TRANSEASTERN POWER TRUST

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Unitholders of Transeastern Power Trust:

We have audited the accompanying consolidated financial statements of Transeastern Power Trust, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of loss and comprehensive loss, unitholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Transeastern Power Trust as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that as at December 31, 2016, the Trust had a working capital deficiency of $29,178,113 and an accumulated deficit of $40,976,961 and incurred a loss of $21,705,915 for the year ended December 31, 2016. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Transeastern Power Trust as at December 31, 2015 and for the year then ended, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements dated April 29, 2016.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

May 3, 2017 — Licensed Public Accountants

MNP

Transeastern Power Trust
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31,	**2016**	2015
ASSETS		
Current		
Cash	**$ 240,703**	$ 1,711,071
Trade and other receivables, net of allowance of $116,000 (Notes 4, 12)	**4,894,270**	2,399,594
Green certificates (Note 5)	**1,268,593**	222,446
Prepaid and other assets	**691,741**	177,453
	7,095,307	4,510,564
Long-term		
Restricted cash (Note 8)	**2,328,990**	2,246,266
Restricted green certificates (Note 5)	**10,895,066**	4,738,734
Property, plant and equipment (Note 6)	**55,272,943**	48,858,718
TOTAL ASSETS	**$ 75,592,306**	$ 60,354,282
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 12)	**$ 10,410,943**	$ 3,793,937
Convertible debentures (Note 8)	**16,053,600**	-
Distributions payable (Note 7)	**-**	659,892
Vendor take-back loan and acquisition instalment payments (Notes 3, 8)	**1,126,607**	818,322
Current portion of capital leases (Note 8)	**4,299,346**	2,743,473
Debt facility (Note 8)	**4,382,924**	4,498,772
	36,273,420	12,514,396
Milestone units (Note 2)	**-**	1,067,186
Convertible debentures (Note 8)	**-**	12,386,700
Vendor take-back loan (Notes 3, 8)	**6,274,062**	-
Warrant liability (Note 11)	**1,059,911**	879,265
Asset retirement obligation (Note 9)	**776,290**	-
Deferred tax liabilities (Note 14)	**5,205,421**	1,242,490
Long-term portion of capital leases (Note 8)	**27,595,119**	24,450,892
	77,184,223	52,540,929
Unitholders' equity	**(1,591,917)**	7,813,353
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	**$ 75,592,306**	$ 60,354,282

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

Approved on Behalf of the Board:

"Ravi Sood"
Director

"John Huxley"
Director

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

Transeastern Power Trust
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Year Ended December 31,	2016	2015
REVENUE		
Sale of electricity (Note 12)	**$ 2,134,496**	$ 792,203
Income from green certificates (Note 12)	**6,562,783**	2,698,026
	8,697,279	3,490,229
OPERATING EXPENSES		
Operating (Note 12)	**2,807,618**	2,040,280
Depreciation	**4,499,543**	1,765,481
Cost of sales	**7,307,161**	3,805,761
General and administrative (Note 12)	**1,038,589**	1,298,701
Legal and professional	**342,613**	717,726
Milestone units (Note 2)	**(1,067,187)**	535,307
Transaction costs (Note 3)	**919,384**	665,419
Total operating expenses	**8,540,560**	7,022,914
Operating Income (Loss)	**156,719**	(3,532,685)
OTHER EXPENSES		
Fair value gain (loss) on debentures (Note 8)	**1,617,018**	(976,300)
Interest and finance charges (Note 10)	**(4,346,413)**	(2,281,796)
Foreign exchange loss	**(1,803,129)**	(122,369)
Loss on settlement of bridge loan and vendor take-back loan (Notes 3, 8)	**-**	(1,248,019)
Excess of consideration paid for net assets acquired (Note 3)	**-**	(1,097,779)
Impairment charge (Note 6)	**(15,390,000)**	(3,269,905)
Warrant revaluation (Note 11)	**2,860**	-
(LOSS) BEFORE TAX	**(19,762,945)**	(12,528,853)
Current income tax (expense) recovery (Note 14)	**-**	-
Deferred income tax (expense) recovery (Note 14)	**(1,942,970)**	(32,937)
(LOSS) FOR THE YEAR	**(21,705,915)**	(12,561,790)
Items to be reclassified subsequently to loss:		
Foreign currency translation gain (Note 2)	**3,938,436**	1,238,512
TOTAL COMPREHENSIVE LOSS	**$ (17,767,479)**	$ (11,323,278)
Basic and diluted loss per unit	**$ (0.58)**	$ (0.65)
Weighted average number of units outstanding - basic and diluted	**37,569,897**	19,249,313

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

Transeastern Power Trust
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
AS AT DECEMBER 31, 2016 AND 2015

	Units	Unit Value	Deficit	Comprehensive Loss - Foreign Currency Translation	Unitholders' Equity
Balance, December 31, 2014	11,349,122	$ 9,539,427	$ (3,765,906)	$ (1,116,186)	$ 4,657,335
Issuance of Trust units (Note 11)	17,849,040	16,347,165	-	-	16,347,165
Distribution reinvestment plan (Notes 7, 11)	1,002,243	874,101	-	-	874,101
Net loss for the year	-	-	(12,561,790)	-	(12,561,790)
Other comprehensive gain	-	-	-	1,238,512	1,238,512
Costs of issuance	-	(994,834)	-	-	(994,834)
Exercise of warrants	3,300	3,300	-	-	3,300
Distribution to unitholders (Note 7)	-	-	(1,750,436)	-	(1,750,436)
Balance, December 31, 2015	30,203,705	25,769,159	(18,078,132)	122,326	7,813,353
Distribution reinvestment plan (Notes 7, 11)	1,024,934	635,614	-	-	635,614
Net loss for the year	-	-	(21,705,915)	-	(21,705,915)
Other comprehensive loss	-	-	-	3,938,436	3,938,436
Issuance of Trust Units (Note 11)	1,676,878	893,065	-	-	893,065
Issued on acquisition of Wind Project (Note 3)	14,790,136	7,395,068	-	-	7,395,068
Issued on settlement of finance charges	221,867	110,934	-	-	110,934
Distribution to unitholders (Note 7)	1,040,883	520,442	(1,192,914)	-	(672,472)
Balance, December 31, 2016	**48,958,403**	**$ 35,324,282**	**$ (40,976,961)**	**$ 4,060,762**	**$ (1,591,917)**

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

Transeastern Power Trust
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31,	2016	2015
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss	**$ (21,705,915)**	$ (12,561,790)
Items related to financing activities:		
Revaluation of warrants	**(2,860)**	-
Fair value loss (gain) on debentures	**(1,617,018)**	976,300
Accretion expense	**788,528**	178,714
Add (deduct) items not affecting cash:		
Depreciation (Note 6)	**4,499,543**	1,765,481
Impairment charge	**15,390,000**	3,269,905
Deferred income tax expense	**1,942,970**	32,937
Milestone units	**(1,067,186)**	535,307
Unrealized foreign exchange losses	**(387,838)**	775,663
Loss on settlement of vendor take-back loan	**-**	550,000
Loss on settlement of bridge loan	**-**	698,019
Excess of consideration paid for net assets acquired	**-**	1,097,779
Net change in non-cash working capital:		
Trade and other receivables	**(517,720)**	(1,671,678)
Green certificates-current and restricted	**(1,659,952)**	(1,223,359)
Prepaid and other assets	**(439,273)**	(139,047)
Other non-current assets	**-**	(9,382)
Accounts payable and accrued liabilities	**4,686,018**	1,321,912
	(90,703)	(4,403,239)
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired of $58,179	**(1,909,855)**	(2,092,206)
Additions to property, plant and equipment	**-**	(54,259)
	(1,909,855)	(2,146,465)
FINANCING ACTIVITIES		
Debt facility (repayment) proceeds	**(450,000)**	4,711,577
Distributions paid	**(695,935)**	(470,257)
Convertible debentures	**3,212,919**	-
Repayment of vendor take-back loan	**-**	(846,000)
Restricted cash	**590,387**	-
Capital leases	**(5,042,193)**	(1,174,287)
Issuance of Trust Units	**1,076,571**	5,673,827
	(1,308,251)	7,894,860
Effect of currency translation	**1,838,441**	120,349
CHANGE IN CASH	**(1,470,368)**	1,465,505
CASH, BEGINNING OF YEAR	**1,711,071**	245,566
CASH, END OF YEAR	**$ 240,703**	$ 1,711,071
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid for interest	**$ 1,740,443**	$ 1,203,164

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

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 power 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.

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

Going Concern

These 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 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 $29,178,113 as at December 31, 2016 (2015 - $8,003,832), an accumulated deficit of $40,976,961 as at December 31, 2016 (2015 - $ 18,078,132), and the Trust reported a loss of $ 21,705,915 for the year ended December 31, 2016 (2015 - $12,561,790). The cashflow forecasts prepared by management rely on the assumption that the operations will be profitable. The Trust did not have sufficient funds to meet the interest payments due June 30, 2016 or December 31, 2016 on the initial series of Debentures (the “Series 1 Debentures”). The Trust received consent of the holders of Series 1 Debentures, by extraordinary resolution, for the extension of the time for payment of interest owing on the Series 1 Debentures until May 1, 2017. The Trust did not have sufficient funds to meet the interest payments due on May 1, 2017 and will seek the consent of the holders of Series 1 Debentures for a further extension of the time for payment. The Trust did not have sufficient funds to meet the interest payment due on December 31, 2016 on the Series 2 Debentures. The Trust is seeking the consent of the holders of Series 2 Debentures for an extension of the time for payment and a waiver of the event of default. The failure of the Trust to pay interest within 30 days of when it is due constitutes an event of default pursuant to the Debenture Indenture. There are no assurances that the debenture holders will grant the extensions of the time for payment or that they will not exercise their rights pursuant to the Debenture Indenture. The Trust's ability to continue as a going concern is dependent upon the Trust's ability to raise additional capital through equity and/or debt 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 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements were authorized for issue by the Board of Directors of the Administrator on May 2, 2017.

2. ACCOUNTING POLICIES (Continued)

Basis of Consolidation

The 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 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%

Basis of Measurement

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting.

Estimates and Uncertainty

The preparation of the consolidated financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported expenses incurred during the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following: going concern assessment, carrying values of fixed assets and impairment analysis, fair value assumptions in assessing adjustments to the reported values of financial liabilities (including milestone units, convertible debentures and warrants) and the recoverability of tax losses incurred in Romania.

Cash

Cash includes bank balances and cash on hand.

Restricted Cash

Restricted cash is restricted as prescribed by the capital lease agreements on the Solar Projects and Wind Projects.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trust Units

An unlimited number of trust units in the capital of Transeastern (each a "Unit") may be issued pursuant to the Trust Indenture. Each Unit represents an equal, undivided beneficial interest in the Trust and all Units rank equally and ratably with all of the other Units without discrimination, preference or priority. Each Unit entitles the holder to one vote at all meetings of Unitholders. Unitholders are entitled to receive non-cumulative distributions from the Trust if, as and when, declared by the Trustee. Units are redeemable on demand by the holders thereof, and may be purchased for cancellation by the Trust through offers made to, and accepted by, such holders. Under IAS 32, Financial Instruments - Presentation (“IAS 32”), puttable instruments, such as the Units, represent financial liabilities. However, if certain criteria are met the puttable instruments may be presented as equity. The Units meet the criteria under IAS 32 to be presented as equity.

Business Combinations

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred, the liabilities incurred to former owners of the acquired business, and equity instruments issued by the acquirer in exchange for control of the acquired business. The acquired business’ identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for income taxes which are measured in accordance with IAS 12, Income Taxes.

To the extent that the aggregate of the fair value of consideration paid, the amount of any non-controlling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent that this excess is negative, the excess is recognized as a gain in income.

Milestone Unit Agreements

Pursuant to the terms of milestone unit agreements dated May 28, 2014 between the Administrator, the Trust and certain officers of the Administrator and subsidiaries of the Trust (the “Milestone Unit Agreements”), 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 (each, a “Milestone Period”), the Trust will issue to such individuals an aggregate of 3,000,000 Units (the “Milestone Units”) and pay to such individuals a cash payment equal to the distributions paid by the Trust on the Units for the applicable Milestone Period as if the individuals owned the Milestone Units from the date of the Milestone Unit Agreements. The milestone which triggers the issuance of the Milestone Units and the cash payment is the achievement by the Trust of certain milestones related to “distributable cash flow” and distributions paid to unitholders. The award will be recognized over the vesting period at fair value as a liability. The fair value of the Milestone Units has been estimated to be $nil as of December 31, 2016 (2015 - $1,067,186) as the Trust did not satisfy the distribution milestone in fiscal 2016, meaning that the distributable cash flow milestone in the Milestone Unit Agreements will not be met.

Foreign Currency Translation

The functional currency of the Trust and its subsidiaries is the currency of the primary economic environment in which it each entity operates.

All figures of the Trust’s consolidated financial statements are reflected in Canadian Dollars, which is the functional and presentation currency of the Trust. The functional currency of the Trust’s operations is the Romanian Leu.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation (Continued)

At the end of each reporting period, the Trust translates foreign currency balances as follows:

- monetary items are translated at the closing rate in effect at the consolidated statement of financial position date;
- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;
- revenue and expense items are translated using the average exchange rate during the period; and
- exchange gains and losses arising from translation are included in the determination of net loss and comprehensive loss.

Foreign currency translation on the Trust's Romanian subsidiaries resulted in a translation gain of $3,938,436 charged to other comprehensive loss for the year ended December 31, 2016 (2015: translation gain of $1,238,512).

Revenue and Other Income Recognition

Revenue and other income are recognized to the extent that it is probable that the economic benefits will flow to the Trust and the revenue/other income can be reliably measured, regardless of when the payment is being made. Revenue and other income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

<u>Sale of Electricity</u>

Revenues from sale of electricity are recognized in the period when the energy has been delivered into the Romanian national electric grid.

<u>Income From Green Certificates</u>

Green certificates are recognized as revenue from the sale of electricity is earned (ie. as energy is delivered into the grid).

Income Taxes

The Trust is an unincorporated open-ended trust and has been established to provide investors with a distribution-producing investment from the cash flows generated by the Projects.

Net earnings in Romania are taxed at 16%. Interest and dividends paid from Romania to the Netherlands and from the Netherlands to Canada are not subject to withholding tax. Net earnings in the Netherlands and in the Canadian taxable subsidiaries of the Trust will be subject to tax but such amounts will be nominal. The Trust expects to make distributions to the unitholders. Distributions of the Trust's taxable income will be deductible in computing the Trust's taxable income. The Trust expects to distribute all of its taxable income such that it is not expected the Trust will pay any income tax. As such, the Trust is considered in-substance tax exempt and does not apply IAS 12 ("Income Taxes").

Subsidiaries of the Trust are subject to tax and IAS 12 has been applied to recognize both current and deferred taxes for the Trust's subsidiaries. Current tax and deferred tax expenses are recognized in the consolidated statement of loss except to the extent that they relate to a business combination or to items recognized directly in equity. Current tax expense is based on enacted or substantively enacted statutory tax rates and laws at the balance sheet date. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis of such assets and liabilities measured using tax rates and laws that are enacted or substantively enacted at the statement of financial position date and effective for the reporting period when the temporary differences are expected to reverse.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Green Certificates

Green certificates are an incentive provided by the Romanian Government to the producers of energy from renewable sources. Green certificates are issued monthly by the grid operator, Transelectrica S.A., based on the quantity of renewable electricity produced and delivered into the network. The certificates are contractually priced or priced at the market floor rate. The compensation of production costs takes place when the certificates are sold by the Trust to buyers in the marketplace who engage in activities that require them to purchase green certificates.

Green certificates are recognized when the Trust is entitled to receive them. The Trust is entitled to receive green certificates when it produces electricity that is registered on the electrical grid by Transelectrica S.A.

Current green certificates are recorded at the current trading price while restricted green certificates are recorded initially at the market floor price as prescribed by the Romanian Gas and Electricity Market Operator. Any gain or loss on trading is recognized as the difference between the consideration received and the carrying value. On a regular basis, at least at each period end, the Trust considers if there is any impairment to the carrying value from the acquisition date value, based on the current and expected market trading prices.

For the restricted green certificates there are uncertainties relating to the applicable valuation arising from matters such as the future operation of the market, the evolution of the nationwide consumption of energy, the ongoing investment in renewable energy production capacity and Romanian Government and European Union policy in this area.

Property, Plant and Equipment

Initial Recognition

Property, plant and equipment is reported at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Trust recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (including interest expense); and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, if the Trust has this obligation.

Construction-in-progress includes cost of construction, cost of tangible assets and other direct costs. These are not depreciated until such time as the relevant assets are completed and operational.

Depreciation method

The useful life is the period of time over which an asset is expected to be available for use by the Trust. Depreciation is calculated on a straight-line basis over the useful life of the assets. Land is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment (Continued)

Type	Useful Life (Years)
Buildings	40
Machinery, equipment and penstock	15 - 25
Furniture and fixtures, other equipment (including IT equipment)	3 - 15

The lifespan and the depreciation method are periodically reviewed, and, if the case, adjusted prospectively, to be compatible with the expectations regarding the economic benefits brought by items of tangible assets.

Disposal

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of loss and comprehensive loss when the asset is derecognized.

Borrowing Costs

Borrowing (both from banks and related parties) costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Borrowing costs consist of interest and other costs that the Trust incurs in connection with the borrowing of funds.

The Trust capitalizes borrowing costs less any investment income on the temporary investment of those borrowings until the assets are available for use. After that date all borrowing costs are expensed in the period they occur.

Asset Retirement Obligations

The fair value of estimated asset retirement obligations is recognized in the consolidated statements of financial position when identified and a reasonable estimate of fair value can be made. The asset retirement cost is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and are include in deprecation expense on the consolidated statements of loss. Increase in the asset retirement obligation resulting from the passage of time are recorded as accretion expense in the statements of loss. Actual expenditures incurred are charged against the accumulated obligation.

Financial Instruments

The fair values of derivative financial instruments reflect the estimated amount that the Trust would have been required to pay if forced to settle all unfavourable outstanding contracts or the amount that would be received if forced to settle all favourable contracts at period end. The fair value represents a point-in-time estimate that may not be relevant in predicting the Trust’s future earnings or cash flows.

The Trust determines the fair value of its financial instruments based on the following hierarchy:

- LEVEL 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur with significant frequency and volume to provide pricing information on an ongoing basis.
- LEVEL 2 – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm’s-length market transactions, and comparisons to the current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, counterparty risk and volatility are used.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

- LEVEL 3 – Valuations at this level are those with inputs that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment; any changes in assumptions may affect the reported fair value of financial instruments.

Financial Assets

Financial assets are classified into one of the following four categories: loans and receivables; financial assets at fair value through profit or loss; held-to-maturity investments; and available-for-sale financial assets. The Trust determines the classification of its financial assets at initial recognition. The category determines subsequent measurements and whether any resulting income and expense are recognized in income or loss or in comprehensive income or loss for the year. All financial assets are initially recorded at fair value.

All financial assets except those at fair value through profit or loss are subject to review for impairment no less often than at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Trust's financial assets include cash, restricted cash, trade and other receivables (excluding HST and VAT), and green certificates.

Loans and Receivables

Financial assets are classified as loans and receivables if they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are carried at amortized cost using the effective interest rate method with gains and losses recognized when the asset is derecognized.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Trust that do not meet the hedge accounting criteria as defined by IAS 39, "Financial Instruments Recognition and Measurement" (IAS 39). Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated for accounting purposes as effective hedging instruments. Financial assets at fair value through profit and loss are carried on the statement of financial position at fair value with gains or losses recognized in the consolidated statement of loss.

The Trust has not designated any financial assets at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the statement of loss. Reassessment occurs only if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Trust has determined that it does not have any embedded derivatives that are required to be accounted for separately.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Held-to-Maturity Investments
Financial assets are classified as held to maturity if management has the positive intention and ability to hold to maturity and they have fixed maturity dates with fixed or determinable payments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, with gains and losses recognized when the asset is derecognized. The Trust did not have any held-for-maturity investments at December 31, 2016 or 2015.

Available For Sale

Financial assets are classified as available for sale if they are designated as such or are not classified in any of the three preceding categories. Available-for-sale financial assets are carried at fair value, with unrealized gains and losses recorded in equity until the asset is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the consolidated statement of loss.

For available-for-sale financial investments, the Trust assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Trust determines the classification of its financial liabilities at initial recognition.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Trust that do not meet hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement. Warrants and convertible debentures are classified as financial liabilities at fair value through profit or loss.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of loss when the liabilities are derecognized, as well as through the amortization process.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right of set off of the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions) without any deduction for transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transactions, reference to the current fair value of another instrument that is essentially the same, discounted cash flow analysis or other valuation models.

The classifications and carrying values of the Trust's financial instruments as at December 31, 2016 and 2015 are as follows:

	2016	2015
Financial assets held for trading(1)	**$ 2,569,693**	$ 3,957,337
Loans and receivables(2)	**$ 15,861,782**	$ 7,360,774
Loans and borrowings(3)	**$ 54,089,001**	$ 38,032,474
Financial liabilities at fair value through profit or loss(4)	**$ 17,113,511**	$ 13,265,965

Notes:
(1) Cash and restricted cash
(2) Trade and other receivables (excluding VAT and HST), green certificates, and restricted green certificates
(3) Accounts payable and accrued liabilities, distributions payable, vendor take back loans, milestone unit liability, debt facility, and capital lease obligations
(4) Convertible debentures and warrant liability

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unitholders Equity and Warrants

Financial instruments issued by the Trust are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Units are classified as equity instruments. Incremental costs directly attributable to the issuance of new Units in equity are deducted from the value of equity issued.

The Trust accounts for warrants using the guidance of IAS 32 'Financial Instruments: Presentation' as a derivative financial liability that is measured at fair value, with changes in value recorded in profit or loss.
Several variables are used when determining the value of warrants using the Black-Scholes valuation model:

Expected term: The Trust uses the maximum expected term of the warrants for the purposes of calculating their value as it difficult to determine with any reasonable degree of accuracy when these warrants will be exercised.

Volatility: The Trust uses historical information on the market price of its Units to determine the degree of volatility at the date the warrants were granted and at each period end. Given the limited trading history of the Trust, volatility can fluctuate significantly from period to period.

Risk-free interest rate: The Trust uses the interest rate available for government securities of an equivalent expected term to value the warrants. The risk-free interest rate varies depending on the current macroeconomic circumstances at each valuation date.

Distribution yield: The Trust uses the actual projected dividend yield for its Units for the purposes of the valuation of the warrants.

Amendments and Future changes to Accounting Standards

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amendments and Future changes to Accounting Standards (Continued)

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

3. ACQUISITIONS

i) Acquisition of Holrom Renewable Energy S.R.L., Romania

On September 2, 2016, the Trust closed the acquisition of the Wind Project located in Tulcea County, Romania.

The net purchase price of the Wind Project of $17.8 million was paid to the vendor by way of $2.0 million cash, $6.4 million in the form of a vendor take-back loan (face value of 5.4 million Euro), the issuance of 14,790,136 Units at a fair value of $0.50 per Unit and the issuance of $2,071,000 principal amount of Series 1 Debentures. The fair value of the vendor take-back loan was determined using a discount rate of 12%.

The transaction is accounted for using the acquisition method as set out in IFRS 3. The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed based on the Trust's preliminary estimates of fair value:

Assets Acquired	
Property, plant and equipment	$ 23,544,161
Restricted green certificates	4,466,239
Debt service reserve	673,111
Working capital, including cash of $58,179	(391,066)
Capital lease obligations	(8,005,709)
Asset retirement obligation	(776,290)
Deferred tax liabilities	(1,669,602)
Net assets acquired	$ 17,840,844
Consideration	
Cash	$ 1,968,033
Units[1] (Note 11)	7,395,068
Vendor take-back loan (Note 8)	6,406,743
Convertible debenture (Note 8)	2,071,000
Total consideration	$ 17,840,844

[1]*Transaction costs of $523,261 were incurred and expensed during the year ended December 31, 2016 related to the acquisition of the Wind Project. Units were valued at the trading price of the Units on the acquisition date of $0.50 per Unit.*

The vendor in the acquisition of the Wind Project was Renovatio Asset Management, a shareholder holding significant influence over the Trust. The acquisition is, therefore a related party transaction. The acquisition has been accounted for as an arms length transaction at the exchange amount as the change in ownership is substantive and the exchange amounts are supported by independent evidence.

3. ACQUISITIONS (Continued)

ii) Romanian Solar Projects

On July 24, 2015, the Trust acquired the Solar Projects, being 100% of the shares of two Romanian photovoltaic solar power production companies, SC Corabia Solar SRL ("Corabia") and SC Power L.I.V.E. One SA ("Power LIVE"). The Solar Projects are fully operational and have a total capacity of over 16 MWp. The plants have been in production for over two years and have performed consistently over that timeframe.

Acquisition of Corabia

The acquisition price for Corabia was $5,198,465, consisting of a cash payment of $2,435,006, the issuance of $2,431,194 of Units and a vendor take-back loan of €232,029 ($332,265) due two years from close of the acquisition. The fair value of the vendor take-back loan was determined using a discount rate of 12%.

The transaction was accounted for using the acquisition method as set out in IFRS 3 ‘‘Business Combinations’’.

The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed:

Assets Acquired	
Working capital	$ (273,098)
Property, plant and equipment	15,063,432
Green certificates	1,458,728
Deferred tax	(392,701)
Restricted cash	942,328
Capital lease	(11,600,224)
Net assets acquired	$ 5,198,465
Consideration	
Cash	$ 2,435,006
Units[1]	2,431,194
Vendor take-back loan	332,265
Total consideration	$ 5,198,465

[1]*Units were valued at the trading price of the Units on the acquisition date of $0.85 per Unit.*

Acquisition of Power LIVE

The acquisition price for Power LIVE was $7,134,122, consisting of a cash payment of $3,362,627, the issuance of $3,359,171 of Units and a vendor take-back loan of €287,936 ($412,324) due two years from close of the acquisition. The loan is recorded at amortized cost and has been discounted using a rate of 12%.

The transaction is accounted for using the acquisition method as set out in IFRS 3. The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed:

Assets Acquired	
Working capital	$ (251,768)
Property, plant and equipment	20,862,560
Green certificates	2,010,284
Deferred tax	(954,389)
Restricted cash	1,257,643
Capital lease	(15,790,208)
Net assets acquired	$ 7,134,122

3. ACQUISITIONS (Continued)

ii) Romanian Solar Projects (Continued)

Acquisition of Power LIVE (Continued)

Consideration		
Cash	$	3,362,627
Units[1]		3,359,171
Vendor take-back loan		412,324
Total consideration	$	7,134,122

Total transaction costs incurred and expensed during the year ended December 31, 2015 related to the acquisitions of the Solar Projects and Mediterranean were $665,419.

[1] *Units were valued at the trading price of the Units on the acquisition date of $0.85 per Unit.*

iii) Acquisition of Mediterranean Resources Ltd.

On October 28, 2015, Transeastern, through a subsidiary, acquired all of the outstanding shares of Mediterranean Resources Ltd ("Mediterranean") from the shareholders of Mediterranean (the “Mediterranean Shareholders”) by way of plan of arrangement. Pursuant to the terms of the acquisition, Mediterranean Shareholders received 4,156,812 Units and 4,156,812 transferable Unit purchase warrants, with each whole warrant (each, a “Transeastern Warrant”) enabling the holder thereof to acquire one whole Unit at a price of $1.00 per Unit for a period of 36 months commencing on the date of issuance of the Units, subject to certain acceleration provisions.

The acquisition of Mediterranean has been accounted for as an acquisition of assets, not a business combination. The difference between the purchase price of $4,281,516 and the net assets acquired of $3,183,737 has been recorded as a loss on the Trust's statement of loss. The purchase price has been allocated to the fair value of the net assets acquired as follows:

Assets Acquired		
Cash	$	3,491,893
Accounts payable		(308,156)
Net assets acquired	$	3,183,737
Consideration		
Units[1]	$	3,782,699
Warrants[2]		498,817
Total consideration	$	4,281,516
Excess of consideration paid for net assets acquired	$	1,097,779

[1] Units were valued at the trading price of the units on the acquisition date of $0.91 per Unit.

[2] *Fair value of $0.12 per warrant calculated using the Black-Scholes option pricing model, using a unit price of $0.91, a risk free rate of 0.6%, an expected dividend rate of 8.75%, and a volatility of 40%.*

4. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	**$ 3,698,123**	$ 2,117,618
VAT receivable	**1,121,408**	184,746
HST receivable	**74,739**	97,230
	$ 4,894,270	$ 2,399,594

5. 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 December 31, 2016, the Trust has recorded receivables related to tradable green certificates of $1,268,593 (2015 - $222,446) and restricted green certificates of $10,895,066 (2015 - $4,738,734).

6. PROPERTY, PLANT AND EQUIPMENT

	Land ($)	Buildings ($)	Equipment ($)	Construction In Progress ($)	Total ($)
Cost					
Balance, December 31, 2014	296,065	10,317,976	5,062,004	1,725,371	17,401,416
Additions	-	11,100	43,159	-	54,259
Assets acquired on acquisition	381,142	10,168,234	25,269,077	-	35,818,453
Effect of currency translation	17,356	604,869	296,748	139,476	1,058,449
Impairment charge (iii)	-	-	(3,269,905)	-	(3,269,905)
Balance, December 31, 2015	**694,563**	**21,102,179**	**27,401,083**	**1,864,847**	**51,062,672**
Assets acquired on acquisition	-	6,646,378	16,897,783	-	23,544,161
Effect of foreign currency translation	-	1,143,247	1,637,610	102,835	2,883,692
Impairment charge (i) (ii)	-	(3,892,472)	(9,529,846)	(1,967,682)	(15,390,000)
Balance, December 31, 2016	**694,563**	**24,999,332**	**36,406,630**	**-**	**62,100,525**
Accumulated Depreciation					
Balance, December 31, 2014	-	(222,685)	(205,665)	-	(428,350)
Depreciation expense	-	(725,814)	(1,039,667)	-	(1,765,481)
Effect of currency translation	-	(5,263)	(4,860)	-	(10,123)
Balance, December 31, 2015	**-**	**(953,762)**	**(1,250,192)**	**-**	**(2,203,954)**
Depreciation expense	-	(1,947,179)	(2,552,364)	-	(4,499,543)
Effect of foreign currency translation	-	(53,698)	(70,387)	-	(124,085)
Balance, December 31, 2016	**-**	**(2,954,639)**	**(3,872,943)**	**-**	**(6,827,582)**
Net Book Value					
Balance, December 31, 2015	**694,563**	**20,148,417**	**26,150,891**	**1,864,847**	**48,858,718**
Balance, December 31, 2016	**694,563**	**22,044,693**	**32,533,687**	**-**	**55,272,943**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

ii) In 2016, the Trust identified indicators of impairment at the Corabia and Power Live solar projects resulting from losses being incurred in the subsidiaries. In addition, on March 31, 2017, Romania issued Law 23/2014 and the Governmental Emergency Ordinance 24/2017 (the "2017 Law") which included significant changes in the green certificate market. The 2017 Law substantively changes the restricted period from the restricted green certificates being tradable after March 31, 2017 to January 1, 2025 for restricted green certificates issued to solar plants.
As a result, an impairment test was performed using a discounted cash flow analysis with the estimated recoverable value of the Corabia and Power Live solar projects estimated to be approximately $13,109,733 and $18,290,576, respectively. The discounted cash flow analysis was based on a discount rate of 8.2%, commensurate with the estimated level of risk associated with the assets. The recoverable amount was based on third party reports supporting long term estimates of degradation, power prices and include maintenance capital and operating costs based on current operating model maintained by the Trust. As the carry values of the Corabia and Power Live solar projects exceeded the estimated recoverable amount at December 31, 2016, an impairment write down totaling $11,630,000 ($4,200,000 relating to Corabia and $7,430,000 relating to Power Live) was recognized. The impairment write down was allocated to buildings and equipment which comprised mainly of the photovoltaic panels fixtures included in the carrying value of the project. The discounted cash flow approach uses significant unobservable inputs and is therefore considered a Level 3 fair value measurement under the fair value hierarchy. A 1% change in the discount rate would change the impairment charge on Corabia by $800,000 and Power Live by $1,343,000.

iii) In 2015, the Trust identified indicators of impairment at the Zagra and Suha run of river hydro projects including lower than expected production and operating losses for the year. The estimated recoverable amount of the Zagra and Suha run of river hydro projects of $9,792,479 (Zagra: $4,950,766 and Suha $4,841,703) was calculated by discounting the estimated future net cash flows of each of the projects over the estimated life of the projects using a discount rate of 9.6%, commensurate with the estimated level of risk associated with those assets. The recoverable amount calculation was based on third party reports supporting long term estimates of hydrology levels, using power prices of 40 Euros per MwH and including capital and operating costs based on the current operating models maintained by the Trust. As the Zagra and Suha projects carrying amounts exceeded the estimated recoverable amount at December 31, 2015, an impairment loss of $3,269,905 (Zagra: $1,959,319 and Suha $1,310,586) was recognized. The impairment loss was allocated to machinery and equipment which are comprised mainly of turbines, penstock and fixtures included in the carrying value of the projects. The discounted cash flow approach uses significant unobservable inputs and is therefore considered a Level 3 fair value measurement under the fair value hierarchy.

7. DISTRIBUTIONS PAYABLE

Record Date	August 10, 2016	March 31, 2016	December 31, 2015	September 28, 2015
Payment Date	August 15, 2016	April 15, 2016	January 15, 2016	October 15, 2015
Distributions declared [1]	$ -	$ 672,472	$ 659,892	$ 561,740
Distribution reinvestment plan	-	337,992	298,437	291,709
Unit in-kind distribution	520,442	-	-	-
Cash distribution	$ -	$ 334,480	$ 361,455	$ 270,031
Units issued or issuable pursuant to reinvestment plan	-	487,018	537,916	330,174

[1]On August 15, 2016, Transeastern made an in-kind distribution of 1,040,883 Units, in respect of the period from and including April 1, 2016 to August 10, 2016, to unitholders of record on August 10, 2016. (See Note 11)

8. DEBT

Convertible Debentures
As at December 31, 2016, 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 of 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.

8. 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 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.

As at December 31, 2016, the Trust incurred $1,223,030 (December 31, 2015: $957,225) of interest relating to the Series 1 and Series 2 debentures and recognised a mark-to-market gain of $1,915,500 (December 31, 2015: mark-to-market loss of $976,300).

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 of the time for the payment of interest owing until May 1, 2017. The Trust will seek further extension of the time for payment with the anticipation that the Trust will not have enough funds to meet the interest obligations.

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.

8. DEBT (Continued)

Although the Trust had received waivers from the Series 1 holders and is pursuing a waiver from the Series 2 holders, the Trust does not have the irrevocable right to defer payments for 12 months as at December 31, 2016. Therefore, the convertible debentures have been classified as current.

A continuity of convertible debt is as follows:

Balance, December 31, 2014	**$**	**9,410,400**
Issuance		2,000,000
Fair value adjustment		976,300
Balance, December 31, 2015	**$**	**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)
Balance, December 31, 2016	**$**	**16,053,600**

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

Debt Facility

The Trust has a $5 million debt facility with Sprott Resource Lending Partnership (the “Sprott Debt Facility”). The Sprott Debt Facility accrues interest at a rate of 10% per annum, compounded monthly. It has a two year term ending in July of 2017 and is pre-payable at the Trust’s option without penalty provided six months’ interest has been paid. It is guaranteed by certain of the Trust’s subsidiaries and is secured against the Hydro Projects. The debt agreement prescribed a bonus payment of $300,000 on closing, which the Trust settled in Units. Debt is presented net of amortized financing costs of $167,076 (2015: $502,353). During the year ended December 31, 2016, the Trust prepaid $450,000 of principal on this facility. During the year the Trust accrued $477,500 of interest and had accretion of $334,152.

The Sprott Debt Facility includes 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. Subsequent to December 31, 2016, the Trust closed $3.8 million of a potential $10 million secured debt facility and used the net proceeds and new promissory note (see Note 18) to repay the Sprott Debt Facility, and $154,195 of accrued interest.

On August 15, 2016, the Trust issued an aggregate of 221,867 Units in satisfaction of a $100,000 anniversary payment which was set out in the original debt agreement at a deemed price of $0.4507 per Unit and a fair value of $0.50 per Unit, or a $110,934 fair value in aggregate (see Note 11).

8. DEBT (Continued)

Note Payable

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

During the year ended December 31, 2015, the Trust accrued $20,713 in interest related to the Note Payable. The Trust settled the Note Payable and related accrued interest with the issuance of $300,000 of Units, $21,000 of warrants and Debentures in the principal amount of $1,000,000. As a result of this settlement, the Trust recorded a loss on settlement of $698,019.

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 December 31, 2016, the Trust has $2,328,990 (December 31, 2015 - $2,246,266) of restricted cash related to this requirement.

At December 31, 2016, the discounted balance of the capital lease facilities is $31,894,465 (December 31, 2015 - $27,194,365).

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	$ 9,443,072
1 - 5 years	60,566,958
Greater than 5 years	3,399,531
	$ 73,409,561

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.

	Wind VTB	**Solar VTB**	**2016 Total**	2015
Opening balance	**$ -**	$ 818,322	**818,322**	-
Acquired on acquisition	6,406,743	-	**6,406,743**	744,589
Foreign exchange	(132,681)	(71,841)	**(204,522)**	33,807
Accretion	**-**	380,126	**380,126**	39,926
Closing balance	$ 6,274,062	$ 1,126,607	**7,400,669**	818,322

9. ASSET RETIREMENT OBLIGATION

As a result of the acquisition of Holrom Renewable Energy S.R.L.,Romania (note 3), the Trust accrued for retirement obligation with an estimated cost of approximately $1.6 million as the undiscounted cost of retiring the project assets.

		2016		2015
Opening balance	**$**	**-**	$	-
Acquired through business combination		**815,542**		-
Effect of foreign currency translation		**(39,252)**		-
Closing balance	**$**	**776,290**	$	-

The assumptions used to establish the estimates were:

Expected Cost	7 wind turbines at $100,000 Euro each
Discount rate	3.71%
Inflation rate	2.00%
Expected date of decommissioning	2035

10. INTEREST AND FINANCE CHARGES

		2016		2015
Debenture interest (Note 8)	**$**	**1,223,030**	$	957,225
Interest on debt facility (Note 8)		**728,262**		245,939
Interest on capital leases		**1,838,519**		866,123
Finance income		**(29,003)**		(4,961)
Other finance costs		**585,605**		217,470
	$	**4,346,413**	$	2,281,796

11. UNITS

Units

	Units		Unit Value
Balance, December 31, 2014	11,349,122	$	9,539,427
Issuance of Units (ix) (x) (xii) to (xvii)	17,849,040		16,347,165
Distribution reinvestment plan	1,002,243		874,101
Exercise of warrants (xvi)	3,300		3,300
Issuance costs	-		(994,834)
Balance, December 31, 2015	30,203,705		25,769,159
Distribution reinvestment plan (i) (iii)	1,024,934		635,614
Issuance of Units (ii) (iv) (v)	1,676,878		893,065
Issued on settlement of finance charges (vi)	221,867		110,934
Issued on acquisition of Holrom Renewable Energy S.R.L. (Note 3) (viii)	14,790,136		7,395,068
Distribution to unitholders (Note 7) (vii)	1,040,883		520,442
Balance, December 31, 2016	**48,958,403**	**$**	**35,324,282**

Unit Activity

i) On January 15, 2016, the Trust issued 537,916 Units with an ascribed value of $297,622 to settle its fourth quarter 2015 distributions payable.

ii) On April 5, 2016, the Trust closed the first tranche of a private placement, issuing 1,156,043 units for gross proceeds of $810,000 and cash costs of issue of $119,000. Each unit is comprised of one Unit and one Unit purchase warrant (a “Warrant”). Each 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. 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 TSX Venture Exchange ("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. The fair value of the 1,156,043 Warrants was estimated at $91,048 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.54% and an expected life of 3 years.

In connection with the closing of this tranche of the private placement, the Trust issued non-transferable broker warrants to purchase up to 68,118 Units containing the same terms as the Warrants, with the exception of the exercise price which is $1.20 per Unit. The fair value of the 68,118 broker warrants was estimated at $3,923 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.54% and an expected life of 3 years.

11. UNITS (Continued)

iii) On April 15, 2016, the Trust issued 487,018 Units with an ascribed value of $337,992 to settle its first quarter 2016 distributions payable.

iv) On May 13, 2016, the Trust closed a second tranche of the private placement, issuing 316,399 Units for gross proceeds of $222,000 and cash costs of issue of $27,510. Each unit is comprised of one Unit and one Warrant. The fair value of the 316,399 Warrants was estimated at $23,213 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.63% and an expected life of 3 years.

In connection with the closing of this tranche of the private placement, the Trust issued non-transferable broker warrants to purchase up to 22,145 Units containing the same terms as the Warrants, with the exception of the exercise price which is $1.20 per Unit. The fair value of the 22,145 broker warrants was estimated at $1,182 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.63% and an expected life of 3 years.

v) During 2016, certain officers and directors of the Trust purchased 194,632 Units at a price between $0.44 and $0.63 per Unit under the terms of the Trust's Unit Purchase Plan ("Plan"). Pursuant to the terms of the Plan, the Trust issued a further 9,804 deferred matching Units to these individuals with an ascribed fair value of $4,902.

vi) On August 15, 2016, the Trust issued an aggregate of 221,867 Units in satisfaction of a $100,000 anniversary payment to its senior secured lender (see Note 8).

vii) On August 15, 2016, the Trust issued 1,040,883 Units with a fair value of $520,442 as an in-kind distribution (see Note 7).

viii) On September 2, 2016, the Trust issued 14,740,136 Units at a fair value of $0.50 per Unit in partial satisfaction for the purchase price of the Wind Project.

ix) Issued 5,995,070 Units related to the subscription receipts issued by the Trust on June 23, 2015 (the "Subscription Receipts") for proceeds of $5,423,829.

x) Issued 192,000 Units to settle agent and finder fees in connection with issuance of the Subscription Receipts.

xi) Issued 6,812,194 Units valued at $5,790,365 to acquire the Solar Projects (Note 3).

xii) Issued 4,156,812 Units valued at $3,782,699 (Note 3(ii)).

xiii) Issued 392,157 Units valued at $333,333 as a bonus payment on the Sprott Debt Facility (Note 8).

xiv) Issued 32,500 Units valued at $32,500 for investor relation services.

xv) Issued 33,897 Units at $0.59 per Unit pursuant to the Trust’s Unit purchase plan for gross cash proceeds of $19,999.

xvi) Issued 3,300 Units at $1.00 per Unit on exercise of warrants for gross cash proceeds of $3,300.

xvii) Issued 29,410 Units at $0.85 per Unit pursuant to the Trust’s Unit purchase plan for gross cash proceeds of $25,000.

11. 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 December 31, 2016, the fair value of the warrants of $1,059,911 (December 31, 2015: $879,265) was estimated using the following criteria volatility 94%, risk free interest rate of 0.75%, remaining lives of between 1.6 and 2.7 years and expected dividend rate of 8.75%. 2015 valuation assumptions were volatility 40%, risk free interest rate of 0.6%, remaining lives of 2.5-2.75 years and expected dividend rate of 8.75%.

As at December 31, 2016, 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.

11. 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 year ended December 31, 2016.

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 December 31, 2016, $225,000 has been accrued for this liability (2015 - $225,000) and was recorded in accounts payable and accrued liabilities.

12. RELATED PARTY TRANSACTIONS

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

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

Renovatio Group Limited ("RGL") holds significant influence over the Trust and is a related party. The Trust sells power and green certificates to RGL and has operations and maintenance contracts with subsidiaries of RGL. During the year ended December 31, 2016, the Trust expensed $1,757,973 (2015 - $543,097) of operations and maintenance and balancing fees and recognised $5,981,106 (2015 - $2,309,341) in sales of power and green certificates to RGL and its subsidiaries. As at December 31, 2016, the Trust has $2,764,150 (2015 - $1,046,107) in accounts receivable from and $3,035,140 (2015 - $646,764) in accounts payable to RGL.

In addition, the Trust acquired the Wind Project from RGL in 2016. See description of the transaction in Note 3.

13. CAPITAL MANAGEMENT AND 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, securing debt financing, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Trust considers its capital to be equity, comprising all aspects of unitholder equity, plus convertible debentures and notes payable. In order to continue to achieve its capital objectives, the Trust will raise additional amounts as needed.

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

Financial Instruments

The Trust's financial instruments consist of cash, restricted cash, trade and other receivables, excluding HST and VAT, green certificates, accounts payable and accrued liabilities, due to related party, distributions payable, vendor take-back loans, warrant liability, capital leases and convertibles debentures. As of December 31, 2016, the Trust has not entered into any derivative contracts.

The following table presents the Trust's assets and liabilities measured and disclosed at fair value classified by the fair value hierarchy:

2016	**Measured at Fair Value ($)**	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**
Financial Assets				
Cash	240,703	240,703	-	-
Restricted cash	2,328,990	2,328,990	-	-
Green certificates	12,163,659	12,163,659	-	-
Financial Liabilities				
Warrant liability	1,059,911	-	1,059,911	-
Convertible debentures	-	-	-	-

2015	**Measured at Fair Value ($)**	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**
Financial Assets				
Cash	1,711,071	1,711,071	-	-
Restricted cash	2,246,266	2,246,266	-	-
Green certificates	4,961,180	4,961,180	-	-
Financial Liabilities				
Milestone units	1,067,186	-	-	1,067,186
Warrant liability	879,265	-	879,265	-
Debentures	12,386,700	-	12,386,700	-

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

13. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial Instruments (Continued)

Risk Management Policies

The Trust, through its financial assets and liabilities, is exposed to various risks. The Trust has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements. The following analysis provides a measurement of risks as at December 31, 2016.

Credit Risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Trust's credit risk is primarily attributable to fluctuations in the realizable values of its cash and accounts receivable. Cash accounts are maintained with major international financial institutions of reputable credit and therefore bear minimal credit risk. In the normal course of business, the Trust is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk.

Outstanding customer receivables are monitored at each reporting date and any significant outstanding receivables from major customers is analyzed. Impairment indicators are analyzed at each reporting date, based on the ageing, but also on other specific information for large individual customers. The maximum credit risk exposure at the reporting date is given by the carrying amount of the trade receivables. The Trust evaluates the concentration of risk with respect to trade receivables as high as our receivables are highly concentrated with one customer, RGL. The license of the client to purchase energy does not allow the build-up of uncollected receivables. As at December 31, 2016, all trade receivables were current with an allowance for doubtful accounts of $116,000.

Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due within one year. The Trust's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. The Trust manages liquidity risk by closely monitoring changing conditions in its investees, participating in the day to day management and by forecasting cash flows from operations and anticipated investing and financing activities (see going concern disclosure in note 1).

	Total	0 to 12, Months	12 to 24 Months	After 24 Months
Trade and other receivables	$ 4,894,270	$ 4,894,270	$ -	$ -
Accounts payable and accrued liabilities	(10,410,943)	(10,410,943)	-	-
Vendor take-back loan and acquisition instalment payments	(7,400,669)	(999,743)	-	(6,400,926)
Debt facility	(4,550,000)	(4,550,000)	-	-
Debentures	(20,067,000)	-	-	(20,067,000)
Debenture interest	(3,620,307)	(1,505,025)	(1,505,025)	(610,257)
Capital leases	(31,894,465)	(4,299,346)	-	(27,595,119)
	$ (73,049,114)	$ (16,870,787)	$ (1,505,025)	$ (54,673,302)

13. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Foreign Exchange Risk

The Trust is exposed to foreign currency risk through its operations in Romania. The risks and fluctuations are related to cash, capital leases, accounts receivable and accounts payable and loans that are denominated in Romanian Leu and Euro.

	Cash	Accounts Receivable	Accounts Payable and Loans	Capital Leases	Vendor take-back loans
RON	$ 239,923	$ 4,918,699	$ (6,573,767)	$ -	$ -
EUR	$ -	$ -	$ -	$ (31,894,465)	$ 6,218,067

The effect of a 10% strengthening of the Romanian Leu against the Canadian dollar at the reporting date on the Romanian denominated cash, trade receivables and accounts payable carried at that date would, had all other variables held constant, have resulted in a decrease in other comprehensive income for the period and decrease of net assets of $132,330. A 10% weakening in the exchange rate would, on the same basis, have increased other comprehensive income and increased net assets by $132,330.

The effect of a 10% strengthening of the Euro against the Canadian dollar at the reporting date on the capital leases denominated in Euros carried at that date would, had all other variables held constant, have resulted in a decrease in profit for the period and decrease of net assets of $3,189,447. A 10% weakening in the exchange rate would, on the same basis, have increased profit and increased net assets by $3,189,447.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is exposed to interest rate risk on its fixed interest rate financial instruments. These fixed-rate instruments subject the Trust to a fair value risk.

Commodity Price Risk

Commodity price risk is defined for these purposes as the risk that the fair value of future cash flows of a financial instrument held by the Trust will fluctuate because of changes in commodity prices. The Trust is exposed to commodity price risk related to its revenue recognized and the future realization of green certificates. A 10% weakening of the power and green certificate prices would have decreased profit and net assets by $1,216,366. A 10% strengthening of the power and green certificate prices would have increased profit and net assets by $1,216,366.

14. INCOME TAX

The provision for income taxes has been computed as follows:

	2016	2015
Expected income tax (recovery) at the statutory rate of 26.50%	**$ (5,237,180)**	$ (3,320,146)
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	**188,349**	-
Effect of difference of foreign tax rates compared to Canadian rates	**2,375,962**	181,774
Tax benefits not recognized	**4,615,840**	3,171,309
Provision for income taxes	**$ 1,942,971**	$ 32,937

The Trust has Canadian tax losses of $13,303,000 and Romanian tax losses of $17,911,000 available to be applied against future years' taxable income. The Canadian tax losses expire in 2034 and 2035 and the Romanian tax losses expire between 2017 and 2023.

As at December 31, 2016, the Trust has deferred tax liabilities of $5,205,421 (2015 - $1,242,490) relating to book to tax basis differences on its hydro, wind and solar acquisitions.

15. 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

December 31,	**2016**	2015
Assets		
Hydro Projects	**$ 10,121,416**	$ 15,185,070
Solar Projects	**33,142,323**	43,090,307
Wind Project	**31,957,122**	-
Corporate	**371,445**	2,078,905
	$ 75,592,306	$ 60,354,282
Liabilities		
Hydro Projects	**$ 5,786,295**	$ 1,778,065
Solar Projects	**34,307,413**	30,289,774
Wind Project	**12,994,685**	-
Corporate	**24,095,830**	20,473,090
	$ 77,184,223	$ 52,540,929

Profit (loss) by Segment

2016

	Wind Project	**Hydro Projects**	**Solar Projects**	**Corporate Overhead**	**Total**
Revenue	$ 1,703,776	$ 987,474	$ 6,006,029	$ -	$ 8,697,279
Operating					
Depreciation	(1,488,067)	(555,855)	(2,455,621)	-	(4,499,543)
Expenses	(991,195)	(2,951,437)	(4,385,080)	(2,185,939)	(10,513,651)
Impairment	-	(3,760,000)	(11,630,000)	-	(15,390,000)
(Loss) earnings for the year	$ (775,486)	$ (6,279,818)	$ (12,464,672)	$ (2,185,939)	$ (21,705,915)

2015

	Hydro Projects	**Solar Projects**	**Corporate Overhead**	**Total**
Revenue	$ 1,099,730	$ 2,390,499	$ -	$ 3,490,229
Operating				
Depreciation	(705,362)	(1,060,119)	-	(1,765,481)
Expenses	(1,601,101)	(1,189,228)	(8,226,304)	(11,016,633)
Impairment	(3,269,905)	-	-	(3,269,905)
(Loss) Earnings for the year	(4,476,638)	141,152	(8,226,304)	(12,561,790)

16. COMMITMENTS

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

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

17. COMPARATIVE FIGURES

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

18. SUBSEQUENT EVENTS

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.

Subsequent to December 31, 2016, 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 also provides for annual additional variable interest payments calculated as a percentage of the revenues of certain of the Trust's operating subsidiaries.

In addition, the Trust issued 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 promissory 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.

The Trust used the net proceeds from the New Debt Facility and the promissory note to repay the Sprott Debt Facility and other existing corporate indebtedness.

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