains) losses	(72,150)	26,510
Finance income	(2,757)	(4,769)
Finance cost	40,454	56,060
Loss before tax	<u>(424,894)</u>	<u>(3,005,677)</u>
Deferred income tax expense	4,451	9,585
Loss for the period	<u>\$ (429,345)</u>	<u>\$ (3,015,262)</u>
Foreign currency translation loss	<u>(648,354)</u>	<u>(824,309)</u>
Total comprehensive loss after tax	<u>\$ (1,077,699)</u>	<u>\$ (3,839,571)</u>
Loss per weighted average number of units outstanding – basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.52)</u>
Weighted average number of units outstanding – basic and diluted	11,119,967	5,830,035

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

TRANSEASTERN POWER TRUST

Unaudited Consolidated Interim Statements of Unitholders' Equity

	Unit Capital	Deficit	Accumulated Comprehensive Income	Unitholders' Equity
February 4, 2014	\$ 15	-	-	\$ 15
Net income	-	-	-	-
March 31, 2014	<u>\$ 15</u>	<u>-\$</u>	<u>-</u>	<u>\$ 15</u>
Issuance of Trust Units [note 11]	9,234,508	-	-	9,234,508
Net loss	-	(2,585,917)	-	(2,585,917)
Foreign currency translation	-	-	(175,955)	(175,955)
Distributions to Unitholders	-	(90,023)	-	(90,023)
June 30, 2014	<u>\$ 9,234,523</u>	<u>-\$ (2,675,940)</u>	<u>-\$ (175,955)</u>	<u>\$ 6,382,628</u>
Distribution Reinvestment Plan [note 11]	71,556	-	-	71,556
Net loss	-	(429,345)	-	(429,345)
Foreign currency translation	-	-	(648,354)	(648,354)
Distributions to Unitholders'	-	(246,071)	-	(246,071)
September 30, 2014	<u>\$ 9,306,079</u>	<u>-\$ (3,351,356)</u>	<u>-\$ (824,309)</u>	<u>\$ 5,130,414</u>

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

TRANSEASTERN POWER TRUST

Unaudited Consolidated Interim Statements of Cash Flows

	Three months ended September 30, 2014	Period from February 4, 2014 to September 30, 2014
	<u>2014</u>	<u>2014</u>
OPERATING ACTIVITIES		
Net income	\$ (429,345)	\$ (3,015,262)
Add items related to financing activities		
Transaction costs related to Debentures [note 10]	-	1,890,725
Add (deduct) items not affecting cash		
Unrealized foreign exchange gains and losses	(72,150)	26,510
Fair value gain on Debentures [note 10]	(588,150)	(1,176,300)
Depreciation	198,657	256,921
Deferred taxes	4,451	9,585
Accretion expense	30,197	30,197
Milestone Units	237,090	258,965
Net change in non-cash working capital	(186,913)	159,599
Cash used in operating activities	\$ (806,163)	\$ (1,559,060)
INVESTING ACTIVITIES		
Acquisitions (net of cash required) [note 3]	\$ -	\$ (16,842,087)
Intangible assets	-	(6,596)
Cash used in investing activities	\$ -	\$ (16,848,683)
FINANCING ACTIVITIES		
Issuance of Debentures, net [note 10]	\$ -	\$ 9,872,275
Interest paid on Debentures [note 10]	(79,753)	(79,753)
Distributions paid [note 8]	(18,467)	(18,467)
Issuance of Trust Units, net [note 11]	-	9,234,508
Cash provided by financing activities	\$ (98,220)	\$ 19,008,563
Effect of currency translation	\$ 16,919	\$ (4,451)
Net (decrease)/increase in cash during the period	(887,464)	596,369
Cash, beginning of period	1,483,848	15
Cash, at September 30, 2014	\$ 596,384	\$ 596,384

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

TRANSEASTERN POWER TRUST

Notes to Unaudited Consolidated Interim Financial Statements

1. Nature and Description of the Trust

Transeastern Power Trust (the “Trust”) is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario on February 3, 2014 pursuant to a declaration of trust, later replaced by an amended and restated trust indenture dated February 4, 2014 (the “Trust Indenture”). On May 28, 2014, the Trust completed an initial public offering (“IPO”) issuing units of the Trust (the “Units”) and convertible debentures (the “Debentures”) (see notes 10 and 11). The Units and Debentures are listed on the TSX Venture Exchange under the symbols “TEP.UN” and “TEP.DB”, respectively.

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”). Netherlands Parent and Netherlands Holdco jointly own 100% of three Romanian companies (the “Romanian Acquisitioncos”) formed for the purpose of acquiring the shares or assets of Romanian hydroelectric power projects and a fourth Romanian company which acts as a management company for the Romanian operations. On May 28, 2014, Netherlands Holdco and each of the respective Romanian Acquisitioncos acquired 100% of the shares of each of two Romanian hydroelectric power companies and the assets of a third Romanian hydroelectric power company from arm’s length owners to the Trust (the “Romanian Projects”). Each of the Romanian Projects is a Romanian hydroelectric power producer that generates and sells or expects to generate and sell electricity to licensed electricity buyers in Romania.

Equity Financial Trust Company, trustee of the Trust (the “Trustee”) has delegated most of its powers and duties relating to the operations and governance of the Trust to Transeastern Power Administrator Inc., as administrator of the Trust (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.

The Trust 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 the Trust’s investments and holdings of property to ensure the Trust is not at any time a “SIFT trust” and does not hold any “non-portfolio property”.

All subsidiaries of the Trust are directly or indirectly wholly-owned by the Trust.

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

2. Significant Accounting Policies

a) Statement of Compliance

The unaudited condensed interim consolidated financial statements (the “Financial Statements”) were prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the audited consolidated statement of financial position of the Trust as at February 4, 2014. The Financial Statements were authorized for issue by the Board of Directors of the Administrator on December 1, 2014.

b) Basis of Measurement

The Financial Statements have been prepared on a historical cost basis, using the accrual basis of accounting.

c) Cash

Cash includes bank balances and cash on hand.

d) Trust Units

An unlimited number of the Units 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 rateably 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.

e) 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, share-based payments which are measured in accordance with IFRS 2, Share-based Payment, and non-current assets that are classified as held-for-sale which are measured at fair value less costs to sell in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. Any non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

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.

f) 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.

g) Foreign currency translation

All figures are reflected in Canadian Dollars, which is the functional and reporting currency of the Trust. Each of the foreign operations included in these unaudited condensed interim consolidated financial statements determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency meaning foreign currency denominated monetary assets and liabilities are translated into the functional currency using the closing rate at the applicable consolidated statement of financial position dates. Non-monetary assets and liabilities are translated at the historical rate. Revenues and expenses are measured in the functional currency at the rates of exchange prevailing at the dates of the transactions with gains or losses included in income.

h) 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. Management considers that the preparation of the Financial Statements under the going concern basis is appropriate. There is doubt about the Trust's ability to continue as a going concern as the Trust has a working capital deficiency of \$1,537,538 as at September 30, 2014 (June 30, 2014 – \$1,167,563) and an accumulated deficit of \$3,351,356 as at September 30, 2014 (June 30, 2014 – \$2,675,940). The Trust's ability to continue as a going concern is dependent upon the Trust's ability to raise additional capital through equity 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. The Trust believes that future financings and increased revenues will provide sufficient cash flow for it to continue as a going concern in its present form, however, there can be no assurances that the Trust will achieve such results. 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.

During the period from February 4, 2014 to September 30, 2014, the Trust incurred a loss of \$3,015,262. Considering that the Trust's Romanian Projects have either recently commenced operations or are in the start-up phase, the projections made by management for the following years take into consideration that the operations will be profitable. Also, the loss incurred during the period from February 4, 2014 to September 30, 2014 includes the transaction costs related to acquisition of the Romanian Projects.

The volume of energy produced by the Romanian Projects is seasonal and depends on the water flow. Under normal circumstances of operations, no disruptions are foreseen. However there are uncertainties that may arise due to the Romanian Project's dependence on the weather.

i) 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 when the Trust's entitlement thereto is received.

j) 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 Romanian Projects.

Trust's indirect wholly-owned subsidiaries. Net earnings in Romania will be taxed at 16%. Interest and dividends paid from Romania to the Netherlands and from the Netherlands to Canada are not expected to be 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 are expected to 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. However, the 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.

k) 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. 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 recorded in the electrical grid by Transelectrica SA.

Green certificates are recorded initially at fair value based on the average market trading price at that time. Any gain or loss on trading is recognised when trading occurs. 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.

l) Property, plant and equipment

Initial recognition

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and

equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

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:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- (b) 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
- (c) 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 economic 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.

<u>Type</u>	<u>Useful life (years)</u>
Buildings	10 - 40
Machinery, equipment and motor vehicles	3 - 15
Furniture, fixtures, other equipment (including IT equipment)	3 - 20

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 income statement when the asset is derecognized.

m) 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 generators were capable of operating in the manner intended. After that date all borrowing costs are expensed in the period they occur.

n) Financial Instruments

The Trust's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), counter-party risk and liquidity risk. The Trust's overall risk management activities address the unpredictability of financial markets and seek to minimize potential adverse effects on the Trust's financial performance. The Trust uses derivative financial instruments to mitigate certain risk exposures. The Trust does not purchase any derivative financial instruments for speculative purposes.

Risk management is the responsibility of the corporate finance function, which identifies, evaluates and, where appropriate, mitigates financial risks. Material risks are monitored and are regularly discussed with the Board of Directors.

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.

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 cash and cash equivalents, restricted cash, 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 income statement. 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 September 30, 2014.

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 trade and other payables, bank indebtedness, interest-bearing loans and 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. The 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 trade and other payables, 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 to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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 are as follows:

Financial assets held for trading ⁽¹⁾	\$	596,384
Loans and receivables ⁽²⁾	\$	306,321
Financial liabilities at fair value through profit or loss ⁽³⁾	\$	10,586,700
Other financial liabilities ⁽⁴⁾	\$	2,328,116

Notes:

- (1) Cash.
- (2) Trade and other receivables.
- (3) Convertible debentures.
- (4) Accounts payable and other liabilities, distributions payable, vendor take back loans.

o) Convertible 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. The Debentures bear interest from the date of issue 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, and 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.

3. ACQUISITION OF ROMANIAN HYDROELECTRIC PROJECTS

On May 28, 2014, the Trust used the net proceeds of the IPO to complete the acquisition 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) is payable within six months of the closing of the Rott acquisition and is currently being held in escrow with a Romanian bank. The second instalment payment was adjusted from €100,000 to €62,800 based on post-closing reconciliations, if no further purchase price reduction is necessary, the second instalment will be paid to the Rott sellers.

The transaction is accounted for using the acquisition method as set out in IFRS 3 “Business Combinations”. The net assets acquired have been preliminarily fair valued based on the assets and liabilities of Rott as follows:

Assets Acquired

Property, plant and equipment	\$	5,366,113
Green certificates		65,989
Other long term assets		7,589
	\$	<u>5,439,691</u>

Liabilities Assumed

Working capital (includes cash acquired of \$5,931)		<u>27,255</u>
Net assets acquired	\$	<u>5,412,436</u>

Consideration

1st Instalment	\$	5,319,618
2 nd Instalment ⁽¹⁾		92,818
Total consideration	\$	<u>5,412,436</u>

(1) Payable within six months following closing of the applicable acquisition and subject to post-closing reconciliations.

An additional amount of \$259,832 (€175,800) is in the form of a non-interest bearing loan held by the Rott sellers pending the outcome of a decision of the National Energy Regulation Authority of Romania (“ANRE”) on amounts owing by Rott. ANRE asserts that it issued green certificates as escrow to Rott in excess of those Rott was entitled to since Rott’s original connection date. Rott is in discussions with ANRE to settle the amount owing and pending the outcome of that discussion, the purchase price may be increased by this amount.

Acquisition of Zagra

The acquisition price for the acquisition of Zagra is \$6,651,000 (€4,500,000). The first instalment of \$5,284,511 (€3,575,447) was paid on closing, the balance of the purchase price was in the form of a non-interest bearing vendor-take back loan provided by the Zagra sellers in the amount of \$1,366,489

(€924,553), secured by way of a fixed charge against the Zagra assets. This loan amount was fully paid on June 6, 2014.

The transaction is accounted for using the acquisition method as set out in IFRS 3 “Business Combinations”. The net assets acquired have been preliminarily fair valued based on the assets and liabilities of Zagra as follows:

Assets Acquired

Property, plant and equipment	\$	6,914,054
Other long term assets		2,437
	\$	<u>6,916,491</u>

Liabilities assumed

Working capital	\$	129,414
Deferred tax liability		136,077
Net assets acquired	\$	<u>6,651,000</u>

Consideration

1 st Instalment	\$	5,284,511
Vendor Take Back		1,366,489
Total Consideration	\$	<u>6,651,000</u>

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. Asset transfers can be subject to 26% VAT due within three months of closing, however, 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. As such, VAT is not assumed to be paid in these unaudited condensed interim consolidated financial statements.

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 September 30, 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 September 30, 2014.

4. TRADE AND OTHER RECEIVABLES

	September 30, 2014	February 4, 2014
Trade receivables	\$ 32,250	\$ -
VAT receivable	62,238	-
HST receivable	138,332	-
Accrued income	20,307	-
Prepaid expenses	6,154	-

Other receivables		47,040	-
Total	\$	<u>306,321</u>	<u>-</u>

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 1 MW of energy production that enters the Romanian power grid, none of which are restricted from trading.

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 based on an assessment made by ANRE that considers the projects internal rate of return to norms established by the regulator. Rott received formal notification from ANRE in February 2014 on this matter, indicating that its future entitlement to current green certificates would be reduced by 1.04 green certificates.

As at September 30, 2014, the Trust had recognized \$5,968 for tradeable green certificates and \$62,980 for restricted green certificates.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery & Equipment	Furniture & Fixtures	Construction in Progress	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at February 4, 2014	-	-	-	-	-	-
Additions through business acquisitions [Note 3]	317,720	11,080,155	4,843,848	24,764	2,257,516	18,524,003
Additions	-	-	885	-	-	885
Disposals	-	-	-	-	-	-
Effect of foreign currency translation	(14,184)	(491,769)	(216,243)	(1,106)	(100,782)	(824,084)
Balance at September 30, 2014	<u>303,536</u>	<u>10,588,386</u>	<u>4,628,490</u>	<u>23,658</u>	<u>2,156,734</u>	<u>17,700,804</u>
Accumulated depreciation						
Balance at February 4, 2014	-	-	-	-	-	-
Depreciation expense	-	(120,266)	(135,643)	(1,012)	-	(256,921)
Effect of foreign currency	-	3,352	4,299	25	-	7,676

translation	<hr/>					
Balance at September 30, 2014	<hr/>					
Net book value	303,536	10,471,472	4,497,146	22,671	2,156,734	17,451,559

7. TRADE AND OTHER PAYABLES

	September 30, 2014	February 4, 2014
Trade payables	\$ 342,239\$	-
Salaries and related contributions due	3,963	-
Other taxes payable	27,629	-
Other payables	22,172	-
	<u>\$ 396,003\$</u>	<u>-</u>

Other taxes payable as of September 30, 2014 relate to the tax on special construction assumed in the acquisition of the Romanian Projects.

8. DISTRIBUTIONS PAYABLE

The Trust declared distributions totaling \$246,071 for the three month period ended September 30, 2014 to Unitholders of record on September 30, 2014. 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. The distribution of cash in the amount of \$50,257 occurred on October 15, 2014, with the remaining \$195,814 of distributions payable being settled through the issuance of Units pursuant to the Trust's distribution reinvestment plan.

The Trust declared distributions totaling \$90,023 for the period from and including May 28, 2014 (being the closing date of the IPO) to June 30, 2014, to Unitholders of record on June 30, 2014. The distribution of cash in the amount of \$18,467 occurred on July 15, 2014, with the remaining \$71,556 of distributions payable being settled through the issuance of Units pursuant to the Trust's distribution reinvestment plan.

9. EMPLOYEE BENEFIT EXPENSE

Employee benefits include wages, salaries, and social security contributions. Short-term employee benefits are recognized as expenses as services are rendered. The total expenses incurred are presented in the table below:

	Three months ended September 30, 2014	Period from February 4, 2014 to September 30, 2014
Wages and salaries	\$ 14,791	\$ 20,050
Social security costs	4,119	5,584
Total	<u>\$ 18,910</u>	<u>\$ 25,634</u>

10. CONVERTIBLE DEBENTURES

On May 28, 2014, the Trust issued 11,763 Debentures as part of the IPO 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 month period ended September 30, 2014 and during the period from the issuance of the Debentures to September 30, 2014, the Trust recorded interest expense of \$220,556 and \$300,309, respectively, and paid interest of \$79,753.

For the three month period ended September 30, 2014 and during the period from the issuance of the Debentures to September 30, 2014 the Trust recognized a mark-to-market gain of \$588,150 and \$1,176,300, respectively.

11. TRUST UNITS

On May 28, 2014, the Trust issued 11,045,800 Units as part of the IPO at a price of \$1.00 per Unit for proceeds of \$9,234,508 which is net of \$1,811,292 in transaction costs.

During the three months ended September 30, 2014, the Trust issued 88,615 Units to settle distributions payable of \$71,556 pursuant to the Trust's distribution reinvestment plan.

12. RELATED PARTY TRANSACTIONS

Apart from the transactions disclosed elsewhere in the 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 Administrator. During the three month period ended September 30, 2014, the Trust expensed \$83,333 in consulting fees as compensation payable to the officers of the Administrator and expensed \$76,576 of rent paid on behalf of an officer of the Administrator.

As at September 30, 2014, the Trust has amounts payable of \$39,088 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.

13. FINANCIAL INSTRUMENTS

The Company'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 September 30, 2014, the Company 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:

	As of September 30, 2014				As of February 4, 2014
	Measured at Fair Value	Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
<u>Financial Assets</u>					
Cash	596,384	596,384	-	-	15
Trade and other receivables	306,321	306,321	-	-	-
<u>Financial Liabilities</u>					
Accounts payable and other	396,003	396,003	-	-	-
Due to related party	39,088	39,088	-	-	-
Distributions payable	246,071	246,071	-	-	-
Vendor take back loan	1,426,398	1,426,398	-	-	-
Debentures	10,586,700	10,586,700	-	-	-

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

Risk Management Policies

The Trust, through its financial assets and liabilities, is exposed to various risks. The Company 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 unaudited consolidated interim financial statements. The following analysis provides a measurement of risks as at September 30, 2014.

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 shipment to 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.

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.

The table below summarizes the maturity profile of the Trust's financial liabilities and financial assets:

September 30, 2014	Carrying Amount	0 to 12 months	12 to 24 months	After 24 months
Trade and other receivables	\$ 306,321	\$ 306,321	-	-
Accounts payable and other	(396,003)	(396,003)	-	-
Due to related party	(39,088)	(39,088)	-	-
Distributions payable	(246,071)	(246,071)	-	-
Debenture interest payable	(220,556)	(220,556)	-	-
Vendor take back loan and acquisition instalment payments	(1,426,398)	(1,426,398)	-	-
Tax payable	(12,044)	(12,044)	-	-
Convertible debentures	(10,586,700)	-	-	(10,586,700)
Total	\$ (12,620,539)	\$ (2,033,839)	-	\$ (10,586,700)

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

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.

Analysis by currency in Canadian equivalent

September 30, 2014	Accounts		
	Cash	Receivable	Account Payable
RON	\$ 179,351	\$ 167,989	\$ 133,768
EUR	\$ -	\$ -	\$ 1,426,398

The effect of a 10% strengthening of the Romanian leu against the CDN dollar at the reporting date on the Romanian denominated trade receivables and payables 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 \$3,422. A 10% weakening in the exchange rate would, on the same basis, have decreased profit and decreased net assets by \$3,422.

The effect of a 10% strengthening of the Euro against the CDN dollar at the reporting date on the trade payables 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 \$142,640. A 10% weakening in the exchange rate would, on the same basis, have decreased profit and decreased net assets by \$142,640.

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.

14. SEGMENT INFORMATION

In accordance with IFRS 8, "Operating Segments," the Trust has identified the following operating segments: (i) hydroelectric run of river (located in Romania) which consists of Rott, Zagra and Suha; and (ii) Corporate Overhead which includes the management of the Romanian Projects (located in Romania) and corporate results and 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 period from February 4, 2014 to September 30, 2014 is as follows:

	Rott	Zagra	Suha	Corporate Overhead	Total
Revenue	\$ 103,587	\$ 45,782	\$ 1,296	\$ -	\$ 150,665
Operating expenses	48,732	36,922	182,842	3,429,115	3,697,611
Depreciation	92,498	66,621	97,692	110	256,921
Operating (loss)	(37,643)	(57,761)	(279,238)	(3,429,225)	(3,803,867)
Profit (loss) for the period	\$ (38,105)	\$ (92,590)	\$ (338,601)	\$ (2,545,966)	\$ (3,015,262)

Inter-segment charges are eliminated upon consolidation.

Profit (loss) by segment for the three month period ended September 30, 2014 is as follows:

	<u>Rott</u>	<u>Zagra</u>	<u>Suha</u>	<u>Corporate Overhead</u>	<u>Total</u>
Revenue	\$ 83,212	\$ 45,782	\$ 1,296	\$ -	\$ 130,290
Operating expenses	33,202	7,962	94,773	622,637	758,574
Depreciation	70,628	55,441	72,478	110	198,657
Operating (loss)	<u>(20,618)</u>	<u>(17,621)</u>	<u>(165,955)</u>	<u>(622,747)</u>	<u>(826,941)</u>
Profit (loss) for the period	<u>\$ (9,805)</u>	<u>\$ (18,061)</u>	<u>\$ (184,192)</u>	<u>\$ (217,287)</u>	<u>\$ (429,345)</u>

b) Segment Assets and Liabilities

	<u>As at September 30, 2014</u>	<u>As at February 4, 2014</u>
Assets		
Rott	\$ 5,171,479	\$ -
Zagra	6,653,442	
Suha	5,937,382	
Corporate	715,745	15
Total assets	<u>\$ 18,478,048</u>	<u>\$ 15</u>
Liabilities		
Rott	\$ 118,519	\$ -
Zagra	197,217	-
Suha	1,384,233	-
Corporate	11,647,665	-
Total liabilities	<u>\$ 13,347,634</u>	<u>\$ -</u>

15. SUBSEQUENT EVENTS

The Trust entered into a \$600,000 short term secured debt financing arrangement on December 1, 2014 in the form of a promissory note, maturing on February 1, 2015. The note carries interest of 6% per annum, payable upon maturity and a 10% upfront structuring fee. The Trust plans on repaying the note through securing project level financing prior to the maturity date.