Transeastern
POWER

Transeastern Power Trust

Management's Discussion & Analysis

For the year ended
December 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") of Transeastern Power Trust ("Transeastern" of the "Trust") is dated as of May 3, 2017 and should be read in conjunction with the Trust's audited consolidated financial statements and the related notes for the periods ended December 31, 2016 and December 31, 2015 together with the notes thereto. The above referenced filings have been prepared in accordance with IFRS.

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

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

TRUST OVERVIEW

Transeastern is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario that, through its subsidiaries, generates and sells electricity to licensed electricity buyers in Romania through its portfolio of a 17 MW operational wind project (the "Wind Project"), hydro-electric generation facilities comprised of run-of-river hydroelectric power plants with total capacity of over 4.4 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 and the Wind Project, the "Projects"). All of Transeastern's Projects are located in Romania.

Transeastern directly and indirectly owns all of the membership rights of Transeastern Power Coöperatief U.A. ("Netherlands Parent"), which owns all of the issued and outstanding shares of Transeastern Power B.V. ("Netherlands Holdco" and, together with the Netherlands Parent, the "Netherlands Subsidiaries"). The Netherlands Subsidiaries jointly own, directly or indirectly, 100% of the Romanian subsidiaries which hold the Projects.

TSX Trust Company, trustee of Transeastern, has delegated most of its powers and duties relating to the operations and governance of Transeastern to the Administrator pursuant to an Administrative Services Agreement dated February 4, 2014. All of the shares of the Administrator are owned by Transeastern Management Inc. (the "Administrator Shareholder"), all of the shares of which are owned by Mr. Eadie, the Chief Executive Officer and Mr. Sood, the Chairman of the Administrator, and are subject to the terms of a unanimous shareholders agreement dated May 28, 2014.

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

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

HIGHLIGHTS

- Produced 44,560 MWh of energy for the year ended December 31, 2016 generating revenue of $8,697,279, with $2,134,496 from the sale of electricity and $6,562,783 from the sale of green certificates ("GCs").

- Earned operating margin (revenues less operating expenses) of $5,889,661 for the year, an increase of 306% over 2015 where operating margin was $1,449,949 (see reconciliation of operating margin under "Non-GAAP Measures").

- Incurred a net loss of $21,705,915 during the year (2015: loss of $12,561,790) with basic and diluted loss of $0.58 per units in the capital of the Trust ("Unit") (2015: loss of $0.65 per Unit).

- Completed a convertible debt financing and the acquisition of the 17.6 MW Baia Wind Project located in Romania that generates approximately 43,800 MWh of electricity annually.

- Subsequent to December 31, 2016, the Trust closed a $3.8 million secured debt facility on January 23, 2017 and repaid the Sprott debt facility early through a combination of net proceeds from the secured debt facility and the issuance of a one year $1.47 million unsecured convertible promissory note that bears interest at a rate of 5%.

- In the first quarter of 2017, the Trust has completed a cost rationalization exercise across its Romanian operations that management believes will result in a reduction of annual costs of approximately $300,000 and improved operating performance of the Trust's hydroelectric assets.

OUTLOOK

The Trust's goals for 2017 are to:

- optimize and improve the performance of its current renewable energy portfolio; and
- pursue new acquisitions that are accretive to the Trust and add income generating assets.

REVIEW OF OPERATIONS

Selected Financial Information

The selected financial information in the table below has been derived from the audited consolidated financial statements as at and for the year ended December 31, 2016 and 2015.

	Years ended	
	Dec. 31, 2016 **$**	**Dec. 31, 2015** **$**
Revenue	8,697,279	3,490,229
Operating margin[1]	5,889,661	1,449,949
Operating Expense	2,807,618	2,040,280
Depreciation	4,499,543	1,765,481
Other Expenses (income)	19,919,664	8,996,168
Deferred income taxes expense	1,942,970	32,937
Net Loss for the Year	21,705,915	12,561,790
Comprehensive Loss for the Year	17,767,479	11,323,278
Basic and Diluted Loss per share	0.58	0.65

	As at	
	Dec. 31, 2016 **$**	**Dec. 31, 2015** **$**
Total assets	75,592,306	60,354,282
Total liabilities	77,184,223	52,540,929
Equity/(Deficit)	(1,591,917)	7,813,353

Note:

(1) Operating margin is a non-GAAP measure calculated by deducting direct operating expenses from revenues. See "Non-GAAP Measures" section for a reconciliation to IFRS figures.

Hydro Projects

The three Hydro Projects are comprised of 10 hydroelectric run-of-river plants in Romania totaling over 4.1 MW of installed power. The Hydro Projects have installed power capacities as follows:

Hydro Project	**Capacity**
Rott	1.657 MW
Zagra	0.733 MW
Suha	2.02 MW

All information provided on the Hydro Projects in this section is as at December 31, 2016 unless otherwise indicated.

Rott

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

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

Note:

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

Rott was fully operational during the year, subject to hydrology, and production for the plants was 3,786 MWh for the year ended December 31, 2016 compared to 3,845 MWh for the year ended December 31, 2015.

Zagra

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

Project Name	Operational Construction Status	Turbine Type	Years of Historical Hydrological Data Available	In-Take Height (mdMN)	Gross Drop (Δh)	Installed Flow (m^3/s)	Capacity Power (MW)	Pipe (m)	Pipe Diameter (mm)	GCs Available MW
ZAGRA							1.430			2.3
Zagra 1	Completed in April 2014	Pelton	45	880.0	126.0	0.42	.450	3027	600	
Zagra 2	Completed in April 2014	Pelton	45	754.9	74.0	0.600	.310	2383	700	

Zagra was fully operational during the year, subject to hydrology, and produced 2,244 MWh of electricity for the year ended December 31, 2016 compared to 1,549 MWh for the year ended December 31, 2015.

Suha

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

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

Suha was fully operational during the year, subject to hydrology and pending permit approvals for Slatina and Gainesti power plants, and produced 1,284 MWh of electricity for the year ended December 31, 2016 compared to 1,836 MWh for the year ended December 31, 2015**.**

Hydro Projects Capital Improvements

During the recommissioning of the Hydro Projects it was identified that the control systems and system control data acquisition ("SCADA") required optimization. Transeastern completed the optimized SCADA installation in 2016 for all of the Hydro Projects.

Subject to ongoing capital maintenance, Transeastern does not foresee any further significant capital expenditures on the Hydro Projects in the near term.

Solar Projects

SC Power L.I.V.E. One SA ("Power LIVE") and SC Corabia Solar SRL ("Corabia") are under full-service long-term operational and maintenance contracts with Renovatio Asset Management, one of the largest private renewable energy asset managers in Europe. Renovatio Asset Management specializes in the management, operation and maintenance services for wind farms and photovoltaic power plants. Renovatio Asset Management is a part of the Renovatio Group and an affiliate of the vendor of the Solar Projects and is the pioneer of renewable energy in Romania having built the first solar park in Romania and developed, built and now manages more than 330MW of wind and 80MW of solar production facilities. In Romania, Renovatio Group is the joint venture partner of EDP Renewables, the largest renewable energy company in the world. Renovatio Group owns over 400 MW of renewable power production facilities in partnership with EDP Renewables.

Power LIVE

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

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

Note:

(1) By law, two GCs will be restricted from trading until January 1, 2025, resulting in four GCs being received and immediately tradable.

Power LIVE was fully operational and produced 12,452 MWh for the year ended December 31, 2016 compared to 13,367 MWh for the year ended December 31, 2015 (note that 2015 production includes pre-acquisition production).

Corabia

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

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

Note:

(1) By law, two GCs will be restricted from trading until January 1, 2025, resulting in four GCs being received and immediately tradable.

Corabia was fully operational and produced 9,383 MWh for the year ended December 31, 2016 compared to 9,659 MWh for the year ended December 31, 2015 (note that 2015 production includes pre-acquisition production).

Wind Project

Baia Wind

The Wind Project is located in Baia village, Tulcea County, Romania. The Wind Project was developed in three stages and commissioned from January 2011 through until March 2012.

Project Name	Operational Construction Status	Installed Capacity (MW)	Wind Turbine Supplier	Turbine Type	No. of Turbines	Land Area (sqm)	GCs Available/ MW
Baia	Jan 2011 - March 2012	17	Vestas	Vestas V90	7 (3x V90 3.0 MW + 4 x V90 2.0 MW)	210,000	See below table

Green certificate accreditation for Baia is as follows:

Park	Installed capacity (MW)	Restricted GCs (GC/MWh)	Tradable GCs (GC/Mwh)	Total No. of GCs available/ MWh
Baia 1	2	1	1	2
Baia 2	5	0.35	1	1.35
Baia 4	10	1	1	2
TOTAL Baia Wind	**17**			

Baia was fully operational and produced 40,745 MWh for the year ended December 31, 2016 (15,412 MWh of electricity for the post acquisition period from September 2, 2016 to December 31, 2016).

SUMMARY OF QUARTERLY RESULTS

Given that the Trust acquired the Wind Project in September 2016 and the Solar Projects in July 2015 a comparison of operations between the periods set-out below is not relevant as it is difficult to compare operations over different parts of the year due to the seasonal nature of the respective Projects and the timing of the acquisitions. The following table provides the available summary financial data for the Trust's completed quarters:

	Three months ended							
	Dec. 31, 2016 ($)	**September 30, 2016 ($)**	**June 30, 2016 ($)**	**Mar. 31, 2016 ($)**	**Dec. 31, 2015 ($)**	**Sept. 30, 2015 ($)**	**Jun. 30, 2015 ($)**	**Mar. 31, 2015 ($)**
Revenue								
Electricity	748,986	578,302	483,020	324,188	264,635	220,371	180,815	126,382
Green Certificates	1,752,786	1,955,862	1,872,287	981,848	847,189	1,320,378	324,257	206,202
Revenue	2,501,772	2,534,164	2,355,307	1,306,036	1,111,824	1,540,749	505,072	332,584
Operating Expenses	3,429,593	1,974,660	958,665	2,177,642	1,502,097	3,355,084	1,182,846	982,887
Other Expenses (Income)	18,805,904	1,053,563	327,424	(267,227)	3,939,870	1,939,823	1,669,181	1,447,294
Tax recovery (expense)	(2,131,208)	41,965	95,248	51,025	(104,999)	53,543	(8,407)	26,926
Net Income (Loss) for the period	(21,864,923)	(452,094)	1,164,466	(553,354)	(4,435,142)	(3,700,615)	(2,355,362)	(2,070,671)
Total Comprehensive Income/(Loss)	(13,251,416)	(1,706,490)	(4,000,266)	1,190,693	(5,516,614)	(1,262,796)	(2,333,759)	(2,210,109)
Basic & Diluted Income (Loss) per Unit	(0.58)	(0.01)	0.04	(0.02)	(0.21)	(0.17)	(0.20)	(0.18)

FOURTH QUARTER ACTIVITY DISCUSSION

The fourth quarter of 2016 was the first full operating quarter for Baia and the newly acquired assets performed in line with expectations. Due to seasonal factors, the fourth quarter has historically been a period in which production overall for the Trust has been poor due to lack of sun and decreased river flows. However, with the newly acquired wind assets the Trust produced 18,112 MWh of electricity, which is an increase of 248% over the fourth quarter of 2015 where the portfolio produced 5,203 MWh of energy.

The Trust identified indicators of impairment at the Zagra and Suha run of river hydro projects resulting from the removal of Zagra 3 from the Trust's projections as the Trust will not be pursuing permitting and connection of the third turbine and from lower forecast production from Suha based on historical performance of the assets. The estimated recoverable amounts of the Zagra run of river hydro project of $2,310,773 and the Suha run of river hydro project of $1,863,766 were calculated by discounting the estimated future net cash flows of the projects over the estimated lives of the projects using a discount rate of 8.2%, commensurate with the estimated level of risk associated with the assets. The recoverable amount calculation was based on third party reports supporting long term estimates of hydrology levels, power prices and include capital and operating costs based on the current operating model maintained by the Trust. As the Zagra and Suha carrying amounts exceeded the estimated recoverable amount at December 31, 2016, impairment losses totaling $3,760,000 ($1,740,000 relating to Zagra and $2,020,000 relating to Suha) were recognised. The impairment loss was allocated to construction in progress, machinery and equipment which are comprised mainly of turbines, penstock and fixtures included in the carrying value of the projects. The discounted cash flow approach uses significant unobservable inputs and is therefore considered a Level 3 fair value measurement under the fair value hierarchy. A 1% change in the discount rate would change the impairment charge on Zagra by $149,000 and Suha by $87,000.

In addition, the Trust identified indicators of impairment at the Corabia and Power Live solar projects resulting from losses being incurred in the subsidiaries. In addition, on March 31, 2017, Romania issued Law 23/2014 and the Governmental Emergency Ordinance 24/2017 (the "2017Law") which included significant changes in the green certificate market. The 2017 Law substantively changes the restricted period from the restricted green certificates being tradable after March 31, 2017 to January 1, 2025 for restricted green certificates issued to solar plants.

As a result, an impairment test was performed using a discounted cash flow analysis with the estimated recoverable value of the Corabia and Power Live solar projects estimated to be approximately $13,109,733 and $18,290,576, respectively. The discounted cash flow analysis was based on a discount rate of 8.2%, commensurate with the estimated level of risk associated with the assets. The recoverable amount was based on third party reports supporting long term estimates of degradation, power prices and include maintenance capital and operating costs based on current operating model maintained by the Trust. As the carry values of the Corabia and Power Live solar projects exceeded the estimated recoverable amount at December 31, 2016, an impairment write down totaling $11,630,000 ($4,200,000 relating to Corabia and $7,430,000 relating to Power Live) was recognized. The impairment write down was allocated to buildings and equipment which comprised mainly of the photovoltaic panels fixtures included in the carrying value of the project. The discounted cash flow approach uses significant unobservable inputs and is therefore considered a Level 3 fair value measurement under the fair value hierarchy. A 1% change in the discount rate would change the impairment charge on Corabia by $800,000 and Power Live by $1,343,000.

Annual Production Summary

The following table lists the actual production and GCs added to inventory by the Hydro Projects, the Solar Projects and the Wind Project for the years ended December 31, 2016 and 2015:

Project	Power generation for the year ended Dec. 31, 2016 (MWh)	Power generation for the period ended Dec. 31, 2015 (MWh)	GCs received for the year ended Dec.31, 2016	GCs received for the period ended Dec. 31, 2015
Solar				
Power Live[(1)]	12,454	13,367	74,724	80,202
Corabia[(1)]	9,383	9,659	56,298	57,954
Hydro				
Rott	3,786	3,845	7,421	7,536
Zagra	2,244	1,545	5,161	3,554
Suha	1,284	1,834	2,568	3,668
Wind				
Baia [(1)]	40,745	44,656	64,209	71,348

Note:

(1) Annual production includes pre-acquisition production figures for the Solar Projects for 2015 and pre-acquisition production figures for the Wind Projects for 2016.

Revenue from Sale of Electricity

The Trust, through its Romanian subsidiaries, has energy contracts and GC off take agreements for its hydro production with Industrial Energy SA and sells its solar and wind electricity and GCs to Renovatio Trade.

The production from the Solar Projects for the year ended December 31, 2016 was slightly below the record 2015 production. However, production for both years was above expectations due to optimal production conditions.

Hydro production in 2016 continued to lag expectations due to poor hydrology resulting from high temperatures and drought. The production conditions were consistent with 2015 where drought conditions were also prevalent.

Wind Project results from the acquisition date to December 31, 2016 were in line with expectations despite experiencing significant month over month variability.

During the year ended December 31, 2016, the Trust earned $6,562,783 of income from restricted and tradable GCs combined which were earned based on the power produced in the power generation summary above.

Revenue from Green Certificates

During the year ended December 31, 2016, the Hydro Projects earned $655,525 from GCs, the Wind Project earned $996,823 from GCs and the Solar Projects earned $4,910,435 from GCs based on the power produced during the year. For further details on the Romanian GC Program, see "Key Factors Affecting the Trust's Business" below.

Operating Expenses

Operating expenses for the Projects are comprised of fixed and variable components and represent the costs of maintaining and operating the plants and equipment, including employee salaries, insurance, maintenance, repairs, utilities and supplies and are generally expected to be stable.

Significant components of operating expenses totaling $8,540,560 for the year ended December 31, 2016 ($8,996,168 for the year ended December 31, 2015) include:

- general and administrative expenses of $1,038,589 for the year ended December 31, 2016 ($1,298,701 for the year ended December 31, 2015) the significant components of which are public entity listing and administrative costs and executive and director salaries;
- decrease in the estimated fair value of milestone unit agreements of $1,067,187 for the year ended December 31, 2016 to reflect management's expectation that the milestones will not be met resulting in the release of the accrued milestone liability (charges of $535,307 were recorded for the year ended December 31, 2015);
- $342,613 in professional fees were incurred for the year ended December 31, 2016 ($717,726 for the year ended December 31, 2015) relating to ongoing reporting issuer compliance advice and services performed on behalf of the Trust; and
- $919,384 in professional transaction costs were incurred for the year ended December 31, 2016 ($665,419 for the year ended December 31, 2015).

Significant components of other expenses totaling $19,919,664 for the year ended December 31, 2016 ($8,996,168 loss for the year ended December 31, 2015) are:

- $16,053,600 principal amount of convertible debentures (the "Debentures") reflected on the balance sheet at fair value and, due to the change in the closing price of the Debentures on the TSX Venture Exchange from December 31, 2015 to December 31, 2016, mark-to-market gains of $1,617,018 were recorded for the for the year ended December 31, 2016; (loss of $976,300 for the year ended December 31, 2015);
- mark-to-market fair value gains of $2,860 for the year ended December 31, 2016 were recorded in relation to the outstanding warrants issued by the Trust ($nil for the year ended December 31, 2015);
- interest and financing charges of $4,346,413 for the year ended December 31, 2016 ($2,281,796 for the year ended December 31, 2015;
- As discussed in the fourth quarter activity discussion, there were significant impairment charges recorded with $15,390,000 were recorded in fiscal 2016 ($3,269,905 for the year ended December 31, 2015); and
- the following one-off expenses were incurred in fiscal 2015: $1,248,019 in settlement losses relating to a bridge financing loan and vendor take-back mortgage and $1,097,779 premium paid for the acquisition of the shares of Mediterranean Resources Ltd.

In the first quarter of 2017, the Trust has completed a cost rationalization exercise across its Romanian operations that management believes will result in a reduction of annual costs of approximately $300,000 and improved operating performance of the Trust's hydroelectric assets.

SUMMARY OF FINANCIAL POSITION

Summarized selected consolidated financial information with respect to the Trust for the last eight quarter ends:

As at	Dec. 31, 2016 ($)	Sept. 30, 2016 ($)	Jun. 30, 2016 ($)	Mar. 31, 2016 ($)	Dec. 31, 2015 ($)	Sept. 30, 2015 ($)	Jun. 30, 2015 ($)	Mar.31, 2015 ($)
Total Current Assets	7,095,307	6,049,477	3,194,739	3,483,890	4,510,564	3,767,555	6,311,601	876,398
Total Current Liabilities	36,273,420	17,611,045	14,024,976	14,006,664	12,514,396	6,729,204	9,407,860	3,939,402
Working Capital (deficit)	(29,178,113)	(11,561,568)	(10,830,237)	(10,522,744)	(8,003,832)	(2,961,649)	(3,096,259)	(3,063,004)
Total Assets	75,592,306	85,764,640	54,883,792	57,149,768	60,354,282	63,070,166	23,101,099	17,659,335
Total Liabilities	77,184,223	73,995,848	48,914,512	52,008,666	52,540,929	53,005,397	22,133,643	15,284,870
Trust capital	35,324,282	35,433,575	27,407,131	26,066,781	25,769,159	21,961,903	10,922,219	9,715,978
Deficit	40,976,961	19,112,028	18,139,492	19,303,958	18,078,132	12,983,097	8,720,742	6,085,889
Unitholders Equity (Deficit)	(1,591,917)	11,768,792	5,969,280	5,141,102	7,813,353	10,064,769	967,456	2,374,465
Total Liabilities and Equity	75,592,306	85,764,640	54,883,792	57,149,768	60,354,282	63,070,166	23,101,099	17,659,335

The changes in the working capital and financial position from December 31, 2015 to December 31, 2016 are the result of:

- $1,470,368 reduction in cash related mainly to cash used in covering interest charges, repaying and restructuring corporate debt and acquiring the Wind Project;
- working capital deficit has increased significantly at December 31, 2016 to $29,178,113 due mainly to the reclassification of $16,053,600 of convertible debentures to current liabilities and the build-up of accounts payable;
- increased accounts payable from $3,793,637 at December 31, 2015 to $10,410,943 at December 31, 2016 and an increase in receivables from $2,399,594 at December 31, 2015 to $4,894,270 at December 31, 2016;
- prepaid assets increased from $177,453 at December 31, 2015 to $691,741 at December 31, 2016 relating to prepaid insurance, deferred marketing and financing fees incurred in 2016;
- at December 31, 2016, the Trust had no distributions payable compared with $659,892 at December 31, 2015;
- in connection with the acquisition of the Wind Project, the Trust issued a vendor take-back loan to the seller recorded at its amortized cost of $6,274,062 plus $2,071,000 in Debentures and assumed additional capital lease liabilities;

- the Trust realized mark-to-market gains on the Debentures totaling $1,617,018 for the year ended December 31, 2016 (and a corresponding decrease in debenture liabilities);
- a decrease in the fair value of the milestone unit agreements of $1,067,187 for the year ended December 31, 2016 to reflect management's expectation that the milestones will not be met, resulting in release of the accrued milestone liability; and
- a decrease in the fair value of warrants of $2,860 for the year ended December 31, 2016 to date due to revaluation adjustments principally driven by Unit price volatility used in the estimation of fair value at December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

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

Financial Condition

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

	Year ended	
	December 31, 2016 **$**	**December 31, 2015** **$**
Cash generated by (used in)		
Operating activities	(90,703)	(4,404,239)
Financing activities	(1,308,251)	7,894,860
Investing activities	(1,909,855)	(2,146,465)
Net increase (decrease) in cash	(1,470,368)	1,465,505
Cash and cash equivalents at end of period	240,703	1,711,011

	As at December 31, 2016 **$**	**As at December 31, 2015** **$**
Current Assets	7,095,307	4,510,564
Current Liabilities	36,273,420	12,514,396
Working Capital	(29,178,113)	(8,008,832)

Cash flows from operations are generally impacted by variability in the timing and velocity of wind, hydrology levels, hours of sunlight as well as the operational capability of the Projects. For the year ended December 31, 2016, the Trust had operating cash outflows of $90,703 compared to outflows of $4,403,239 in 2015.

Financing cash outflows for the year ended December 31, 2016 were $1,308,251 compared to inflows of $7,894,860 for the year ended December 31, 2015. The outflows in 2016 relate to capital lease and repayment and servicing and the cash portion of Unit distribution payments and the incoming cash from financing activities relates to the net proceeds of unit issuances and the convertible debenture issuance. The financing cash flows as of December 31, 2015 included $4,711,577 in proceeds from a debt issuance as well as $5,673,827 in proceeds from the issuance of Units and subscription receipts.

The Trust has a number of long term financial liabilities outstanding on which there are ongoing principal and interest obligations:

Within 1 year	$ 9,443,072

1 – 5 years		60,566,958
Greater than 5 years		3,399,531
	$	**73,409,561**

COMMITMENTS

The Trust has the commitments on asset management and maintenance contract with RGL. Security services and insurance:

Within 1 year	$	1,399,472
1 – 3 years	$	2,533,984
3 – 5 years	$	2,212,348
After 5 years	$	3,759,744

OFF-BALANCE SHEET ARRANGEMENTS

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

COMPLETED TRANSACTIONS

Wind Project Acquisition

During the year, the Trust completed the acquisition of the Wind Project which included $2.0 million paid in cash, the issuance of 14,790,136 Units, the issuance of a $6.4 million vendor take-back loan and the issuance of $2,071,000 principal amount of 7.5% convertible unsecured debentures governed by the debenture indenture dated May 28, 2014 (the “Debenture Indenture”).

Debentures with an aggregate principal amount of $4,233,000 were issued pursuant to a private placement, of which $625,000 were issued pursuant to Debenture Indenture and $3,608,000 were issued as series 2 debentures (“Series 2 Debentures”) pursuant to a first supplemental debenture indenture to the Debenture Indenture dated September 1, 2016. An aggregate of 3,387,400 warrants were issued, with each Warrant being exercisable into one Unit at an exercise price of $1.00 until May 28, 2019.

Secured Debt Facility

Subsequent to December 31, 2016, the Trust closed $3.80 million of the potential $10 million secured debt facility (the “New Debt Facility”) with a three year term, subject to a one year extension at the option of the Trust under certain conditions. Interest is payable on the New Debt Facility at a rate of 5% per annum, compounding semi-annually.

Repayment of Debt Facility

On January 20, 2017, the Debt Facility was fully repaid by a combination of a cash payment from the proceeds of the New Debt Facility and the issuance a $1.47 million unsecured convertible promissory note that bears interest at a rate of 5%, has a one year term, is convertible at the option of the holder into Units at a price of $0.31 per Unit or, if the Note is not fully converted or paid by the maturity date, is automatically converted into Units at a price equal to the volume weighted average price for the five trading days before maturity less the maximum discount allowed under the rules of the TSXV.

Bridge Financings

On March 16, 2017, the Trust issued a term promissory note (the "Bridge Note") to an arm's length party in the principal amount of US$210,000 that bears interest at a rate of 5% annum. The Bridge Note is due on July 17, 2017 and is convertible at the option of the Trust into Units on maturity if the Trust completes an equity financing of at least $5,000,000. Subject to the approval of the TSXV, the principal and accrued interest is convertible into units at a price per Unit equal to the volume weighted average trading price of the Units as they trade on the TSXV for the five trading days prior to the maturity date (the "Five Day VWAP"), less a 15% discount if the Five Day VWAP is $0.50 or more or a 25% discount if the Five Day VWAP is less than $0.50.

Trust Unit Issuances

The following table shows the Unit issuances during fiscal 2016.

Date of issue	**Description**	**Units**	**Value ($)**
	Opening Balance	30,203,705	25,769,159
January 15, 2016	Distribution reinvestment plan	537,916	297,622
April 5, 2016	Private placement	1,156,043	717,230
April 15, 2016	Distribution reinvestment plan	487,018	337,992
May 13, 2016	Private placement	316,399	196,975
June 15, 2016	Unit Purchase Plan	183,333	115,500
June 15, 2016	Unit Purchase Plan – deferred matching units	9,804	4,902
August 15, 2016	Distribution in kind	1,040,883	520,442
August 15, 2016	Sprott anniversary payment	221,867	110,934
September 2, 2016	Wind Project Acquisition	14,790,136	7,395,068
December 15, 2016	Unit Purchase Plan	11,299	4,971
	Costs of Issue	-	(146,513)
		48,958,403	**35,324,282**

RELATED PARTY TRANSACTIONS

Apart from the transactions disclosed elsewhere in these consolidated financial statements, all transactions are in the normal course of business and are recorded at the exchange value agreed to by the related parties. Inter-company transactions and balances are eliminated upon consolidation. Key management of the Trust consists of members of the board of directors and officers of the Trust and Administrator. During the year ended December 31, 2016, the Trust expensed $805,291 (2015 - $723,413) of salaries and benefits to the officers of the Trust in addition to $135,000 (2015 - $105,000) in directors' fees, which are included in general and administrative expenses.

As at December 31, 2016, the Trust has amounts payable of $534,384 (2015 - $233,855) to related parties consisting of deferred salaries, advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust.

Renovatio Group Limited ("RGL") holds significant influence over the Trust and is a related party. The Trust sells power and green certificates to RGL and has operations and maintenance contracts with subsidiaries of RGL. During the year ended December 31, 2016, the Trust expensed $1,757,973 (2015:

$543,097) of operations and maintenance and balancing fees and recognised $5,981,106 (2015: $2,309,341) in sales of power and green certificates to RGL and its subsidiaries. As at December 31, 2016, the Trust has $2,764,150 (2015 - $1,046,107) in accounts receivable from and $3,035,140 (2015: $646,764) in accounts payable to RGL.

NEW ACCOUNTING PRONOUNCEMENTS

A number of new standards and amendments to existing standards are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. Transeastern does not intend to early adopt any of the following amendments to existing standards and does not expect the amendments to have a material impact on the financial statements, unless otherwise noted.

i. Revenue: In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15). IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The extent of the impact of adoption of IFRS 15 has not yet been determined.

ii. Financial Instruments: In July 2014, the IASB issued IFRS 9, Financial Instruments (IFRS 9). IFRS9 replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement(IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets, a new expected credit loss model for calculating impairment on financial assets and new hedge accounting requirements. It also carries forward, from IAS 39, guidance on recognition and derecognition of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. The Trust does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

iii. Leases: In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Fair Value of Long Lived Assets and Impairment Assessments

The Trust has completed several acquisitions since its inception and at the conclusion of each acquisition, the Trust has assessed the Trust’s acquired assets and liabilities in order to determine the fair value of the assets acquired. Post-acquisition, the Trust periodically assesses whether there are indications that an impairment might exist in the carrying values of the acquired companies, where there are indications, the fair value of the assets is assessed and compared to their carrying value. Assessing the fair value requires assumptions regarding forecasted prices of power, GC allotments, exchange rates, production costs, hydrology, wind, sunlight hours, cost of future maintenance and capital expenditures and discounting. Changes in any of the assumptions or estimates used in determining the fair values could impact the carrying values and require impairment analysis.

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

The Trust is also required to revalue certain financial instruments, including convertible debentures and warrants at each reporting period end. Assessing the fair value requires assumptions regarding Unit and Debenture pricing, risk free interest rates and volatility. Changes in any of the assumptions or estimates used in determining the fair values could impact the carrying values of these financial instruments.

CAPITAL MANAGEMENT

The Trust manages its capital with the objective of ensuring sufficient financial flexibility to achieve the ongoing business objectives including funding Trust unitholder distributions, improving and maintaining the operation of Trust assets and the pursuit of accretive acquisitions.

The Trust monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Trust may manage its capital structure by issuing new Units, taking on debt, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis.

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

The Trust considers its capital to be equity, comprising all aspects of unitholder equity, secured debt, convertible debentures and notes payable.

The Trust manages capital through its financial and operational forecasting processes including working capital forecasts and forecasts of future operational cash flows from the Projects. The Trust budget is regularly updated based on actual experience and summary forecast information is frequently provided to the Board.

NON-GAAP MEASURES

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

Operating margin is calculated by deducting cost of sales from revenues. Accordingly, these are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented in other companies.

Reconciliation of operating margin:

	Year ended	
	December 31, 2016	December 31, 2015
	$	$
Total revenue	8,697,279	3,490,229
Less: Direct Operating Expenses	2,807,618	2,040,280
Operating margin	5,889,661	1,449,949
Less: Depreciation	4,499,543	1,765,481
Other expenses and taxes	23,096,033	12,246,258
Income (Loss) for the period	(21,705,915)	(12,561,790)

SUMMARY OF OUTSTANDING SECURITIES

The authorized capital of the Trust consists of an unlimited number of Units, of which 48,958,403 Units are issued and outstanding as of the date of this MD&A.

The Trust has issued 15,538,045 Unit purchase Warrants ("Warrants") each Warrant exercisable into a Unit for a period of 36 months from the date of issuance, subject to applicable acceleration provisions. A total of 15,011,848 of the Warrants are exercisable at $1.00 per Unit, 435,934 of the Warrants are non-transferable broker warrants exercisable at $1.00 per Unit and 90,263 of the Warrants are non-transferable broker warrants exercisable at $1.20 per Unit. The Trust has also issued $20,067,000 principal amount of Debentures convertible into 16,053,600 Units and has issued 225,000 Restricted Units ("RTUs") under the Trust's RTU plan. Further, up to 3,000,000 Units are issuable pursuant to existing milestone unit agreements the Trust in the event that the Trust achieves certain milestones over the periods covering any one of (i) the first full 12 fiscal quarters; (ii) the first 16 fiscal quarters; or (iii) the first 20 fiscal quarters after March 31, 2014. Subsequent to December 31, 2016, the Trust issued a promissory note totalling $1,474,449 convertible into 4,756,287 Units and a second promissory note with a principal amount of $1,000,000 which is convertible into 1,886,792 Units. The number of Units issuable on the conversion of the Bridge Note is determined at maturity pursuant to the formula provided (see "Completed Transactions").

Assuming the exercise or conversion of all of the Trust's outstanding convertible securities, excluding the Bridge Note, an aggregate of 90,418,128 Units would be issued and outstanding on a fully diluted basis.

KEY FACTORS AFFECTING THE TRUST'S BUSINESS

Licensing and Accreditation

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

The Romanian Green Certificate Program

Domestic incentive programs for renewable power vary across Europe, with some markets adopting a feed-in tariff (FIT) system (e.g., Spain and Germany) and other markets adopting a quota-based system (e.g., Italy, the UK, Sweden and Poland). On March 31, 2017, Romania issued Law 23/2014 and the Governmental Emergency Ordinance 24/2017 (the "2017 Law") which included significant changes in the GC market.

Depending on the source of energy they use, producers receive a different number of GCs. The list of eligible technologies includes wind, solar and biomass generation, as well as hydroelectric plants with a capacity less than or equal to 10 MW, commissioned or modernized from 2004 onwards. All of the Projects meet these criteria. Producers using different technologies receive a different number of GCs per MWh of renewable electricity generation. For most producers (including Baia, Corabia, Power LIVE, Rott and Zagra), the GC system is available for the first 15 years of operation from the date that the plant receives accreditation (approval into the GC program once a plant is operational). For others, including Suha which consists of refurbished plants, it is available for 10 years. According to 2017 Law, GCs issued before March 31, 2017 are valid for 12 months from the date of issuance and GCs issued after March 31, 2017 are valid until March 31, 2032.

GCs must be purchased by the energy suppliers from the producers of energy to whom they are issued, or parties to whom such producers have transferred such GCs. 2017 Law replaced the procurement quota established by ANRE on an annual basis using calculation methodology set by law which takes into account forecasted information including percentage of gross energy consumption to come from renewable generation, the associated Banding level and the estimated final electricity consumption with a static quantity of GCs which have to be procured by suppliers.

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

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

In the summer of 2013, the Romanian government issued a law which, among other items, restricted the ability to trade specific numbers of GCs. With respect to energy produced by hydroelectric plants, this law restricts the trading of one of the three GCs issued for each MWh produced by new hydroelectric plants with installed power up to a maximum of 10 MW. With respect to energy produced by solar plants, this law restricts the trading of two of the six GCs issued for each MWh produced by solar plants. With respect to energy produced by wind, this law restricts the trading of one out of two GCs issued for each MWh produced. The 2017 Law substantively changes the restricted period from the restricted GCs being tradeable after March 31, 2017 to the start date of January 1, 2018 for restricted GCs for wind production and January 1, 2025 for restricted GCs issued to solar plants.

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

Rott received the EU Loan in February 2014. Based on the terms of this loan, the number of tradable GCs issued to Rott to date were re-assessed, as the project operated with two tradable GCs between receiving approval for the EU Loan and the actual funding of this loan. The project was re-assessed with: (i) a lower number of tradable GCs (0.96 GCs); and (ii) with a GC clawback to cover the period that the project received the full number of tradable GCs. The clawback period is now complete and Rott is now entitled to receive the 1.96 GCs as set out above.

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

The Solar Projects, are entitled to four immediately tradable GCs plus another two GCs which are restricted from trading until January 1, 2025 for each MW delivered into the grid.

Green certificate accreditation for Baia is as follows:

Park	**Installed capacity (MW)**	**Restricted GCs (GC/MWh)**	**Tradable GCs (GC/Mwh)**	**Total No. of GCs available/ MWh**
Baia 1	2	1	1	2
Baia 2	5	0.35	1	1.35
Baia 4	10	1	1	2
TOTAL Baia Wind	**17**			

Competitive Conditions

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

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

<u>Hydro Projects</u>

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

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

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

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

Peak consolidated power production by the Hydro Projects is generally expected to occur during the second quarter of the year, with the monthly peak occurring in May.

As Transeastern diversifies its holdings through future acquisitions, monthly production is expected to become less variable through adding wind generation to the portfolio as well as more diversity in the location of the Hydro Projects.

Solar Projects

The acquisition of the Solar Projects decreased monthly variability in overall production as solar generation peaks during the summer months when run of river production is low due to hydrology. The output of a solar project is generally dependent on the amount of sunlight feeding into the solar cells. The peak period for sunlight runs from April to October and is highly correlated to the number of hours of sunlight in a day. A solar park has little or no capacity for energy storage and therefore periods of low sunlight create lower electricity production.

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

Wind Project

The acquisition of the Wind Project further decreases the monthly variability in overall production as wind generation peaks during the winter months when solar production is low. The output of a wind project is generally dependent on the speed and availability of wind. The peak period for wind in the area of the Wind Project runs from January to April and from September to December. A wind project has no capacity for energy storage and therefore periods of low wind create lower electricity production.

Peak consolidated power production by the Wind Project is generally expected to occur during the first and fourth quarter of the year, with the monthly peak occurring usually in winter months.

Environmental Protection

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

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

Wind power generation produces virtually no emissions. The post-production potential environmental impacts generally associated with wind power production are land use, noise effect and interference with the flight patterns of birds. The Wind Project will have a minimal impact on surrounding land, communities and animal habitat, mostly due to the isolated location of the project.

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

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

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

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

Specialized Skills and Knowledge

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

Inflation and Foreign Exchange

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

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

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

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

RISKS AND UNCERTAINTIES

The Trust and its operations are subject to various business, financial and operational risks that could materially adversely affect the Trust's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A.

The following list details existing and potential material risks to the business of the Trust. The risks described below are not listed in any particular order and are not exhaustive. Additional risks and uncertainties not currently known to the Trust, or those that it currently deems to be immaterial, may become material and adversely affect the Trust's business.

Risk Factors

Risks Relating to Solar and Hydro Power Production

Transeastern may be adversely affected if its assessment of sun resources and associated energy production proves incorrect.

The strength and consistency of the sun resources at the Solar Projects may vary from what Transeastern anticipates. Energy production estimates of Transeastern are based on assumptions and factors that are inherently uncertain, which may result in actual energy production being different from the estimates of Transeastern, including (i) the extent to which historical data accurately reflects the strength and consistency of the sun in the future; (ii) the strength of the correlation between the site-specific sun data and the longer-term regional data; (iii) the potential impact of climatic factors; (iv) the accuracy of assumptions on a variety of factors, including but not limited to weather, icing and soiling of solar panels and site access; (v) the potential impact of topographical variations and local conditions; (vi) the inherent uncertainty associated with the specific methodologies and related models, in particular future-orientated models, used to project sun resources; and (vii) the potential for electricity losses to occur before delivery.

The Solar Projects are Transeastern's introduction to solar power facility operation.

The Solar Projects represent Transeastern's first operational experience with solar power projects. For the foreseeable future, Renovatio Asset Management will provide all operations and maintenance services required for the Solar Projects. The Trust had not worked with this company prior to the acquisitions and there is a risk that project management services may not be provided to a level expected by Transeastern. The Solar Projects may possibly not operate as planned and such performance issues could have an adverse impact on Transeastern's results.

Transeastern may be adversely affected if its supply of water is materially reduced.

Run-of-river hydroelectric generation facilities require continuous water flow for their operation. Shifts in weather or climate patterns, seasonal precipitation, the timing and rate of melting, run off, and other factors beyond the control of Transeastern, may reduce the water flow to Transeastern's facilities. Any material reduction in the water flow to Transeastern's facilities beyond ordinary seasonal variance would limit Transeastern's ability to produce and market electricity from these facilities and also the number of GCs the Hydro Projects will receive and could have a material adverse effect on Transeastern. There is an increasing level of regulation respecting the use, treatment and discharge of water, and respecting the licensing of water rights in jurisdictions where Transeastern operates. Any such change in regulations could have a material adverse effect on Transeastern.

The Projects are required to be licensed in each region in which they operate. The denial of a renewal license or revocation of an existing license may impact Transeastern's financial results and have a material adverse effect on Transeastern.

For the operation of renewable power plants in Romania, an energy production license must be obtained from ANRE for the commercial exploitation of energy plants. In order to benefit from the legal regime created for producers of renewable electricity, after the issuance of the production license, the Projects have to obtain from ANRE the accreditation of the plant for the application of the GC system.

If a Project is denied a license, has a license revoked or is not granted renewal of a license, such Project may not be permitted to produce electricity, in which case such Project will have no revenue and receive no GCs, in which case the financial results of Transeastern may be negatively impacted and may have a material adverse effect on Transeastern.

In particular, the hydroelectric facilities owned by Rott are subject to lease agreements with the Romanian Waters Agency for the right to use the river bed and subscription agreements for the right to use the water resources. Under Romanian law, both such lease agreements and subscription agreements must be concluded only pursuant to a public awarding procedure, following the tender procedure for the lease of assets administrated by the Romanian Waters Agency. However, the procedures followed by the Romanian Waters Agency when these agreements were granted to the Hydro Project did not follow this tender procedure. Third parties may request the annulment of such an agreement provided that they prove that they have been adversely affected by the grant of the agreement. As a result, there is a risk that such agreements could be annulled as a consequence of failure to comply with the aforementioned legal provisions, in which case the revenues of Transeastern and the ability of Transeastern to make payments on the Debentures and distributions on the Units could be materially adversely impacted. Management and its Romanian counsel believe that the practice of the Romanian Waters Agency not to follow the legal public awarding procedure in the past was not uncommon and therefore consider such risk as low.

Certain of the lease and subscription agreements contain clauses which allow the regulating body the option to require the decommissioning of a plant upon the expiry or termination of the agreements. Other plants have no specific obligations other than to maintain the plant in good working order. The Hydro Projects have an option to renew or extend their existing lease agreements and anticipate being in a position to extend their subscription agreements and continue to operate their facilities. Based on historical general practice within the Hydro Projects' regions, Transeastern and its Romanian counsel have assessed the probability of being required to decommission a plant upon the expiry of such agreements to be remote.

The operation and maintenance of Transeastern's facilities involve risks that may materially and adversely affect Transeastern's business.

The revenue generated by the Projects' power generation facilities is dependent on the amount of electricity generated by them. The ability of the Projects' power generation facilities to generate power is a primary determinant in the quantum of revenue that will be received by Transeastern. A number of different factors, including: changes in water flows, changes in solar resources due to weather patterns, equipment failure due to wear and tear, latent defect, design error, operator error, slow response to outages due to underperforming monitoring systems, and vandalism or theft could adversely affect the amount of power produced, and thus the revenues and, ultimately, the cash available for distribution to unitholders. Unplanned outages or prolonged downtime for maintenance and repair typically increase operation and maintenance expenses and reduce revenues as a result of selling less electricity and receiving fewer GCs. Although the Projects' generation facilities that have commenced operations have generally operated without unplanned outages or prolonged downtime for maintenance and repairs, there can be no assurance that they will continue to do so. To the extent that a plant's equipment requires longer than forecasted down times for maintenance and repair, or suffers disruptions of power generation for other reasons, Transeastern's business, operating results, financial condition or prospects could be adversely affected. In addition, many of Transeastern's generation facilities are located in remote areas which may make access for repair of damage difficult and result in a material delay to the resumption of operations.

There can be no assurance that Transeastern's maintenance program will be able to detect potential failures in its facilities prior to occurrence or eliminate all adverse consequences in the event of failure. In addition, weather related interference, work stoppages and other unforeseen problems may disrupt the operation and maintenance of Transeastern's facilities and may materially and adversely affect Transeastern.

While Transeastern may maintain an inventory of, or otherwise make arrangements to obtain, spare parts to replace critical equipment and maintain insurance for property damage to protect against certain operating risks, these protections may not be adequate to cover lost revenues or increased expenses and contractual penalties which could result if Transeastern is unable to operate its generation facilities at anticipated levels of production.

A significant increase in water rental costs or requirements could result in a material adverse effect.

Transeastern is required to make rental payments for water rights and comply with other specific requirements imposed by the Romanian Waters Agency, which are subject to changes from time to time. Significant increases in water rental costs in the future or changes in the way that governmental authorities in the jurisdictions in which Transeastern's hydroelectric assets are located regulate water supply could have a material adverse effect on Transeastern's business, operating results, financial condition or prospects.

A significant change in the policy for dispatching units could result in a material adverse effect.

The revenue generated by the Projects' power generation facilities is dependent on the amount of electricity generated by them. The Solar Projects are registered as dispatchable generation units. This translates in the capacity of the Transmission System Operator to control and/or limit the maximum hourly output of a dispatched project depending on the national Electrical Grid status, hourly energy production, hourly energy consumption, grid stability and any other related factors. Significant reduction of the hourly output of the Solar Projects could have a material adverse effect on Transeastern's business, operating results, financial condition or prospects.

Risks Relating to the Electricity, Foreign Currency, GCs and Other Markets

Transeastern's revenues will be adversely affected by a decrease in the market price of electricity.

The power produced by the Projects is not, at this point, subject to long-term fixed-price contracts. If the prevailing price of power on the markets in which the Projects participate decreases, it is possible that the price received by the Projects for power may be reduced significantly. The price for the power produced by the Projects could be affected by a number of different factors including but not limited to, levels of economic activity, legislative or other regulatory changes (by Romania or the EU), changes in prices of oil, natural gas or other energy sources within the EU or globally, changing local weather patterns and global economic changes and political unrest in regions proximate to Romania. Decreases in market prices for electricity could negatively impact Transeastern's revenues and results of operations, which could reduce the level of distributions paid by Transeastern, prevent Transeastern from making distributions on its Units and/or negatively affect Transeastern's ability to make interest or principal payments on the Debentures. It is possible that future bilateral contracts or power prices may not be available at a price that provides for the level of profitability currently forecast by Transeastern.

Transeastern's revenues will be adversely affected by a reduction in the market price of GCs.

The revenue from the sale of GCs by the Projects is expected to represent a substantial portion of Transeastern's future revenues. The sale of GCs is not, at this point, subject to long-term fixed-price contracts. Transeastern's current financial model on which the projections regarding Transeastern's ability to make payments on the Debentures and distributions on the Units are based, assumes GC prices will stay within current banding levels. The Romanian government has made changes to the GC legislation over the past number of years. If the prices of GCs continue to decline, Transeastern's revenues and results of operations will be negatively impacted. While GC prices currently appear to be stable for the Projects, there can be no assurance that current legislative policies will not change. Legislative changes by the EU, Romania or other European countries, changes in residential or industrial electricity demand, innovation of new electricity generation technologies, changes in EU, Romanian or other European countries' renewable incentive programs or other factors, could impact the demand for GCs, the market for GCs and also impact the pricing of GCs. Changes to the price of GCs could result in Transeastern being unable to achieve the level of profitability and cash flow currently forecast, and adversely affect Transeastern's ability to pay distributions on the Units and make interest or principal payments on the Debentures.

The value of the Canadian dollar against the Euro and the Romanian Lei will affect Transeastern's results and distributions.

All of the initial operating assets of Transeastern are located in Romania with revenues received in RON or Euros. Intercompany interest and principal payments will be in Euros. Transeastern, on the other hand, raises capital and pays interest and principal on the Debentures and any distributions to unitholders in Canadian dollars. Transeastern also raises funds primarily from the sale of Units in Canadian dollars and invests indirectly through its subsidiaries in Romanian assets, using Euros and RON. Thus, when the Canadian dollar increases in value against the Euro and/or the RON, Transeastern's indirect investments in Romanian assets will be less expensive; however, the value of distributions received by Transeastern directly or indirectly from the subsidiaries will also be reduced. When the Canadian dollar decreases in value against the Euro and/or RON, the cost of Transeastern's indirect investments in Romanian assets will be more expensive. However, the value of distributions received by Transeastern directly or indirectly from the subsidiaries will increase.

Transeastern subsidiaries may in the future utilize derivative instruments in order to manage exposures to changes in foreign currency rates and to mitigate the currency risk impact on the long-term sustainability of distributions to unitholders and payments to holders of Debentures. Derivative instruments are generally transacted over-the counter. The inability or failure of Transeastern or its subsidiaries to manage and monitor foreign currency exchange risks could have a material adverse effect on the results of operations and cash flow of Transeastern and on distributions on and the value of the Units.

Transeastern may suffer economic losses where market risk management policies and programs do not work as planned.

Transeastern's risk management programs may not work as planned. For example, actual prices for GCs and for electricity may be significantly different or more volatile than the historical trends and assumptions upon which Transeastern based its risk management calculations. In addition, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting the Projects' ability to enter into new acquisition transactions or renew existing arrangements on favourable pricing terms.

The global economy continues to exhibit unprecedented volatility and uncertainty and unforeseen events may negatively impact Transeastern's financial condition.

Market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, caused significant volatility to commodity prices over the last few years. These conditions have resulted in a loss of confidence in the European and global credit and financial markets, resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers, and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted public entity valuations and continue to impact the performance of the global economy going forward. Political unrest may also have a negative impact on market conditions.

If the economic or political climate in Romania, the European Union regions near to Romania or the world generally deteriorate, demand for energy products could diminish further, the value of the RON and/or Euro could diminish leading to decreased prices for electricity and GCs and actual prices for electricity and GCs could decrease, which could adversely impact Transeastern's results of operations, liquidity and financial condition.

Risks Relating to the Power Generation Industry

Revenues and results from operations are expected to fluctuate on a seasonal and quarterly basis as a result of demand for electricity and the Projects' ability to produce energy.

Transeastern's revenues and the results of operations of Transeastern may fluctuate significantly on a seasonal basis as a result of the hydrology associated to its generation facilities. Demand for electricity typically peaks in winter and summer months.

Due to spring run-off, spring is peak power production time for the Hydro Projects. Due to the amount of sunlight feeding into solar cells, summer to early fall is expected to be the peak period for the Solar Projects. Additionally, solar parks have little or no capacity for energy storage and therefore periods of low sunlight create lower electricity production.

The impact of this seasonality may be exaggerated as a result of extreme weather conditions, resulting in variances in electricity demand and pricing. Depending on prevailing market prices for electricity, these and other unexpected circumstances may reduce revenues and results of operations. Fluctuations in revenues and results from operations will directly affect the amount of cash available to Transeastern for distribution to unitholders and payment of principal and interest obligations to Debenture holders. Distributions to unitholders may be reduced, or even eliminated, at times of the year where revenues and results from operations are not sufficient to support a distribution.

Transeastern's facilities and operations are exposed to effects of natural disasters and other catastrophic events outside of Transeastern's control and such events could result in a material adverse effect.

Transeastern's facilities and operations are exposed to potential interruption and damage, partial or full loss, resulting from environmental disasters (e.g., floods, high winds, fires and earthquakes), major accident or incident and the like. There can be no assurance that in the event of an earthquake, hurricane, tornado, terrorist attack, act of war or other natural, manmade or technical catastrophe, all or some parts of Transeastern's generation facilities and infrastructure systems (including but not limited to connection points and transmission lines) will not be disrupted. The occurrence of a significant event which disrupts the ability of Transeastern's power generation facilities to produce or sell power for an extended period could have a material adverse effect on the business of Transeastern. In addition, many of Transeastern's generation facilities are located in remote areas which may make access for repair of damage difficult and result in a material delay to the resumption of operations.

The power generation industry has certain inherent risks related to worker health and safety and the environment that could cause Transeastern to suffer unanticipated expenditures or to incur fines, penalties or other adverse consequences material to its business and operations.

The ownership and operation of Transeastern's power generation facilities carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes thereto) and the requirements of licenses, permits and other approvals required to carry on Trust's business will remain material to Transeastern's business. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant adverse impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Unexpected changes in the cost of maintenance or in the durability and replacement cost of components for Transeastern's facilities may adversely affect its results of operations.

Unexpected increases in Transeastern's cost structure that are beyond the control of Transeastern could materially adversely impact its financial performance. Examples of such costs include, but are not limited to: unexpected increases in the cost of procuring materials and services required for maintenance activities, and unexpected replacement or repair costs associated with equipment underperformance or lower-than-anticipated durability.

Transeastern's communications and monitoring technology and operating systems may experience interruptions or breaches in security which could lead to increased operating costs and other liabilities.

Transeastern expects to rely on technology, mainly on computer, telephone, satellite, cellular and related networks and infrastructure, to conduct its business and monitor the production of its plants. These systems and infrastructure could be vulnerable to unforeseen problems, including, but not limited to vandalism and theft. Transeastern's operations are dependent upon its ability to protect its operating technology against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in operations could have an adverse effect on its customers. Additionally, Transeastern must be able to protect its plants against physical damage, security breaches and service disruption from any of a variety of causes. Theft, vandalism, and other disruptions could jeopardize the security of information stored in and transmitted through Transeastern's systems and network infrastructure, and could result in significant setbacks, potential liabilities, and deter future customers. While Transeastern has backup systems, policies, hardware, practices, and procedures designed to prevent or limit the effect of the failure, interruptions or security breaches of its plants and their infrastructure, there can be no assurance that these measures will be sufficient and that such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed in a timely manner.

Transeastern is not able to insure against all potential risks and may become subject to higher insurance premiums.

Transeastern's business is exposed to the risks inherent in the operation of electricity generation facilities, such as breakdowns, manufacturing defects, natural disasters, theft, terrorist attacks and sabotage. Transeastern maintains insurance policies, covering usual and customary risks associated with its business, with credit-worthy insurance carriers. Transeastern's insurance policies, however, do not cover losses as a result of force majeure, natural disasters, terrorist attacks or sabotage, among other things. Transeastern's insurance policies are subject to annual review by the respective insurers and may not be renewed at all or on similar or favorable terms. A significant uninsured loss or a loss significantly exceeding the limits of Transeastern's insurance policies or the failure to renew such insurance policies on similar or favorable terms could have a material adverse effect on Transeastern's business, financial condition and results of operations.

Transeastern's facilities rely on national and regional transmission systems and related facilities that are owned and operated by third parties and have both regulatory and physical constraints that could impede access to electricity markets.

Transeastern's power generation facilities depend on electric transmission systems and related facilities owned and operated by third parties to deliver the electricity Transeastern generates to delivery points where ownership changes and Transeastern is paid. These grids operate with both regulatory and physical constraints which in certain circumstances may impede access to electricity markets. There may be instances in system emergencies in which Transeastern's power generation facilities are physically disconnected from the power grid, or their production curtailed, for short periods of time.

Transeastern's power generation facilities may also be subject to changes in regulations governing the cost and characteristics of use of the transmission and distribution systems to which its power generation facilities are connected. Any such changes could negatively affect Transeastern's revenues and financial condition.

Risks Relating to the Operations and Strategy of Transeastern

The Projects have limited historical data that can be utilized to assess the performance of Transeastern.

Transeastern has a limited operating history from which investors can evaluate its business and prospects. On acquisitions Transeastern generally requests that sellers make certain representations about their hydrological and solar data (and in some cases, represent that such estimations are accurate and true), but Transeastern cannot confirm the accuracy of these representations in all cases. Transeastern expects there to be a normal amount of fluctuation in these estimates. Transeastern has taken steps to discount its financial models to accommodate for fluctuation; however, actual results may, and likely will, differ from the models used. This may result in fluctuations to the distributions Transeastern expects to be able to pay on its Units and in Transeastern's ability to make principal and interest payments on the Debentures.

There are potential undisclosed liabilities associated with any acquisitions completed by Transeastern.

There may be liabilities and contingencies that Transeastern fails or is unable to discover in its due diligence prior to consummation of any acquisitions undertaken by Transeastern. Transeastern may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies of any assets acquired post-acquisition could have a material adverse effect on Transeastern's business, financial condition and operations.

Financial leverage and restrictive covenants may restrict our current and future indebtedness and limited future business dealings.

The Trust and its subsidiaries are subject to contractual restrictions governing their current and future indebtedness. The degree to which the Trust and its subsidiaries are leveraged could have important consequences to unitholders, including: (i) the Trust and its subsidiaries' ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Trust and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; and (iii) the Trust and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures. The Trust and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Trust and its subsidiaries' ability to, among other things, incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit the Trust and its subsidiaries' ability to obtain additional financing, withstand downturns in the Trust and its subsidiaries' business and take advantage of business opportunities. If Transeastern defaults in respect of its obligations under any of its loan agreements, including without limitation servicing existing indebtedness, breaching working capital maintenance convents, or refinancing any such indebtedness, lenders may be entitled to demand repayment and enforce their security against certain projects or other assets.

The reduction, elimination or expiration of government subsidies and economic incentives, particularly the GC program, could adversely affect Transeastern.

Transeastern seeks to take full advantage of government policies that promote renewable power generation and enhance the economic feasibility of renewable power projects. Renewable power generation sources currently benefit from various incentives in the form of GCs and other incentives throughout the markets in which Transeastern intends to participate. The removal, phasing-out or amendment to legislation governing any such incentives could have a material adverse impact on Transeastern and Transeastern's ability to pay interest and principal on the Debentures and make distributions to unitholders. An example of such legislative changes was recently proposed in Germany. In January 2014, the Federal Minister of Economic Affairs for Germany proposed reducing renewable energy subsidies. Other countries may follow Germany's lead and propose their own cuts to such subsidies. If such proposals are implemented in other EU nations, the risk that Romania may cut its subsidies will increase.

The GC legislation in Romania, in particular, has been amended a number of times and therefore, it is possible that future amendments may have a material adverse impact on Transeastern. The last legislative change was approved on March 31, 2017 by Law 23/2014 and the Governmental Emergency Ordinance 24/2017 which included significant changes in the GC market (the "2017 Law"). According to the 2017 Law, GCs issued before March 31, 2017 are valid for 12 months from the date of issuance and GCs issued after March 31, 2017 are valid until March 31, 2032. Additionally, the hold period for trading restricted green certificates earned by solar and wind generation assets was extended to January 1, 2025 for solar and January 1, 2018 for wind before they may be traded.

GCs must be purchased by the energy suppliers from the producers of energy to whom they are issued, or parties to whom such producers have transferred such GCs. The 2017 Law replaced the procurement quota established by ANRE on an annual basis using calculation methodology set by law which takes into account forecasted information including percentage of gross energy consumption to come from renewable generation, the associated banding level and the estimated final electricity consumption with a static quantity of GCs which have to be procured by suppliers.

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

The Projects are party to significant third party contracts and the failure of such third parties to fulfill their contractual obligations could have a material adverse effect on the Projects.

The Projects sell the majority of their electricity under PPAs and balancing agreements. If, for any reason, any of the purchasers of power under such PPAs or balancing market counterparties are unable or unwilling to fulfill their contractual obligations under the relevant agreement, or if they refuse to accept delivery of power pursuant to the relevant agreement, the Projects' assets, liabilities, business, financial condition, results of operations and cash flow could be materially and adversely affected as the Projects may not be able to enter into an alternative agreement on terms and conditions no less favorable to Transeastern. External events, such as a severe economic downturn, could impair the ability of some counterparties or some end use customers to pay for delivered electricity received.

In addition, the Projects will enter into contracts with third parties for operations and maintenance. Should one or more of these third parties be unable to meet their obligations under the contracts, such an occurrence could result in a loss of revenue, a delay in return to service and an increase in operating costs.

The Projects' revenues may be reduced upon the failure to conclude or negotiate attractive GC purchase agreements, PPAs or balancing agreements.

Transeastern has negotiated agreements in place for the purchase of the energy and GCs produced by both the Solar Projects and the Hydro Projects, together with balancing agreements with various terms. There is no guarantee that such prices will be extended with the current or other counterparties or that the Trust will be able to negotiate contracts with comparable future revenues beyond the dates currently in place. Changes in local laws may invalidate these contracts in the future (e.g. preventing off-market contracts from being concluded). Additionally, the counterparty purchaser of energy and GCs from the Solar Projects has a commercial obligation to make such purchases by contracts, but no corporate guarantee and they are not an accredited offtaker subject to the applicable legislation governing accredited offtakes. Thus, there is a limited risk for Transeastern to enforce damages should such counterparty not fulfil its obligations under the commercial agreements in place. Should these agreements be terminated and Transeastern be unable to negotiate another long-term purchase contract, its energy and GCs would need to be sold in the marketplace and there is no guarantee of the price that would be received. If it were unable to sell GCs within one year of their issuances such GCs would expire without garnering any revenue for Transeastern.

Transeastern could suffer lost revenues or increased expenses and penalties if it was unable to operate its generation facilities at a level necessary to comply with its PPAs and balancing agreements.

The ability of the Projects to generate the maximum amount of power which can be sold under the PPAs and balancing agreements is an important determinant of the revenues of Transeastern. Under certain PPAs and balancing agreements, if the plant delivers less than the required quantity of electricity in a given contract period, penalty payments may be payable to the relevant purchaser by the applicable Project. The payment of any such penalties by the Projects could adversely affect the revenues and profitability of Transeastern.

Transeastern's growth strategy is focused on the acquisition of high quality renewable power projects and there is no certainty Transeastern will be successful in the execution of this strategy.

Transeastern's growth strategy is to acquire high quality renewable power generation facilities that generate stable cash flows, with the objective of achieving returns on invested capital. However, there is no certainty that Transeastern will be able to acquire high quality renewable power generation facilities at attractive prices to supplement its growth, or at all.

Expansion of Transeastern's business through growth projects and acquisitions may place increased demands on management, operating systems, internal controls and financial and physical resources. In addition, the process of integrating acquired businesses or growth projects may involve unforeseen difficulties. Failure to successfully manage or integrate any acquired businesses or growth projects could have a material adverse impact on Transeastern, its financial condition, results of operations and cash flows. Further, Transeastern cannot make assurances that it will be successful in integrating any acquisition or that the commercial opportunities or operational synergies of any acquisition will be realized as expected.

Transeastern cannot make assurances that Transeastern will identify suitable transactions or that it will have access to sufficient financial resources, through the capital markets or otherwise, to pursue and complete any identified acquisition opportunities on a timely basis and at a reasonable cost. Any acquisition that Transeastern proposes or completes would be subject to normal commercial risks that the transaction may not be completed on the terms negotiated, on time, or at all. Any such acquisition may expose Transeastern to potential undisclosed or unknown liabilities relating to the acquisition. The existence of such undisclosed liabilities may have a material adverse impact on Transeastern's business, financial condition, results of operations and cash flows. Additionally, any adverse changes in legislation may impact the GC market, or any declines in the GC market caused by other factors, could negatively impact Transeastern's ability to find hydroelectric asset acquisitions that would be profitable in a market of reduced GC values. In such circumstances Transeastern would shift its focus to other renewable power generation acquisitions or other geographical locations, but there is no guarantee of success in this regard.

The successful execution of a growth strategy that depends primarily on acquiring operating assets requires careful timing and business judgment, as well as the resources to complete the due diligence and evaluation of such assets. Transeastern may underestimate the costs of acquiring renewable power generating facilities or may be unable to quickly and efficiently integrate new acquisitions into its existing operations.

Transeastern's management may not successfully manage Transeastern's growth.

Transeastern's success will depend in part on its ability to expand and manage its proposed growth. Transeastern's proposed growth may result in new and increased responsibilities for management and additional demands on management, operating and financial systems and resources. Transeastern's ability to expand is dependent upon factors such as its ability to: hire and train new staff, managerial personnel and independent contractors; expand Transeastern's infrastructure; and adapt or amend Transeastern's structure to comply with present or future state legal requirements. Any failure or inability to successfully implement these and other factors may have a material adverse effect on Transeastern's business, financial condition and results of operations. If management is unable to successfully implement its growth strategy or manage growth effectively, Transeastern's business, financial condition and results of operations could be materially adversely affected.

Transeastern may face significant competition for the acquisition of high quality renewable power projects and may not successfully complete and integrate acquisitions.

In the future, it may no longer be feasible for Transeastern to continue to grow through strategic acquisition opportunities. Transeastern's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively integrating acquisitions with Transeastern's existing business. There can be no assurance that Transeastern will be able to identify attractive acquisition candidates in the future, in the jurisdictions in which Transeastern wishes to operate, or at all, or that Transeastern will be able to make acquisitions that increase the amount of cash available for distribution, or that acquisitions will be successfully integrated into Transeastern's existing portfolio of projects.

Transeastern faces competition for acquisitions primarily from other energy producers, many of which are substantially larger and have considerably greater financial, technical and marketing resources than are available to Transeastern. Some of these competitors may also have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of acquisitions. Increased competition could adversely affect the performance of Transeastern.

Transeastern competes with other renewable power companies as well as traditional energy companies, which may have greater financial and other resources for new business.

Transeastern competes with other renewable power companies primarily for acquisition opportunities, and with other power companies for access to transmission or distribution networks. Transeastern also competes with other power companies for the limited pool of personnel with requisite industry knowledge and experience. Any failures to successfully prevail in such competition will negatively affect Transeastern's long term growth prospects.

Transeastern's success depends upon the continued involvement of its present management.

Transeastern's success may depend upon the continued involvement of the present management, who are in charge of Transeastern's strategic planning and operations. The loss to Transeastern of any of these individuals could have a material adverse impact on the operations of Transeastern. Transeastern may need to attract and retain additional talented individuals in the future in order to carry out its business objectives. The competition for such persons could be intense and Transeastern may be unable to recruit the people it needs.

Although Romania has enacted anti-corruption legislation and has taken steps to reduce corrupt practices, the risk of corruption affecting the business of the Projects remains higher than in many more developed markets.

There is a wide legal framework enacted in Romania for the prevention and punishment of corrupt practices and corruption offences committed in Romania or producing effects in Romania, such as bribery, receipt of undue benefits, trading influence, active bribery towards a clerk of a foreign state or an international organization and crimes akin to corruption. The National Anticorruption Directorate is the Romanian agency tasked with preventing, investigating and prosecuting corruption-related offenses. Additionally, there is oversight on these matters at the EU level by the Counsel of European Anti-Corruption Group. Transeastern will observe a strict zero tolerance policy to corrupt practices. This policy may make it more challenging for Transeastern to carry out business. Despite these laws and the policy, the possibility that corrupt business practices in Romania could interfere in the development and activity of the Projects continues to exist and such interference could cause adverse consequences for Transeastern.

Risks Relating to the Legal and Regulatory Environment

Recent legislative changes impacting the GC program may affect profitability of Transeastern.

Government action in Romania may be taken to change the use of market-based pricing for GCs, re-regulate areas of electricity markets that have previously been competitive, or permit electricity suppliers to construct or acquire generating facilities. Although Transeastern generally expects the renewable power markets to continue to be competitive, other proposals to re-regulate this industry may be made, and legislative or other actions affecting the electricity restructuring process may cause legal processes to be delayed, discontinued or reversed in jurisdictions in which Transeastern currently operates or may in the future operate. This may also cause a reduction in the price of GCs, which may have a material adverse effect on Transeastern's ability to achieve the level of profitability and cash flow currently forecast, and therefore, adversely affect Transeastern's ability to pay distributions on the Units and make interest or principal payments on the Debentures.

On March 31, 2017, the enactment of the 2017 Law resulted in significant changes in the GC market. According to the 2017 Law, GCs issued before March 31, 2017 are valid for 12 months from the date of issuance and GCs issued after March 31, 2017 are valid until March 31, 2032. Additionally, the hold period for trading restricted green certificates earned by solar and wind generation assets was extended to January 1, 2025 for solar and January 1, 2018 for wind before they may be traded.

GCs must be purchased by the energy suppliers from the producers of energy to whom they are issued, or parties to whom such producers have transferred such GCs. The 2017 Law replaced the procurement quota established by ANRE on an annual basis using calculation methodology set by law which takes into account forecasted information including percentage of gross energy consumption to come from renewable generation, the associated banding level and the estimated final electricity consumption with a static quantity of GCs which have to be procured by suppliers.

The Projects operate in a regulated industry and are exposed to legislative and regulatory risks that could harm Transeastern's interests.

The Projects currently operate in a regulated electricity generation sector. The Projects must comply with applicable legislation and regulations in order to maintain the licences that are required to continue their operations and to expand to new markets and/or products. There can be no assurance that future decisions of Romanian or EU regulatory bodies having jurisdiction over Transeastern's business activities, or rules enacted by them, or new legislation or regulations or changes to existing legislation or regulations, will not adversely affect the operations or cash flow of Transeastern.

In particular, it is expected that future proposed acquisitions may become subject to review by the Romanian Competition Council. Such review could operate to increase the time and cost that it will take Transeastern to complete future proposed acquisitions, or, in the worst case, prohibit certain acquisitions from being completed.

Transeastern is subject to extensive government regulation and incentive mechanisms, including stringent environmental laws and regulations which may impact Transeastern's financial performance, limit its flexibility and, in the event of non-compliance could result in adverse actions by regulatory authorities against it.

The market for electricity generation is heavily influenced by local government regulations and policies. These regulations and policies often relate to the encouragement of renewable energy development, electricity pricing and interconnection. Transeastern's inability to predict, influence or respond appropriately to changes in law or regulatory frameworks, could adversely impact its results of operations.

Furthermore, changes in laws, regulations or changes in the application or interpretation of regulatory provisions in jurisdictions where Transeastern operates, including changes related to licensing and permitting which affect Transeastern's ability to conduct its business in an orderly fashion. Such changes may result in lower revenues, higher costs and/or lower margins for the affected projects, which would adversely affect Transeastern's results of operations.

The Projects hold permits and licenses from various regulatory authorities for the construction and operation of their facilities. These licenses and permits are critical to the operation of the Projects' business. The majority of these permits and licenses are long-term in nature, reflecting the anticipated useful life of the facilities. In some cases these permits may need to be renewed prior to the end of the anticipated useful life of such facilities and there is no guarantee that such renewals will be granted. These permits and licenses require the Projects' compliance with the terms thereof.

The Projects' operations are subject to stringent environmental laws and regulations promulgated and administered by governments in Romania. These laws and regulations generally concern use of water, protection of wildlife, wetlands preservation, remediation of contamination, waste disposal requirements, preservation of archaeological artifacts, endangered species preservation and noise limitations, among others. Failure to comply with applicable environmental laws and regulations or to obtain or comply with any necessary environmental permits pursuant to such laws and regulations could result in fines or other sanctions being levied against Transeastern. Environmental laws and regulations affecting power generation and distribution are complex and have tended to become more stringent over time. These laws and regulations have imposed, and proposed laws and regulations could impose in the future, additional costs on the operation of the Projects' facilities.

Land claim laws in Romania are presently unclear and legal provisions regulating the granting of a use right over the public property are sometimes incorrectly applied by the public authorities resulting in some uncertainty as to title.

All cases in front of the European Court of Human Rights pertaining to restitution claims concerning Romania have been suspended following a preliminary decision issued in 2010, until the Romanian government enacts new legislation in the field of the property restitution (namely until enactment of the Romanian Law no. 165/2013). The case law currently available is not sufficient to establish whether restitution claims against the state or against third party acquirers who acquired property that may otherwise be subject to restitution by relying on the Romanian Civil Code and/or of the New Civil Code, will be accepted in courts and if so, whether it will be successful.

Transeastern has taken what management believes to be appropriate steps to rectify any inconsistencies with respect to title of the Projects, such as registering applicable agreements on title, ensuring all documents are executed and all constructions are registered in the land book. However, there is no assurance that a land claims issue or another claim challenging the validating of the permits will not arise in the future. Such claims could affect the Projects in a variety of ways, including loss of properties or involvement in legal proceedings.

Building permits for erection of the physical facilities of the Projects could be subject to annulment.

Most of the building permits issued by government authorities that provided for the erection of the plants of the Projects could be considered non-compliant with zoning regulations applicable for such areas and thus could be subject to annulment by a court decision if a claim was made by a third party. If such building permits were annulled, the affected plant could be demolished and the relevant Project would be subject to fines. In order to mitigate such risk, Transeastern required the sellers of the Projects to obtain confirmations from the applicable local authorities that building permits were issued in accordance with the applicable zoning regulations. This confirmation does not replace the legal requirement of having a zoning plan approved by the applicable governmental authorities. The limitation period for challenging any contraventions and imposing fines by the competent authorities expires two years after the date the contravention was committed.

By virtue of their industry, the Projects are subject to labour authority review.

The ownership and operation of renewable power generation assets carries an inherent risk of liability related to employees (workers) safety and health. In this respect, the labour authorities may request the remediation of unsafe and/or unhealthy work conditions, as well as impose fines for safety and health related contraventions against the company operating the renewable power generation assets and/or the company employing the affected employees. Also, in the event one or several employees suffer work related accidents or occupational diseases, such employee or employees may obtain compensation.

Financial Risk Factors

The Trust's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, notes payable, convertible debentures and distributions payable. The fair value of the Trust's trade and other receivables, and accounts payable and accrued liabilities, distributions payable and note payable approximate their carrying value, which is the amount disclosed on the balance sheet dates due to their short-term maturities or ability of prompt liquidation. Cash and convertible debentures are based on level-one quoted prices in active markets.

Strategic and operational risks are risks that arise if Transeastern fails to identify opportunities and/or threats arising from changes in the Romanian market where Transeastern operates. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory developments and competitor actions.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Transeastern is subject to normal industry credit risks. Transeastern currently has no minimal receivables for the purchase of the power it produces, and other receivable balance consists of amounts outstanding on tax credits from governmental authorities, each of which are expected to be paid in the near term at face value. The Trust's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Transeastern's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to fund operations and satisfy obligations as they become due. Considering that the Hydro 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. Transeastern's ability to continue as a going concern is dependent upon Transeastern's ability to raise additional capital through equity and/or debt financings and achieve profitable operations. Should Transeastern 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.

Interest risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market risk. The Trust's sensitivity to interest rates is currently small in that the rates on our outstanding debt instruments are fixed.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Transeastern's operations are in Romania and its reporting currency is Canadian dollars. The nature of Transeastern's operations results in foreign exchange risk as day to day operating transactions are denominated in foreign currencies, Euros, RON and sources of financing have, to date, been in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of Transeastern and may also affect the value of Transeastern's assets and liabilities. Transeastern monitors the volatility of foreign exchange rates and may hedge its currency risk if it determines that the need arises.

Market risk is the risk that the fair values or future cash flows of Transeastern will fluctuate due to changes in market conditions. Transeastern's future cash flows and valuation of its hydro assets are exposed to market risk in regard to power pricing in Romania and availability and saleability of green certificates obtained.

Borrowing Risk and Loan Default Risk

The New Debt Facility imposes covenants and obligations on the part of the Trust. In particular, the New Debt Facility contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the New Debt Facility, the lender realizing on its security, or diminished availability of refinancing alternatives or increase the associated costs thereof. Sprott has waived certain breaches of the New Debt Facility covenants. There is no assurance that the Trust will be in compliance with covenants in the future due to unforeseen events of circumstances, some of which are outlined in this “Risks and Uncertainties” section, or that the lender will waive any such breaches.

Going Concern Risk

The consolidated financial statements for the year ended December 31, 2016 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 $29,178,113 as at December 31, 2016 (2015 - $8,003,832), an accumulated deficit of $40,976,961 as at December 31, 2016 (2015 - $ 18,078,132), and the Trust reported a loss of $ 21,705,915 for the year ended December 31, 2016 (2015 - $12,561,790). The cashflow forecasts prepared by management rely on the assumption that the operations will be profitable.

The Trust did not have sufficient funds to meet the interest payments due June 30, 2016 or December 31, 2016 on the initial series of Debentures (the “Series 1 Debentures”). The Trust received consent of the holders of Series 1 Debentures, by extraordinary resolution, for the extension of the time for payment of interest owing on the Series 1 Debentures until May 1, 2017. The Trust did not have sufficient funds to meet the interest payments due on May 1, 2017 and will seek the consent of the holders of Series 1 Debentures for a further extension of the time for payment.

The Trust did not have sufficient funds to meet the interest payment due on December 31, 2016 on the Series 2 Debentures. The Trust is seeking the consent of the holders of Series 2 Debentures for an extension of the time for payment and a waiver of the event of default.

The failure of the Trust to pay interest within 30 days of when it is due constitutes an event of default pursuant to the Debenture Indenture. There are no assurances that the debenture holders will grant the extensions of the time for payment or that they will not exercise their rights pursuant to the Debenture Indenture.

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. The Trust believes that its current financing and acquisition plans, together with increased revenues from existing 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 be able to raise sufficient additional funds. Accordingly, the 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.

Risks Relating to Transeastern

The majority of Transeastern's assets and the majority of Transeastern's subsidiaries are outside of Canada, with the result that it may be difficult for investors to enforce within Canada any judgments obtained against Transeastern or some of the Administrator's directors or officers.

The majority of Transeastern's assets and the majority of Transeastern's subsidiaries are located outside of Canada. In addition, some of Transeastern's directors and officers are nationals and/or residents of countries other than Canada, and all or a substantial portion of such person's assets may be located outside of Canada.

The board of directors of the Administrator has effective control over Transeastern subsidiaries in two principal ways; namely, at least one director or officer of the Administrator is a director of each of the subsidiaries, and Transeastern as a shareholder of the subsidiaries has legal rights (e.g. the fiduciary obligations of officers and directors owed to the subsidiary, derivative actions and oppression remedies) that Transeastern is willing to enforce. With Transeastern being a 100% shareholder, Transeastern can resolve in a limited period of time to remove directors or officers without the requirement of a shareholder meeting.

It may not be possible for investors to effect service of process against Transeastern's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of the Administrator's directors or officers, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian claims in original actions instituted in the Netherlands or Romania. Courts in these jurisdictions may refuse to hear a claim on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

As a result, it may be difficult for investors to enforce within Canada any judgments obtained against Transeastern or some of Transeastern's directors or officers, including judgments predicated upon the civil liability provisions of the securities laws of Canada or any province thereof. Consequently, investors may be effectively prevented from pursuing remedies against Transeastern under Canadian securities laws or otherwise.

Transeastern has agreed to indemnify directors and officers against liabilities incurred by them in such capacities.

Transeastern has agreed to indemnify the directors and officers of the various entities of Transeastern from and against all costs, charges and expenses reasonably incurred by them in respect of any civil, criminal or administrative action or proceeding to which they are made a party or with which they are threatened by reason of being or having been a director of Transeastern, provided that (a) they have acted honestly and in good faith with a view to the best interests of Transeastern; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful. This indemnity may reduce the likelihood of derivative litigation against its directors or officers and may discourage or deter Transeastern's unitholders from suing any of Transeastern's directors or officers.

Distributions through return of capital

To the date of this MD&A, Transeastern has made its distributions through a return of unitholder capital. There can be no assurances that the Trust will have adequate capital on hand to fund future cash distributions.

Transeastern is dependent upon distributions from its subsidiaries.

Transeastern does not carry on any business operations directly, and is entirely dependent on receiving distributions from its direct and indirect investments in the Projects to enable Transeastern to make cash payments or distributions to security holders on the Units and Debentures. The boards of directors of the subsidiaries of Transeastern and the directors of the Administrator each have considerable discretion in deciding whether to make cash distributions, if any, and the amount of any such distributions. The ability of Transeastern's subsidiaries to make cash distributions will be subject to, among other things, applicable laws and regulations as well as contractual restrictions contained in instruments governing any indebtedness of those entities, including pursuant to the intercompany debt instruments set up by Transeastern. In particular, in certain cases the Trust is not permitted to declare or pay dividends on its projects in Romania for a period of one year following its completion of the acquisition due to Romanian dividend laws and prior losses in the operating companies will be carried forward to reduce the declaration and payment of dividends in the future. There can be no guarantee or assurance that the subsidiaries will make sufficient distributions in order to permit Transeastern to pay distributions to its unitholders or to pay principal and interest payments to the Debenture holders.

FORWARD LOOKING INFORMATION

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

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

MD&A and the Trust assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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

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

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