

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three month period ended March 31, 2015

(EXPRESSED IN CANADIAN DOLLARS)

CONTENTS

Unaudited Condensed Interim Consolidated Statements of Financial Position	2
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	3
Unaudited Condensed Interim Consolidated Statements of Unitholders' Equity	4
Unaudited Condensed Interim Consolidated Statements of Cash Flows	5
Notes to Unaudited Condensed Interim Consolidated Financial Statements	6-12

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

TRANSEASTERN POWER TRUST

Condensed Interim Consolidated Statements of Financial Position

	<u>As at March 31,</u> 2015	<u>As at December 31,</u> 2014
	(unaudited)	(audited)
ASSETS		
Current		
Cash	\$ 113,370	\$ 245,566
Trade and other receivables [note 3]	403,912	323,066
Green certificates [note 4]	67,073	131,106
Prepays and other assets	<u>292,043</u>	<u>44,415</u>
Total current assets	876,398	744,153
Restricted green certificates [note 4]	186,550	137,703
Other non-current assets	28,650	28,947
Property, plant and equipment, net [note 5]	<u>16,567,737</u>	<u>16,973,066</u>
Total assets	\$ 17,659,335	\$ 17,883,869
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities [note 6]	\$ 1,290,829	\$ 853,476
Due to related parties [note 7]	150,258	81,213
Convertible debenture interest payable [note 8]	217,535	
Distributions payable [note 9]	249,312	250,816
Vendor take back loan and acquisition instalment payments	1,303,595	1,369,097
Deferred tax liability	127,873	129,653
Note payable [note 10]	<u>600,000</u>	<u>600,000</u>
Total current liabilities	3,939,402	3,284,255
Milestone Units	758,768	531,879
Convertible debentures [note 8]	<u>10,586,700</u>	<u>9,410,400</u>
Total liabilities	15,284,870	13,226,534
Unitholders' equity [note 11]	<u>2,374,465</u>	<u>4,657,335</u>
	<u>\$ 17,659,335</u>	<u>\$ 17,883,869</u>

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

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

	Three month period ended March 31, 2015	Period from February 4, 2014 to March 31, 2014
REVENUE		
Sale of electricity	\$ 126,382	-
Income from green certificates	206,202	-
	<u>332,584</u>	-
OPERATING EXPENSES		
Operating (includes employee costs of \$23,591)	307,409	-
Depreciation [note 5]	184,886	-
Cost of sales	492,295	-
General and administrative (includes employee costs of \$93,750)	218,144	-
Legal and professional	45,559	-
Milestone units	226,889	-
Total operating expenses	982,887	-
Operating Loss	<u>650,303</u>	-
OTHER EXPENSES		
Fair value loss on Debentures [note 8]	1,176,300	-
Debenture interest [note 8]	217,535	-
Foreign exchange gains	(10,824)	-
Finance income	(220)	-
Finance cost	64,503	-
Loss before tax	<u>2,097,597</u>	-
Current income tax expense	1,546	-
Deferred income tax recovery	(28,472)	-
Loss for the period	<u>\$ 2,070,671</u>	-
Amounts to be recycled subsequently to profit and loss		
Foreign currency translation loss	<u>139,438</u>	-
Total comprehensive loss after tax	<u>\$ 2,210,109</u>	-
Loss per weighted average number of Units outstanding – basic and diluted	<u>\$ 0.18</u>	-
Weighted average number of Units outstanding – basic and diluted	11,493,666	15

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

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Statements of Unitholders' Equity

	Trust Units			Accumulated Comprehensive Loss – Foreign Currency Translation	Unitholders' Equity
	<u>Number</u>	<u>Value</u>	<u>Deficit</u>		
December 31, 2014	<u>11,349,122</u>	<u>\$ 9,539,427</u>	<u>\$ (3,765,906)</u>	<u>\$ (1,116,186)</u>	<u>\$ 4,657,335</u>
Distribution Reinvestment Plan [note 11]	206,492	176,551	-	-	176,551
Net loss	-	-	(2,070,671)	-	(2,070,671)
Other comprehensive loss	-	-	-	(139,438)	(139,438)
Distributions to Unitholders'	-	-	(249,312)	-	(249,312)
March 31, 2015	<u>11,555,614</u>	<u>\$ 9,715,978</u>	<u>\$ (6,085,889)</u>	<u>\$ (1,255,624)</u>	<u>\$ 2,374,465</u>

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

TRANSEASTERN POWER TRUST

Unaudited Condensed Interim Consolidated Statements of Cash Flows

	Three month period ended March 31, 2015	Period from February 4, 2014 to March 31, 2014
OPERATING ACTIVITIES		
Loss for the period	\$ (2,070,671)	-
Add items related to financing activities		
Accretion expense	25,505	-
Add (deduct) items not affecting cash		
Fair value gain on Debentures [note 8]	1,176,300	-
Depreciation	184,886	-
Foreign exchange gains	(10,824)	-
Deferred income tax recovery	(28,472)	-
Milestone Units	226,889	-
Changes in non-cash working capital		
Trade and other receivables	(80,846)	-
Green certificates-current and restricted	15,186	-
Prepays and other assets	(247,628)	-
Other non-current assets	297	-
Accounts payable and other	406,165	-
Accrued liabilities	57,876	-
Convertible debenture interest payable	217,535	-
Due to related parties	69,045	-
Cash used in operating activities	(58,757)	-
INVESTING ACTIVITIES		
Additions to property, plant and equipment	-	-
Cash used in investing activities	-	-
FINANCING ACTIVITIES		
Distributions paid [note 10]	(74,263)	-
Issuance of Trust Units, net [note 11]	-	15
Cash provided by financing activities	(74,263)	15
Effect of currency translation	823	-
Net (decrease)/increase in cash during the period	(132,197)	15
Cash, beginning of period	245,566	-
Cash, end of period	113,370	15
Supplemental information:		
Cash paid for interest	\$ -	-
Cash paid for income taxes	\$ -	-

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

TRANSEASTERN POWER TRUST

Notes to Unaudited Condensed Interim Consolidated Financial Statements

1. Nature and Description of the Trust and Going Concern

a) Nature and Description of the Trust

Transeastern Power Trust (the “Trust”) is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario that generates and sells electricity to licensed electricity buyers in Romania through its portfolio of hydro-electric generation facilities comprised of 11 run-of-river hydroelectric power plants with total capacity of over 5.1 megawatts (“MW”). All of the hydroelectric power production facilities are located in Romania.

The Trust directly and indirectly owns all of the membership rights of Transeastern Power Coöperatief U.A. (“Netherlands Parent”), which owns all of the issued and outstanding shares of Transeastern Power B.V. (“Netherlands Holdco”). Netherlands Parent and Netherlands Holdco jointly own 100% of three Romanian companies formed for the purpose of acquiring the shares or assets of Romanian hydroelectric power projects (the “Romanian Acquisitioncos”) and a fourth Romanian company which acts as a management company for the Romanian operations. On May 28, 2014, Netherlands Holdco and the three Romanian Acquisitioncos respectively acquired 100% of the shares of each of two Romanian hydroelectric power companies, Rott Energy Srl (“Rott”) and Zagra Hidro Srl (“Zagra”), and the assets of a third hydroelectric power project (“Suha”), from arm’s length owners to the Trust (the “Romanian Projects” or the “Projects”).

The Trust qualifies as a “mutual fund trust” and not a “SIFT trust” (each as defined in the Tax Act) in accordance with the restrictions set forth in the Trust Indenture. The Transeastern Power Administrator Inc. (the “Administrator”) is responsible for monitoring the Trust’s investments and holdings of property to ensure the Trust is not at any time a “SIFT trust” and does not hold any “non-portfolio property”.

The principal head and registered office of each of the Trust, the Administrator, the Administrator’s 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.

b) Going concern

These financial statements are prepared under the going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. While management considers that the preparation of the financial statements under the going concern basis is appropriate, there is significant doubt about the Trust’s ability to continue as a going concern as the Trust has a working capital deficiency of \$3,063,004 as at March 31, 2015, an accumulated deficit of \$6,085,889 as at March 31, 2015 and for the three month period ended March 31, 2015, the Trust incurred a loss of \$2,070,671. Included in the working capital deficiency is a \$600,000 note payable upon which the Trust has negotiated extended repayment terms. Considering that the Trust’s Romanian Projects have either recently commenced operations or are in the start-up phase, the projections made by management for the following years take into consideration that the operations will be profitable. The Trust’s ability to continue as a going concern is dependent upon the Trust’s ability to raise additional capital through equity and/or debt financings and achieve profitable operations. Should the Trust be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

On March 2, 2015 the Trust entered into two non-binding term sheets for a minimum \$18 million financing, comprised of a non-brokered private placement for a minimum of \$13 million of subscription receipts and a \$5 million secured debt facility. Proceeds from the financings will be used for the acquisition of two photovoltaic solar power production plants in Romania and for general working capital purposes. The Trust believes that these financings and increased revenues from operations will provide sufficient cash flow for it to continue as a going concern in its present form for the foreseeable future, however, there can be no assurances that the financings will close or that future revenues from operations will increase. Accordingly, the financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Trust be unable to continue as a going concern.

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

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

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

These condensed consolidated interim financial statements were approved by the Board of Directors on May 29, 2015.

b) Significant Accounting Policies

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

c) Significant Accounting Judgements, Estimates and Assumptions

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

d) Principles of Consolidation

The condensed consolidated interim financial statements include the financial statements of the Trust and entities controlled by the Trust and the Administrator including subsidiaries as at March 31, 2015 and include all the subsidiaries and entities over which the Trust has power to govern the financial and operating policies for and are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. All intercompany balances, income, expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

3. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	March 31, 2015	December 31, 2014
Trade receivables	\$ 131,257	\$ 61,143
VAT receivable	131,128	131,923
HST receivable	141,527	130,000
Total	\$ 403,912	\$ 323,066

4. GREEN CERTIFICATES

Pursuant to applicable Romanian legislation, new hydro plants with production capacity of less than 10MW that commenced operations before January 1, 2014, such as Rott, are entitled to receive three green certificates for each one MW of energy production that enters the Romanian power grid, with one green certificate restricted from trading until March 31, 2017. Projects with production capacity of less than 10MW that were accredited after January 1, 2014, such as Zagra, are entitled to receive 2.3 green certificates for each one MW of energy production that enters the Romanian power grid, none of which are restricted from trading. Refurbished hydro projects with capacity of less than 10MW, such as Suha, are entitled to receive two green certificates for each 1 MW of energy production that enters the Romanian power grid, none of which are restricted from trading.

Prior to the acquisition of Rott, the previous owner received financial support from the government. Under applicable Romanian legislation, an energy producer that benefits from the support mechanism of green certificates and that receives additional state support may have its entitlement to green certificates reduced until the support amounts are paid back in kind via a reduction in green certificates issued. Currently, Rott's entitlement has been reduced by 1.04 green certificates.

As at March 31, 2015, the Trust has recognized tradeable green certificates of \$67,073 (December 31, 2014: \$131,106) and restricted green certificates of \$186,550 (December 31, 2014: \$137,703).

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery & Equipment	Furniture & Fixtures	Construction in Progress	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at December 31, 2014	296,065	10,317,976	5,038,928	23,076	1,725,371	17,401,416
Additions	-	-	-	-	-	-
Transfer of assets						
Effect of foreign currency translation	(4,066)	(141,703)	(69,203)	(317)	(23,696)	(238,985)
Balance at March 31, 2015	291,999	10,176,273	4,969,725	22,759	1,701,675	17,162,431
Accumulated depreciation						
Balance at December 31, 2014	-	(231,291)	(212,017)	(1,589)	-	(444,897)
Depreciation expense		(87,743)	(96,446)	(697)		(184,886)
Effect of foreign currency translation		18,111	16,849	129		35,089
Net book value at March 31, 2015	291,999	9,875,350	4,678,111	20,602	1,701,675	16,567,737

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2015	December 31, 2014
Accounts payable	\$ 992,428	\$ 635,297
Salaries and related contributions due	5,383	5,394
Taxes payable	72,765	34,427
Other payables	35,109	51,090
Accrued liabilities	185,144	127,268
	\$ 1,290,829	\$ 853,476

7. RELATED PARTY TRANSACTIONS

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

Key management of the Trust consists of members of the Board of Directors and officers of the Trust and Administrator. During the period ended March 31, 2015, the Trust expensed \$93,750 of salaries and benefits to the officers of the Trust in addition to \$17,500 in directors' fees.

As at March 31, 2015, the Trust has amounts payable of \$150,258 to related parties consisting of advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust by the Executive Chairman and the CEO. These advances are non-interest bearing and due on demand.

8. CONVERTIBLE DEBENTURES

On May 28, 2014, the Trust issued 11,763 Debentures as part of the IPO at a price of \$1,000 per Debenture for proceeds of \$11,763,000. Transaction costs related to the issuance of the Debentures of \$1,890,725 were expensed. The Debentures bear an interest rate of 7.5% and mature on May 28, 2019 and have interest payable semi-annually. The outstanding principal under the Debentures may, at the option of the holder, be converted into Units at a conversion rate of 800 Units per \$1,000 of the principal amount of the Debentures.

The principal amount of the Debentures is payable at maturity in cash or, at the Trust's option and subject to satisfaction of certain conditions, by delivery of Units or a combination of cash and Units.

For the three months ended March 31, 2015, the Trust recorded interest expense of \$217,535 on the Debentures and recognized a mark-to-market loss of \$1,176,300 on the Debentures.

9. DISTRIBUTIONS PAYABLE

The Trust declared distributions totaling \$249,312 for the three month period ended March 31, 2015 to Unitholders of record on March 31, 2015. On an annualized basis, the current distribution is equal to \$0.0875 per Unit or a 8.75% yield based on a \$1.00 initial issuance price. The distribution of cash in the amount of \$50,071 occurred on April 15, 2015, with the remaining \$199,241 of distributions being settled through the issuance of 209,727 Units pursuant to the Trust's distribution reinvestment plan.

At December 31, 2014, \$250,816 in distributions were payable to Unitholders. The distribution of cash in the amount of \$74,264 occurred on January 13, 2015, with the remaining \$176,551 of distributions payable being settled through the issuance of 206,492 Units on January 27, 2015.

10. NOTE PAYABLE

On December 1, 2014, the Trust entered into a \$600,000 short term secured debt financing arrangement in the form of a promissory note (the "Note Payable"), maturing on February 1, 2015. The Note Payable carries interest of 6% per annum, payable upon maturity and a 10% upfront structuring fee. The Trust and the holder of the Note Payable extended the maturity date of the Note Payable to April 2, 2015.

The Trust and the holder of the Note Payable have negotiated a second extension agreement which shall extend the repayment terms to the earlier of June 30, 2015 and the moment that is immediately prior to the closing of the secured debt facility discussed in note 1(b) above. The Trust may elect to repay the aggregate of the principal and accrued interest owing under the Note Payable by issuing to the holder 7.5% convertible debentures of the Trust governed by the Debenture Indenture dated as of the 28th day of May, 2014, with a principal amount equal to the principal amount owing under the Note Payable plus accrued interest. In exchange for both the extension of the maturity date and the Trust's right to settle the obligations under the Note Payable with debentures, the Trust has agreed to an additional a cash fee of \$300,000, which the holder agreed to settle by way of an issuance of subscription receipts pursuant to the financing discussion in note 1(b) above.

During the three month period ended March 31, 2015, the Trust accrued \$8,877 (March 31, 2014: nil) in interest related to the Note Payable. At March 31, 2015, interest payable on the Note Payable totaled \$11,145 (December 31, 2014: \$2,268).

11. TRUST UNITS

On May 28, 2014, the Trust issued 11,045,800 Units as part of the IPO at a price of \$1.00 per Unit for proceeds of \$9,272,042 which is net of \$1,773,743 in transaction costs.

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

During the three month period ended March 31, 2015, the Trust issued 206,492 Units to settle fourth quarter 2014 distributions payable of \$176,551 pursuant to the Trust's distribution reinvestment plan.

On March 31, 2015, the Trust issued 150,000 restricted trust units (the "RTUs") as compensation to a third party consultant for services, of which 75,000 RTUs vested on issuance and the remaining 75,000 RTUs vest on June 30, 2015. The RTUs can be settled in either cash or by issuing Units of the Trust, at the option of the Trust, pursuant to the Trust's restricted trust unit plan.

12. SEGMENT INFORMATION

In accordance with IFRS 8, "Operating Segments," the Trust has identified the following operating segments: (i) three hydroelectric run of river companies (located in Romania) which consists of Rott, Zagra and Suha; and (ii) Corporate Overhead which includes the management of the Romanian Projects (located in Romania) and corporate costs for administration of the Trust (located in Canada). The operating segments have been identified based upon the nature of operations and technology used in the generation of electricity. The Trust analyzes the performance of its operating segments based on their operating income (loss), which is defined as revenue less operating expenses.

a) Segmented Profit (Loss)

Profit (loss) by segment for the three month period ended March 31, 2015 is as follows:

	Rott	Zagra	Suha	Corporate Overhead	Total
Revenue	\$ 183,706	\$ 57,161	\$ 91,717	\$ -	\$ 332,584
Operating	120,767	51,094	135,548	-	307,409
Depreciation	77,124	37,415	70,347	-	184,886
Expenses	-	-	-	490,592	490,592
Operating (loss)	(14,185)	(31,348)	(114,178)	(490,592)	(650,303)
Profit (loss) for the period	\$ (35,721)	\$ (46,908)	\$ (80,563)	\$ (1,907,479)	\$ (2,070,671)

Inter-segment charges are eliminated upon consolidation.

b) Segment Assets and Liabilities

	As at March 31, 2015	As at December 31, 2014
Assets		
Rott	\$ 5,108,715	\$ 5,239,310
Zagra	6,381,882	6,482,656
Suha	5,805,948	5,879,060
Corporate	362,790	282,843
Total assets	\$ 17,659,335	\$ 17,883,869
Liabilities		
Rott	\$ 200,132	\$ 190,818
Zagra	251,559	235,684
Suha	1,339,931	1,363,223
Corporate	13,493,248	11,436,809
Total liabilities	\$ 15,284,870	\$ 13,226,534