
TRANSEASTERN POWER TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED
MARCH 31, 2017 AND MARCH 31, 2016
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE TO READER

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

Transeastern Power Trust
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

As at	March 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	\$ 122,796	\$ 240,703
Trade and other receivables	4,812,411	4,894,270
Green certificates (Note 3)	750,486	1,268,593
Prepaid and other assets	481,399	691,741
	6,167,092	7,095,307
Long-term		
Restricted cash (Note 5)	2,334,982	2,328,990
Restricted green certificates (Note 3)	11,376,939	10,895,066
Property, plant and equipment (Note 4)	54,695,800	55,272,943
TOTAL ASSETS	\$ 74,574,813	\$ 75,592,306
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 9,801,038	\$ 10,410,943
Convertible debentures (Note 5)	16,053,600	16,053,600
Bridge loan facilities (Note 5)	1,279,808	-
Vendor take-back loan and acquisition instalment payments (Note 5)	1,128,041	1,126,607
Current portion of capital leases (Note 5)	4,386,005	4,299,346
Debt facility (Note 5)	1,474,449	4,382,924
	34,122,941	36,273,420
Vendor take-back loan (Note 5)	6,415,970	6,274,062
Secured debt facility (Note 5)	3,628,728	-
Warrant liability (Note 7)	3,132,741	1,059,911
Asset retirement obligation	776,290	776,290
Deferred tax liabilities	5,538,693	5,205,421
Long-term portion of capital leases (Note 5)	26,485,308	27,595,119
	80,100,671	77,184,223
Unitholders' equity	(5,525,858)	(1,591,917)
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	\$ 74,574,813	\$ 75,592,306

Nature of operations and going concern (Note 1)

Subsequent events (Note 11)

Transeastern Power Trust

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

For the Three Months Ended March 31,

	2017	2016
REVENUE		
Sale of electricity	\$ 790,804	\$ 324,188
Income from green certificates	1,989,166	981,848
	2,779,970	1,306,036
OPERATING EXPENSES		
Operating	778,565	677,977
Depreciation	981,788	719,471
Cost of sales	1,760,353	1,397,448
General and administrative	290,785	502,159
Legal and professional	87,353	141,174
Milestone units	-	136,861
Transaction costs	304,508	-
Total operating expenses	2,442,999	2,177,642
Operating Income (Loss)	336,971	(871,606)
OTHER EXPENSES		
Fair value gain on debentures (Note 5)	-	1,376,300
Interest and finance charges (Note 6)	(2,029,536)	(983,652)
Foreign exchange gain (loss)	128,696	(56,230)
Loss on settlement of debt	(320,254)	-
Warrant revaluation	(2,072,830)	(69,191)
LOSS BEFORE TAX	(3,956,953)	(604,379)
Deferred income tax recovery	123,132	51,025
LOSS FOR THE PERIOD	(3,833,821)	(553,354)
Items to be reclassified subsequently to loss:		
Foreign currency translation gain (loss)	(100,120)	1,744,047
TOTAL COMPREHENSIVE GAIN (LOSS)	\$ (3,933,941)	\$ 1,190,693
Basic and diluted loss per unit	\$ (0.08)	\$ (0.02)
Weighted average number of units outstanding - basic and diluted	48,958,403	30,651,723

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

Transeastern Power Trust

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY (UNAUDITED)

	Units	Unit Value	Deficit	Comprehensive Loss - Foreign Currency Translation	Unitholders' Equity
Balance, December 31, 2016	48,958,403	\$ 35,324,282	\$ (40,976,961)	\$ 4,060,762	\$ (1,591,917)
Net loss for the period	-	-	(3,833,821)	-	(3,833,821)
Other comprehensive loss	-	-	-	(100,120)	(100,120)
Balance, March 31, 2017	48,958,403	35,324,282	(44,810,782)	3,960,642	(5,525,858)
Balance, December 31, 2015	30,203,705	25,769,159	(18,078,132)	122,326	7,813,353
Net loss for the period	-	-	(553,354)	-	(553,354)
Dividend reinvestment plan	537,916	297,622	-	-	297,622
Other comprehensive loss	-	-	-	(1,744,047)	(1,744,047)
Distribution to unitholders	-	-	(672,472)	-	(672,472)
Balance, March 31, 2016	30,741,621	\$ 26,066,781	\$ (19,303,958)	(1,621,721)	\$ 5,141,102

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

Transeastern Power Trust
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Three Months Ended March 31,

2017

2016

CASH (USED IN) PROVIDED BY:

OPERATING ACTIVITIES

Net loss	\$ (3,833,821)	\$ (553,354)
Items related to financing activities:		
Revaluation of warrants	2,072,830	69,191
Fair value loss on debentures	-	(1,376,300)
Accretion expense	132,149	83,538
Add (deduct) items not affecting cash:		
Depreciation (Note 6)	981,788	719,471
Deferred income tax expense	333,272	(51,025)
Milestone units	-	15,788
Unrealized foreign exchange (gain) loss	(362,121)	625,634
Net change in non-cash working capital:		
Trade and other receivables	81,859	374,936
Green certificates-current and restricted	36,234	(327,437)
Prepaid and other assets	210,342	(236,195)
Other non-current assets	-	(183)
Accounts payable and accrued liabilities	(609,905)	1,109,620
Due to related parties	-	62,500

(957,373) 516,184

FINANCING ACTIVITIES

Debt facility repayment	(3,040,624)	-
Distributions paid	-	(362,270)
Bridge loan facilities	1,279,808	-
Secured debt facility	3,628,728	-
Restricted cash	(5,992)	-
Capital leases	(1,023,152)	(1,119,304)

838,768 (1,481,574)

Effect of currency translation **698** (2,158)

CHANGE IN CASH **(117,907)** (967,548)
CASH, BEGINNING OF PERIOD **240,703** 1,711,071

CASH, END OF PERIOD **\$ 122,796** \$ 743,523

SUPPLEMENTARY CASH FLOW INFORMATION:

Cash paid for interest **\$ -** \$ 725,596

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

1. NATURE AND DESCRIPTION OF THE TRUST AND GOING CONCERN

Transeastern Power Trust ("Transeastern" or the "Trust") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario that, through its subsidiaries, generates and sells electricity to licensed electricity buyers in Romania through its portfolio of hydro-electric generation facilities comprised of 10 run-of-river hydroelectric power plants with total capacity of over 4.4MW (the "Hydro Projects"), two photovoltaic solar power production plants with a total capacity of over 16 MWp (the "Solar Projects"), and a 17.6MW operational wind project (the "Wind Project") and together with the Hydro and Solar Projects, the "Projects"). All of the Projects facilities are located in Romania.

The Trust directly and indirectly owns all of the membership rights of Transeastern Power Coöperatief U.A. ("Netherlands Parent"), which owns all of the issued and outstanding shares of Transeastern Power B.V. ("Netherlands Holdco" and, together with the Netherlands Parent, the "Netherlands Subsidiaries"). The Netherlands Subsidiaries jointly own, directly or indirectly, 100% of five Romanian subsidiaries which hold the Hydro Projects, two Romanian subsidiaries that hold the Solar Projects, a Romanian subsidiary that holds the Wind Project, and a Romanian subsidiary that acts as a management company for the Romanian operations.

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

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

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

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

1. NATURE AND DESCRIPTION OF THE TRUST AND GOING CONCERN (Continued)

Going Concern

These condensed interim consolidated 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 condensed interim consolidated 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 \$27,955,849 as at March 31, 2017 (December 31, 2016 - \$29,178,113), an accumulated deficit of \$44,810,782 as at March 31, 2017 (December 31, 2016 - \$40,976,961), and the Trust reported a loss of \$ 3,833,821 for the three months ended March 31, 2017 (three months ended March 31, 2016 - \$ 553,354). 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 financing 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 condensed interim 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.

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

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 26, 2017.

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

2. ACCOUNTING POLICIES (Continued)

Basis of Consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust. Control is achieved when the Trust is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The condensed interim consolidated financial statements include the accounts of the Trust and the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Ownership Percentage
Transeastern Power Holdings Inc.	Canada	100%
Transeastern Power Holdings 2 Inc.	Canada	100%
Transeastern Power Coöperatief U.A.	Netherlands	100%
Transeastern Power B.V.	Netherlands	100%
Holrom Renewable Energy S.R.L.	Romania	100%
Transeastern Hidroelectrica Del Ucea SPV I SRL	Romania	100%
Transeastern SPV III SRL	Romania	100%
Transeastern Power Services Limited	Romania	100%
Transeastern Vistea Hidroelectrica SPV IV SRL	Romania	100%
Zagra Hidro SA	Romania	100%
Rott Energy SA	Romania	100%
SC Corabia Solar SRL	Romania	100%
SC Power L.I.V.E One SA	Romania	100%
Transeastern Corporate Directorship SRL	Romania	100%
Transeastern Power Holdings B.C. Inc.	Canada	100%
Mediterranean Resources Ltd.	Canada	100%

3. 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 the Trust's Rott project, 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 the Trust's Zagra project, 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 the Trust's Suha project, are entitled to receive two green certificates for each one MW of energy production that enters the Romanian power grid, none of which are restricted from trading.

The Solar Projects are entitled to receive four tradable green certificates and two restricted green certificates per MWh produced and the Wind Project is entitled to receive one tradable green certificate and 0.35 to 1 restricted green certificate per MWh produced. Restricted green certificates earned by the Solar Projects are restricted from trading until January 1, 2025 and those earned by the Wind Project are restricted from trading until January 1, 2018. The tradable green certificates are usually sold in less than one year.

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 to 1.96 green certificates per MW of energy produced.

As at March 31, 2017, the Trust has recorded receivables related to tradable green certificates of \$ 750,486 (December 31, 2016 - \$1,268,593) and restricted green certificates of \$11,376,939 (December 31, 2016 - \$10,895,066).

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

4. PROPERTY, PLANT AND EQUIPMENT

	Land (\$)	Buildings (\$)	Equipment (\$)	Construction In Progress (\$)	Total (\$)
Cost					
Balance, December 31, 2015	694,563	21,102,179	27,401,083	1,826,518	51,024,343
Effect of currency translation	(21,717)	(659,818)	(856,771)	(57,111)	(1,595,417)
Balance, March 31, 2016	672,846	20,442,361	26,544,312	1,769,407	49,428,926
Balance, December 31, 2016	694,563	24,999,332	34,406,630	-	60,100,525
Effect of currency translation	17,706	849,872	1,271,482	-	2,139,060
Balance, March 31, 2017	712,269	25,849,204	35,678,112	-	62,239,585
Accumulated Depreciation					
Balance, December 31, 2015	-	(953,762)	(1,250,192)	-	(2,203,954)
Depreciation expense	-	(295,785)	(423,686)	-	(719,471)
Effect of currency translation	-	(42,418)	(55,601)	-	(98,019)
Balance, March 31, 2016	-	(1,291,965)	(1,729,479)	-	(3,021,444)
Balance, December 31, 2016	-	(2,954,639)	(3,872,943)	-	(6,827,582)
Depreciation expense	-	(451,622)	(530,166)	-	(981,788)
Effect of currency translation	-	123,940	141,645	-	265,585
Balance, March 31, 2017	-	(3,282,321)	(4,261,464)	-	(7,543,785)
Net Book Value					
Balance, March 31, 2016	672,846	19,150,396	24,814,833	1,769,407	46,407,482
Balance, March 31, 2017	712,269	22,566,883	31,416,648	-	54,695,800

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

5. DEBT

Convertible Debentures

As at March 31, 2017, the Trust has issued a total of \$20,067,000 unsecured convertible debentures (the "Debentures") comprised of \$16,459,000 Series 1 convertible debentures (the "Series 1 Debentures") and \$3,608,000 Series 2 convertible debentures (the "Series 2 Debentures"). The principal amount of the Series 1 Debentures is payable at maturity in cash or, at the Trust's option and subject to satisfaction of certain conditions, by delivery of Units or a combination of cash and Units. The principal amount of the Series 2 Debentures is payable at maturity in cash or units at the option of the holder.

The Debentures bear interest at 7.5% per annum, which is payable in equal instalments semi-annually in arrears on June 30 and December 31 in each year.

The Debentures are direct, unsecured obligations of the Trust and rank equally with one another and with all other existing and future unsecured indebtedness of the Trust, other than senior indebtedness, except as prescribed by law.

Holders may convert their Debentures into Units at any time prior to the close of business on the earlier of: (a) the business day immediately preceding the maturity date; (b) if called for redemption, the business day immediately preceding the date specified by the Trust for redemption of the Debentures; and (c) if called for repurchase pursuant to a change of control, the business day immediately preceding the date specified by the Trust for repurchase of the Debentures, based on an initial conversion rate of 800 Units per \$1,000 principal amount of Debentures (equivalent to an initial conversion price of \$1.25 per Unit) and, subject to the satisfaction of certain conditions as set out in the debenture indenture.

The Trust may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Series 1 Debentures on redemption or at maturity together (the Series 2 Debentures have the same terms except that the holder has the option at maturity to accept payment in cash or Units) with accrued and unpaid interest thereon through, in whole or in part, the issuance of freely tradable Units upon at least 40 days and not more than 60 days prior notice, by delivering that number of Units obtained by dividing such amount that the Trust elects to pay through the issuance of Units by 95% of the then current market price of the Units.

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

5. DEBT (Continued)

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

During the year ended December 31, 2015, the Trust issued Debentures in the aggregate principal amount of \$2,000,000 pursuant to the May 28, 2014 Debenture Indenture towards the settlement of the note payable and the vendor take-back loan related to the acquisition of Suha.

On September 2, 2016, the Trust issued Debentures pursuant to the May 28, 2014 Debenture Indenture with a principal amount of \$2,071,000 to the vendor of Holrom Renewable Energy S.R.L.

On September 2, 2016, the Trust also issued, on a private placement basis, 4,233 convertible debenture units (each, a "Convertible Debenture Unit"), with each Convertible Debenture Unit being comprised of \$1,000 principal amount of 7.5% unsecured convertible debentures and 800 Unit purchase warrants (each, a "Warrant"), at a subscription price of \$700 per Convertible Debenture Unit.

Such debentures consisted of \$625,000 principal amount of Series 1 Debentures pursuant to the May 28, 2014 Debenture Indenture and \$3,608,000 principal amount of Series 2 debentures pursuant to a first supplemental 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. The Convertible Debenture Units containing Series 2 Debentures were issued pursuant to an agency agreement and, in consideration for the services of the agent and certain finders, the Trust paid a cash commission equal to 7% of the gross proceeds of the offering and issued 176,792 broker warrants with each broker warrant being exercisable by the agent into one Unit for an exercise price of \$1.00 until September 1, 2019.

The Trust did not have sufficient funds to meet the interest payments due on June 30, 2016 and December 31, 2016 on the Series 1 Debentures. The Trust received consent of the holders of Series 1 Debentures for the extension of the time for the payment of interest owing until May 1, 2017. The Trust will seek further extension of the time for payment and a waiver of the event of default as the Trust did not have sufficient funds to meet the interest payments due May 1, 2017.

The Trust is also seeking the consent of the holders of Series 2 Debentures, as a result of not being able to meet the interest payment due on December 31, 2016, for an extension of the time for payment and a waiver of the event of default.

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

5. DEBT (Continued)

Since the Trust does not have the irrevocable right to defer payments for 12 months as at March 31, 2017, the Debentures have been classified as current.

A continuity of convertible debt is as follows:

Balance, December 31, 2015	\$ 12,386,700
Issuance of Debentures on acquisition of Holrom Renewable Energy S.R.L.	2,071,000
Series 1 and Series 2 Debenture issuance	3,212,918
Fair value adjustment ¹	(1,617,018)
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Balance, December 31, 2016 and March 31, 2017	\$ 16,053,600

¹Fair value is determined by comparing market prices as the convertible debentures are publicly listed.

Sprott Debt Facility

The Trust had a \$5 million debt facility with Sprott Resource Lending Partnership (the "Sprott Debt Facility"). The Sprott Debt Facility accrued interest at a rate of 10% per annum, compounded monthly. It had a two year term ending in July of 2017 and was pre-payable at the Trust's option without penalty provided six months' interest had been paid. It was guaranteed by certain of the Trust's subsidiaries and was secured against the Hydro Projects. The debt agreement prescribed a bonus payment of \$300,000 on closing, which the Trust settled in Units.

The Sprott Debt Facility included financial covenants requiring that the Trust and all of its secured subsidiaries, to maintain certain levels in unrestricted cash and cash equivalents and working capital in the Credit Parties. If these covenants are breached, the lender's remedies include calling the debt and any accrued interest and taking possession of the assets of the Credit Parties. The Trust was in breach of these covenants as at December 31, 2016 in that there was unpaid interest amounting to \$154,195 on the loan and working capital was below the \$2,000,000 threshold set out in the agreement.

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 (as defined below) 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.

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

5. DEBT (Continued)

Secured Debt Facility

On January 20, 2017, the Trust closed \$3.8 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. For the three months ended March 31, 2017, the Trust accrued \$35,397 in interest relating to the facility.

Capital Leases

In connection with the acquisition of the Solar Projects and the Wind Project, the Trust assumed leasing contracts with Unicredit Leasing Corporation IFN SA which were initially entered into for the purpose of financing the construction of the photovoltaic solar plants and windmills.

The interest rate on the leasing contracts on the Solar Projects is currently 8.5% for the remaining years until maturity in 2023. At the end of the contract, the ownership of the photovoltaic plants passes to the Trust for nominal consideration.

The interest rate on the leasing contract on the Wind Project is the three month EURIBOR rate plus 5% for the term of the lease, which ends in 2021. At the end of the lease, the ownership of the assets pass to the Trust for nominal consideration.

The capital lease agreements require the Solar Projects and the Wind Project to maintain a debt service reserve account equal to three months debt service obligations. As at March 31, 2017, the Trust has \$2,334,982 (December 31, 2016 - \$2,328,990) of restricted cash related to this requirement.

At March 31, 2017, the discounted balance of the capital lease facilities is \$30,871,313 (December 31, 2016 - \$31,894,465).

The following is a summary of the stated scheduled future minimum payments under the Trust's convertible debentures, debt facility and capital leases obligations as at December 31, 2016:

Within 1 year	\$ 12,648,714
1 - 5 years	68,048,431
Greater than 5 years	3,679,149
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	\$ 84,376,294

Vendor Take-Back Loans

The Trust has issued two unsecured vendor take-back loans ("VTB"), one in connection with the acquisition of Corabia and Power Live One (collectively, the "Solar VTB") and another in connection with the acquisition of Holrom Renewable Energy S.R.L. Romania ("Wind VTB"). The Solar VTB principal amount is 796,470 Euros, is non interest bearing and due on demand. The Wind VTB principal amount is 5,421,597 Euros, is unsecured, bears interest at 5% per annum and is repayable three years from the date of issuance on September 2, 2019.

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

5. DEBT (Continued)

Bridge Financings

On March 7, 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% annum. The First Bridge Note is due on July 7, 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.

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% annum. The Second 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.

6. INTEREST AND FINANCE CHARGES

Three Months Ended March 31,	2017	2016
Debt interest (Note 5)	\$ 376,256	\$ 258,056
Interest on debt facility (Note 5)	36,861	156,389
Sprott financing charges	167,076	-
Interest on capital leases	459,630	493,512
Finance income	-	(7,843)
Interest and finance charges on bridge loans	554,117	-
Other finance costs	435,596	83,538
	\$ 2,029,536	\$ 983,652

7. UNITS

Units

	Units	Unit Value
Balance, December 31, 2016 and March 31, 2017	48,958,403	35,324,282
Balance, December 31, 2015	30,203,705	25,769,159
Distribution to unitholders	537,916	297,622
Balance, March 31, 2016	30,741,621	\$ 26,066,781

Transeau Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

7. UNITS (Continued)

Warrants

The Trust has issued several tranches of warrants in tandem with various Unit and debenture issuances in 2016 and 2015. All of the warrants are convertible into Units at the exercise prices noted in the table below. Units are considered puttable instruments as they can be redeemed by the Trust at any time and, therefore, the warrants are treated as derivative liabilities in accordance and measured at fair value with changes in value recorded through profit and loss. At each reporting period end, a Black Scholes option pricing model is used to estimate the fair value of the warrants. At March 31, 2017, the fair value of the warrants of \$3,132,741 (December 31, 2016: \$1,059,911) was estimated using the following criteria volatility 120-138%, risk free interest rate of 0.75%, remaining lives of between 1.4 and 2.1 years and expected dividend rate of 8.75%.

As at March 31, 2017, the Trust has 15,538,045 Warrants issued and outstanding:

Issue Date	Warrants	Type	Exercise Price (\$)	Expiry
July 24, 2015	5,995,194	Normal	1.00	July 24, 2018
July 24, 2015	259,142	Broker	1.00	July 24, 2018
October 28, 2015	4,156,812	Normal	1.00	October 28, 2018
April 5, 2016	1,156,043	Normal	1.00	April 5, 2019
April 5, 2016	68,118	Broker	1.20	April 5, 2019
May 13, 2016	316,399	Normal	1.00	May 13, 2019
May 13, 2016	22,145	Broker	1.20	May 13, 2019
September 2, 2016	3,387,400	Normal	1.00	May 28, 2019
September 2, 2016	176,792	Broker	1.00	September 1, 2019
	15,538,045		1.00	

- i) 10,411,148 of the Warrants entitle the holder thereof to acquire one Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Unit. The Warrants contain an acceleration provision providing that if, after November 25, 2015, the closing price of the Units on the TSXV is higher than \$1.50 for 20 consecutive trading days, then on the 20th consecutive trading day the expiry date of the warrants will be accelerated to the date that is the 10th (tenth) business day after the acceleration trigger date.
- ii) 1,472,442 of the Warrants entitle the holder thereof to acquire one Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Unit. The Warrants contain an acceleration provision providing that, if: (i) four months and one day have passed since the closing date and (ii) the closing price of the Units on the TSXV or such other exchange on which the Units are listed for trading is higher than \$1.25 for 20 consecutive trading days, then on the 20th consecutive trading day, the expiry date of the warrants will be accelerated to the date that is ten (10) business days after the acceleration trigger date.
- iii) 90,263 of the Warrants outstanding are broker warrants with the same terms as the Warrants described in (ii) above, with the exception of the exercise price which is \$1.20 per Unit.

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

7. UNITS (Continued)

Warrants (Continued)

- iv) 3,387,400 of the Warrants entitle the holder thereof to acquire one Unit until May 28, 2019 at an exercise price of \$1.00 per Unit. The Warrants contain an acceleration provision providing that, if: (i) four months and one day have passed since the closing date and (ii) the closing price of the Units on the TSXV or such other exchange on which the Units are listed for trading is higher than \$1.25 for 20 consecutive trading days, then on the 20th consecutive trading day, the expiry date of the warrants will be accelerated to the date that is ten (10) business days after the acceleration trigger date.
- v) 176,792 of the Warrants outstanding are broker warrants with the same terms as the Warrants described in (iv) above, except that they expire on September 1, 2019.

No warrants were cancelled or expired during the three months ended March 31, 2017

Restricted Trust Units

During 2015, the Trust issued 225,000 restricted trust units (the "RTUs") pursuant to the Trust's RTU Plan, 150,000 of which were issued as compensation to a third party consultant for services, of which 75,000 RTUs vested on issuance and the remaining 75,000 RTUs vested on June 30, 2015. In addition, 75,000 fully vested RTU's were issued to settle directors fees. The RTUs can be settled in either cash or by issuing Units, at the option of the Trust, pursuant to the Trust's RTU Plan. As at March 31, 2017, \$225,000 has been accrued for this liability (December 31, 2016 - \$225,000) and was recorded in accounts payable and accrued liabilities.

8. 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 months ended March 31, 2017, the Trust expensed \$233,895 (2016 - \$315,227) of salaries and benefits to the officers of the Trust in addition to \$32,500 (2016 - \$32,500) in directors' fees, which are included in general and administrative expenses.

As at March 31, 2017, the Trust has amounts payable of \$566,759 (2016 - \$334,183) 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 quarter ended March 31, 2017, the Trust expensed \$677,222 (2016 - \$229,607) of operations and maintenance and balancing fees and recognised \$595,503 (2016 - \$711,742) in sales of power and green certificates to RGL and its subsidiaries. As at March 31, 2017, the Trust has \$330,739 (2016 - \$536,090) in accounts receivable from and \$614,283 (2016 - \$843,396) in accounts payable to RGL.

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

9. SEGMENT INFORMATION

In accordance with IFRS 8, "Operating Segments," the Trust has identified the following operating segments: (i) the Hydro Projects, being three hydroelectric run of river companies (located in Romania) which consists of Rott, Zagra and Suha; (ii) the Solar Projects (located in Romania) which consist of Corabia and Power LIVE; (iii) the Wind Project (located in Romania) which consists of Holrom Renewable Energy S.R.L. and (iv) corporate overhead which includes the management of the 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.

Segment Assets and Liabilities

	March 31, 2017	December 31 2016
Assets		
Hydro Projects	\$ 12,510,660	\$ 10,121,416
Solar Projects	31,978,513	33,142,323
Wind Project	29,774,030	31,957,122
Corporate	311,610	371,445
	\$ 74,574,813	\$ 75,592,306
Liabilities		
Hydro Projects	\$ 5,937,775	\$ 5,786,295
Solar Projects	28,255,125	34,307,413
Wind Project	10,917,423	12,994,685
Corporate	34,990,348	24,095,830
	\$ 80,100,671	\$ 77,184,223

Profit (loss) by Segment

March 31, 2017

	Wind Project	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 1,187,763	\$ 667,387	\$ 924,820	\$ -	\$ 2,779,970
Operating					
Depreciation	(679,694)	(193,880)	(108,214)	-	(981,788)
Expenses	(1,342,934)	(93,189)	(83,598)	(4,112,282)	(5,632,003)
(Loss) earnings for the period	\$ (834,865)	\$ 380,318	\$ 733,008	\$ (4,112,282)	\$ (3,833,821)

March 31, 2016

	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 217,894	\$ 1,088,142	\$ -	\$ 1,306,036
Operating				
Depreciation	(295,785)	(423,686)	-	(719,471)
Expenses	(327,622)	(819,450)	7,153	(1,139,919)
Loss for the period	(405,513)	(154,994)	7,153	(553,354)

Transeastern Power Trust

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (UNAUDITED)

10. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with current period financial statement presentation.

11. SUBSEQUENT EVENT

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% annum. The Third Bridge Note is due on July 7, 2017. If \$220,000 of principal of the Third Bridge Note is repaid by May 31, 2017, the balance of the principal on the Third Bridge Note will be forgiven. Also, on May 9, 2017, the First Bridge Note and Second Bridge Note were amended to remove the notes' respective conversion features.