



**Transeastern Power Trust**

**Management's Discussion & Analysis**

**For the three and six months ended  
June 30, 2016**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2016**

### **BASIS OF PRESENTATION**

This Management's Discussion and Analysis ("MD&A") is dated as of August 29, 2016 and should be read in conjunction with Transeastern Power Trust's ("Transeastern" or the "Trust") unaudited condensed interim consolidated financial statements and related notes as at and for the three and six month periods ended June 30, 2016 and June 30, 2015. 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, 2015, together with the notes thereto. The above referenced filings have been prepared in accordance with IFRS.

Reference should also be made to the Trust's filings with Canadian securities regulatory authorities, which are available at [www.sedar.com](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 hydro-electric generation facilities comprised of run-of-river hydroelectric power plants with total capacity of over 5.1 MW (the "Hydro Projects"), two photovoltaic solar power production plants with a total capacity of over 16 MWp (the "Solar Projects" and, together with the Hydro Projects, the "Projects"). All of Transeastern's power production facilities 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.

Equity Financial 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 10,042 MWh of energy in the second quarter of 2016 generating revenue of \$2,355,307, with \$483,020 from the sale of electricity and \$1,872,287 from the sale of green certificates ("GCs").
- Earned net income of \$1,164,466 during the quarter (2015: loss of \$2,355,362) with basic and diluted earnings of \$0.04 per unit of the Trust ("Unit") (2015: loss of \$0.20 per Unit).
- Earned operating margin (revenues less operating expenses) of \$1,622,682 for the quarter, an increase of over 844% over the second quarter of 2015 where operating margin was \$171,813 (see reconciliation of operating margin under "non GAAP Measures").
- The Trust closed two private placements and a Unit issuance pursuant to the Trust's Unit purchase plan for total net proceeds of \$1.0 million and issued 1,665,579 Units, 1,472,442 Unit purchase warrants and a total of 90,263 broker warrants.
- The Trust has been pursuing the completion of the following transactions, which are expected to close during the third quarter 2016:
  - a convertible debt financing and the acquisition of a 17.6 MW operational wind project located in Romania that generates approximately 45,000 MWh of electricity annually (the "New Wind Project");
  - a \$10 million secured debt and royalty facility; and
  - the refinancing of the existing €17.5 million of existing debt facilities secured against the assets of the Trust's Solar Projects to reduce the interest rate on the facilities from 7% per annum, and 8.48% per annum commencing on January 1, 2017, to 5.95% per annum until maturity of the facilities on October 31, 2023.

## OUTLOOK

The Trust's goals for the remainder of 2016 are to:

- complete the convertible debenture financing and acquisition of the New Wind Project;
- close the \$10 million secured debt and royalty facility and refinance our existing debt and capital lease structure;
- optimize and improve the performance of its current projects and generate distributable income;
- continue to make quarterly distributions to Unitholders; and
- pursue new acquisitions that are accretive to the Trust and add income generating assets to increase the base of distributable income.

## 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 six month periods ended June 30, 2016 and June 30, 2015.

	Three months ended		Six months ended	
	June 30, 2016 \$	June 30, 2015 \$	June 30, 2016 \$	June 30, 2015 \$
Revenue	2,355,307	505,072	3,661,343	837,656
Operating margin <sup>1</sup>	1,622,682	171,813	2,250,741	196,988
Total Operating Expenses	958,665	1,182,846	3,136,307	2,165,733
Depreciation	571,550	181,181	1,291,021	366,067
Other Expenses (income)	113,344	2,345,994	(348,608)	4,256,954
Net Income (Loss) for the Period	1,164,466	(2,355,362)	611,112	(4,426,033)
Adjusted Net Income (Loss) <sup>2</sup>	287,839	(492,166)	(452,111)	(906,302)
Total Comprehensive Loss	4,000,266	2,333,759	2,809,573	4,543,868
Income (Loss) per Unit				
Basic and Diluted	0.04	(0.20)	0.02	(0.38)
	<b>June 30, 2016 \$</b>	<b>December 31, 2015 \$</b>		
Total assets	54,883,792	60,354,282		
Total liabilities	48,914,512	52,540,929		
Equity	5,969,280	7,813,353		

#### Notes:

- (1) Operating margin is a non-GAAP measure calculated by deducting direct operating expenses from revenues. See “Non-GAAP measures” section for a reconciliation to IFRS figures.
- (2) Adjusted net loss is a non-GAAP measure that removes non-cash charges relating to mark to market adjustments to our debentures, warrant revaluations, non-cash charges relating from the revaluation of our milestone units and interest and financing costs. See “Non-GAAP measures” section for a reconciliation to IFRS figures.

### Hydro Projects

The three Hydro Projects are comprised of 11 hydroelectric run-of-river plants in Romania totaling over 5.1 MW of installed power. The Hydro Projects have installed power capacities and were commissioned and became fully operational on the following dates:

Hydro Project	Capacity	Commission Date	Fully Operational Date
Rott	1.657 MW	May 2012	May 2012
Zagra	1.43 MW	April 2014	See Note <sup>(1)</sup>
Suha	2.02 MW	September 2014	December 2014

**Note:**

<sup>(1)</sup> Two of the three Zagra projects became fully operational in April 2014. The third Zagra project is expected to be in production in 2016.

All information provided on the Hydro Projects in this section is as at June 30, 2016 unless otherwise indicated.

*Rott*

The Rott project is a cascade of two run-of-river generating plants located on the Little Cugir River, approximately 58 km west of Sibiu in the Şureanu Mountains of Romania’s Parâng Range in the Southern Carpathians. The Cugir River originates as two tributaries, Raul Mic, or “Little River” and Raul Mare, or “Big River” before their confluence at the town of Cugir in Alba County. The Cugir River then flows north to its confluence with 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 (Δh)	Installed Flow (m <sup>3</sup> /s)	Capacity Power (MW)	Pipe (m)	Pipe Diameter (mm)	Green Certificates Available/ MW
<i>ROTT</i>							1.657			3.00
<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 were not initially received by Rott directly; the value of such GCs will be used to repay funding until the total funded amount of €1,800,000 is repaid. The value attributed to each GC is based on the formula: 1.04 x yearly production x (the median of the floor and ceiling GC prices taking into account inflation). After repayment of the EU funding, the 1.04 GCs shall be available to Rott. Additionally, by law, 0.96 GC will be restricted from trading until March 31, 2017, resulting in one GC being received and immediately tradable of every three GCs awarded.

Production for the plants was 1,874 MWh for the six months ended June 30, 2016 compared to 2,811 MWh for the six months ended June 30, 2015. Rott was fully operational, subject to hydrology, and produced 1,409 MWh of electricity during the three months ended June 30, 2016 compared to 1,505 MWh MWh for the three months ended June 30, 2015.

*Zagra*

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

<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 (Δh)</b>	<b>Installed Flow (m<sup>3</sup>/s)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>	<b>Green Certificates Available MW</b>
<i>ZAGRA</i>							1.430			2.3
<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	
<i>Zagra 3</i>	Projected to be completed in 2016	Pelton	45	680.0	138.0	0.600	.670	5604	800	

Zagra 1 and 2 were fully operational, subject to hydrology, and produced 1,665 MWh of electricity for the six months ended June 30, 2016 compared to 973 MWh for the six months ended June 30, 2015. During the three months ended June 30, 2016, Zagra 1 and 2 produced 813 MWh of electricity compared to 664 MWh for the three months ended June 30, 2015.

Transeastern has obtained tenders for the installation of the remaining 3.7 km of penstock to connect Zagra 3 and Zagra 2 and is evaluating the economic merits of the capital project and the required approvals.

#### *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 (Δh)</b>	<b>Installed Flow (m<sup>3</sup>/s)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>	<b>Green Certificates Available MW</b>
<i>SUHA</i>						2.021			2.00
<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	

The six Suha plants were fully operational, subject to hydrology, and produced 932 MWh of electricity for the six months ended June 30, 2016 compared to 1,390 MWh for the six months ended June 30, 2015.

During the three months ended June 30, 2016 780 MWh of electricity was produced compared to 901 MWh for the three months ended June 30, 2015.

### *Hydro Projects Capital Improvements*

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

Transeastern currently plans to undertake the following capital improvements for the Hydro Projects:

- 3.7 km of penstock to connect Zagra 3 and Zagra 2
- Sustaining capital and improvements on the existing Hydro Projects

After completion of the capital improvements, and subject to proper ongoing monitoring, maintenance and associated capital requirements, Transeastern does not foresee any further significant capital expenditures on the Hydro Projects in the near term.

### **Solar Projects**

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

#### *Power LIVE*

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

<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>	<b>Green Certificates Available</b>
										<b>MW</b>
Power LIVE	Completed in March 2013	9.6	REC	Polycrystalline REC 240Wp	40,026	SMA SC800CP-XT	10	10	300,000	6 <sup>(1)</sup>

**Note:**

<sup>(1)</sup> By law, two GCs will be restricted from trading until March 31, 2017, resulting in four GCs being received and immediately tradable.

Power LIVE was fully operational and produced 6,084 MWh for the six months ended June 30, 2016 compared to 6,839 MWh for the six months ended June 30, 2015. 3,989 MWh of electricity was produced during the three months ended June 30, 2016 compared to 3,859 MWh for the three months ended June 30, 2015.

### Corabia

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

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

#### Note:

<sup>(1)</sup> By law, two GCs will be restricted from trading until March 31, 2017, resulting in four GCs being received and immediately tradable.

Corbia was fully operational and produced 4,674 MWh of electricity for the six months ended June 30, 2016 compared to 2,811 MWh for the six months ended June 30, 2015. 3,051 MWh of electricity was produced during the three months ended June 30, 2016, compared to 2,847 MWh for the three months ended June 30, 2015.

## SUMMARY OF QUARTERLY RESULTS

Given that the Trust acquired the Hydro Projects on May 28, 2014 and the Solar Projects in July 2015, a comparison of operations between the periods set-out below is not relevant as it is difficult to compare operations over different parts of the year due to the seasonal nature of the respective Projects. A comparison to the same quarter from preceding year is much more relevant. The following table provides the available summary financial data for the Trust's completed quarters:

	Three months ended							
	June 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)	Sept. 30, 2015 (\$)	Jun. 30, 2015 (\$)	Mar. 31, 2015 (\$)	Dec. 31, 2014 (\$)	Sept. 30, 2014 (\$)
Revenue								
Electricity Green Certificates Revenue	483,020	324,188	264,635	220,371	180,815	126,382	90,075	95,999
Operating Expenses	1,872,287	981,848	847,189	1,320,378	324,257	206,202	157,600	34,291
Other Expenses (Income)	2,355,307	1,306,036	1,111,824	1,540,749	505,072	332,584	247,675	130,290
	958,665	2,177,642	1,502,097	3,355,084	1,182,846	982,887	1,348,278	955,231
	(113,334)	(267,227)	3,948,412	1,939,823	1,693,576	1,447,294	(936,868)	(402,047)

	June 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)	Three months ended			Sep. 30, 2014 (\$)	
				Sept. 30, 2015 (\$)	Jun. 30, 2015 (\$)	Mar. 31, 2015 (\$)		
Net Income (Loss) for the period	1,164,466	(553,354)	(4,435,142)	(3,700,615)	(2,355,362)	(2,070,671)	(163,735)	(429,345)
Total Comprehensive Income/(Loss) Basic & Diluted Income (Loss) per Unit	(4,000,266)	1,190,693	(5,516,614)	(1,262,796)	(2,333,759)	(2,210,109)	(455,612)	(1,077,699)
	0.04	(0.02)	(0.10)	(0.17)	(0.20)	(0.18)	(0.16)	(0.04)

### Revenue from Sale of Electricity

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

On July 24, 2015, the Trust completed the acquisition of the Solar Projects which have been fully operational for the entire period from closing to June 30, 2016. The production from the Solar Projects for the three months ended June 30, 2016 was consistent with prior period results and were strong due to optimal conditions during the second quarter of 2016. Hydro production in the second quarter of 2016 was consistent with the second quarter of 2015.

The following table lists the actual production of the Hydro Projects and the Solar Projects for the three month period ended June 30, 2016:

Project	Power Generation	
	Three months ended June 30, 2016 (MWh)	Three months ended June 30, 2015 (MWh)
<i>Solar</i>		
Power Live One <sup>(1)</sup>	3,989	3,859
Corabia <sup>(1)</sup>	3,051	2,847
<i>Hydro</i>		
Rott	1,409	1,505
Zagra	813	664
Suha	780	901

**Note:**

<sup>(1)</sup> The production for the 2015 quarter for the Solar Projects includes pre-acquisition production figures.

### Revenue from Green Certificates

During the three months ended June 30, 2016, the Hydro Projects earned \$315,346 from 4,448 tradeable GCs and 1,362 deferred GCs and the Solar Projects earned \$1,556,941 from 24,289 tradeable GCs and

12,151 deferred GCs earned based on the power produced during the quarter. 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 \$958,665 and \$3,136,307 for the three and six month periods ended June 30, 2016 (\$1,182,846 and \$2,165,733 for the three and six month periods ended June 30, 2015) include:

- general and administrative expenses of \$292,522 and \$814,950 for the three and six month periods ended June 30, 2016 (\$412,830 and \$630,974 for the three and six month periods ended June 30, 2015) the significant components being executive and director salaries, fees and ongoing administrative and public reporting costs;
- decrease in the estimated fair value of milestone unit agreements of \$1,204,046 and \$1,067,185 for the three and six month periods ended June 30, 2016 to reflect management’s expectation that the milestones are unlikely to be met resulting in release of the accrued milestone liability (charges of \$204,015 and \$430,904 were recorded for the three and six month periods ended June 30, 2015); and
- \$145,476 and \$286,650 for the three and six month periods ended June 30, 2016 (\$51,561 and \$97,120 for the three and six month periods ended June 30, 2015) in legal and professional fees incurred relating to ongoing reporting issuer compliance advice and services performed on behalf of the Trust.

Significant components of other expenses (income) totaling \$232,176 and (\$86,076) for the three and six month periods ended June 30, 2016 (\$1,677,588 and \$3,097,956 for the three and six month periods ended June 30, 2015) are:

- The \$13,763,000 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 from December 31, 2015 to June 30, 2016, mark-to-market gains of \$0 and \$1,376,300 were recorded for the three and six month periods ended June 30, 2016; (losses of \$1,176,300 and \$2,352,600 for the three and six month periods ended June 30, 2015);
- mark-to-market fair value gains of \$476,560 and \$407,369 for the three and six month periods ended June 30, 2016 were recorded in relation to the outstanding warrants issued by the Trust (no warrants were issued or outstanding at June 30, 2015); and
- interest and financing charges of \$803,979 and \$1,787,631 were incurred for the three and six month periods ended June 30, 2016 (\$482,881 and \$736,227 for the three and six month periods ended June 30, 2015).

## SUMMARY OF FINANCIAL POSITION

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

As at	Jun. 30, 2015 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)	Sept. 30, 2015 (\$)	Jun. 30, 2015 (\$)	Mar.31, 2015 (\$)	Dec. 31, 2014 (\$)	Sept. 30, 2014 (\$)
Total Current Assets	3,194,739	3,483,890	4,510,564	3,767,555	6,311,601	876,398	744,153	927,897
Total Current Liabilities	14,024,976	14,006,664	12,514,396	6,729,204	9,407,860	3,939,402	3,284,255	2,465,435
Working Capital (deficit)	(10,830,237)	(10,522,744)	(8,003,832)	(2,961,649)	(3,096,259)	(3,063,004)	(2,410,449)	(1,537,538)
Total Assets	54,883,792	57,149,768	60,354,282	63,070,166	23,101,099	17,659,335	17,883,869	18,478,048
Total Liabilities	48,914,512	52,008,666	52,540,929	53,005,397	22,133,643	15,284,870	13,226,534	13,347,634
Trust capital	27,407,131	26,066,781	25,769,159	21,961,903	967,456	9,715,978	9,539,427	9,306,079
Deficit	18,139,492	19,303,958	18,078,132	12,983,097	8,720,742	6,085,889	3,765,906	3,351,356
Unitholders Equity	5,969,280	5,141,102	7,813,353	10,064,769	967,456	2,374,465	4,657,335	5,130,414
Total Liabilities and Equity	54,883,792	57,149,768	60,354,282	63,070,166	23,101,099	17,659,335	17,883,869	18,478,048

The changes in the working capital and financial position from December 31, 2015 to June 30, 2016 are the result of:

- \$1,579,870 reduction in cash related mainly to cash settlement of a portion of the first quarter 2016 distribution payable, prepayment of \$450,000 of principal on the 10% debt instrument and capital lease interest and principal repayments made in the quarter;
- increased accounts payable from \$3,560,082 at December 31, 2015 to \$6,047,558 at June 30, 2016 and a reduction in receivables from \$2,399,594 at December 31, 2015 to \$2,134,350 at June 30, 2016;
- prepaid assets increased from \$177,453 at December 31, 2015 to \$461,636 at June 30, 2016 relating to deferred marketing and financing fees incurred in the in 2016;
- at June 30, 2016, the Trust had no distributions payable compared with \$659,892 at December 31, 2015, the decrease being attributable to the timing of the approval of the second quarter Unit distribution;
- the Trust realized mark-to-market gains on the Debentures totaling \$1,376,300 for the six month period ended June 30, 2016 (and a corresponding decrease in debenture liabilities);
- a decrease in the fair value of Units issuable under milestone unit agreements of \$1,204,046 and \$1,067,185 for the three and six month periods ended June 30, 2016 to reflect management's expectation that the milestones are unlikely to be met, resulting in release of the accrued milestone liability; and
- a decrease in the fair value of warrants of \$407,369 year to date due to revaluation adjustments principally driven by Unit price volatility used in the estimation of fair value at June 30, 2016.

## LIQUIDITY AND CAPITAL RESOURCES

The Trust's objectives when managing capital are primarily to support the creation of 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:

	<b>Six months ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>\$</b>	<b>\$</b>
Cash generated by (used in)		
Operating activities	1,087,678	(268,496)
Financing activities	(2,662,953)	5,163,746
Investing activities	-	(48,985)
Net increase (decrease) in cash	(1,579,870)	4,799,286
Cash and cash equivalents at end of period	131,201	5,044,852

	<b>As at June 30, 2016</b>	<b>As at March 31, 2016</b>	<b>As at December 31, 2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current Assets	3,194,739	3,483,890	4,510,564
Current Liabilities	14,024,976	14,006,664	12,514,396
Working Capital	(10,830,237)	(10,522,774)	(8,008,832)

Cash flows from operations are generally impacted by hydrology levels, hours of sunlight as well as the operational capability of the Projects. For the six months ended June 30, 2016, the Trust had operating cash flows of \$1,087,678 compared to outflows of \$268,496 for the comparative period in 2015.

Financing cash outflows for the six months ended June 30, 2016 were \$2,662,953 and compared to inflows of \$5,163,746 for the six months ended June 30, 2015. The outflows in 2016 relate to debt repayment and servicing and the cash portion of Unit distribution payments. The June 30, 2015 financing cash flows included \$4,914,194 in proceeds from subscription receipts.

The Trust has a number of long term financial liabilities outstanding on which there are ongoing principal and interest repayments required. The repayment schedule for those liabilities is set-out below:

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020+</b>
Debt Facility	227,500	4,815,416	-	-	-
Vendor take back loans	-	818,322			
Convertible Debentures	1,032,225	1,032,225	1,032,225	14,795,113	-
Capital Leases	2,170,749	4,541,423	4,541,423	4,541,423	17,094,028
<b>Total</b>	<b>3,430,474</b>	<b>11,207,386</b>	<b>5,573,648</b>	<b>19,336,636</b>	<b>17,094,028</b>

Subsequent to the three months ended June 30, 2016, the Trust did not remit payment of interest due on July 31, 2016 in relation to the outstanding debt facility in the amount of \$39,180 as well as covenant waiver fees and forbearance fee payments totaling \$20,000. The Trust has entered into a forbearance agreement dated August 22, 2016 whereby the lender has agreed to forbear making demand for the payment of the outstanding interest and fee payments until September 2, 2016. Under the terms of this agreement, the Trust has also agreed to pay an additional \$10,000 forbearance fee in order to delay payment of \$38,517 of interest due on August 31, 2016 to September 2, 2016.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

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

#### **PROPOSED TRANSACTIONS**

The Trust continues to pursue: (i) the acquisition of the 17.6 MW operational New Wind Project located in Romania that has been in operation since 2012, has an off-take agreement in place, and generates approximately 45,000 MWh of electricity annually; (ii) the acquisition of the three operational Hydro Projects totaling 3.65 MW located in Romania that have over 20 years of operating history, were refurbished in 2012 and 2014, have an offtake agreement in place and generate approximately 10,000 MWh of electricity annually; and (iii) the closing of the \$10 million secured debt and royalty 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 Trust plans to use the net proceeds from the New Debt Facility to repay existing secured indebtedness at both the Trust and Romanian subsidiary levels and to facilitate the purchase of the New Wind Project.

#### **COMPLETED TRANSACTIONS**

##### *Trust Unit Issuances*

During the three months ended June 30, 2016, the Trust closed two private placements and a Unit issuance pursuant to the Trust's Unit purchase plan for total net proceeds of \$1.0 million and issued 1,665,579 Units and 1,472,442 Unit purchase warrants (a "Purchase Warrant"). Each Purchase Warrant entitles 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, subject to certain acceleration provisions. In connection with the closings, the Trust issued non-transferable broker warrants to purchase up to 90,263 Units containing the same terms as the Purchase Warrants, with the exception of the exercise price which is \$1.20 per Unit.

## **RELATED PARTY TRANSACTIONS**

Apart from the transactions disclosed elsewhere in these 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 Administrator. During the three and six months ended June 30, 2016, the Trust expensed \$263,261 and \$620,211, respectively, of salaries and benefits to the officers of the Trust in addition to \$33,750 and \$67,500 in directors' fees.

As at June 30, 2016, the Trust has amounts payable of \$250,000 to related parties consisting of outstanding salaries, advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust by the Executive Chairman and the Chief Executive Officer. These advances are non-interest bearing and due on demand.

## **NEW ACCOUNTING PRONOUNCEMENTS**

There have been no additional accounting pronouncements by the International Accounting Standards Board (IASB) beyond what is described in our annual financial statements impacting the unaudited condensed interim consolidated financial statements.

## **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 completed two acquisitions in 2015 and assessed the Trust's acquired assets and liabilities in order to determine the fair value of the assets acquired and post-acquisition whether an impairment might exist in the carrying values of the acquired companies. Assessing the fair value requires assumptions regarding forecasted prices of power, GC allotments, exchange rates, production costs and hydrology, 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 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, plus 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 our Projects. The Trust budget is regularly updated based on actual experience and summary forecast information is frequently provided to the board of directors of the Trust.

## **NON-GAAP MEASURES**

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

Adjusted net loss excludes certain non-cash items from net loss to provide a measure which allows the Trust and investors to evaluate the results of the underlying operations of the Trust. 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 adjusted net loss:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Net Income (Loss) for the Period	1,164,466	(2,355,362)	611,112	(4,426,033)
Less:				
Fair value loss (gain) on Debentures	-	1,176,300	(1,376,300)	2,352,600
Milestone Units	(1,204,046)	204,015	(1,067,185)	430,904
Interest and finance charges	803,979	482,881	1,787,631	736,227
Warrant revaluation	(476,560)	-	(407,369)	-
Adjusted Net Income (Loss)	287,839	(492,166)	(452,111)	(906,302)

Reconciliation of operating margin:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Total revenue	2,355,307	505,072	3,661,343	837,656
Less:				
Direct Operating Expenses	732,625	333,259	1,410,602	640,668
Operating margin	1,622,682	171,813	2,250,741	196,988
Less:				
Depreciation	571,550	181,181	1,291,021	366,067
Other expenses and taxes	(113,334)	2,345,994	348,608	4,256,954
Income (Loss) for the period	1,164,466	(2,355,362)	611,112	(4,426,033)

## SUMMARY OF OUTSTANDING SECURITIES

The authorized capital of the Trust consists of an unlimited number of Units, of which 34,156,968 Units are issued and outstanding as of the date of this MD&A.

The Trust has issued 11,973,853 Unit purchase Warrants (“**Warrants**”) each Warrant exercisable into a Unit for a period of 36 months from the date of issuance, subject to applicable acceleration provisions. A total of 10,411,148 of the Warrants are exercisable at \$1.00 per Unit, 262,442 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 \$13,763,000 principal amount of Debentures convertible into 11,010,400 Units and has issued 225,000 Restricted Trust 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 60,366,321 Units would be issued and outstanding on a fully diluted basis.

## KEY FACTORS AFFECTING THE TRUST'S BUSINESS

### *Licensing and Accreditation*

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

### *The Romanian Green Certificate Program*

Domestic incentive programs for renewable power vary across Europe, with some markets adopting a feed-in tariff (FIT) system (e.g., Spain and Germany) and other markets adopting a quota-based system (e.g., Italy, the UK, Sweden and Poland). Romania has had a supplier quota system of GCs in place since 2005.

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 Corabia, Power LIVE, Rott and Zagra), the GC system is available for the first 15 years of operation from the date that the plant receives accreditation (approval into the GC program once a plant is operational). For others, including Suha which consists of refurbished plants, it is available for 10 years. The incentive scheme will close to new entrants on December 31, 2016 and accreditation into the program is no longer possible after this date. A GC is valid for 12 months from the date of issuance (or the day it is no longer suspended for trading) and need not be utilized in the calendar year in which it was issued.

GCs must be purchased by the energy suppliers from the producers of energy to whom they are issued, or parties to whom such producers have transferred such GCs, according to the expected value for renewable energy calculated by ANRE annually (the “Procurement Quota”). The Procurement Quota is established by ANRE on an annual basis in December of each year 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. There is a defined maximum amount of renewable electricity that can be derived from the GC system.

ANRE checks the Procurement Quota approximately half way through the year and may update the Procurement Quota if a difference of at least 10% is found between the Procurement Quota established in December and the recently calculated quota. In March following the year in question, ANRE publishes a final Procurement Quota with which suppliers must comply, based on outturn generation and demand in the preceding year.

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

‘TSO’ and can be traded on a central market administered by the Romanian Gas and Electricity Market Operator, ‘OPCOM’.

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

In the summer of 2013, the Romanian government issued a law which, among other items, restricted the ability to trade specific numbers of GCs for the period between July 1, 2013 and March 31, 2017. 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 the parameters set out in the table below. 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 the parameters set out in the table below.

Technology	Number of GCs Awarded Per MWh by Technology		Number of GCs (GCs/MWh)	Support Period <sup>(3)</sup> (years)
	Awarded to Projects Accredited prior to Jan. 1, 2014 <sup>(1)</sup>	Awarded to Projects Accredited after Jan. 1, 2014 <sup>(2)</sup>		
	Number of GCs (GCs/MWh)	Restriction of Trading of GCs (GCs/MWh)		
New hydro ≤ 10 MW	3	Restriction on trading of 1 GC until 31/03/2017	2.3	15
Refurbished hydro ≤ 10 MW	2	-	2	10
Existing hydro ≤ 10 MW	0.5	-	0.5	3
Solar	6	Restriction on trading of 2 GCs until 31/03/2017	3	15

**Notes:**

<sup>(1)</sup> Applicable to Rott, Corabia and Power LIVE.

<sup>(2)</sup> Applicable to the Zagra and Suha Projects, Zagra as a new hydro project, Suha as a refurbished project.

<sup>(3)</sup> New projects are guaranteed to receive GCs under the condition that they are put into operation before December 31, 2016.

Prior to the commissioning dates noted above, the Hydro Projects were being developed and were incurring costs while not being available for power generation. Therefore, the Hydro Projects did not realize any revenues from the sale of GCs prior to becoming operational.

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

Rott received the EU Loan in February 2014. Based on the terms of this loan, the number of tradable GCs issued to Rott to date were re-assessed, as the project operated with two tradable GCs between receiving approval for the EU Loan and the actual funding of this loan. The project was re-assessed with: (i) a lower

number of tradable GCs (0.96 GCs); and (ii) with a GC clawback to cover the period that the project received the full number of tradable GCs. The clawback period is now complete and Rott is now entitled to receive the 1.96 GCs as set out above.

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

The Solar Projects, are entitled to four immediately tradable GCs plus another two GCs which are restricted from trading until March 31, 2017 for each MW delivered into the grid.

### *Competitive Conditions*

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

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

### 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 (including the New Wind Project and New Hydro Projects, 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 new 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.

### *Environmental Protection*

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

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

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

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

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

the EU level and by the Romanian regulators and is now at the Romanian competition council for approval as a final step prior to implementation.

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

#### *Specialized Skills and Knowledge*

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

#### *Inflation and Foreign Exchange*

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

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

The Trust, on the other hand, raises capital and pays interest and principal on the Debentures and any distributions to 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 Unitholders and payments to holders of Debentures. The Trust may also change its offering currency or pursue other measures to mitigate its currency risk exposure.

## **RISKS AND UNCERTAINTIES**

The Trust and its operations are subject to various business, financial and operational risks that could materially adversely affect the Trust's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. 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, 2015.

## **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.