



**Transeastern Power Trust**

**Management's Discussion & Analysis**

**For the three and nine months ended  
September 30, 2017**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017**

**BASIS OF PRESENTATION**

This Management's Discussion and Analysis ("MD&A") of Transeastern Power Trust ("Transeastern" of the "Trust") is dated as of November 29, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes as at and for the three and nine month periods ended September 30, 2017 and September 30, 2016. The unaudited condensed interim consolidated financial statements should also be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, 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](http://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 16.6 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 18,480 MWh of energy for the quarter ended September 30, 2017 generating revenue of \$3,328,684, with \$749,792 from the sale of electricity and \$2,578,892 from green certificates ("GCs").
- Earned operating margin (revenues less operating expenses) of \$2,017,660 for the quarter, an increase of 11% over the operating margin of \$1,823,569 for the third quarter of 2016 (see reconciliation of operating margin under "Non-GAAP Measures").
- Recorded a loss of \$1,211,828 during the quarter (2016: loss of \$452,094) with basic and diluted loss of \$0.02 per unit in the capital of the Trust ("Unit") (2016: loss of \$0.01 per Unit).
- On July 27, 2017, the Trust issued an aggregate of \$11,343,000 Series 1 Debentures (as defined below) to settle a bridge loan and vendor take back loans in the aggregate amount of approximately \$10.5 million.
- On July 20, 2017 the Trust signed a binding agreement with OMV Petrom for the acquisition of the OMV Petrom Wind Power SRL which owns the operating Dorobantu Wind Project. The net purchase price to acquire the Dorobantu Wind Project is €23.0 million. Closing of the acquisition is subject to various conditions precedent including applicable financing.

## **OUTLOOK**

The Trust's goals for the remainder of 2017 are to:

- optimize and improve the performance of its current renewable energy portfolio;
- complete the Dorobantu Wind Project acquisition; and
- continue to pursue new acquisitions and strategies that are accretive to the Trust.

## REVIEW OF OPERATIONS

### Selected Financial Information

The selected financial information in the table below has been derived from the unaudited condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2017 and September 30, 2016.

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	\$	\$	\$	\$
Revenue	3,328,684	2,534,164	9,476,673	6,195,507
Operating margin <sup>1</sup>	2,017,660	710,595	6,348,955	2,121,197
Operating expense	2,672,557	1,974,660	7,604,337	5,110,967
Depreciation	818,366	909,478	2,795,871	2,200,499
Other expenses	600,651	1,053,563	7,337,824	1,113,760
Deferred income tax expense (recovery)	1,810,471	(41,965)	300,472	(188,238)
Net income (loss) for the Period	(1,211,828)	(452,094)	(4,085,212)	159,018
Comprehensive loss for the Period	(1,598,288)	(1,706,490)	(4,662,956)	(4,516,063)
Basic and Diluted income (loss) per share	(0.02)	(0.01)	(0.08)	0.00
		<b>As at</b>		
	<b>September 30, 2017</b>	<b>December 31, 2016</b>		
	\$	\$		
Total assets	76,433,247	75,592,306		
Total liabilities	82,649,116	77,184,223		
Deficit	(6,215,869)	(1,591,917)		

#### Note:

- <sup>(1)</sup> 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 4.4 MW of installed power. The Hydro Projects have installed power capacities as follows:

Hydro Project	Capacity
Rott	1.66 MW
Zagra	0.76 MW
Suha	2.02 MW

All information provided on the Hydro Projects in this section is as at September 30, 2017 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 Mureş 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 ( $\Delta h$ )	Installed Flow ( $m^3/s$ )	Capacity Power (MW)	Pipe (m)	Pipe Diameter (mm)
<i>ROTT</i>							1.657		
<i>Plant 1</i>	Completed in June 2012	Pelton	63	513.0	122.5	0.98	.928	3635	800
<i>Plant 2</i>	Completed in June 2012	Pelton	63	412.0	99.5	0.98	.729	3845	800

### Note:

- <sup>(1)</sup> 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:  $1.04 \times \text{yearly production} \times (\text{the median of the floor and ceiling GC prices taking into account inflation})$ . After repayment of the EU funding, the 1.04 GCs shall be available to Rott. Additionally, by law, 0.96 GC were restricted from trading until March 31, 2017, resulting in 1.96 GC being received and immediately tradable of every three GCs awarded from March 31, 2017 onward and one GC being received and immediately tradeable prior to March 31, 2017.

Rott was fully operational during the quarter, subject to hydrology, and production for the plants was 868 MWh and 3,934 MWh for the three and nine months ended September 30, 2017 compared with 1,343 MWh and 3,217 MWh for the three and nine months ended September 30, 2016. The year to date increase in production for the nine months ended September 30, 2017 compared with the nine months ended September 30, 2016 reflects the improved operational efficiencies derived from the capital improvements made during the past year.

### 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.

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Turbine Type</b>	<b>Years of Historical Hydrological Data Available</b>	<b>In-Take Height (mdMN)</b>	<b>Gross Drop (<math>\Delta h</math>)</b>	<b>Installed Flow (<math>m^3/s</math>)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>
<i>ZAGRA</i>							0.76		
<i>Zagra 1</i>	Completed in April 2014	Pelton	45	880.0	126.0	0.42	.450	3027	600
<i>Zagra 2</i>	Completed in April 2014	Pelton	45	754.9	74.0	0.600	.310	2383	700

Zagra was fully operational during the quarter, subject to hydrology, and production for the plants was 266 MWh and 1,544 MWh for the three and nine months ended September 30, 2017 compared to 178 MWh and 1,843 MWh for the three and nine months ended September 30, 2016.

### 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.

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

Suha was fully operational during the quarter, subject to hydrology, and production for the plants was 30 MWh and 707 MWh for the three and nine months ended September 30, 2017 compared to 21 MWh and 953 MWh for the three and nine months ended September 30, 2016.

## 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 was a part of the Renovatio Group and is a 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. RAM is the administrative partner of EDP Renewables, one of the largest renewable energy companies in the world.

### *Power LIVE*

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

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

**Note:**

<sup>(1)</sup> 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 during the quarter and production was 4,429 MWh and 11,426 MWh for the three and nine months ended September 30, 2017 compared to 4,257 MWh and 10,340 MWh for the three and nine months ended September 30, 2016.

### *Corabia*

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

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Installed Capacity (MWp)</b>	<b>Panel Supplier</b>	<b>Panel Type</b>	<b>No. of Panels</b>	<b>Inverter Type</b>	<b>No. of Inverters</b>	<b>No. of Transformers</b>	<b>Land Area (sqm)</b>
Corabia	Completed in February 2013	7	REC	Polycrystalline REC 240PE and REC 250PE	28,602	SMA SC500CP	14	7	210,000

**Note:**

<sup>(1)</sup> 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 during the quarter and production was 3,124 MWh and 8,138 MWh for the three and nine months ended September 30, 2017 compared to 3,204 MWh and 7,878 MWh for the three and nine months ended September 30, 2016.

## 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)
Baia	Jan 2011 - March 2012	17	Vestas	Vestas V90	7 (3x V90 3.0 MW + 4 x V90 2.0 MW)	210,000

GC accreditation for the Projects is as follows:

Park	Installed capacity (MW)	Restricted GCs (GC/MWh)	Tradable GCs (GC/Mwh)	Total No. of GCs available/MWh
<b>Rott</b>	1.657	0	3	<b>3<sup>(1)</sup></b>
<b>Zagra</b>	0.76	0	2.3	<b>2.3</b>
<b>Suha</b>	2	0	2	<b>2</b>
<b>Corabia</b>	7	2	4	<b>6</b>
<b>Power Live One</b>	9.6	2	4	<b>6</b>
<b>Baia 1</b>	2	1	1	<b>2</b>
<b>Baia 2</b>	5	0.35	1	<b>1.35</b>
<b>Baia 4</b>	10	1	1	<b>2</b>

Baia was fully operational during the quarter and production was 9,763 MWh and 32,239 MWh for the three and nine months ended September 30, 2017 compared to 8,039 MWh and 27,551 MWh for the three and nine months ended September 30, 2016.

## SUMMARY OF QUARTERLY RESULTS

Given that the Trust acquired the Wind Project in September 2016, 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 last eight completed quarters:

	Three months ended							
	Sept. 30, 2017 (\$)	Jun. 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)	Sept. 30, 2016 (\$)	Jun. 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)
Revenue								
Electricity	749,792	767,143	790,804	748,986	578,302	483,020	324,188	264,635
Green Certificates	2,578,892	2,600,876	1,989,166	1,752,786	1,955,862	1,872,287	981,848	847,189
Revenue	3,328,684	3,368,019	2,779,970	2,501,772	2,534,164	2,355,307	1,306,036	1,111,824
Operating expenses	2,672,557	2,488,781	2,442,999	3,429,593	1,974,660	958,665	2,177,642	1,502,097
Other expenses (income)	600,651	1,760,603	4,293,924	18,805,904	1,053,563	(18,086)	(267,227)	3,939,870
Tax recovery (expense)	(1,810,471)	1,386,867	123,132	(2,131,208)	41,965	95,248	51,025	(104,999)
Net income (loss) for the period	(1,211,828)	960,437	(3,833,821)	(21,864,923)	(452,094)	1,164,466	(553,354)	(4,435,142)
Total comprehensive income/(loss) Basic & Diluted Income (Loss) per Unit	(1,598,288)	869,273	(3,933,941)	(13,251,416)	(1,706,490)	(4,000,266)	1,190,693	(5,516,614)
	(0.02)	0.02	(0.08)	(0.58)	(0.01)	0.04	(0.02)	(0.21)

### Quarterly 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 quarters ended September 30, 2017 and 2016:

Project	Power generation for the three months ended September 30, 2017 (MWh)	Power generation for the three months ended September 30, 2016 (MWh)	GCs received for the three months ended September 30, 2017	GCs received for the three months ended September 30, 2016
<i>Solar</i>				
Power Live	4,429	4,257	26,574	25,542
Corabia	3,124	3,204	18,744	19,224
<i>Hydro</i>				

Rott	868	1,343	1,701	2,632
Zagra	266	178	612	409
Suha	30	21	60	42
<i>Wind</i>				
Baia <sup>(1)</sup>	9,763	8,039	15,287	11,909
<b>Total</b>	<b>18,480</b>	<b>17,042</b>	<b>62,978</b>	<b>59,758</b>

**Note:**

<sup>(1)</sup> Production includes pre-acquisition production figures for the Wind Project for 2016.

**Revenue from Sale of Electricity**

The Trust, through its Romanian subsidiaries, has energy contracts and GC offtake agreements for its production with Renovatio Trading SRL (“Renovatio Trading”).

The production from the Solar Projects for the three months ended September 30, 2017 was higher than 2016 production due to optimal production conditions and availability.

Hydro production for the three months ended September 30, 2017 was slightly lower than 2016 mainly due to hydrology.

Wind Project results for the three months ended September 30, 2017 were strong compared to 2016 due to optimal wind conditions for production.

During the three months ended September 30, 2017, the Trust earned \$2,578,892 of income from restricted and tradable GCs combined which were earned based on the power produced in the power generation summary above. 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 \$2,672,557 and \$7,604,337 for the three and nine months ended September 30, 2017 (\$1,974,660 and \$5,110,967 for the three and nine months ended September 30, 2016) include:

- general and administrative expenses of \$398,855 and \$1,055,110 for the three and nine months ended September 30, 2017 (\$260,205 and \$1,075,155 for the three and nine months ended September 30, 2016) the significant components of which are public entity listing and administrative costs and executive and director salaries;
- the estimated fair value of milestone unit agreements is unchanged from the year end where the estimated fair value of the milestone units was nil reflecting management’s expectation that the

milestones will not be met (recoveries of \$nil and \$1,067,185 were recorded for the three and nine months ended September 30, 2016);

- \$103,573 and \$248,081 in legal and professional fees were incurred for the three and nine months ended September 30, 2017 (\$64,382 and \$351,032 for the three and nine months ended September 30, 2016) relating to ongoing corporate and reporting issuer compliance advice provided on behalf of the Trust; and
- \$40,739 and \$377,557 in transaction costs were incurred for the three and nine months ended September 30, 2017 (\$30,000 and \$430,269 for the three and nine months ended September 30, 2016).

Significant components of other expenses totaling \$600,651 and \$7,337,824 for the three and nine months ended September 30, 2017 (\$1,053,563 and \$1,113,760 for the three and nine months ended September 30, 2016) are:

- \$31,410,000 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 (“TSXV”) from to December 31, 2016 to September 30, 2017, mark-to-market changes of \$1,570,500 were recorded for the three and nine months ended September 30, 2017 (loss of \$283,750 and a gain of \$1,092,550 for the three and nine months ended September 30, 2016);
- Settlement losses of \$943,324 were incurred during the third quarter relating to the issue of convertible debentures to satisfy vendor take back and bridge loan facilities;
- mark-to-market fair value gains of \$1,531,516 and losses of \$750,696 for the three and nine months ended September 30, 2017 were recorded in relation to the outstanding warrants issued by the Trust (losses of \$44,811 and a gain of \$362,558 for the three and nine months ended September 30, 2016); and
- interest and financing charges of \$1,693,285 and \$5,080,909 for the three and nine months ended September 30, 2017 (\$726,983 and \$2,514,783 for the three and nine months ended September 30, 2016).

## SUMMARY OF FINANCIAL POSITION

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

As at	Sept. 30, 2017 (\$)	Jun. 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)	Sept. 30, 2016 (\$)	Jun. 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)
Total Current Assets	5,902,090	9,358,462	6,167,092	7,095,307	6,049,477	3,194,739	3,483,890	4,510,564
Total Current Liabilities	44,220,110	37,301,280	34,122,941	36,273,420	17,611,045	14,024,976	14,006,664	12,514,396
Working Capital deficit	38,318,020	27,942,818	27,995,849	29,178,113	11,561,568	10,830,237	10,522,744	8,003,832
Total Assets	76,433,247	78,872,570	74,574,813	75,592,306	85,764,640	54,883,792	57,149,768	60,354,282
Total Liabilities	82,649,116	83,490,151	80,100,671	77,184,223	73,995,848	48,914,512	52,008,666	52,540,929
Trust capital	35,363,286	35,363,286	35,324,282	35,324,282	35,433,575	27,407,131	26,066,781	25,769,159

As at	Sept. 30, 2017 (\$)	Jun. 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)	Sept. 30, 2016 (\$)	Jun. 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)
Deficit Unitholders Equity (Deficit)	45,062,173 (6,215,869)	43,580,345 (4,617,581)	44,810,782 (5,525,858)	40,976,961 (1,591,917)	19,112,028 11,768,792	18,139,492 5,969,280	19,303,958 5,141,102	18,078,132 7,813,353
Total Liabilities and Equity	76,433,247	78,872,570	74,574,813	75,592,306	85,764,640	54,883,792	57,149,768	60,354,282

The changes in the working capital and financial position from December 31, 2016 to September 30, 2017 are the result of:

- \$43,031 increase in cash year to date on a net basis with several small financings completed to fund ongoing working capital requirements;
- decreased accounts payable from \$10,410,943 at December 31, 2016 to \$10,179,570 at September 30, 2017 and a decrease in receivables from \$4,894,270 at December 31, 2016 to \$3,770,741 at September 30, 2017;
- prepaid assets decreased from \$691,741 at December 31, 2016 to \$186,443 at September 30, 2017 relating to prepaid insurance and deferred marketing and financing fees;
- the Trust realized mark-to-market gains/losses of 1,570,500 on the Debentures for the nine months ended September 30, 2017;
- The Trust issued \$3,420,000 principal amount of unsecured promissory notes during the second quarter of 2017;
- the Trust closed a \$3.8 million secured debt facility on January 20, 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;
- an increase in the fair value of warrants of \$750,696 for the nine months ended September 30, 2017 due to revaluation adjustments where increased Unit price volatility has been partially offset by the decline in Unit price used in the estimation of fair value at September 30, 2017; and
- On July 27, 2017, the Trust issued an aggregate of \$11,343,000 Series 1 Debentures (as defined below) to settle a bridge loan and vendor take back loans in the aggregate amount of approximately \$10.5 million.

## 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 periods indicated:

	Nine months ended	
	September 30, 2017 \$	September 30, 2016 \$
Cash generated by (used in)		
Operating activities	(1,675,795)	(1,567,547)
Investing activities	(2,283,750)	(2,066,387)

Financing activities	3,852,664	2,027,049
Net increase (decrease) in cash	43,031	(1,616,357)
Cash and cash equivalents at end of period	283,734	94,714

	As at September 30, 2017	As at September 30, 2016
	\$	\$
Current Assets	5,902,090	6,049,477
Current Liabilities	44,220,110	17,611,045
Working Capital (deficit)	(38,318,020)	(11,561,568)

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 nine months ended September 30, 2017, the Trust had operating cash outflows of \$1,675,795 compared to outflows of \$1,567,547 for the nine months ended September 30, 2016.

Net investing cash outflows for the nine months ended September 30, 2017 were \$ 2,283,750 relating to the down payment on the OMV acquisition compared to outflows of \$2,066,387 for the nine months ended September 30, 2016.

Net financing cash inflows for the nine months ended September 30, 2017 were \$3,633,400 compared to outflows of \$2,027,049 for the nine months ended September 30, 2016. The inflows in 2017 relate to the promissory note and bridge financing issuances during the year offset mainly by capital lease and debt repayments.

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

<b>Within 1 year</b>	\$ 14,764,790
<b>1 – 5 years</b>	67,292,902
<b>Greater than 5 years</b>	222,977
	<b>\$ 82,280,669</b>

The Trust did not have sufficient funds to meet the interest payments due June 30, 2016, December 31, 2016 or June 30, 2017 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 July 31, 2017. The Trust did not have sufficient funds to meet the interest payments due on July 31, 2017 and, therefore, the Series 1 Debentures are in default.

The Trust did not have sufficient funds to meet the interest payment due on December 31, 2016 or June 30, 2017 on the second series of debentures (the “Series 2 Debenture”). The Trust received consent of the holders of Series 2 Debentures, by ordinary resolution, to waive the event of default for failure to pay interest due December 31, 2016 and June 30, 2017.

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 governing the Debentures. 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.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **COMPLETED TRANSACTIONS**

### *Secured Debt Facility*

On January 20, 2017, 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. The New Debt Facility is secured by a first charge over the assets of each of the Trust and its subsidiaries, with the exception of certain of its Romanian operating subsidiaries.

### *Repayment of Debt Facility*

On January 20, 2017, the Sprott 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 8, 2017, the Trust issued a term promissory note (the “First Bridge Note”) to an arm’s length party in the principal amount of \$1,000,000 that bears interest at a rate of 5% per annum. The First Bridge Note was due on July 7, 2017. On July 17, 2017 the Trust and the lender pursuant to the First Bridge Note entered into an agreement to amend the maturity date until December 7, 2017 and increase the principal amount to \$1,200,000. On July 28, 2017, the First Bridge Note was settled through the issuance of \$1,521,000 principal amount of Series 1 Debentures.

On March 16, 2017, the Trust issued a term promissory note (the “Second Bridge Note”) to an arm’s length party in the principal amount of US\$210,000 that bears interest at a rate of 5% per annum. The Second Bridge Note was repaid in the second quarter of 2017.

On May 9, 2017, the Trust issued a term promissory note (the “Third Bridge Note”) to an arm’s length party in the principal amount of \$400,000 that bears interest at a rate of 5% per annum. The Third Bridge Note was due on July 7, 2017 and was repaid in the second quarter of 2017.

### *Promissory Note financing*

During the second quarter of 2017, the Trust closed a non-brokered private placement of \$3,420,000 principal amount of unsecured promissory notes (the “Notes”). The Notes mature on May 31, 2018 and bear interest at a rate of 1.5% per month. The net proceeds of the private placement were principally used towards the acquisition of the Dorobantu Wind Project.

### *Issuance of Series 1 Debentures*

On July 27, 2017, the Trust issued an aggregate of \$11,343,000 of 7.5% Series 1 Debentures (the “Additional Initial Debentures”) due May 28, 2019 to settle various indebtedness in the aggregate amount of approximately \$10.5 million. The Additional Initial Debentures have the same terms as the Series 1 Debentures issued pursuant to the Trust’s convertible debenture indenture dated as of May 28, 2014.

### **RELATED PARTY TRANSACTIONS**

Apart from the transactions disclosed elsewhere in the unaudited condensed interim consolidated financial statements, all transactions are in the normal course of business and are recorded at the exchange value agreed to by the related parties. Inter-company transactions and balances are eliminated upon consolidation. Key management of the Trust consists of members of the board of directors and officers of the Trust and Administrator. During the three and nine months ended September 30, 2017, the Trust expensed \$266,666 and \$799,998 (2016 - \$233,895 and \$805,521) of salaries and benefits to the officers of the Trust in addition to \$33,750 and \$101,250 (2016 - \$33,750 and \$101,250) in directors’ fees, which are included in general and administrative expenses.

As at September 30, 2017, the Trust has amounts payable of \$1,098,802 (December 31, 2016 - \$534,384) to key management and directors consisting of deferred salaries, advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust.

Renovatio Trading holds significant influence over the Trust and is a related party. The Trust sells power and GC to Renovatio Trading and its affiliates and has operations and maintenance contracts with affiliates of Renovatio Trading. During the three and nine months ended September 30, 2017, the Trust expensed \$1,157,058 and \$2,630,693 (2016 - \$382,100 and \$825,001) of operations and maintenance and balancing fees and recognised \$1,799,899 and \$6,064,500 (2016 - \$1,936,286 and \$4,175,267) in sales of power and GC to Renovatio Trading and its affiliates. As at September 30, 2017, the Trust has \$551,016 (December 31, 2016 - \$2,764,150) in accounts receivable from and \$1,468,976 (December 31, 2016 - \$3,035,140) in accounts payable to Renovatio Trading.

### **NEW ACCOUNTING PRONOUNCEMENTS**

A number of new standards and amendments to existing standards are not yet effective for the year ended December 31, 2017, 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.

**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.

**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.

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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total revenue	3,328,684	2,534,164	9,476,673	6,195,507
Less:				
Direct Operating Expenses	1,311,024	710,595	3,127,718	2,121,197
<b>Operating margin</b>	<b>2,017,660</b>	<b>1,823,569</b>	<b>6,348,955</b>	<b>4,074,310</b>

## SUMMARY OF OUTSTANDING SECURITIES

The authorized capital of the Trust consists of an unlimited number of Units, of which 49,029,331 Units are issued and outstanding as of the date of this MD&A.

The Trust has issued 15,538,033 Unit purchase Warrants (“Warrants”) with each Warrant being exercisable into a Unit for a period of 36 months from the date of issuance, subject to applicable acceleration provisions. A total of 15,011,836 of the Warrants are exercisable at \$1.00 per Unit, 439,234 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 \$31,410,000 principal amount of

Debentures convertible into 25,128,000 Units and has issued a promissory note totalling \$1,474,449 convertible into 4,756,287 Units. Additionally, the Trust 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.

Assuming the exercise or conversion of all of the Trust’s outstanding convertible securities an aggregate of 97,676,651 Units would be issued and outstanding on a fully diluted basis.

## **KEY FACTORS AFFECTING THE TRUST’S BUSINESS**

### *Licensing and Accreditation*

Domestic incentive programs for renewable power vary across Europe, with some markets adopting a feed-in tariff (“FIT”) system and other markets adopting a quota-based system (e.g., Italy, the UK, Sweden and Poland). Romania has had a supplier quota system of GCs in place since 2005. There are two regulatory licenses that are needed pursuant to applicable Romanian legislation for renewable power projects under the renewable support scheme. A producer needs: (i) a production license; and (ii) green certificate 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 and System Operator (the “TSO”), Transelectrica SA, which monitors energy production and awards the GCs based on this production.

### *The Romanian Green Certificate Program*

The Romanian system is designed to ensure that the GC market is structurally in balance every year. GCs are awarded to producers on a monthly basis (approximately 15 days following month-end) by the TSO and can be traded on a central market administered by the Romanian Gas and Electricity Market Operator, (“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.

GC accreditation is enforced by the TSO which monitors energy production and awards the GCs based on this production. 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 Rott, Zagra, Power LIVE, Corabia and Baia), 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.

GCs must be purchased by energy suppliers from the producers of energy to whom they are issued, or parties to whom such producers have transferred such GCs, according to a power procurement quota based on the expected value for renewable energy which, until the introduction of the 2017 GC Law Amendments (defined below), was calculated by ANRE annually.

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.

In March 2017, Romania issued amendments to the existing laws affecting the regulation and sale of GCs (the “2017 GC Law Amendments”) resulting in significant changes in the GC market. The 2017 GC Law Amendments substantively changed 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. The 2017 GC Law Amendments 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 following chart sets out the number of restricted GCs and tradable GCs to which each of the Projects is entitled to:

<b>Park</b>	<b>Installed capacity (MW)</b>	<b>Restricted GCs (GC/MWh)</b>	<b>Tradable GCs (GC/Mwh)</b>	<b>Total No. of GCs available/MWh</b>
<b>Rott</b>	1.657	0	3	<b>3<sup>(1)</sup></b>
<b>Zagra</b>	0.76	0	2.3	<b>2.3</b>
<b>Suha</b>	2	0	2	<b>2</b>
<b>Corabia</b>	7	2	4	<b>6</b>
<b>Power Live One</b>	9.6	2	4	<b>6</b>
<b>Baia 1</b>	2	1	1	<b>2</b>
<b>Baia 2</b>	5	0.35	1	<b>1.35</b>
<b>Baia 4</b>	10	1	1	<b>2</b>

**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 following formula: 1.04 x yearly production x (the median of the floor and ceiling GC prices taking inflation into account). After repayment of the EU funding, the 1.04 GCs shall be available to Rott. Additionally, by law, 0.96 GC were restricted from trading until March 31, 2017, resulting in 1.96 GC being received and immediately tradable of every three GCs awarded from March 31, 2017 onward and one GC being received and immediately tradeable prior to March 31, 2017.

Hydro Projects

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.

#### *Economic Dependence, 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. To mitigate these pricing risks, the Trust negotiated and entered into offtake agreements for energy and GCs produced by the Projects.

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 the Trust's Netherlands subsidiaries 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.

#### *Environmental Protection*

Run-of-river hydroelectric power generation produces virtually no emissions and returns the original fuel source (i.e. 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.

#### *Specialized Skills and Knowledge*

The Trust relies on the specialized skills of management and consultants, including Renovatio Asset Management (“RAM”), in the areas of evaluation of construction, plant operation and maintenance, business negotiations and management. The loss of the services of any of these individuals or entities could have a material adverse effect on the Trust. The Trust will continue to engage specialized skilled contractors if and when needed.

#### *Employees*

The Trust relies on local consultants and contractors in Romania, including RAM, to operate and service the Projects. RAM specializes in the management, operation and maintenance services for wind farms and photovoltaic power plants. RAM was a part of the Renovatio Group and is a 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. RAM is the administrative partner of EDP Renewables, one of the largest renewable energy companies in the world.

#### *Competitive Conditions*

Competitive conditions do not generally play a significant role in the Trust’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.

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 the Trust anticipates focusing on for future acquisitions will not generally be the target of larger power production companies. As the Trust completes acquisitions, aggregates more power projects and becomes a larger power producer, it expects that its market position and competitive factors may change.

#### *Foreign Operations*

The Trust’s operations are conducted solely in Romania.

### **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. For a more comprehensive discussion on the risks faced by the Trust, please refer to the Trust’s management’s discussion and analysis for the year ended December 31, 2016.

### **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.

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