



Q117

ETRION CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017

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The accompanying condensed consolidated interim financial statements for Etrion Corporation for the three months ended March 31, 2017, have been prepared by management. The Company's independent auditor has not performed a review of these financial statements. Readers are cautioned that these condensed consolidated interim financial statements may not be appropriate for their purposes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF NET LOSS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000

		Three months ended Q1-17	Q1-16 (Restated)*
	Note		
Continuing operations			
Revenue	6	5,198	3,762
Operating expenses	7	(5,415)	(5,031)
Gross loss		(217)	(1,269)
General and administrative expenses	8	(2,405)	(1,594)
Other income		29	19
Operating loss		(2,593)	(2,844)
Finance income	9	12	382
Finance costs	9	(4,887)	(5,278)
Net finance costs		(4,875)	(4,896)
Loss before income tax		(7,468)	(7,740)
Income tax (expense) recovery	10	(96)	912
Loss for the period from continuing operations		(7,564)	(6,828)
Loss from discontinued operations, net of tax	4	-	(1,719)
Net loss for the period		(7,564)	(8,547)
Other comprehensive loss			
Items that may be reclassified to profit and loss:			
Gain (loss) on currency translation		1,591	(1,636)
Loss on cash flow hedges, net of tax	19	(540)	(2,017)
Loss on cash flow hedges, net of tax – discontinued operations		-	(5,388)
Total other comprehensive gain (loss)		1,051	(9,041)
Total comprehensive loss for the period		(6,513)	(17,588)
Loss attributable to:			
Common shareholders		(6,497)	(7,589)
Non-controlling interest	12	(1,067)	(958)
Total comprehensive loss attributable to:			
Common shareholders		(4,355)	(16,354)
Non-controlling interest	12	(2,158)	(1,234)
Total comprehensive loss attributable to common shareholders from:			
Continuing operations		(4,355)	(9,248)
Discontinued operations		-	(7,106)
Basic and diluted loss per share from continuing operations	11	\$(0.02)	\$(0.02)
Basic and diluted loss per share from loss of the period	11	\$(0.02)	\$(0.02)

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

* See note 1 for details regarding the restatement as a result of discontinued operation.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT MARCH 31, 2017

Expressed in US\$'000

		March 31 2017	December 31 2016
	Note		
Assets			
Non-current assets			
Property, plant and equipment	13	202,531	189,599
Intangible assets	14	16,245	15,879
Deferred income tax assets	10	3,064	2,848
Trade and other receivables		8,674	5,964
Total non-current assets		230,514	214,290
Current assets			
Trade and other receivables		8,645	13,177
Cash and cash equivalents (including restricted cash)	15	73,205	61,174
Total current assets		81,850	74,351
Total assets		312,364	288,641
Equity			
Attributable to common shareholders			
Share capital	16	111,304	111,304
Contributed surplus		12,252	11,989
Other reserves		(15,198)	(17,340)
Accumulated deficit		(127,265)	(120,768)
Total attributable to common shareholders		(18,907)	(14,815)
Non-controlling interest	12	(14,122)	(31,474)
Total equity		(33,029)	(46,289)
Liabilities			
Non-current liabilities			
Borrowings	18	297,800	269,350
Derivative financial instruments	19	9,448	8,347
Provisions		5,824	5,618
Other liabilities		3,086	22,521
Total non-current liabilities		316,158	305,836
Current liabilities			
Trade and other payables		9,569	10,671
Current tax liabilities	10	331	558
Borrowings	18	17,116	15,427
Derivative financial instruments	19	1,257	1,167
Other liabilities		962	1,271
Total current liabilities		29,235	29,094
Total liabilities		345,393	334,930
Total equity and liabilities		312,364	288,641

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000

	Attributable to common shareholders				Total	Non-controlling interest	Total equity
	Share capital	Contributed surplus	Other reserves	Accumulated deficit			
	Note						
Balance at January 1, 2016	111,304	11,547	(37,782)	(78,039)	7,030	(626)	6,404
Comprehensive loss:							
- Loss for the period	-	-	-	(7,588)	(7,588)	(959)	(8,547)
- Other comprehensive loss:							
Cash flow hedges (net of tax)	-	-	(6,600)	-	(6,600)	(264)	(6,864)
Currency translation	-	-	(1,588)	-	(1,588)	(12)	(1,600)
Total comprehensive loss	-	-	(8,188)	(7,588)	(15,776)	(1,235)	(17,011)
Transactions with owners in their capacity as owners:							
- Written call options	-	-	67	-	67	-	67
- Share-based payments	-	244	-	-	244	-	244
Balance at March 31, 2016	111,304	11,791	(45,903)	(85,627)	(8,435)	(1,861)	(10,296)
Balance at January 1, 2017	111,304	11,989	(17,340)	(120,768)	(14,815)	(31,474)	(46,289)
Comprehensive loss:							
- Loss for the period	-	-	-	(6,497)	(6,497)	(1,067)	(7,564)
- Other comprehensive loss:							
Cash flow hedges (net of tax)	-	-	(476)	-	(476)	(64)	(540)
Currency translation	-	-	2,618	-	2,618	(1,027)	1,591
Total comprehensive loss	-	-	2,142	(6,497)	(4,355)	(2,158)	(6,513)
Transactions with owners in their capacity as owners:							
- Share-based payments	-	263	-	-	263	-	263
- Loans conversion	12	-	-	-	-	19,510	19,510
Balance at March 31, 2017	111,304	12,252	(15,198)	(127,265)	(18,907)	(14,122)	(33,029)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000

		Three months ended Q1-17	Q1-16 (Restated)*
	Note		
Operating activities:			
Net loss		(7,564)	(8,547)
Less: loss from discontinued operations, net of tax		-	(1,719)
Loss for the period from continuing operations		(7,564)	(6,828)
Adjustments for the following non-cash items:			
Depreciation and amortization	7/8	2,650	2,794
Current income tax expense	10	288	525
Deferred income tax expense	10	(192)	(1,437)
Share-based payment expense	8/17	263	243
Interest expense	9	3,882	4,887
Interest expense relating to interest rate swap contracts	9	309	-
Amortization of transaction costs	9	132	138
Foreign exchange loss (gain)	9	546	(378)
Fair value changes associated with derivative financial instruments	9	(7)	191
Other income		(29)	(29)
Sub-total		278	106
Changes in working capital:			
Decrease in trade and other receivables		1,821	394
Decrease in trade and other payables		(4,383)	(3,219)
Income tax paid		(537)	-
Total cash flow used in operating activities		(2,821)	(2,719)
Investing activities:			
Purchases of property, plant and equipment	13	(7,616)	(712)
Purchases of intangible assets	14	(297)	(787)
Total cash flow used in investing activities		(7,913)	(1,499)
Financing activities:			
Interest paid (including interest relating to interest rate swap contracts)	18	(2,580)	(2,652)
Proceeds from borrowings	18	23,601	-
Contributions from non-controlling interest		156	-
Total cash flow from (used in) financing activities		21,177	(2,652)
Net increase (decrease) in cash and cash equivalents		10,443	(6,870)
Effect of exchange rate changes on cash and cash equivalents		1,588	1,806
Cash and cash equivalents (including restricted cash) at the beginning of the period			
From continuing operations		61,174	45,912
Cash and cash equivalents (including restricted cash) at the end of the period:			
From continuing operations		73,205	40,848
From discontinued operations		-	13,604
Cash and cash equivalents (including restricted cash) at the end of the period		73,205	54,452

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

* See note 1 for details regarding the restatement as a result of discontinued operation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000 unless otherwise stated

1. GENERAL INFORMATION

Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is incorporated under the laws of the Province of British Columbia, Canada. The address of its registered office is 1600-925 West Georgia Street, Vancouver, British Columbia V6Z 3L2, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden under the same ticker symbol, "ETX".

Etrion is an independent power producer that develops, builds, owns and operates solar power generation plants. The Company owns 109.3 megawatts ("MW") of installed solar capacity in Japan and Chile.

The Company has 17.4 MW of solar projects under construction as of the date of approval of this condensed consolidated interim financial statements and 200 MW of greenfield solar power projects which it is pursuing in Japan.

These condensed consolidated interim financial statements are presented in United States ("US") Dollars ("\$"), which is the Group's presentation currency.

Effective January 1, 2017, The Company's functional currency changed from the Euro ("€") to the Japanese yen ("¥"), following a change in the principal environment where the Group conducts its business. The change has been applied prospectively.

Management believes Japan presents the highest opportunity to create value in a low risk jurisdiction environment. As part of this strategy, the Company successfully completed the divestiture of its Italian assets in 2016 to fund the growth in Japan and reduce its corporate debt. [Note 4](#).

However, since the Group is listed in both Canada (Primary) and Sweden (Secondary), certain financial information within the notes to these condensed consolidated interim financial statements has been presented in Canadian dollars ("CAD\$"). The Company's Board of Directors approved these condensed consolidated interim financial statements on May 9, 2017.

The Company has restated the disclosures for prior periods presented in the financial statements so that the disclosures relate to all operations that have not been discontinued by the end of the three months ended March 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

(a) BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016. These condensed consolidated interim financial statements have been prepared on the basis of accounting policies, methods of computation and presentation consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2016.

(b) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2017, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future. At March 31, 2017, the Group had cash and cash equivalents of \$73.2 million, \$43.0 million of which was unrestricted and held at the parent level (December 31, 2016: \$61.2 million and \$42.3 million, respectively) and working capital of \$52.6 million (December 31, 2016: \$45.3 million). During the three months ended March 31, 2017, the Group recognized a net loss of \$7.6 million (2016: \$8.5 million). The Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of these condensed consolidated interim financial statements. These condensed consolidated interim financial statements for the three months ended March 31, 2017, do not include the adjustments that would result if the Group were unable to continue as a going concern.

(c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the three months ended March 31, 2017, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000 unless otherwise stated

3. ACCOUNTING ESTIMATES AND ASSUMPTIONS

In connection with the preparation of the Company's condensed consolidated interim financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the condensed consolidated interim financial statements are prepared. On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results may differ from the assumptions and estimates, and such differences could be material. There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2017, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2016.

4. DISCONTINUED OPERATION

On November 14, 2016, the Group announced the signing of a definitive sale and purchase agreement with EF Solare Italia, a joint venture owned equally by Enel Green Power S.p.A. and Fondo Italiano per le Infrastrutture "F2i" for the disposal of its 100% economic interest in Etrion Spa and Helios ITA Srl (collectively the "Italian subsidiaries"). Financial information relating to the discontinued operations for the three months ended March 31, 2016 is set out below.

(a) FINANCIAL PERFORMANCE

The financial performance presented is for the period ended the three months ended March 31, 2016.

	Q1-16
Revenue	6,141
Operating expenses	(1,371)
General and administrative expenses	(283)
Other income	8
Depreciation and amortization	(3,271)
Finance costs	(3,258)
Loss before income tax recovery	(2,034)
Net income tax recovery	315
Loss from discontinued operation, net of tax	(1,719)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000 unless otherwise stated

5. SEGMENT REPORTING

The Board of Directors considers reportable segments from a geographical perspective and measures performance based on earnings before interest, tax, depreciation and amortization ("EBITDA") and reviews and monitors performance of the Group on this basis.

The Company's management identified two reportable segments, solar energy Chile ("Solar Chile") and solar energy Japan ("Solar Japan").

While the Company's management has determined that the Company has only two reportable segments, the Company has decided to disclose additional information about its corporate activities as it believes that this information is useful for readers of the condensed consolidated interim financial statements.

To ensure a consistent comparison to the new structure, the prior year segmented information has been restated.

The Group's country of domicile is Canada. However, all revenues from external customers are derived from Japan and Chile. The Group's electricity production in Japan is sold to the Japanese public utilities, Tokyo Electric Power Company ("TEPCO") and Tohoku Electric Power Co., Inc. ("TOHOKU"), and in Chile to the spot electricity market and to a third party under a long-term power purchase agreement ("PPA"). **Note 6.**

The Group's revenues, EBITDA and results from continuing operations are presented as follows (prior year's information has been restated to conform with the new structure):

	Q1-17				Q1-16			
	Solar Chile	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	2,601	2,597	-	5,198	2,804	958	-	3,762
Operating expenses	(2,189)	(622)	-	(2,811)	(2,139)	(152)	-	(2,291)
General and administrative	(37)	(56)	(2,266)	(2,359)	(31)	(38)	(1,471)	(1,540)
Other income (expenses)	-	42	(13)	29	-	-	19	19
EBITDA	375	1,961	(2,279)	57	634	768	(1,452)	(50)
Depreciation and amortization	(1,330)	(1,273)	(47)	(2,650)	(2,394)	(346)	(54)	(2,794)
Finance income	-	12	-	12	194	-	188	382
Finance costs	(2,633)	(709)	(1,545)	(4,887)	(3,092)	(247)	(1,939)	(5,278)
(Loss) income before income tax	(3,588)	(9)	(3,871)	(7,468)	(4,658)	175	(3,257)	(7,740)
Income tax (expense) recovery	-	45	(141)	(96)	1,391	(38)	(441)	912
Net (loss) income for the period	(3,588)	36	(4,012)	(7,564)	(3,267)	137	(3,698)	(6,828)

The Group's assets and liabilities can be presented as follows:

	March 31, 2017				December 31, 2016			
	Solar Chile	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Property, plant and equipment	86,676	115,718	137	202,531	87,907	101,555	137	189,599
Intangible assets	7,127	5,680	3,438	16,245	7,226	5,558	3,095	15,879
Cash and cash equivalents	1,749	28,462	42,994	73,205	4,121	14,767	42,286	61,174
Other assets	3,747	7,415	9,221	20,383	3,614	11,079	7,296	21,989
Total assets	99,299	157,275	55,790	312,364	102,868	132,959	52,814	288,641
Borrowings	149,045	122,461	43,410	314,916	148,900	93,769	42,108	284,777
Trade and other payables	503	7,439	1,627	9,569	639	6,328	3,704	10,671
Other liabilities	1,086	18,032	1,790	20,908	20,599	18,191	692	39,482
Total liabilities	150,634	147,932	46,827	345,393	170,138	118,288	46,504	334,930

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000 unless otherwise stated

6. REVENUE

	Three months ended	
	Q1-17	Q1-16
Feed-in Tariff ("FiT")	2,597	958
Spot market price	328	692
PPA agreement	2,001	1,969
Other utility income	272	143
Total revenue	5,198	3,762

In February, 2017, the Company connected the first two solar park sites of the Group's Aomori solar project in Japan, representing 5.3 MW of the 9.5 MW total planned capacity and started recognizing FiT revenues from these solar park sites.

Solar-related production is subject to seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months.

7. OPERATING EXPENSES

	Three months ended	
	Q1-17	Q1-16
O&M	674	596
Purchased power	950	1,141
Personnel costs	300	144
D&A	2,603	2,740
Property tax	31	-
Insurance	120	96
Land lease	234	46
Transmission costs	416	174
Other operating expenses	87	94
Total Opex	5,415	5,031

O&M costs relate to fees paid in connection with the operation and maintenance activities of the Group's operating solar power projects in Japan and Chile. The Group outsources these O&M services to third parties.

Depreciation and amortization relate to the Group's operating solar power projects producing electricity during the period.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	Q1-17	Q1-16
Salaries and benefits	763	656
Board of directors fees	37	37
Share-based payments	263	243
Professional fees	517	249
Listing and marketing	71	74
D&A	47	54
Office lease	91	114
Office, travel and other	227	167
Write-off guarantees	389	-
Total G&A	2,405	1,594

9. FINANCE INCOME AND COSTS

	Three months ended	
	Q1-17	Q1-16
Finance income:		
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income	7	-
Foreign exchange gain	-	378
Other finance income	5	4
Total finance income	12	382

Finance costs:

Interest rate expense:

- Credit facilities and non-recourse loans		
Note 18	3,055	2,816
- Interest rate swap contracts associated with non-recourse loans	309	-
- Corporate bond Note 18/20	832	1,763
- Credit facility with non-controlling interest	65	431
- Amortization of transaction costs	146	154

Changes in fair values of derivative financial instruments:

- Ineffective portion reclassified from other comprehensive income	-	124
- Written call option		67
Foreign exchange loss	546	-
Other finance costs	18	62
Total finance costs before deducting amounts capitalized	4,971	5,417
Amounts capitalized on qualifying assets		
Note 13	(84)	(139)
Total finance costs	4,887	5,278
Net finance costs	4,875	4,896

The Group has four floating-rate credit facilities outstanding associated with its operating solar power projects and assets under construction in Japan. These credit facilities are hedged using interest rate swap contracts. In addition, the Group has a fixed-rate credit facility that financed the construction of its solar power plant in Chile. Refer to **Note 18** and **Note 19** for further details on the Group's credit facilities and derivative financial instruments.

Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment. **Note 13**

During the three months ended March 31, 2017, the Group recognized a net fair value loss of \$0.5 million (2016: \$2.0 million), net of tax, within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000 unless otherwise stated

10. INCOME TAXES

(a) INCOME TAX EXPENSE

	Three months ended	
	Q1-17	Q1-16
Current income tax expense:		
Corporate income tax	(288)	(525)
Total current income tax expense	(288)	(525)
Deferred income tax recovery:		
Temporary differences	-	1,635
Tax benefits recognized during the period	192	(198)
Total deferred income tax recovery	192	1,437
Total income tax (expense) recovery	(96)	912

The Group recognized an income tax expense of \$0.2 million (2016: \$0.1 million) associated with its solar power projects in Japan and an income tax expense of \$0.1 million (2016: \$0.4 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax expense of \$0.2 million (2016: \$1.4 million income tax recovery) primarily due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

(b) CURRENT INCOME TAX LIABILITIES

	March 31 2017	December 31 2016
Corporate income tax	277	443
Provincial income tax	54	115
Total current income tax liabilities	331	558

11. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the net loss for the period attributable to owners of the Company by the weighted average number of shares outstanding during the period. The calculation of basic and diluted loss per share is as follows:

	Three months ended	
	Q1-17	Q1-16
Loss attributable to common shareholders:		
Loss from continuing operations	(6,497)	(5,870)
Loss from discontinued operations	-	(1,719)
Total loss for the period attributable to common shareholders	(6,497)	(7,589)
	Number of shares	
Weighted average number of thousand shares outstanding	334,094	334,094
Loss from continuing operations	\$0.019	\$0.018
Loss from discontinued operations	-	\$0.005
Total basic and diluted loss per share attributable to common shareholders	\$(0.019)	\$(0.023)

Diluted loss per share equals basic loss per share as, due to losses incurred in the three months ended March 31, 2017 and 2016, there is no dilutive effect from the existing stock options. [Note 17](#)

12. NON-CONTROLLING INTERESTS

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Shizukuishi Solar GK ("Shizukuishi"), Etrion Energy 1 GK ("Mito"), Etrion Energy 4 GK ("Komatsu"), Etrion Energy 5 GK ("Aomori"), all together the "Japanese entities", and PV Salvador, SpA ("Salvador").

The non-controlling interest at March 31, 2017, of negative \$14.1 million (December 31, 2016: negative \$31.5 million), represents the value attributable to non-controlling interests in the Japanese project companies and Salvador.

On January 13, 2017, Salvador signed an agreement whereby the shareholders waived the outstanding balance of the shareholders loans and accumulated interest of \$65.1 million and converted to share capital (\$19.5 million attributable to the 30% non-controlling interests).

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of Salvador, and the Japanese project companies, other than those imposed by the lending banks related to cash distributions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

Expressed in US\$'000 unless otherwise stated

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	March 31, 2017			December 31, 2016		
	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)
Shizukuishi	4,786	(6,752)	(1,966)	3,916	(5,485)	(1,569)
Mito	914	(5)	909	3,658	(3,016)	642
Aomori	747	687	1,434	(2,331)	3,469	1,138
Komatsu	8,896	(7,946)	950	531	1,258	1,789
Salvador	(4,452)	(44,535)	(48,987)	39	(110,555)	(110,516)
Total net assets (liabilities)	10,891	(58,551)	(47,660)	5,813	(114,329)	(108,516)

The summarized income statement for the Japanese entities and Salvador including the portion allocated to NCI for the three months ended March 31, is as follows:

	Q1-17			Q1-16		
	(Loss) income for the period	Comprehensive loss for the period	Comprehensive loss allocated to NCI	(Loss) income for the period	Comprehensive income for the period	Comprehensive (loss) income allocated to NCI
Shizukuishi	(520)	(310)	(41)	(61)	(1,653)	(217)
Mito	157	230	30	223	(295)	(38)
Aomori	147	233	93	-	-	-
Komatsu	(10)	(918)	(137)	-	-	-
Salvador	(3,589)	(3,589)	(1,077)	(3,267)	(3,267)	(980)
Total	(3,815)	(4,354)	(1,132)	(3,105)	(5,215)	(1,235)

The net change in participating non-controlling interests in operating entities is as follows:

	Salvador	Shizukuishi	Mito	Komatsu	Aomori	Total
As at December 31, 2016	(32,224)	(193)	127	291	525	(31,474)
Net (loss) income attributable to non-controlling interest	(1,077)	(68)	20	(1)	59	(1,067)
Other comprehensive (loss) income attributable to non-controlling interest	(1,027)	27	10	(135)	34	(1,091)
Capital contributions	19,510	-	-	-	-	19,510
As at March 31, 2017	(14,818)	(234)	157	155	618	(14,122)
Interest held by third parties	30%	13%	13%	15%	40%	

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13. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Assets under construction	Other PPE	Total
Cost:					
At December 31, 2016	2,577	189,929	12,210	4,187	208,903
Additions	-	-	10,518	8	10,526
Reclassification	-	12,092	(12,092)	-	-
Exchange differences	119	4,196	510	134	4,959
At March 31, 2017	2,696	206,217	11,146	4,329	224,388
Accumulated depreciation:					
At December 31, 2016	-	18,374	-	930	19,304
Depreciation	-	2,359	-	30	2,389
Exchange differences	-	127	-	37	164
At March 31, 2017	-	20,860	-	997	21,857
Net book value:					
At December 31, 2016	2,577	171,555	12,210	3,257	189,599
At March 31, 2017	2,696	185,357	11,146	3,332	202,531

During the three months ended March 31, 2017, the Group capitalized as assets under construction \$10.5 million (2016:\$37.0 million) of incurred capital expenditures associated with the solar power projects in Japan. In February 2017, the Group's 9.5 MW Japanese solar power project (Aomori) achieved commercial operation date for two of its four sites and the Company reclassified the associated construction costs to solar power project in accordance with the Group's accounting policies. In addition, during 2017, the Group capitalized \$0.1 million (2016: \$0.8 million) of borrowing costs associated with credit facilities obtained to finance the construction of Aomori and Komatsu projects.

Note 9 and Note 18

14. INTANGIBLE ASSETS

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At December 31, 2016	15,751	4,294	20,045
Additions	-	297	297
Exchange differences	302	105	407
At March 31, 2017	16,053	4,696	20,749
Accumulated amortization:			
At December 31, 2016	2,984	1,182	4,166
Amortization	236	10	246
Exchange differences	42	50	92
At March 31, 2017	3,262	1,242	4,504
Net book value:			
At December 31, 2016	12,767	3,112	15,879
At March 31, 2017	12,791	3,454	16,245

During the months ended March 31, 2017, general and administrative expenses of \$0.3 million (2016: \$0.8 million) representing internally-generated costs of \$0.3 million (2016: \$0.5 million) and third-party costs of \$ nil (2016: \$0.3 million) were capitalized during the period within intangible assets as they directly related to the Group's development activities in Japan.

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15. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents (including restricted cash) are held in banks in Canada, Luxembourg, Switzerland, United States, Japan and Chile with high and medium grade credit ratings assigned by international credit agencies. The fair value of cash and cash equivalents approximates their carrying value due to short maturities. Included within cash and cash equivalents is restricted cash relating to the Group's solar power projects as follows:

	March 31 2017	December 31 2016
Unrestricted cash at parent level	42,994	42,286
Restricted cash at project level	30,211	18,888
Total	73,205	61,174

Restricted cash relates to cash and cash equivalents held at the project level that are restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions.

16. SHARE CAPITAL

The Company has authorized capital consisting of an unlimited number of common shares, of which 334,094,324 are issued and outstanding at March 31, 2017 (December 31, 2016: 334,094,324). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all of the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors. No dividends were declared during the three months ended March 31, 2017 and 2016. RSUs exercised during the three months ended March 31, 2017 were settled in cash. [Note 17](#)

17. SHARE-BASED PAYMENTS

The Company maintains an equity-settled stock option awards scheme for employees, consultants, directors and officers. All outstanding stock options have a contractual term ranging from five to ten years and generally vest over a period of three years with the exercise price set equal to the market price at the date of grant. In addition, the Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. RSUs have a contractual term of approximately four years and have time-based and performance-based vesting conditions that are market and non-market based.

During the three months ended March 31, 2017, the Group recognized share-based payment expenses of \$0.3 million (2016: \$0.2 million) related to its stock option and RSU award schemes. [Note 8.](#)

Changes in the Company's outstanding stock options and RSUs are as follows:

	Number of share options	Weighted average exercise price CAD\$
At December 31, 2016	3,202,000	0.43
Expired	(564,000)	0.52
At March 31, 2017	2,638,000	0.42
Stock options exercisable:		
At December 31, 2016	3,202,000	0.43
At March 31, 2017	2,638,000	0.42

The Company recognizes an expense within general and administrative expenses when stock options are granted to employees, consultants, directors and officers using the fair value method at the date of grant. Share-based compensation is calculated using the Black-Scholes option pricing model for stock options and the grant date share fair value for RSUs with service and non-market performance conditions. For RSUs with market-based performance conditions share-based compensation is calculated using an adjusted grant date share fair value calculated with a valuation model that incorporates all the variables included in the market vesting conditions.

	Number of RSUs
At December 31, 2016	30,018,607
Exercised	(55,980)
At March 31, 2017	29,962,627

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18. BORROWINGS

	Corporate bond	Project loans	Total
At January 1, 2017	42,108	242,669	284,777
Proceeds from loans	-	23,601	23,601
Repayment of loans and interest	-	(2,580)	(2,580)
Accrued interest	835	3,057	3,892
Amortization of transaction costs	65	78	143
Exchange difference	402	4,681	5,083
At March 31, 2017	43,410	271,506	314,916
- Current portion	1,500	15,616	17,116
- Non-current portion	41,910	255,890	297,800

At March 31, 2017, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings and non-recourse project loans.

(a) CORPORATE BORROWINGS

At March 31, 2017, the Group had €40 million of corporate bonds outstanding. The bond was issued by the Company in April 2014 at 8.0% annual interest with a 5-year maturity. The carrying amount of the corporate bond as at March 31, 2017, including accrued interest net of transaction costs, was \$43.4 million (December 31, 2016: \$42.1 million).

(b) NON-RECOURSE PROJECT LOANS

Japanese subsidiaries

During the three months ended March 31, 2017, the Group's Japanese subsidiaries with solar power projects under construction drew down a total of ¥2,530 million (\$22.6 million) and ¥210 million (\$1.9 million) under the senior financing agreements and under the VAT credit facility, respectively (2016: ¥ nil). At March 31, 2017, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥3,321 million (\$29.7 million) (2016: ¥5,023 million (\$44.7 million)). At March 31, 2017, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at March 31, 2017, and December 31, 2016.

On March 24, 2017, Shizukuishi received a cash reimbursement of ¥501 million (\$4.5 million) from the Japanese tax authorities associated with VAT credits accumulated during the construction of its solar power plant. The Company's subsidiary requested an early repayment from the lender bank in relation to the associated VAT credit facility.

Chilean subsidiaries

The non-recourse project loan obtained by the Group's Chilean subsidiary, Salvador, to finance Project Salvador matures in 2033. The repayment of this credit facility is secured principally by the proceeds from the sale of electricity in the spot market. The loan is accounted for using the amortized cost method based on the effective

interest rate. At March 31, 2017, there were no undrawn amounts under the OPIC senior credit facility. The fair value of this credit facility equals its carrying amount, as the interest rates approximate the market rates.

On March 9, 2017, Etrion signed an amendment to the existing senior finance agreement with the Overseas Private Investment Corporation ("OPIC"), Salvador's lender, whereby all scheduled interest and principal payments between May 31, 2017 and May 31, 2018 will be deferred and due May 31, 2018, if the debt is not restructured or period extended by that date. The deferred interest and principal payments will accrue additional interest rate at the level of existing interest rate. All defaults resulting from financial covenants and ratios calculations during this period will be waived.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31 2017	December 31 2016
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	1,257	1,167
- Non-current portion	9,448	8,347
Total derivative financial liabilities	10,705	9,514

Interest rate swap contracts

The Group enters into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Japan. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR interest rate forward yield curves and an appropriate discount factor.

At March 31, 2017, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded into finance income/costs.

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20. RELATED PARTIES

For the purposes of preparing the Company's condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns through various trusts approximately 24.3% of the Company's common shares (2016: 24.3%).

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2017, and 2016, the Group entered into the following transactions with related parties:

	Three months ended	
	Q1-17	Q1-16
General and administrative expenses:		
Lundin Services BV	3	3
Lundin Petroleum AB	6	7
Lundin SA	30	-
Finance costs:		
Lundin family:		
- Interest expense	127	220
- Transaction costs	10	11
Total transactions with related parties	176	241

Amounts outstanding to related parties at March 31, 2017 and 2016 are as follows:

	March 31 2017	December 31 2016
Current liabilities:		
Lundin Services BV:		
General and administrative expenses	1	1
Lundin family share in corporate bond	229	98
Key management personnel	-	500
Total current liabilities	230	599
Non-current liabilities:		
Lundin family share in corporate bond	6,424	6,323
Total non-current liabilities	6,424	6,323
Total amounts outstanding	6,654	6,922

There were no amounts outstanding from related parties at March 31, 2017 and 2016.

21. COMMITMENTS

Contractual commitments

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of March 31, 2017, the Group had a contractual obligation over one year to acquire construction services in the amount of \$40.0 million related to the construction of the 9.5 MW Aomori and the 13.2 MW Komatsu solar power projects in Japan. This contractual obligation will be funded from existing cash available at the project company level and/or from the Group's unrestricted cash balance upon financial close.

22. CONTINGENT LIABILITIES

On August 10, 2015, the Group received a litigation notice from a former employee alleging unreconciled labor-related differences. The Company's directors believe the claim is without merit, and the Group intends to vigorously defend itself. Given the early stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation and has not included a provision for liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in these condensed consolidated interim financial statements.