



**Transeastern Power Trust**

**Management's Discussion & Analysis**

**For the year ended  
December 31, 2015**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

### **BASIS OF PRESENTATION**

This Management's Discussion and Analysis ("MD&A") of Transeastern Power Trust ("Transeastern or the "Trust") is dated as of April 29, 2016 and should be read in conjunction with the Trust's audited consolidated financial statements and the related notes for the periods ended December 31, 2015 and December 31, 2014 together with the notes thereto. The above referenced filings have been prepared in accordance with IFRS.

Reference should also be made to the Trust's filings with Canadian securities regulatory authorities, which are available at [www.sedar.com](http://www.sedar.com). This MD&A is the responsibility of management. The board of directors (the "Board") of Transeastern Power Administrator Inc. (the "Administrator"), the administrator of the Trust, carries out its responsibility for the review and disclosure both directly and through its audit committee.

All amounts are expressed in Canadian dollars (\$) unless otherwise stated. References to Transeastern or the Trust in this MD&A refer to the Trust and its controlled subsidiaries taken as a whole.

### **TRUST OVERVIEW**

Transeastern is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario that, through its subsidiaries, generates and sells electricity to licensed electricity buyers in Romania through its portfolio of hydro-electric generation facilities comprised of run-of-river hydroelectric power plants with total capacity of over 5.1 MW (the "Hydro Projects") and two photovoltaic solar power production plants with a total capacity of over 16 MWp (the "Solar Projects" and, together with the Hydro Projects, the "Projects"). All of Transeastern's power production facilities are located in Romania.

Transeastern directly and indirectly owns all of the membership rights of Transeastern Power Coöperatief U.A. ("Netherlands Parent"), which owns all of the issued and outstanding shares of Transeastern Power B.V. ("Netherlands Holdco" and, together with the Netherlands Parent, the "Netherlands Subsidiaries"). The Netherlands Subsidiaries jointly own, directly or indirectly, 100% of the Romanian subsidiaries which hold the Projects.

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

Transeastern qualifies as a "mutual fund trust" and not a "SIFT trust" each as defined in the Income Tax Act (Canada) (the "Tax Act") in accordance with the restrictions set forth in the Trust Indenture dated February 4, 2014. The Administrator is responsible for monitoring Transeastern's investments and holdings of property to ensure Transeastern is not at any time a "SIFT trust" and does not hold any "non-portfolio property" as defined in the Tax Act.

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

## **HIGHLIGHTS**

July 24, 2015, the Trust completed the acquisition of SC Power L.I.V.E. One SA and SC Corabia Solar SRL significantly increasing production capacity by adding a portfolio of solar assets with 16MWp to its producing asset base, closed the main tranche of its subscription receipt financing and closed a \$5 million debt facility.

On October 28, 2015, the Trust acquired all of the issued and outstanding shares of Mediterranean Resources Ltd. ("Mediterranean") providing working capital to the Trust. See "Completed Transactions" below for further details.

Produced 29,178 MWh of energy in 2015 generating revenue of \$3,490,229, with \$792,203 from the sale of electricity and \$2,698,026 in revenue from the sale of green certificates ("GCs").

Declared and paid quarterly distributions in 2015 for an annualized distribution of \$0.0875 per unit of the Trust (each, a "Unit") through a combination of cash and Unit issuances to unitholders who elected to participate in the Trust's distribution reinvestment plan.

Incurred net loss of \$12,561,790 during the year (2014: \$3,178,997) with basic and diluted loss of \$0.65 per Unit (2014: \$0.43 per Unit).

Earned operating margin (revenues less operating expenses) of \$1,449,949 for the year, an increase of over 620% over the period from May 28, 2014 to December 31, 2014 where operating loss was \$(278,646) (see reconciliation of operating margin under "non GAAP Measures").

Subsequent to December 31, 2015, the Trust signed letters of intent for (i) the acquisition of a 17 MW operational wind project located in Romania that generates approximately 45,000 MWh of electricity annually (the "New Wind Project") and three operational hydro projects totaling 3.65 MW located in Romania and generate approximately 10,000 MWh of electricity (the "New Hydro Projects"). The Trust also signed a letter of intent to obtain a \$10 million secured debt and royalty facility at a rate of 5% per annum, compounding semi-annually, with a three year term, subject to a one year extension at the option of the Trust under certain conditions (see "Proposed Transactions").

On April 5, 2016, the Trust closed a private placement for net proceeds of \$810,000 and issued 1,156,043 Units and 1,156,043 Unit purchase warrants (see "Proposed Transactions").

## **OUTLOOK**

The Trust's goals for 2016 are to:

- complete the New Wind Project and New Hydro Projects acquisitions;
- optimize and improve the performance of its current projects and generate distributable income for the year;
- continue to make quarterly distributions of a portion of its available cash to unitholders; and
- pursue new acquisitions that are accretive to the Trust and add income generating assets to increase the base of distributable income.

## REVIEW OF OPERATIONS

### Selected Financial Information

The selected financial information in the table below has been derived from the audited consolidated financial statements as at and for the year ended December 31, 2015 and the period from May 28, 2014 to December 31, 2014.

	Periods ended	
	Dec. 31, 2015 \$	Dec. 31, 2014 \$
Revenue	3,490,229	398,340
Operating margin <sup>1</sup>	1,449,949	(278,646)
Operating Expense	2,040,280	676,986
Depreciation	1,765,481	444,897
Other Expenses (income)	2,246,258	(2,455,454)
Net Loss for the Period	12,561,790	3,178,997
Adjusted Net Loss <sup>2</sup>	3,152,684	4,351,657
Total Comprehensive Loss	11,323,278	4,295,183
Loss per share Basic and Diluted	0.65	0.43
	As at	
	Dec. 31, 2015 \$	Dec. 31, 2014 \$
Total assets	60,354,282	17,883,869
Total liabilities	52,540,929	13,226,534
Equity	7,813,353	4,657,335

#### Note:

- (1) Operating margin is a non-GAAP measure calculated by deducting cost of sales from revenues. See “Non-GAAP Measures” section for a reconciliation to IFRS figures.
- (2) Adjusted net loss is a non-GAAP measure that removes non-cash charges relating to mark to market losses on our debentures, non-recurring settlement charges, financing costs and non-cash charges relating from the revaluation of our Milestone units. See “Non-GAAP Measures” section for a reconciliation to IFRS figures.

### Hydro Projects

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

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

**Note:**

- (1) Two of the three Zagra projects became fully operational in April 2014. The third Zagra project, which is undergoing capital improvements, is expected to be operational in 2016.

All information provided on the Hydro Projects in this section is as at December 31, 2015 unless otherwise indicated.

*Rott*

The Rott project is a cascade of two run-of-river generating plants located on the Little Cugir River, approximately 58 km west of Sibiu in the Șureanu Mountains of Romania's Parâng Range in the Southern Carpathians. The Cugir River originates as two tributaries, Raul Mic, or "Little River" and Raul Mare, or "Big River" before their confluence at the town of Cugir in Alba County. The Cugir River then flows north to its confluence with Mureș River. The project develops the hydraulic potential of the Little River (Raul Mic).

Project Name	Operational Construction Status	Turbine Type	Years of Historical Hydrological Data Available	In-Take Height (mdMN)	Gross Drop (Δh)	Installed Flow (m <sup>3</sup> /s)	Capacity Power (MW)	Pipe (m)	Pipe Diameter (mm)	Green Certificates Available/ MW
<i>ROTT</i>							1.657			3.00
<i>Plant 1</i>	Completed in June 2012	Pelton	63	513.0	122.5	0.98	.928	3635	800	
<i>Plant 2</i>	Completed in June 2012	Pelton	63	412.0	99.5	0.98	.729	3845	800	

**Note:**

- (1) As a recipient of EU funding, 1.04 of every three GCs were not initially received by Rott directly; the value of such GCs will be used to repay funding until the total funded amount of €1,800,000 is repaid. The value attributed to each GC is based on the formula: 1.04 x yearly production x (the median of the floor and ceiling GC prices taking into account inflation). After repayment of the EU funding, the 1.04 GCs shall be available to Rott. Additionally, by law, 0.96 GC will be restricted from trading until March 31, 2017, resulting in one GC being received and immediately tradable of every three GCs awarded.

Transeastern purchased Rott on a fully commissioned and operational basis. Rott has been fully operational, subject to hydrology, from the acquisition date to December 31, 2015 and produced 3,845 MWh of electricity during the year ended December 31, 2015 and 4,379 MWh for the period from May 28, 2014 to December 31, 2014.

Since acquiring Rott, Transeastern has been working to implement a new system control and data acquisition ("SCADA") system, which was fully implemented in the first quarter of 2016. The SCADA system records and archives data points that will be analyzed to gauge performance, optimize the plants and to monitor and take preventative measures as necessary.

*Zagra*

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

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Turbine Type</b>	<b>Years of Historical Hydrological Data Available</b>	<b>In-Take Height (mdMN)</b>	<b>Gross Drop (<math>\Delta h</math>)</b>	<b>Installed Flow (m<sup>3</sup>/s)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>	<b>Green Certificates Available MW</b>
<i>ZAGRA</i>							1.430			2.3
<i>Zagra 1</i>	Completed in April 2014	Pelton	45	880.0	126.0	0.42	.450	3027	600	
<i>Zagra 2</i>	Completed in April 2014	Pelton	45	754.9	74.0	0.600	.310	2383	700	
<i>Zagra 3</i>	Projected to be completed in 2016	Pelton	45	680.0	138.0	0.600	.670	5604	800	

Zagra 1 and 2 were fully operational, subject to hydrology, and produced 1,549 MWh of electricity during the year ended December 31, 2015 and 689 MWh for the period from May 28, 2014 to December 31, 2014.

Since acquiring Zagra, Transeastern has been working to implement a new SCADA system, which was fully implemented in the first quarter of 2016.

Transeastern has also requested tenders for the installation of the remaining 3.7 km of penstock to connect Zagra 3 and Zagra 2. The Trust is currently ensuring the approvals are in place to proceed with the capital improvements and it is expected that they will be completed in 2016.

### *Suha*

The Suha Project is located in the Dorna Mountains, Suceava County, on the Suha Mare River and Suha Mica River. Both the Suha Mare River and the Suha Mica River flow east toward the Moldova River.

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Turbine Type</b>	<b>In-Take Height (mdMN)</b>	<b>Gross Drop (<math>\Delta h</math>)</b>	<b>Installed Flow (m<sup>3</sup>/s)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>	<b>Green Certificates Available MW</b>
<i>SUHA</i>							2.021		2.00
<i>Suha Mare</i>	Completed in September 2014	Francis	688.0	47.0	0.800	.289	2040	1000	
<i>Valeni</i>	Completed in September 2014	Pelton	640.0	119.0	0.600	.233	8300	600	
<i>Poiana</i>	Completed in September 2014	Francis	520.0	73.0	1.100	.565	6405	1000	
<i>Maleni</i>	Completed in September 2014	Francis	446.0	42.5	0.850	.249	4525	1000	
<i>Gainesti</i>	Completed in December 2014	Francis	519.0	80.0	1.050	.122	7366	1000	

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Turbine Type</b>	<b>In-Take Height (mdMN)</b>	<b>Gross Drop (Δh)</b>	<b>Installed Flow (m<sup>3</sup>/s)</b>	<b>Capacity Power (MW)</b>	<b>Pipe (m)</b>	<b>Pipe Diameter (mm)</b>	<b>Green Certificates Available MW</b>
<i>Slatina</i>	Completed in October 2014	Pelton	438.0	70.0	0.230	.563	2590	600	

The Suha plants were operational subject to hydrology, and produced 1,836 MWh of electricity during the year ended December 31, 2015 and 305 MWh for the period from May 28, 2014 to December 31, 2014.

Since acquiring Suha, Transeastern has been working to implement a new SCADA system, which was fully implemented in the first quarter of 2016.

### *Hydro Projects Capital Improvements*

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

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

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

### **Solar Projects**

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

### *Power LIVE*

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

<b>Project Name</b>	<b>Operational Construction Status</b>	<b>Installed Capacity (MWp)</b>	<b>Panel Supplier</b>	<b>Panel Type</b>	<b>No. of Panels</b>	<b>Inverter Type</b>	<b>No. of Inverters</b>	<b>No. of Transformers</b>	<b>Land Area (sqm)</b>	<b>Green Certificates Available MW</b>
Power LIVE	Completed in March 2013	9.6	REC	Polycrystalline REC 240Wp	40,026	SMA SC800CP- XT	10	10	300,000	6 <sup>(1)</sup>

**Note:**

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

Power LIVE was fully operational and produced 13,367 MWh of electricity from for the year ended December 31, 2015 (5,287 MWh of electricity for the post acquisition period from July 24, 2015 to December 31, 2015).

*Corabia*

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

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

**Note:**

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

Corbia was fully operational and produced 9,659 MWh of electricity for the year ended December 31, 2015 (3,896 MWh of electricity for the post acquisition period from July 24, 2015 to December 31, 2015).

**SUMMARY OF QUARTERLY RESULTS**

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

	Three Months ended Dec. 31, 2015 (\$)	Three Months ended Sept. 30, 2015 (\$)	Three Months ended Jun. 30, 2015 (\$)	Three months ended Mar. 31, 2015 (\$)	Three months ended Dec. 31, 2014 (\$)	Three months ended Sep. 30, 2014 (\$)	Three months ended Jun. 30, 2014 (\$)	Period from Feb. 4, 2014 to Mar. 31, 2014 (\$)
Revenue								
Electricity	264,635	220,371	180,815	126,382	90,075	95,999	20,375	-
Green Certificates	847,189	1,320,378	324,257	206,202	157,600	34,291	-	-
Revenue	1,111,824	1,540,749	505,072	332,584	247,675	130,290	20,375	
Operating Expenses	1,502,097	3,355,084	1,182,846	982,887	1,348,278	955,231	2,997,301	-
Other Expenses (income)	3,948,412	1,939,823	1,693,576	1,447,294	(936,868)	(402,047)	(396,143)	-
Net Loss for the period	4,435,142	3,700,615	2,355,362	2,070,671	163,735	429,345	2,585,917	-
Total Comprehensive Loss After Tax	5,516,614	1,262,796	2,333,759	2,210,109	455,612	1,077,699	2,761,872	-
Basic & Diluted loss per Unit	(0.10)	(0.17)	(0.20)	(0.18)	(0.16)	(0.04)	(0.23)	-

#### FOURTH QUARTER ACTIVITY DISCUSSION

During the fourth quarter of 2015, the Trust completed the acquisition of all of the shares of Mediterranean, which provided additional working capital to the Trust. From an operational perspective, the fourth quarter of 2015 was the first full operating quarter for Power Live and Corabia. The production from the Solar Projects in the fourth quarter was 4,105 MWh which is over 15% higher than expected for the assets. The Trust began installation of SCADA at all of its Hydro Projects in the fourth quarter and, while all of the Projects produced and sold electricity in the fourth quarter, production was 1,098 MWh which is below anticipated productions reflects negative hydrology variances, seasonality issues as well as the lack of updated monitoring systems for the plants which caused down time in production.

In 2015, the Trust identified indicators of impairment at our Zagra and Suha run of river hydro projects resulting in fixed asset impairment losses totaling \$3,269,905 (Zagra: \$1,959,319 and Suha \$1,310,586). The impairment resulted from an increase in the Trust's cost of capital in 2015 which required a higher discount rate to be used in our analysis of the recoverability of the costs associated with these assets. The recoverable amount after the impairment of these assets is \$9,792,470 (Zagra: \$4,950,766 and Suha \$4,841,703). The impairment is a non-cash charge to the statement of loss based on a discounted cash flow model and our undiscounted net realizable amount projections remain consistent with prior analysis.

#### Revenue from Sale of Electricity and GCs

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

On July 24, 2015, the Trust completed the acquisition of the Solar Projects which were operational for the entire period from acquisition to December 31, 2015. The production from the Solar Projects for the period was very strong as the acquisitions took place during the seasonal peak for production by solar assets.

Hydro revenues for the year ended December 31, 2015 as well as for the fourth quarter of 2015 were weak as they were negatively impacted by severe drought conditions. The implementation of updated SCADA

monitoring software was completed in the first quarter of 2016 in order to ensure that the plants are positioned to benefit from expected seasonal increases in hydrology.

During the year ended December 31, 2015, the Trust earned \$2,698,026 from deferred and tradable GCs combined which were earned based on the power produced in the power generation summary above.

For further details on the Romanian GC program, see “Key Factors Affecting the Trust’s Business” below.

The following table lists the actual production and GCs earned by the Hydro Projects and the Solar Projects for the year ended December 31, 2015 and the period from May 28, 2014 to December 31, 2014:

<b>Project</b>	<b>Power generation for the year ended Dec. 31, 2015 (MWh)</b>	<b>Power generation for the period ended Dec. 31, 2014 (MWh)</b>	<b>GCs earned for the year ended Dec.31, 2015</b>	<b>GCs earned for the period ended Dec. 31, 2014</b>
<i>Solar</i>				
Power Live <sup>(1)</sup>	13,318	See <sup>(1)</sup>	71,381	See <sup>(1)</sup>
Corabia <sup>(1)</sup>	8,633	See <sup>(1)</sup>	52,834	See <sup>(1)</sup>
<i>Hydro</i>				
Rott	3,845	4,379	7,527	3,805
Zagra	1,545	689	3,562	1,395
Suha	1,834	305	3,669	532

**Note:**

<sup>(1)</sup> Annual production includes pre-acquisition production figures for the Solar Assets for 2015 and 2014. Production and GC figures have been excluded for 2014 as the assets were not owned by Transeastern in 2014.

**Revenue from Green Certificates**

**Operating Expenses**

Operating expenses for the Trust are comprised of fixed and variable components and represent the costs of maintaining and operating the plants and equipment, including employee salaries, insurance, maintenance, repairs, utilities and supplies and are generally expected to be stable. The Trust acquired the Hydro Projects in May 2014 and subsequently spent the remainder of 2014 refurbishing and commissioning them. The Solar Projects were acquired in July 2015. As a result, the comparative period in 2014 is not indicative of operating results over a full year.

Significant components of operating expenses totaling \$7,022,914 for the year ended December 31, 2015 and \$5,302,810 for the period ended December 31, 2014 include:

- general and administrative expenses of \$1,298,701 for the year ended December 31, 2015, \$699,954 for the period ended December 31, 2014, which includes executive and director compensation, fees and ongoing administrative and public reporting costs;
- increase in the fair value of Units issuable under milestone unit agreements by an estimated fair value of \$535,307 for the year ended December 31, 2015 and \$531,879 for the period ended December 31, 2014;

- transaction costs of \$665,419 for the year ended December 31, 2015, reflecting costs incurred in connection with the acquisition of the Solar Projects and Mediterranean in 2015 compared with \$2,643,525 incurred mainly in relation to the IPO and acquisition of the Hydro Projects for the period ended December 31, 2014; and
- legal and professional fees of \$717,726 were incurred for the year ended December 31, 2015 compared to \$305,569 in legal and professional fees incurred for the period ended December 31, 2014, relating to continuous disclosure, compliance advice and services performed on behalf of the Trust.

Significant components of other expenses totaling \$8,679,777 for the year ended December 31, 2015 and gains of \$(1,725,043) for the period ended December 31, 2014:

- \$13,763,000 principal amount of debentures (the “Debentures”) carried at fair value and, due to the change in the closing price of the Debentures on the TSX Venture Exchange from December 31, 2014 to December 31, 2015, a mark to market loss of \$976,300 was recorded for year ended December 31, 2015 and a gain of \$2,352,600 was recorded for the period ended December 31, 2014;
- interest and financing charges of \$2,281,796 for the year ended December 31, 2015 increased significantly compared to \$648,061 for the period ended December 31, 2014 due to interest expense incurred in relation to the issuance of additional Debentures, capital leases, note payable and a debt facility that were outstanding in 2015;
- \$1,248,019 in one-time settlement charges were recorded for the year ended December 31, 2015 relating to the settlement of the Trust’s note payable and the remaining vendor take back loan relating to the Suha acquisition; and
- a premium of \$1,097,779 was paid on the acquisition of Mediterranean in 2015
- In 2015, the Trust identified indicators of impairment at our Zagra and Suha run of river hydro projects resulting in fixed asset impairment losses totaling \$3,269,905 (Zagra: \$1,959,319 and Suha \$1,310,586).

## SUMMARY OF FINANCIAL POSITION

Summarized selected consolidated financial information with respect to the Trust for all of the completed quarters since inception is as follows:

<u>As at</u>	<b>Dec. 31, 2015</b>	<b>Sept. 30, 2015</b>	<b>Jun. 30, 2015</b>	<b>Mar.31, 2015</b>	<b>Dec. 31, 2014</b>	<b>Sept. 30, 2014</b>	<b>Jun. 30, 2014</b>	<b>Feb. 4, 2014</b>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total Current Assets	4,510,564	3,767,555	6,311,601	876,398	744,153	927,897	1,740,548	15
Total Current Liabilities	12,514,396	6,729,204	9,407,860	3,939,402	3,154,602	2,465,435	2,908,111	-
Working Capital (deficit)	(8,003,832)	(2,961,649)	(3,096,259)	(3,063,004)	(2,410,449)	(1,537,538)	(1,167,563)	15
Total Assets	60,354,282	63,070,166	23,101,099	17,659,335	17,883,869	18,478,048	20,487,464	15
Total Liabilities	52,540,929	53,005,397	22,133,643	15,284,870	13,226,534	13,347,634	14,104,836	-
Trust capital	25,769,159	21,961,903	967,456	9,715,978	9,539,427	9,306,079	9,234,523	15
Deficit	18,078,132	12,983,097	8,720,742	6,085,889	3,765,906	3,351,356	2,675,940	-

<b>As at</b>	<b>Dec. 31, 2015</b>	<b>Sept. 30, 2015</b>	<b>Jun. 30, 2015</b>	<b>Mar.31, 2015</b>	<b>Dec. 31, 2014</b>	<b>Sept. 30, 2014</b>	<b>Jun. 30, 2014</b>	<b>Feb. 4, 2014</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Unitholders Equity	7,813,353	10,064,769	967,456	2,374,465	4,657,335	5,130,414	6,382,628	15
Total Liabilities and Equity	60,354,282	63,070,166	23,101,099	17,659,335	17,883,869	18,478,048	20,487,464	15

The changes in the working capital and financial position from December 31, 2014 to December 31, 2015 are the result of:

- the addition of \$1,465,505 to cash, related mainly to financing efforts in 2015
- \$2,076,528 increase in accounts receivable related to significant receivables created by the Solar Projects acquired during the year;
- increased accounts payable from \$853,476 at December 31, 2014 to \$3,560,082 at December 31, 2015 related to significant receivables created by the Solar Projects acquired during the year;
- prepaid assets increasing from \$44,415 at December 31, 2014 to \$177,453 at December 31, 2015 primarily relating to marketing and insurance prepayments in 2015;
- the current portion of capital leases on the Solar Projects of \$2,273,473 being recorded in current liabilities in 2015;
- In 2015, the Trust identified indicators of impairment at our Zagra and Suha run of river hydro projects resulting in fixed asset impairment losses totaling \$3,269,905 (Zagra: \$1,959,319 and Suha \$1,310,586);
- an increase in distributions payable to \$659,892 at December 31, 2015, compared with \$250,816 at December 31, 2014, as a result of the issuances additional units over the course of the year;
- the Trust having \$2,246,266 in restricted cash related to the debt service reserve accounts required by the Solar Projects;
- deferred GCs having increased to \$4,738,734 at December 31, 2015, from \$137,703 at December 31, 2014, mainly as a result of additional deferred GCs being produced by the acquired Solar Projects from the date of acquisition to December 31, 2015 and due to the accumulation of deferred GCs earned by Rott;
- the Trust restructuring its balance sheet with the issuance of the \$5,000,000 Spratt Debt Facility (as defined below) (net of issuance fees), capital leases of \$27,194,365, the issuance of warrants with an estimated fair value of \$879,265 and the issuance of another \$2,000,000 principal amount of Debentures in 2015; and
- fair value adjustments on the Units issuable under milestone unit agreements of \$535,307 for the year ended December 31, 2015 and a corresponding increase in milestone unit liabilities.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Trust's objectives when managing capital are primarily to support the creation of unitholder value while to ensuring that the Trust is able to meet its financial obligations as they become due.

### **Financial Condition**

The following table summarizes the cash inflows and outflows by activity for the periods indicated:

	Three months ended		Years ended	
	Dec. 31, 2015 \$	Dec. 31, 2014 \$	Dec. 31, 2015 \$	Dec. 31, 2014 \$
Cash generated by (used in)				
Operating activities	(2,425,667)	(885,335)	(4,743,292)	(2,444,395)
Financing activities	(195,779)	667,030	7,894,860	19,675,593
Investing activities	3,491,381	144,852	(2,146,465)	(16,993,535)
Net increase (decrease) in cash and cash equivalents at end of period	1,465,505	(363,157)	1,465,505	245,551
	1,711,071	245,566	1,711,071	245,566

	Dec. 31, 2015 \$	Dec. 31, 2014 \$
Current Assets	4,510,564	744,153
Current Liabilities	12,514,396	3,284,255
Working Capital	(8,003,832)	(2,540,102)

Cash flows from operations are generally impacted by hydrology levels, hours of sunlight as well as the operational capability of the Projects. The Hydro Projects are now fully operational with optimized SCADA systems in place, with the exception Zagra 3 which is expected to be operational later in 2016. Going forward, the revenues of the Hydro Projects and the Solar Projects are expected to generate pre-tax profits by exceeding projected raw materials and consumables used and general and administrative expenses including interest payable on intercompany debt.

Investing cash flows for the year ended December 31, 2015 include \$2,092,206 (net) spent on the acquisition of the Solar Projects. The investing cash flows for the period from May 28, 2015 to December 31, 2014 include \$16,842,087 in acquisition costs for the Hydro Projects.

Financing cash flows for the year ended December 31, 2015 include \$5,673,827 from the issuance of Units and net inflows of \$4,711,577 from the debt facility offset by capital lease payments of \$1,174,287, and the repayment of the note payable and VTB loan.

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

	2016	2017	2018	2019	2020+
Debt Facility	500,000	5,291,667	-	-	-
Convertible Debentures	1,032,225	1,032,225	1,032,225	14,279,113	-
Capital Leases	4,553,028	4,722,974	4,730,307	4,730,307	18,132,917
<b>Total</b>	<b>6,085,253</b>	<b>11,046,866</b>	<b>5,762,532</b>	<b>19,009,420</b>	<b>18,132,917</b>

## OFF-BALANCE SHEET ARRANGEMENTS

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

## COMMITMENTS

As at the date of this report, the Trust has \$66,925,997 of contractual obligations owing as follows:

Contractual Obligations in CAD	Payments due by period				
	Total	less than 1 year	1-3 years	3-5 years	After 5 years
Debt Facility	5,791,667	500,000	5,291,667		
Capital leases	36,869,623	4,545,657	9,509,970	9,509,970	13,304,027
Debenture Payable	16,859,675	1,032,225	15,827,450		
Legal and professional contracts	356,924	80,165	147,160	129,600	-
VTB and acquisition payments	760,973	760,973			
River and water leases	966,256	48,313	96,626	96,626	724,692
Office leases	289,801	76,869	153,738	59,194	-
Maintenance contracts	4,142,472	462,347	809,835	762,974	2,107,317
Phone and internet contracts	255,257	51,051	102,103	102,103	-
Vehicle leases	343,548	68,710	137,419	137,419	-
Office leases	289,801	76,869	153,738	59,194	-
<b>Totals</b>	<b>66,925,997</b>	<b>7,703,178</b>	<b>32,229,704</b>	<b>10,857,079</b>	<b>16,136,036</b>

## **PROPOSED TRANSACTIONS**

Subsequent to December 31, 2015, the Trust signed letters of intent (“LOI’s”) for the acquisition of: (i) the 17 MW operational New Wind Project located in Romania that has been in operation since 2012, has an off-take agreement in place, and generates approximately 45,000 MWh of electricity annually; and (ii) the three operational Hydro Projects totaling 3.65 MW located in Romania that have over 20 years of operating history, were refurbished in 2012 and 2014, have an offtake agreement in place and generate approximately 10,000 MWh of electricity annually. The Trust also signed a LOI to obtain a \$10 million secured debt and royalty facility (the “New Debt Facility”) with a three year term, subject to a one year extension at the option of the Trust under certain conditions. Interest is payable on the Facility at a rate of 5% per annum, compounding semi-annually. The Trust plans to use the net proceeds from the Facility to repay existing secured indebtedness at both the Trust and Romanian subsidiary levels, to facilitate the purchase of the New Wind Project and New Hydro Projects and for working capital.

## **COMPLETED TRANSACTIONS**

### *Private Placement Financing*

On April 5, 2016, the Trust closed a private placement for net proceeds of \$810,000 and issued 1,156,043 Units and 1,156,043 Unit purchase warrants (a “Purchase Warrant”). Each Purchase Warrant entitles the holder thereof to acquire one Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Unit, subject to certain acceleration provisions. In connection with the closing of this first tranche of the Private Placement, Transeastern issued non-transferable broker warrants to purchase up to 68,118 Units containing the same terms as the Purchase Warrants, with the exception of the exercise price which is \$1.20 per Unit.

### *Acquisition of Mediterranean Resources*

Mediterranean and Transeastern entered into an arrangement agreement dated August 27, 2015 (the “Arrangement Agreement”), whereby Transeastern, through a subsidiary, acquired all of the outstanding shares of Mediterranean from the shareholders of Mediterranean (the “Mediterranean Shareholders”). Pursuant to the terms of the Arrangement Agreement, holders of Mediterranean shares received 4,156,812 trust units and 4,156,812 transferable purchase warrants, with each whole warrant (each, a “Transeastern Warrant”) enabling the holder thereof to acquire one whole Transeastern Unit at a price of \$1.00 per Transeastern Unit for a period of 36 months commencing on the date of issuance of the Transeastern Units, subject to certain acceleration provisions.

The Arrangement Agreement closed on October 28, 2015 on approval by the Mediterranean Shareholders, the Exchange and the Supreme Court of British Columbia. As a result of the Transaction, Transeastern has issued a total of 4,156,812 Transeastern Units and the same number of Transeastern Warrants.

### *Acquisition of Solar Projects and Financing*

On June 23, 2015, the Trust closed the main tranche of its subscription receipt financing at a price of \$1.00 per subscription receipt, each exercisable for one Unit and one purchase warrant (a “Warrant”). As a result of the satisfaction of applicable escrow release conditions by the Trust, on July 24, 2015, the subscription receipts each automatically converted into one Unit and one Warrant for no additional consideration and the funds were released from escrow to the Trust and used to fund the cash portion of the purchase price for the acquisition of the Solar Projects. A total of 6,200,194 Units and 5,995,194 Warrants were issued

pursuant to these equity financings and a total of 6,812,070 Units were issued to the vendors of the Solar Projects as partial consideration of the purchase price of the Solar Projects.

On July 24, 2015, the Netherlands Subsidiaries acquired 100% of the shares of Corabia and Power LIVE for a total purchase price (net of assumed debt) of approximately €9.0 million (\$12.7 million) payable by way of approximately €4.17 million (\$5.88 million) in cash and the remainder through the issuance of Units. The Solar Project plants 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.

Prior to the completion of the above-noted acquisitions, the Solar Projects entered into five year energy offtake and balancing agreements with an affiliate of the vendor of the Solar Projects. The agreements provide for an equivalent net value to Transeastern of €38.55 per MWh produced. The offtake agreements provide for the sale of all GCs produced for the next two years and also include a long-term, 12 year agreement for the sale of a minimum of 800,000 GCs and a maximum of 1,300,000 GCs. These amounts are currently estimated to represent a full offtake of the GCs expected to be produced by both Power LIVE and Corabia over the life of their GC accreditation.

Also on July 24, 2015, Transeastern also closed a debt facility (the “Sprott Debt Facility”) with Sprott Resource Lending Partnership (“Sprott”). The Sprott Debt Facility is a \$5,000,000 facility accruing interest at a rate of 10% per annum, compounded monthly. It has a two year term 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. In conjunction with fees owing, the Trust issued 392,157 Units as directed by the lender as a bonus payment. It also settled outstanding secured debts by issuing \$2,000,000 principal amount of Debentures and the payment of €600,000.

## **RELATED PARTY TRANSACTIONS**

Apart from the transactions disclosed elsewhere in the audited 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, 2015, the Trust expensed \$723,413 (2014 - \$436,938) of salaries and benefits to the officers of the Trust in addition to \$105,000 (2014 - \$44,383) in directors’ fees.

As at December 31, 2015, the Trust has amounts payable of \$233,855 (2014 - \$81,213) to related parties consisting of advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust by the Executive Chairman and the CEO. These advances are non-interest bearing and due on demand.

## **NEW ACCOUNTING PRONOUNCEMENTS**

A number of new standards and amendments to existing standards are not yet effective for the year ended December 31, 2015, 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. Transeastern does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.
  - 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.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the year.

Judgments, estimates and assumptions are periodically evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas of judgment, estimate and assumptions that have the most significant effect on the amounts recognized in the financial statements are as follows:

### **Fair Value of Long Lived Assets and Impairment Assessments**

The Trust completed two acquisitions in 2015 and assessed the Trust's acquired assets and liabilities in order to determine the fair value of the assets acquired and post-acquisition whether an impairment might exist in the carrying values of the acquired companies. Assessing the fair value requires assumptions regarding forecasted prices of power, GC allotments, exchange rates, production costs and hydrology, cost of future maintenance and capital expenditures and discounting. Changes in any of the assumptions or estimates used in determining the fair values could impact the carrying values and require impairment analysis.

The Trust performs impairment assessments over the course of the reporting period as and when there are significant changes in circumstances or, at a minimum, annually. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. The determination of the recoverable amount requires the use of fair value estimates and assumptions as noted above.

The Trust is also required to revalue certain financial instruments, including convertible debentures and warrants at each reporting period end. Assessing the fair value requires assumptions regarding Unit and

Debenture pricing, risk free interest rates and volatility. Changes in any of the assumptions or estimates used in determining the fair values could impact the carrying values of these financial instruments.

## **CAPITAL MANAGEMENT**

The Trust manages its capital with the objective of ensuring sufficient financial flexibility to achieve the ongoing business objectives including funding unitholder distributions, improving and maintaining the operation of Trust assets and the pursuit of accretive acquisitions.

The Trust monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Trust may manage its capital structure by issuing new Units, taking on debt, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis.

To date, the Trust has been dependent on external financing to fund its activities. In order to continue to achieve its capital objectives, the Trust will attempt to spend/invest its existing working capital and raise additional amounts as needed.

The Trust considers its capital to be equity, comprising all aspects of unitholder equity, plus convertible debentures and notes payable.

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

## **NON-GAAP MEASURES**

The Trust has included adjusted net loss and operating margin as non-IFRS performance measures in this MD&A.

Adjusted net loss excludes certain non-cash items from net loss to provide a measure which allows the Trust and investors to evaluate the results of the underlying operations of the Trust. Operating margin is calculated by deducting cost of sales from revenues. Accordingly, these are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented in other companies.

### **Reconciliation of adjusted net loss:**

	<b>Period Ended</b>	
	<b>2015</b>	<b>2014</b>
Net Loss	12,561,790	3,178,997
Fair value loss (gain) on debentures	976,300	(2,352,600)
Settlement charges	1,248,019	-
Impairment charge	3,269,905	-
Premium paid on Mediterranean	1,097,779	-
Interest and financing	2,281,796	648,061

Milestone	535,307	531,879
<b>Adjusted net loss</b>	<b>3,152,684</b>	<b>4,351,657</b>

**Reconciliation of operating margin:**

	Dec.31, 2015	Dec. <sup>(1)</sup> 31, 2014
	\$	\$
Total revenue	3,490,229	398,340
Less:		
Operating Costs	2,040,280	676,986
Operating margin	1,449,949	278,646
Less:		
Depreciation	1,765,481	444,897
Total operating expenses (net of direct operating expenses and depreciation)	315,532	723,543
Other expenses and taxes	12,877,322	3,902,540
Loss for the period	12,561,790	3,178,997

**Note:**

<sup>(1)</sup> Period from May 28, 2014 to December 31, 2014

**SUMMARY OF OUTSTANDING SECURITIES**

The authorized capital of the Trust consists of an unlimited number of Units, of which 32,384,682 Units are issued and outstanding as of the date of this MD&A.

Included in this amount are the private placement on April 5, 2016 where the Trust issued 1,156,043 Units and 1,156,043 Purchase Warrants.

Additionally, the Trust issued 487,018 Units in April to DRIP participants in connection with the first quarter distribution.

The Trust issued 10,152,006 Warrants in connection with the exercise of the subscription receipts on July 24, 2015, and 4,156,812 Transeastern Warrants in connection with the acquisition of Mediterranean on October 28. Broker warrants to acquire 262,442 Units were issued in connection with the subscription receipt financing with each broker warrant having the same terms and conditions as the Warrants. Broker warrants to acquire 68,118 Units were issued in connection with the private placement on April 5, 2016 containing the same terms as the Purchase Warrants, with the exception of the exercise price which is \$1.20 per Unit.

The Trust also has a total of \$13,763,000 principal amount of Debentures outstanding convertible into 11,010,400 Units and has issued 225,000 restricted trust units (“RTUs”) under the Trust’s RTU plan. Further, up to 3,000,000 Units are issuable pursuant to existing milestone unit agreements the Trust in the event that the Trust achieves certain milestones over the periods covering any one of (i) the first full 12 fiscal quarters; (ii) the first 16 fiscal quarters; or (iii) the first 20 fiscal quarters after March 31, 2014.

Assuming the exercise or conversion of all of the Trust’s outstanding convertible securities, an aggregate of 62,671,353 Units would be issued and outstanding on a fully diluted basis.

## KEY FACTORS AFFECTING THE TRUST'S BUSINESS

### *Licensing and Accreditation*

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

### *The Romanian Green Certificate Program*

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

Depending on the source of energy they use, producers receive a different number of GCs. The list of eligible technologies includes wind, solar and biomass generation, as well as hydroelectric plants with a capacity less than or equal to 10 MW, commissioned or modernized from 2004 onwards. All of the Projects meet these criteria. Producers using different technologies receive a different number of GCs per MWh of renewable electricity generation. For most producers (including Corabia, Power LIVE, Rott and Zagra), the GC system is available for the first 15 years of operation from the date that the plant receives accreditation (approval into the GC program once a plant is operational). For others, including Suha which consists of refurbished plants, it is available for 10 years. The incentive scheme will close to new entrants on December 31, 2016 and accreditation into the program is no longer possible after this date. A GC is valid for 12 months from the date of issuance (or the day it is no longer suspended for trading) and need not be utilized in the calendar year in which it was issued.

GCs must be purchased by the energy suppliers from the producers of energy to whom they are issued, or parties to whom such producers have transferred such GCs, according to the expected value for renewable energy calculated by ANRE annually (the "Procurement Quota"). The Procurement Quota is established by ANRE on an annual basis in December of each year using calculation methodology set by law which takes into account forecasted information including percentage of gross energy consumption to come from renewable generation, the associated Banding level and the estimated final electricity consumption. There is a defined maximum amount of renewable electricity that can be derived from the GC system.

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

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

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

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

In the summer of 2013, the Romanian government issued a law which, among other items, restricted the ability to trade specific numbers of GCs for the period between July 1, 2013 and March 31, 2017. With respect to energy produced by hydroelectric plants, this law restricts the trading of one of the three GCs issued for each MWh produced by new hydroelectric plants with installed power up to a maximum of 10 MW with the parameters set out in the table below. With respect to energy produced by solar plants, this law restricts the trading of two of the six GCs issued for each MWh produced by solar plants with the parameters set out in the table below.

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

**Notes:**

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

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

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

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

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

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

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

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

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

### *Competitive Conditions*

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

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

### *Seasonality*

#### Hydro Projects

Run-of-river power plants typically have a weir or diversion structure across the width of the river. This weir contains an intake structure, often consisting of a trash rack, an intake screen, and de-sanding elements to conduct the water into the penstock. These installations have a small reservoir behind the diversion to keep the intake flooded and reduce icing problems.

The output of a run-of-river hydroelectric plant is generally dependent on the watershed or drainage basin that feeds the particular river where the project is located. Apart from the constant flows of the river and constant runoff from variable annual precipitation, the spring snow melt and seasonal precipitation create periods of high flow, while flows generally diminish during the winter and summer dry seasons. A run-of-river power plant has little or no capacity for energy storage and therefore periods of low flow create periods of low electricity production.

In order to mitigate Transeastern's dependence on one watershed or one predominant weather system or micro climate, Transeastern chose to acquire the Hydro Projects on different water basins and on different sides of the mountain range. In Romania run-of-river hydro projects are generally located on the Carpathian Mountains. This range stretches across Romania like a horseshoe and because of this shape there are distinct weather systems that come from the south, north and west that push up against the mountains and deposit precipitation. The Hydro Projects are located in two regions which are geographically close to each other but are located on different areas or slopes of the mountains. Although the Hydro Projects will all be influenced by the same regional climate, all the projects will be influenced by different micro climates as they sit on different regions and aspects in the greater Carpathian Mountain range. Although Transeastern plans to mitigate hydrology risk further through additional future acquisitions, the Hydro Projects give Transeastern some diversity by mitigating the hydrology risk that would exist for assets located in one weather system.

Generally, production will reach a peak after the gradual meltdown of snow that has accumulated on the mountains. This is usually called “spring melt” or “runoff”. Additionally, the Hydro Projects are located in areas with good rainfall conditions, which add extra flow to the rivers to keep the power plants operational through the year.

Peak consolidated power production by the Hydro Projects is generally expected to occur during the second quarter of the year, with the monthly peak occurring in May.

As Transeastern diversifies its holdings through future acquisitions (including the New Wind Project and New Hydro Projects, monthly production is expected to become less variable through adding wind generation to the portfolio as well as more diversity in the location of the new Hydro Projects.

### Solar Projects

The acquisition of the Solar Projects decreased monthly variability in overall production as solar generation peaks during the summer months when run of river production is low due to hydrology. The output of a solar project is generally dependent on the amount of sunlight feeding into the solar cells. The peak period for sunlight runs from April to October and is highly correlated to the number of hours of sunlight in a day. A solar park has little or no capacity for energy storage and therefore periods of low sunlight create lower electricity production.

Peak consolidated power production by the Solar Projects is generally expected to occur during the third quarter of the year, with the monthly peak occurring in July.

### *Environmental Protection*

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

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

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

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

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

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

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

#### *Specialized Skills and Knowledge*

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

#### *Inflation and Foreign Exchange*

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

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

The Trust, on the other hand, raises capital and pays interest and principal on the Debentures and any distributions to unitholders in Canadian dollars. The Trust also expects to raise funds primarily from the sale of offered securities in Canadian dollars and invest indirectly through its subsidiaries in Romanian assets, using Euros and RON. Thus, when the Canadian dollar increases in value against the Euro and/or the RON, the Trust's indirect investments in Romanian assets will be less expensive; however, the value of distributions received by the Trust directly or indirectly from subsidiaries will also be reduced. When the Canadian dollar decreases in value against the Euro and/or RON, the cost of the Trust's indirect investments in Romanian assets will be more expensive. However, the value of distributions received by the Trust directly or indirectly from the subsidiaries will increase.

The Trust may in the future utilize derivative instruments in order to manage exposures to changes in foreign currency rates and to mitigate the currency risk impact on the long-term sustainability of distributions to unitholders and payments to holders of Debentures. The Trust may also change its offering currency or pursue other measures to mitigate its currency risk exposure.

## **RISKS AND UNCERTAINTIES**

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

The following list details existing and potential material risks to the business of the Trust. The risks described below are not listed in any particular order and are not exhaustive. Additional risks and uncertainties not currently known to the Trust, or those that it currently deems to be immaterial, may become material and adversely affect the Trust's business.

## **Risk Factors**

### ***Risks Relating to Solar and Hydro Power Production***

*Transeastern may be adversely affected if its assessment of sun resources and associated energy production proves incorrect.*

The strength and consistency of the sun resources at the Solar Projects may vary from what Transeastern anticipates. Energy production estimates of Transeastern are based on assumptions and factors that are inherently uncertain, which may result in actual energy production being different from the estimates of Transeastern, including (i) the extent to which historical data accurately reflects the strength and consistency of the sun in the future; (ii) the strength of the correlation between the site-specific sun data and the longer-term regional data; (iii) the potential impact of climatic factors; (iv) the accuracy of assumptions on a variety of factors, including but not limited to weather, icing and soiling of solar panels and site access; (v) the potential impact of topographical variations and local conditions; (vi) the inherent uncertainty associated with the specific methodologies and related models, in particular future-orientated models, used to project sun resources; and (vii) the potential for electricity losses to occur before delivery.

*The Solar Projects are Transeastern's introduction to solar power facility operation.*

The Solar Projects represent Transeastern's first operational experience with solar power projects. For the foreseeable future, Renovatio Asset Management will provide all operations and maintenance services required for the Solar Projects. The Trust had not worked with this company prior to the acquisitions and there is a risk that project management services may not be provided to a level expected by Transeastern. The Solar Projects may possibly not operate as planned and such performance issues could have an adverse impact on Transeastern's results.

*Transeastern may be adversely affected if its supply of water is materially reduced.*

Run-of-river hydroelectric generation facilities require continuous water flow for their operation. Shifts in weather or climate patterns, seasonal precipitation, the timing and rate of melting, run off, and other factors beyond the control of Transeastern, may reduce the water flow to Transeastern's facilities. Any material reduction in the water flow to Transeastern's facilities beyond ordinary seasonal variance would limit Transeastern's ability to produce and market electricity from these facilities and also the number of GCs the Hydro Projects will receive and could have a material adverse effect on Transeastern. There is an increasing level of regulation respecting the use, treatment and discharge of water, and respecting the licensing of water rights in jurisdictions where Transeastern operates. Any such change in regulations could have a material adverse effect on Transeastern.

*The Projects are required to be licensed in each region in which they operate. The denial of a renewal license or revocation of an existing license may impact Transeastern's financial results and have a material adverse effect on Transeastern.*

For the operation of renewable power plants in Romania, an energy production license must be obtained from ANRE for the commercial exploitation of energy plants. In order to benefit from the legal regime

created for producers of renewable electricity, after the issuance of the production license, the Projects have to obtain from ANRE the accreditation of the plant for the application of the GC system.

If a Project is denied a license, has a license revoked or is not granted renewal of a license, such Project may not be permitted to produce electricity, in which case such Project will have no revenue and receive no GCs, in which case the financial results of Transeastern may be negatively impacted and may have a material adverse effect on Transeastern.

In particular, the hydroelectric facilities owned by Rott are subject to lease agreements with the Romanian Waters Agency for the right to use the river bed and subscription agreements for the right to use the water resources. Under Romanian law, both such lease agreements and subscription agreements must be concluded only pursuant to a public awarding procedure, following the tender procedure for the lease of assets administrated by the Romanian Waters Agency. However, the procedures followed by the Romanian Waters Agency when these agreements were granted to the Hydro Project did not follow this tender procedure. Third parties may request the annulment of such an agreement provided that they prove that they have been adversely affected by the grant of the agreement. As a result, there is a risk that such agreements could be annulled as a consequence of failure to comply with the aforementioned legal provisions, in which case the revenues of Transeastern and the ability of Transeastern to make payments on the Debentures and distributions on the Units could be materially adversely impacted. Management and its Romanian counsel believe that the practice of the Romanian Waters Agency not to follow the legal public awarding procedure in the past was not uncommon and therefore consider such risk as low.

Certain of the lease and subscription agreements contain clauses which allow the regulating body the option to require the decommissioning of a plant upon the expiry or termination of the agreements. Other plants have no specific obligations other than to maintain the plant in good working order. The Hydro Projects have an option to renew or extend their existing lease agreements and anticipate being in a position to extend their subscription agreements and continue to operate their facilities. Based on historical general practice within the Hydro Projects' regions, Transeastern and its Romanian counsel have assessed the probability of being required to decommission a plant upon the expiry of such agreements to be remote.

*The operation and maintenance of Transeastern's facilities involve risks that may materially and adversely affect Transeastern's business.*

The revenue generated by the Projects' power generation facilities is dependent on the amount of electricity generated by them. The ability of the Projects' power generation facilities to generate power is a primary determinant in the quantum of revenue that will be received by Transeastern. A number of different factors, including: changes in water flows, changes in solar resources due to weather patterns, equipment failure due to wear and tear, latent defect, design error, operator error, slow response to outages due to underperforming monitoring systems, and vandalism or theft could adversely affect the amount of power produced, and thus the revenues and, ultimately, the cash available for distribution to unitholders. Unplanned outages or prolonged downtime for maintenance and repair typically increase operation and maintenance expenses and reduce revenues as a result of selling less electricity and receiving fewer GCs. Although the Projects' generation facilities that have commenced operations have generally operated without unplanned outages or prolonged downtime for maintenance and repairs, there can be no assurance that they will continue to do so. To the extent that a plant's equipment requires longer than forecasted down times for maintenance and repair, or suffers disruptions of power generation for other reasons, Transeastern's business, operating results, financial condition or prospects could be adversely affected. In addition, many of Transeastern's generation facilities are located in remote areas which may make access for repair of damage difficult and result in a material delay to the resumption of operations.

There can be no assurance that Transeastern's maintenance program will be able to detect potential failures in its facilities prior to occurrence or eliminate all adverse consequences in the event of failure. In addition, weather related interference, work stoppages and other unforeseen problems may disrupt the operation and maintenance of Transeastern's facilities and may materially and adversely affect Transeastern.

While Transeastern may maintain an inventory of, or otherwise make arrangements to obtain, spare parts to replace critical equipment and maintain insurance for property damage to protect against certain operating risks, these protections may not be adequate to cover lost revenues or increased expenses and contractual penalties which could result if Transeastern is unable to operate its generation facilities at anticipated levels of production.

*A significant increase in water rental costs or requirements could result in a material adverse effect.*

Transeastern is required to make rental payments for water rights and comply with other specific requirements imposed by the Romanian Waters Agency, which are subject to changes from time to time. Significant increases in water rental costs in the future or changes in the way that governmental authorities in the jurisdictions in which Transeastern's hydroelectric assets are located regulate water supply could have a material adverse effect on Transeastern's business, operating results, financial condition or prospects.

*A significant change in the policy for dispatching units could result in a material adverse effect.*

The revenue generated by the Projects' power generation facilities is dependent on the amount of electricity generated by them. The Solar Projects are registered as dispatchable generation units. This translates in the capacity of the Transmission System Operator to control and/or limit the maximum hourly output of a dispatched project depending on the national Electrical Grid status, hourly energy production, hourly energy consumption, grid stability and any other related factors. Significant reduction of the hourly output of the Solar Projects could have a material adverse effect on Transeastern's business, operating results, financial condition or prospects.

### ***Risks Relating to the Electricity, Foreign Currency, GCs and Other Markets***

*Transeastern's revenues will be adversely affected by a decrease in the market price of electricity.*

The power produced by the Projects is not, at this point, subject to long-term fixed-price contracts. If the prevailing price of power on the markets in which the Projects participate decreases, it is possible that the price received by the Projects for power may be reduced significantly. The price for the power produced by the Projects could be affected by a number of different factors including but not limited to, levels of economic activity, legislative or other regulatory changes (by Romania or the EU), changes in prices of oil, natural gas or other energy sources within the EU or globally, changing local weather patterns and global economic changes and political unrest in regions proximate to Romania. Decreases in market prices for electricity could negatively impact Transeastern's revenues and results of operations, which could reduce the level of distributions paid by Transeastern, prevent Transeastern from making distributions on its Units and/or negatively affect Transeastern's ability to make interest or principal payments on the Debentures. It is possible that future bilateral contracts or power prices may not be available at a price that provides for the level of profitability currently forecast by Transeastern.

*Transeastern's revenues will be adversely affected by a reduction in the market price of GCs.*

The revenue from the sale of GCs by the Projects is expected to represent a substantial portion of Transeastern's future revenues. The sale of GCs is not, at this point, subject to long-term fixed-price

contracts. Transeastern's current financial model on which the projections regarding Transeastern's ability to make payments on the Debentures and distributions on the Units are based, assumes GC prices will stay within current banding levels. The Romanian government has made changes to the GC legislation over the past number of years. If the prices of GCs continue to decline, Transeastern's revenues and results of operations will be negatively impacted. While GC prices currently appear to be stable for the Projects, there can be no assurance that current legislative policies will not change. Legislative changes by the EU, Romania or other European countries, changes in residential or industrial electricity demand, innovation of new electricity generation technologies, changes in EU, Romanian or other European countries' renewable incentive programs or other factors, could impact the demand for GCs, the market for GCs and also impact the pricing of GCs. Changes to the price of GCs could result in Transeastern being unable to achieve the level of profitability and cash flow currently forecast, and adversely affect Transeastern's ability to pay distributions on the Units and make interest or principal payments on the Debentures.

*The value of the Canadian dollar against the Euro and the Romanian Lei will affect Transeastern's results and distributions.*

All of the initial operating assets of Transeastern are located in Romania with revenues received in RON or Euros. Intercompany interest and principal payments will be in Euros. Transeastern, on the other hand, raises capital and pays interest and principal on the Debentures and any distributions to unitholders in Canadian dollars. Transeastern also raises funds primarily from the sale of Units in Canadian dollars and invests indirectly through its subsidiaries in Romanian assets, using Euros and RON. Thus, when the Canadian dollar increases in value against the Euro and/or the RON, Transeastern's indirect investments in Romanian assets will be less expensive; however, the value of distributions received by Transeastern directly or indirectly from the subsidiaries will also be reduced. When the Canadian dollar decreases in value against the Euro and/or RON, the cost of Transeastern's indirect investments in Romanian assets will be more expensive. However, the value of distributions received by Transeastern directly or indirectly from the subsidiaries will increase.

Transeastern subsidiaries may in the future utilize derivative instruments in order to manage exposures to changes in foreign currency rates and to mitigate the currency risk impact on the long-term sustainability of distributions to unitholders and payments to holders of Debentures. Derivative instruments are generally transacted over-the counter. The inability or failure of Transeastern or its subsidiaries to manage and monitor foreign currency exchange risks could have a material adverse effect on the results of operations and cash flow of Transeastern and on distributions on and the value of the Units.

*Transeastern may suffer economic losses where market risk management policies and programs do not work as planned.*

Transeastern's risk management programs may not work as planned. For example, actual prices for GCs and for electricity may be significantly different or more volatile than the historical trends and assumptions upon which Transeastern based its risk management calculations. In addition, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting the Projects' ability to enter into new acquisition transactions or renew existing arrangements on favourable pricing terms.

*The global economy continues to exhibit unprecedented volatility and uncertainty and unforeseen events may negatively impact Transeastern's financial condition.*

Market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, caused significant volatility to commodity prices over the last few years. These conditions have resulted in a loss of confidence in the European and global credit and financial markets, resulting in the collapse of, and government intervention in, major

banks, financial institutions and insurers, and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted public entity valuations and continue to impact the performance of the global economy going forward. Political unrest may also have a negative impact on market conditions.

If the economic or political climate in Romania, the European Union regions near to Romania or the world generally deteriorate, demand for energy products could diminish further, the value of the RON and/or Euro could diminish leading to decreased prices for electricity and GCs and actual prices for electricity and GCs could decrease, which could adversely impact Transeastern's results of operations, liquidity and financial condition.

### ***Risks Relating to the Power Generation Industry***

*Revenues and results from operations are expected to fluctuate on a seasonal and quarterly basis as a result of demand for electricity and the Projects' ability to produce energy.*

Transeastern's revenues and the results of operations of Transeastern may fluctuate significantly on a seasonal basis as a result of the hydrology associated to its generation facilities. Demand for electricity typically peaks in winter and summer months.

Due to spring run-off, spring is peak power production time for the Hydro Projects. Due to the amount of sunlight feeding into solar cells, summer to early fall is expected to be the peak period for the Solar Projects. Additionally, solar parks have little or no capacity for energy storage and therefore periods of low sunlight create lower electricity production.

The impact of this seasonality may be exaggerated as a result of extreme weather conditions, resulting in variances in electricity demand and pricing. Depending on prevailing market prices for electricity, these and other unexpected circumstances may reduce revenues and results of operations. Fluctuations in revenues and results from operations will directly affect the amount of cash available to Transeastern for distribution to unitholders and payment of principal and interest obligations to Debenture holders. Distributions to unitholders may be reduced, or even eliminated, at times of the year where revenues and results from operations are not sufficient to support a distribution.

*Transeastern's facilities and operations are exposed to effects of natural disasters and other catastrophic events outside of Transeastern's control and such events could result in a material adverse effect.*

Transeastern's facilities and operations are exposed to potential interruption and damage, partial or full loss, resulting from environmental disasters (e.g., floods, high winds, fires and earthquakes), major accident or incident and the like. There can be no assurance that in the event of an earthquake, hurricane, tornado, terrorist attack, act of war or other natural, manmade or technical catastrophe, all or some parts of Transeastern's generation facilities and infrastructure systems (including but not limited to connection points and transmission lines) will not be disrupted. The occurrence of a significant event which disrupts the ability of Transeastern's power generation facilities to produce or sell power for an extended period could have a material adverse effect on the business of Transeastern. In addition, many of Transeastern's generation facilities are located in remote areas which may make access for repair of damage difficult and result in a material delay to the resumption of operations.

*The power generation industry has certain inherent risks related to worker health and safety and the environment that could cause Transeastern to suffer unanticipated expenditures or to incur fines, penalties or other adverse consequences material to its business and operations.*

The ownership and operation of Transeastern's power generation facilities carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes thereto) and the requirements of licenses, permits and other approvals required to carry on Trust's business will remain material to Transeastern's business. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant adverse impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

*Unexpected changes in the cost of maintenance or in the durability and replacement cost of components for Transeastern's facilities may adversely affect its results of operations.*

Unexpected increases in Transeastern's cost structure that are beyond the control of Transeastern could materially adversely impact its financial performance. Examples of such costs include, but are not limited to: unexpected increases in the cost of procuring materials and services required for maintenance activities, and unexpected replacement or repair costs associated with equipment underperformance or lower-than-anticipated durability.

*Transeastern's communications and monitoring technology and operating systems may experience interruptions or breaches in security which could lead to increased operating costs and other liabilities.*

Transeastern expects to rely on technology, mainly on computer, telephone, satellite, cellular and related networks and infrastructure, to conduct its business and monitor the production of its plants. These systems and infrastructure could be vulnerable to unforeseen problems, including, but not limited to vandalism and theft. Transeastern's operations are dependent upon its ability to protect its operating technology against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in operations could have an adverse effect on its customers. Additionally, Transeastern must be able to protect its plants against physical damage, security breaches and service disruption from any of a variety of causes. Theft, vandalism, and other disruptions could jeopardize the security of information stored in and transmitted through Transeastern's systems and network infrastructure, and could result in significant setbacks, potential liabilities, and deter future customers. While Transeastern has backup systems, policies, hardware, practices, and procedures designed to prevent or limit the effect of the failure, interruptions or security breaches of its plants and their infrastructure, there can be no assurance that these measures will be sufficient and that such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed in a timely manner.

*Transeastern is not able to insure against all potential risks and may become subject to higher insurance premiums.*

Transeastern's business is exposed to the risks inherent in the operation of electricity generation facilities, such as breakdowns, manufacturing defects, natural disasters, theft, terrorist attacks and sabotage. Transeastern maintains insurance policies, covering usual and customary risks associated with its business,

with credit-worthy insurance carriers. Transeastern's insurance policies, however, do not cover losses as a result of force majeure, natural disasters, terrorist attacks or sabotage, among other things. Transeastern's insurance policies are subject to annual review by the respective insurers and may not be renewed at all or on similar or favorable terms. A significant uninsured loss or a loss significantly exceeding the limits of Transeastern's insurance policies or the failure to renew such insurance policies on similar or favorable terms could have a material adverse effect on Transeastern's business, financial condition and results of operations.

*Transeastern's facilities rely on national and regional transmission systems and related facilities that are owned and operated by third parties and have both regulatory and physical constraints that could impede access to electricity markets.*

Transeastern's power generation facilities depend on electric transmission systems and related facilities owned and operated by third parties to deliver the electricity Transeastern generates to delivery points where ownership changes and Transeastern is paid. These grids operate with both regulatory and physical constraints which in certain circumstances may impede access to electricity markets. There may be instances in system emergencies in which Transeastern's power generation facilities are physically disconnected from the power grid, or their production curtailed, for short periods of time.

Transeastern's power generation facilities may also be subject to changes in regulations governing the cost and characteristics of use of the transmission and distribution systems to which its power generation facilities are connected. Any such changes could negatively affect Transeastern's revenues and financial condition.

### ***Risks Relating to the Operations and Strategy of Transeastern***

*The Projects have limited historical data that can be utilized to assess the performance of Transeastern.*

Transeastern has a limited operating history from which investors can evaluate its business and prospects. On acquisitions Transeastern generally requests that sellers make certain representations about their hydrological and solar data (and in some cases, represent that such estimations are accurate and true), but Transeastern cannot confirm the accuracy of these representations in all cases. Transeastern expects there to be a normal amount of fluctuation in these estimates. Transeastern has taken steps to discount its financial models to accommodate for fluctuation; however, actual results may, and likely will, differ from the models used. This may result in fluctuations to the distributions Transeastern expects to be able to pay on its Units and in Transeastern's ability to make principal and interest payments on the Debentures.

*There are potential undisclosed liabilities associated with any acquisitions completed by Transeastern.*

There may be liabilities and contingencies that Transeastern fails or is unable to discover in its due diligence prior to consummation of any acquisitions undertaken by Transeastern. Transeastern may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies of any assets acquired post-acquisition could have a material adverse effect on Transeastern's business, financial condition and operations.

*Financial leverage and restrictive covenants may restrict our current and future indebtedness and limited future business dealings.*

The Trust and its subsidiaries are subject to contractual restrictions governing their current and future indebtedness. The degree to which the Trust and its subsidiaries are leveraged could have important

consequences to unitholders, including: (i) the Trust and its subsidiaries' ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Trust and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; and (iii) the Trust and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures. The Trust and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Trust and its subsidiaries' ability to, among other things, incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit the Trust and its subsidiaries' ability to obtain additional financing, withstand downturns in the Trust and its subsidiaries' business and take advantage of business opportunities. If Transeastern defaults in respect of its obligations under any of its loan agreements, including without limitation servicing existing indebtedness, breaching working capital maintenance covenants, or refinancing any such indebtedness, lenders may be entitled to demand repayment and enforce their security against certain projects or other assets.

*The reduction, elimination or expiration of government subsidies and economic incentives, particularly the GC program, could adversely affect Transeastern.*

Transeastern seeks to take full advantage of government policies that promote renewable power generation and enhance the economic feasibility of renewable power projects. Renewable power generation sources currently benefit from various incentives in the form of GCs and other incentives throughout the markets in which Transeastern intends to participate. The removal, phasing-out or amendment to legislation governing any such incentives could have a material adverse impact on Transeastern and Transeastern's ability to pay interest and principal on the Debentures and make distributions to unitholders. An example of such legislative changes was recently proposed in Germany. In January 2014, the Federal Minister of Economic Affairs for Germany proposed reducing renewable energy subsidies. Other countries may follow Germany's lead and propose their own cuts to such subsidies. If such proposals are implemented in other EU nations, the risk that Romania may cut its subsidies will increase. The GC legislation in Romania, in particular, has been amended a number of times and therefore, it is possible that future amendments may have a material adverse impact on Transeastern. The last legislative change was approved by Law 122 from June 2015 and updated the initial Main Renewable Energy Law 220 from 2008. This new law brought some new amendments that affected Transeastern in a positive manner. For example, it introduced the facility to conclude power purchase agreements ("PPAs") negotiated directly between producers having installed capacities up to 3 MW and off-takes, outside the regulated market, and the obligation of the suppliers to fulfil their GC Procurement Quota on a quarterly basis which creates a continuous demand of GCs in the market.

*The Projects are party to significant third party contracts and the failure of such third parties to fulfill their contractual obligations could have a material adverse effect on the Projects.*

The Projects sell the majority of their electricity under PPAs and balancing agreements. If, for any reason, any of the purchasers of power under such PPAs or balancing market counterparties are unable or unwilling to fulfill their contractual obligations under the relevant agreement, or if they refuse to accept delivery of power pursuant to the relevant agreement, the Projects' assets, liabilities, business, financial condition, results of operations and cash flow could be materially and adversely affected as the Projects may not be able to enter into an alternative agreement on terms and conditions no less favorable to Transeastern. External events, such as a severe economic downturn, could impair the ability of some counterparties or some end use customers to pay for delivered electricity received.

In addition, the Projects will enter into contracts with third parties for operations and maintenance. Should one or more of these third parties be unable to meet their obligations under the contracts, such an occurrence could result in a loss of revenue, a delay in return to service and an increase in operating costs.

*The Projects' revenues may be reduced upon the failure to conclude or negotiate attractive GC purchase agreements, PPAs or balancing agreements.*

Transeastern has negotiated agreements in place for the purchase of the energy and GCs produced by both the Solar Projects and the Hydro Projects, together with balancing agreements with various terms. There is no guarantee that such prices will be extended with the current or other counterparties or that the Trust will be able to negotiate contracts with comparable future revenues beyond the dates currently in place. Changes in local laws may invalidate these contracts in the future (e.g. preventing off-market contracts from being concluded). Additionally, the counterparty purchaser of energy and GCs from the Solar Projects has a commercial obligation to make such purchases by contracts, but no corporate guarantee and they are not an accredited offtaker subject to the applicable legislation governing accredited offtakes. Thus, there is a limited risk for Transeastern to enforce damages should such counterparty not fulfil its obligations under the commercial agreements in place. Should these agreements be terminated and Transeastern be unable to negotiate another long-term purchase contract, its energy and GCs would need to be sold in the marketplace and there is no guarantee of the price that would be received. If it were unable to sell GCs within one year of their issuances such GCs would expire without garnering any revenue for Transeastern.

*Transeastern could suffer lost revenues or increased expenses and penalties if it was unable to operate its generation facilities at a level necessary to comply with its PPAs and balancing agreements.*

The ability of the Projects to generate the maximum amount of power which can be sold under the PPAs and balancing agreements is an important determinant of the revenues of Transeastern. Under certain PPAs and balancing agreements, if the plant delivers less than the required quantity of electricity in a given contract period, penalty payments may be payable to the relevant purchaser by the applicable Project. The payment of any such penalties by the Projects could adversely affect the revenues and profitability of Transeastern.

*Transeastern's growth strategy is focused on the acquisition of high quality renewable power projects and there is no certainty Transeastern will be successful in the execution of this strategy.*

Transeastern's growth strategy is to acquire high quality renewable power generation facilities that generate stable cash flows, with the objective of achieving returns on invested capital. However, there is no certainty that Transeastern will be able to acquire high quality renewable power generation facilities at attractive prices to supplement its growth, or at all.

Expansion of Transeastern's business through growth projects and acquisitions may place increased demands on management, operating systems, internal controls and financial and physical resources. In addition, the process of integrating acquired businesses or growth projects may involve unforeseen difficulties. Failure to successfully manage or integrate any acquired businesses or growth projects could have a material adverse impact on Transeastern, its financial condition, results of operations and cash flows. Further, Transeastern cannot make assurances that it will be successful in integrating any acquisition or that the commercial opportunities or operational synergies of any acquisition will be realized as expected.

Transeastern cannot make assurances that Transeastern will identify suitable transactions or that it will have access to sufficient financial resources, through the capital markets or otherwise, to pursue and complete any identified acquisition opportunities on a timely basis and at a reasonable cost. Any acquisition that

Transeastern proposes or completes would be subject to normal commercial risks that the transaction may not be completed on the terms negotiated, on time, or at all. Any such acquisition may expose Transeastern to potential undisclosed or unknown liabilities relating to the acquisition. The existence of such undisclosed liabilities may have a material adverse impact on Transeastern's business, financial condition, results of operations and cash flows. Additionally, any adverse changes in legislation may impact the GC market, or any declines in the GC market caused by other factors, could negatively impact Transeastern's ability to find hydroelectric asset acquisitions that would be profitable in a market of reduced GC values. In such circumstances Transeastern would shift its focus to other renewable power generation acquisitions or other geographical locations, but there is no guarantee of success in this regard.

The successful execution of a growth strategy that depends primarily on acquiring operating assets requires careful timing and business judgment, as well as the resources to complete the due diligence and evaluation of such assets. Transeastern may underestimate the costs of acquiring renewable power generating facilities or may be unable to quickly and efficiently integrate new acquisitions into its existing operations.

*Transeastern's management may not successfully manage Transeastern's growth.*

Transeastern's success will depend in part on its ability to expand and manage its proposed growth. Transeastern's proposed growth may result in new and increased responsibilities for management and additional demands on management, operating and financial systems and resources. Transeastern's ability to expand is dependent upon factors such as its ability to: hire and train new staff, managerial personnel and independent contractors; expand Transeastern's infrastructure; and adapt or amend Transeastern's structure to comply with present or future state legal requirements. Any failure or inability to successfully implement these and other factors may have a material adverse effect on Transeastern's business, financial condition and results of operations. If management is unable to successfully implement its growth strategy or manage growth effectively, Transeastern's business, financial condition and results of operations could be materially adversely affected.

*Transeastern may face significant competition for the acquisition of high quality renewable power projects and may not successfully complete and integrate acquisitions.*

In the future, it may no longer be feasible for Transeastern to continue to grow through strategic acquisition opportunities. Transeastern's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively integrating acquisitions with Transeastern's existing business. There can be no assurance that Transeastern will be able to identify attractive acquisition candidates in the future, in the jurisdictions in which Transeastern wishes to operate, or at all, or that Transeastern will be able to make acquisitions that increase the amount of cash available for distribution, or that acquisitions will be successfully integrated into Transeastern's existing portfolio of projects.

Transeastern faces competition for acquisitions primarily from other energy producers, many of which are substantially larger and have considerably greater financial, technical and marketing resources than are available to Transeastern. Some of these competitors may also have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of acquisitions. Increased competition could adversely affect the performance of Transeastern.

*Transeastern competes with other renewable power companies as well as traditional energy companies, which may have greater financial and other resources for new business.*

Transeastern competes with other renewable power companies primarily for acquisition opportunities, and with other power companies for access to transmission or distribution networks. Transeastern also competes

with other power companies for the limited pool of personnel with requisite industry knowledge and experience. Any failures to successfully prevail in such competition will negatively affect Transeastern's long term growth prospects.

*Transeastern's success depends upon the continued involvement of its present management.*

Transeastern's success may depend upon the continued involvement of the present management, who are in charge of Transeastern's strategic planning and operations. The loss to Transeastern of any of these individuals could have a material adverse impact on the operations of Transeastern. Transeastern may need to attract and retain additional talented individuals in the future in order to carry out its business objectives. The competition for such persons could be intense and Transeastern may be unable to recruit the people it needs.

*Although Romania has enacted anti-corruption legislation and has taken steps to reduce corrupt practices, the risk of corruption affecting the business of the Projects remains higher than in many more developed markets.*

There is a wide legal framework enacted in Romania for the prevention and punishment of corrupt practices and corruption offences committed in Romania or producing effects in Romania, such as bribery, receipt of undue benefits, trading influence, active bribery towards a clerk of a foreign state or an international organization and crimes akin to corruption. The National Anticorruption Directorate is the Romanian agency tasked with preventing, investigating and prosecuting corruption-related offenses. Additionally, there is oversight on these matters at the EU level by the Counsel of European Anti-Corruption Group. Transeastern will observe a strict zero tolerance policy to corrupt practices. This policy may make it more challenging for Transeastern to carry out business. Despite these laws and the policy, the possibility that corrupt business practices in Romania could interfere in the development and activity of the Projects continues to exist and such interference could cause adverse consequences for Transeastern.

### ***Risks Relating to the Proposed Acquisitions and New Debt Facility***

There are risks associated with the acquisition of the New Wind Project and New Hydro Projects, and the related New Debt Facility. Transeastern cannot make any assurances that it will successfully complete the acquisition of the New Wind Project and New Hydro Projects or secure the New Debt Facility. Additional risks include: (i) the market reaction to the acquisitions and New Debt Facility and the impact on future trading prices of the Units cannot be predicted; (ii) uncertainty as to whether the acquisitions will have a positive impact on the business of Transeastern or market price of the Units; and (iii) that there is no assurance that the New Wind Project and New Hydro Projects will continue to operate and produce power at the rates anticipated.

#### ***Possible Failure to Realize Anticipated Benefits of the Acquisitions***

The success of Transeastern upon successfully completing the acquisition of the New Wind Project and New Hydro Projects, will depend in large part on its ability to realize anticipated business targets and growth opportunities. The inability to achieve same could result in the failure of Transeastern to realize the anticipated benefits of the New Wind Project and New Hydro Projects and could impair the results of operations, profitability, financial results and Transeastern's ability make required payment pursuant to the New Debt Facility. The success of the New Wind Project and New Hydro Projects will require the dedication of management effort, time and resources and this could divert management's focus and resources from other strategic opportunities and from operational matters during this process.

## ***Risks Relating to the Legal and Regulatory Environment***

*Recent legislative changes impacting the GC program may affect profitability of Transeastern.*

Government action in Romania may be taken to change the use of market-based pricing for GCs, re-regulate areas of electricity markets that have previously been competitive, or permit electricity suppliers to construct or acquire generating facilities. Although Transeastern generally expects the renewable power markets to continue to be competitive, other proposals to re-regulate this industry may be made, and legislative or other actions affecting the electricity restructuring process may cause legal processes to be delayed, discontinued or reversed in jurisdictions in which Transeastern currently operates or may in the future operate. This may also cause a reduction in the price of GCs, which may have a material adverse effect on Transeastern's ability to achieve the level of profitability and cash flow currently forecast, and therefore, adversely affect Transeastern's ability to pay distributions on the Units and make interest or principal payments on the Debentures.

*The Projects operate in a regulated industry and are exposed to legislative and regulatory risks that could harm Transeastern's interests.*

The Projects currently operate in a regulated electricity generation sector. The Projects must comply with applicable legislation and regulations in order to maintain the licences that are required to continue their operations and to expand to new markets and/or products. There can be no assurance that future decisions of Romanian or EU regulatory bodies having jurisdiction over Transeastern's business activities, or rules enacted by them, or new legislation or regulations or changes to existing legislation or regulations, will not adversely affect the operations or cash flow of Transeastern.

In particular, it is expected that future proposed acquisitions may become subject to review by the Romanian Competition Council. Such review could operate to increase the time and cost that it will take Transeastern to complete future proposed acquisitions, or, in the worst case, prohibit certain acquisitions from being completed.

*Transeastern is subject to extensive government regulation and incentive mechanisms, including stringent environmental laws and regulations which may impact Transeastern's financial performance, limit its flexibility and, in the event of non-compliance could result in adverse actions by regulatory authorities against it.*

The market for electricity generation is heavily influenced by local government regulations and policies. These regulations and policies often relate to the encouragement of renewable energy development, electricity pricing and interconnection. Transeastern's inability to predict, influence or respond appropriately to changes in law or regulatory frameworks, could adversely impact its results of operations.

Furthermore, changes in laws, regulations or changes in the application or interpretation of regulatory provisions in jurisdictions where Transeastern operates, including changes related to licensing and permitting which affect Transeastern's ability to conduct its business in an orderly fashion. Such changes may result in lower revenues, higher costs and/or lower margins for the affected projects, which would adversely affect Transeastern's results of operations.

The Projects hold permits and licenses from various regulatory authorities for the construction and operation of their facilities. These licenses and permits are critical to the operation of the Projects' business. The majority of these permits and licenses are long-term in nature, reflecting the anticipated useful life of the facilities. In some cases these permits may need to be renewed prior to the end of the anticipated useful

life of such facilities and there is no guarantee that such renewals will be granted. These permits and licenses require the Projects' compliance with the terms thereof.

The Projects' operations are subject to stringent environmental laws and regulations promulgated and administered by governments in Romania. These laws and regulations generally concern use of water, protection of wildlife, wetlands preservation, remediation of contamination, waste disposal requirements, preservation of archaeological artifacts, endangered species preservation and noise limitations, among others. Failure to comply with applicable environmental laws and regulations or to obtain or comply with any necessary environmental permits pursuant to such laws and regulations could result in fines or other sanctions being levied against Transeastern. Environmental laws and regulations affecting power generation and distribution are complex and have tended to become more stringent over time. These laws and regulations have imposed, and proposed laws and regulations could impose in the future, additional costs on the operation of the Projects' facilities.

Land claim laws in Romania are presently unclear and legal provisions regulating the granting of a use right over the public property are sometimes incorrectly applied by the public authorities resulting in some uncertainty as to title.

All cases in front of the European Court of Human Rights pertaining to restitution claims concerning Romania have been suspended following a preliminary decision issued in 2010, until the Romanian government enacts new legislation in the field of the property restitution (namely until enactment of the Romanian Law no. 165/2013). The case law currently available is not sufficient to establish whether restitution claims against the state or against third party acquirers who acquired property that may otherwise be subject to restitution by relying on the Romanian Civil Code and/or of the New Civil Code, will be accepted in courts and if so, whether it will be successful.

Transeastern has taken what management believes to be appropriate steps to rectify any inconsistencies with respect to title of the Projects, such as registering applicable agreements on title, ensuring all documents are executed and all constructions are registered in the land book. However, there is no assurance that a land claims issue or another claim challenging the validating of the permits will not arise in the future. Such claims could affect the Projects in a variety of ways, including loss of properties or involvement in legal proceedings.

*Building permits for erection of the physical facilities of the Projects could be subject to annulment.*

Most of the building permits issued by government authorities that provided for the erection of the plants of the Projects could be considered non-compliant with zoning regulations applicable for such areas and thus could be subject to annulment by a court decision if a claim was made by a third party. If such building permits were annulled, the affected plant could be demolished and the relevant Project would be subject to fines. In order to mitigate such risk, Transeastern required the sellers of the Projects to obtain confirmations from the applicable local authorities that building permits were issued in accordance with the applicable zoning regulations. This confirmation does not replace the legal requirement of having a zoning plan approved by the applicable governmental authorities. The limitation period for challenging any contraventions and imposing fines by the competent authorities expires two years after the date the contravention was committed.

*By virtue of their industry, the Projects are subject to labour authority review.*

The ownership and operation of renewable power generation assets carries an inherent risk of liability related to employees (workers) safety and health. In this respect, the labour authorities may request the remediation of unsafe and/or unhealthy work conditions, as well as impose fines for safety and health

related contraventions against the company operating the renewable power generation assets and/or the company employing the affected employees. Also, in the event one or several employees suffer work related accidents or occupational diseases, such employee or employees may obtain compensation.

#### *Financial Risk Factors*

The Trust's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, notes payable, convertible debentures and distributions payable. The fair value of the Trust's trade and other receivables, and accounts payable and accrued liabilities, distributions payable and note payable approximate their carrying value, which is the amount disclosed on the balance sheet dates due to their short-term maturities or ability of prompt liquidation. Cash and convertible debentures are based on level-one quoted prices in active markets.

Strategic and operational risks are risks that arise if Transeastern fails to identify opportunities and/or threats arising from changes in the Romanian market where Transeastern operates. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory developments and competitor actions.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Transeastern is subject to normal industry credit risks. Transeastern currently has no minimal receivables for the purchase of the power it produces, and other receivable balance consists of amounts outstanding on tax credits from governmental authorities, each of which are expected to be paid in the near term at face value. The Trust's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Transeastern's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to fund operations and satisfy obligations as they become due. Considering that the Hydro Projects have either recently commenced operations or are in the start-up phase, the projections made by management for the following years take into consideration that the operations will be profitable. Transeastern's ability to continue as a going concern is dependent upon Transeastern's ability to raise additional capital through equity and/or debt financings and achieve profitable operations. Should Transeastern 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.

Interest risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market risk. The Trust's sensitivity to interest rates is currently small in that the rates on our outstanding debt instruments are fixed.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Transeastern's operations are in Romania and its reporting currency is Canadian dollars. The nature of Transeastern's operations results in foreign exchange risk as day to day operating transactions are denominated in foreign currencies, Euros, RON and sources of financing have, to date, been in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of Transeastern and may also affect the value of Transeastern's assets and liabilities. Transeastern monitors the volatility of foreign exchange rates and may hedge its currency risk if it determines that the need arises.

Market risk is the risk that the fair values or future cash flows of Transeastern will fluctuate due to changes in market conditions. Transeastern's future cash flows and valuation of its hydro assets are exposed to market risk in regard to power pricing in Romania and availability and saleability of green certificates obtained.

### *Borrowing Risk and Loan Default Risk*

The Sprott Debt Facility imposes covenants and obligations on the part of the Trust. In particular, the Sprott Debt Facility contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the Sprott Debt Facility, the lender realizing on its security, or diminished availability of refinancing alternatives or increase the associated costs thereof. Sprott has waived certain breaches of the Sprott Debt Facility covenants. There is no assurance that the Trust will be in compliance with covenants in the future due to unforeseen events of circumstances, some of which are outlined in this “Risks and Uncertainties” section, or that Sprott will waive any such breaches. The Trust anticipates that the New Debt Facility, once closed, will be subject to the same risks provided herein.

### *Going Concern Risk*

As at December 31, 2015, the Trust had a working capital deficiency of \$8,003,832 as at December 31, 2015 (2014 - \$2,540,102), an accumulated deficit of \$18,078,132 as at December 31, 2015 (2014 - \$3,765,906), and the Trust incurred a loss of \$12,561,790 (2014 - \$3,178,997). While management considers that the preparation of the financial statements under the going concern basis is appropriate, there is significant doubt about the Trust's ability to continue as a going concern without securing additional financing and/or acquiring assets with adequate positive cash flow.

The Trust believes that with its current financing efforts along with the proposed acquisitions, increased revenues from operations will provide sufficient cash flow for it to continue as a going concern in its present form for the foreseeable future, however, there can be no assurances that future revenues from operations will increase. Accordingly, the financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Trust be unable to continue as a going concern.

### *Risks Relating to Transeastern*

*The majority of Transeastern's assets and the majority of Transeastern's subsidiaries are outside of Canada, with the result that it may be difficult for investors to enforce within Canada any judgments obtained against Transeastern or some of the Administrator's directors or officers.*

The majority of Transeastern's assets and the majority of Transeastern's subsidiaries are located outside of Canada. In addition, some of Transeastern's directors and officers are nationals and/or residents of countries other than Canada, and all or a substantial portion of such person's assets may be located outside of Canada.

The board of directors of the Administrator has effective control over Transeastern subsidiaries in two principal ways; namely, at least one director or officer of the Administrator is a director of each of the subsidiaries, and Transeastern as a shareholder of the subsidiaries has legal rights (e.g. the fiduciary obligations of officers and directors owed to the subsidiary, derivative actions and oppression remedies) that Transeastern is willing to enforce. With Transeastern being a 100% shareholder, Transeastern can resolve in a limited period of time to remove directors or officers without the requirement of a shareholder meeting.

It may not be possible for investors to effect service of process against Transeastern's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of the Administrator's directors or officers, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other

person or entity, to assert Canadian claims in original actions instituted in the Netherlands or Romania. Courts in these jurisdictions may refuse to hear a claim on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

As a result, it may be difficult for investors to enforce within Canada any judgments obtained against Transeastern or some of Transeastern's directors or officers, including judgments predicated upon the civil liability provisions of the securities laws of Canada or any province thereof. Consequently, investors may be effectively prevented from pursuing remedies against Transeastern under Canadian securities laws or otherwise.

*Transeastern has agreed to indemnify directors and officers against liabilities incurred by them in such capacities.*

Transeastern has agreed to indemnify the directors and officers of the various entities of Transeastern from and against all costs, charges and expenses reasonably incurred by them in respect of any civil, criminal or administrative action or proceeding to which they are made a party or with which they are threatened by reason of being or having been a director of Transeastern, provided that (a) they have acted honestly and in good faith with a view to the best interests of Transeastern; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful. This indemnity may reduce the likelihood of derivative litigation against its directors or officers and may discourage or deter Transeastern's unitholders from suing any of Transeastern's directors or officers.

#### *Distributions through return of capital*

To the date of this MD&A, Transeastern has made its distributions through a return of unitholder capital. There is a risk that Transeastern will not have adequate capital on hand to fund continued cash distributions.

*Transeastern is dependent upon distributions from its subsidiaries.*

Transeastern does not carry on any business operations directly, and is entirely dependent on receiving distributions from its direct and indirect investments in the Projects to enable Transeastern to make cash payments or distributions to security holders on the Units and Debentures. The boards of directors of the subsidiaries of Transeastern and the directors of the Administrator each have considerable discretion in deciding whether to make cash distributions, if any, and the amount of any such distributions. The ability of Transeastern's subsidiaries to make cash distributions will be subject to, among other things, applicable laws and regulations as well as contractual restrictions contained in instruments governing any indebtedness of those entities, including pursuant to the intercompany debt instruments set up by Transeastern. In particular, in certain cases the Trust is not permitted to declare or pay dividends on its projects in Romania for a period of one year following its completion of the acquisition due to Romanian dividend laws and prior losses in the operating companies will be carried forward to reduce the declaration and payment of dividends in the future. There can be no guarantee or assurance that the subsidiaries will make sufficient

distributions in order to permit Transeastern to pay distributions to its unitholders or to pay principal and interest payments to the Debenture holders.

## **FORWARD LOOKING INFORMATION**

Certain statements contained in this MD&A constitute “forward-looking statements”. All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Trust’s future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Trust participates or is seeking to participate and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Trust’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements, to differ materially include, but are not limited to, the risk factors discussed herein under the section heading “Risks and Uncertainties”. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Trust. These forward-looking statements are made as of the date of this MD&A and the Trust assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Trust’s present and future business strategies and the environment in which the Trust will operate in the future, including assumptions regarding expected energy prices, business and operating strategies, future acquisitions and the Trust’s ability to operate its facilities on a profitable basis.

Some of the risks which could affect future results and would cause results to differ materially from those expressed in the forward-looking statements contained herein include: risks related to foreign operations (including various political, economic and other risks and uncertainties), the interpretation and implementation of the energy law, expropriation of property rights, political instability and bureaucracy, limited operating history, lack of profitability, high inflation rates, failure to obtain bank financing, fluctuations in currency exchange rates, competition from other businesses, reliance on various factors (including local labour, importation of machinery and other key items and business relationships), risks related to seasonality (including adverse weather conditions, shifting weather patterns, and global warming), a shift in energy trends and demands, a shift in energy generation in the European Union, vulnerability to fluctuations in the world market, the lack of availability of qualified management personnel and stock market volatility.

Risks may materially and adversely affect the Trust’s business, financial condition, results of operations and/or the market price of the Trust’s securities.