



Q1

ETRION CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

Expressed in US\$'000

		Three months ended	
		Q1-16	Q1-15
	Note		
Revenue	5	9,903	10,387
Operating expenses	6	(9,674)	(8,008)
Gross profit		229	2,379
General and administrative expenses	7	(1,877)	(2,424)
Other income (expense)		28	(23)
Operating loss		(1,620)	(68)
Finance income	8	382	6,411
Finance costs	8	(8,536)	(9,017)
Net finance costs		(8,154)	(2,606)
Loss before income tax		(9,774)	(2,674)
Income tax recovery	9	1,227	191
Loss for the period		(8,547)	(2,483)
Other comprehensive loss:			
Items that may be subsequently reclassified to profit and loss			
Loss on currency translation		(1,636)	(179)
Loss on cash flow hedges (net of tax)		(7,405)	(903)
Total other comprehensive loss		(9,041)	(1,082)
Total comprehensive loss for the period		(17,588)	(3,565)
Loss attributable to:			
Owners of the Company		(7,588)	(1,614)
Non-controlling interest	11	(959)	(869)
Total comprehensive loss attributable to:			
Owners of the Company		(16,353)	(2,735)
Non-controlling interest	11	(1,235)	(830)
Basic and diluted loss per share	10	\$(0.02)	\$(0.00)

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT MARCH 31, 2016

UNAUDITED

Expressed in US\$'000

		March 31 2016	December 31 2015
	Note		
Assets			
Non-current assets			
Property, plant and equipment	12	492,024	480,973
Intangible assets	13	28,748	27,637
Deferred income tax assets	9	23,994	19,809
Derivative financial instruments	18	-	702
Trade and other receivables		2,363	2,256
Total non-current assets		547,129	531,377
Current assets			
Trade and other receivables		27,514	29,444
Cash and cash equivalents (including restricted cash)	14	54,452	52,499
Total current assets		81,966	81,943
Total assets		629,095	613,320
Equity			
Attributable to owners of the Company			
Share capital	15	111,304	111,304
Contributed surplus		11,791	11,547
Other reserves		(45,903)	(37,782)
Accumulated deficit		(85,627)	(78,039)
Total attributable to owners of the Company		(8,435)	7,030
Non-controlling interest	11	(1,861)	(626)
Total equity		(10,296)	6,404
Liabilities			
Non-current liabilities			
Borrowings	17	526,591	485,372
Derivative financial instruments	18	21,058	10,639
Deferred income tax liabilities		411	400
Provisions		7,550	7,226
Other liabilities		23,497	22,795
Total non-current liabilities		579,107	526,432
Current liabilities			
Trade and other payables		25,170	27,379
Current tax liabilities	9	574	672
Borrowings	17	28,917	47,688
Derivative financial instruments	18	4,038	3,230
Other liabilities		1,585	1,515
Total current liabilities		60,284	80,484
Total liabilities		639,391	606,916
Total equity and liabilities		629,095	613,320

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, 2016

UNAUDITED

Expressed in US\$'000

	Attributable to owners of the Company				Total	Non-controlling interest	Total equity
	Share capital	Contributed surplus	Other reserves	Accumulated deficit			
	Note						
Balance at January 1, 2015	111,300	11,048	(29,837)	(62,468)	30,043	2,887	32,930
Comprehensive loss:							
- Loss for the period	-	-	-	(1,614)	(1,614)	(869)	(2,483)
- Other comprehensive loss:							
Cash flow hedges (net of tax)	-	-	(889)	-	(889)	39	(850)
Currency translation	-	-	(188)	-	(188)	-	(188)
Total comprehensive loss	-	-	(1,077)	(1,614)	(2,691)	(830)	(3,521)
Transactions with owners in their capacity as owners:							
- Share-based payments	16	-	224	-	224	-	224
- Written call option	-	-	104	-	104	-	104
Balance at March 31, 2015	111,300	11,272	(30,810)	(64,082)	27,680	2,057	29,737
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:							
- Share-based payments	16	-	244	-	244	-	244
- Written call option	-	-	67	-	67	-	67
Balance at March 31, 2016	111,304	11,791	(45,903)	(85,627)	(8,435)	(1,861)	(10,296)

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, 2016

UNAUDITED

Expressed in US\$'000

		Three months ended	
		Q1-16	Q1-15
Cash flow from (used in) operating activities:	Note		
Loss for the period		(8,547)	(2,483)
Adjustments for:			
Depreciation and amortization expense (D&A)	6/7	6,065	5,572
Current income tax recovery	9	(54)	(1,190)
Deferred income tax (recovery) expense	9	(1,173)	999
Share-based payment expense	7/16	243	224
Interest expense	8	6,370	6,328
Interest expense relating to interest rate swap contracts	8	895	2,016
Amortization of transaction costs	8	323	331
Foreign exchange gain	8	(378)	(6,302)
Fair value changes associated with derivative financial instruments	8	830	77
Other (income) expenses		(28)	23
Sub-total		4,546	5,595
Changes in working capital:			
Decrease (Increase) in trade and other receivables		1,823	(4,942)
Decrease in trade and other payables		(2,071)	(8,394)
Income tax paid		-	(334)
Total cash flow from (used in) operating activities		4,298	(8,075)
Cash flow used in investing activities:			
Purchases of property, plant and equipment	12	(712)	(9,882)
Purchases of intangible assets	13	(787)	(335)
Total cash flow used in investing activities		(1,499)	(10,217)
Cash flow used in financing activities:			
Interest paid	17	(2,652)	(4,907)
Interest paid relating to interest rate swap contracts		-	(2,367)
Repayment of borrowings		-	(2,922)
Proceeds from borrowings		-	9,329
Total cash flow used in financing activities		(2,652)	(867)
Net increase in cash and cash equivalents		147	19,159
Effect of exchange rate changes on cash and cash equivalents		1,806	(5,586)
Cash and cash equivalents at the beginning of the period		52,499	95,349
Cash and cash equivalents at the end of the period		54,452	70,604

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

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 St, 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 139 megawatt ("MW") of installed solar capacity in Italy, Chile and Japan. The Company has 25 MW of solar projects under construction in Japan and is also actively developing greenfield solar power projects in Japan and Chile.

These condensed consolidated interim financial statements are presented in United States ("US") Dollars ("\$"), which is the Group's presentation currency. The Company's functional currency is the Euro ("€"). However, since the Group operates in Europe, the Americas and Asia and 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 Euros, Canadian dollars ("CAD\$"), and Japanese yen ("¥"). The Company's Board of Directors approved these consolidated interim financial statements on May 10, 2016.

2. 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, 2015. These condensed consolidated interim financial statements have been drawn up 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, 2015.

(b) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2016, 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, 2016, the Group had cash and cash equivalents of \$54.5 million, \$14.1 million of which was unrestricted and held at the parent level (December 31, 2015: \$52.5 million and \$17.6 million), and working capital of \$21.7 million (December 31, 2015: \$1.5 million). During the three months ended March 31, 2016, the Group incurred a net loss of \$8.5 million (2015: \$2.5 million). However, 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 consolidated financial statements. These condensed consolidated interim financial statements for the three months ended March 31, 2016, 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, 2016, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2016.

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, 2016, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

Expressed in US\$'000 unless otherwise stated

4. SEGMENT REPORTING

The Company's management has determined the operating segments based on reports reviewed by the Board of Directors and used to make strategic decisions. The Board of Directors considers reportable segments from a products and services perspective and measures performance based on earnings before interest, tax, depreciation and amortization ("EBITDA"). The Company's management has identified one reportable segment, the renewable energy segment, which includes the Group's solar power projects. While the Company's management has determined that the Company has only one reportable segment, the Company has decided to disclose additional information below as it believes that this information is useful for readers of the interim consolidated financial statements.

The Group's electricity production in Italy is sold to the Italian state-owned company, Gestore Servizi Energetici ("GSE"), in Japan to the Japanese public utility, Tokyo Electric Power Company ("TEPCO"), and in Chile to the spot electricity market and to a private client under a long-term power purchase agreements ("PPA"). Refer to Note 5. The Group's revenues, EBITDA and results are presented as follows:

Three months ended	Q1-16			Q1-15		
	Renewable	Corporate	Total	Renewable	Corporate	Total
Revenue	9,903	-	9,903	10,387	-	10,387
Operating expenses (Opex)	(3,663)	-	(3,663)	(2,518)	-	(2,518)
General and administrative expenses (G&A)	(352)	(1,471)	(1,823)	(304)	(2,038)	(2,342)
Other income (expenses)	10	18	28	(59)	36	(23)
EBITDA	5,898	(1,453)	4,445	7,506	(2,002)	5,504
Depreciation and amortization	(6,011)	(54)	(6,065)	(5,490)	(82)	(5,572)
Finance income	196	186	382	(39)	6,450	6,411
Finance costs	(6,598)	(1,938)	(8,536)	(7,036)	(1,981)	(9,017)
Income (loss) before income tax	(6,515)	(3,259)	(9,774)	(5,059)	2,385	(2,674)
Income tax recovery (expense)	1,668	(441)	1,227	256	(65)	191
Net (loss) income for the period	(4,847)	(3,700)	(8,547)	(4,803)	2,320	(2,483)

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

	March 31, 2016			December 31, 2015		
	Renewable	Corporate	Total	Renewable	Corporate	Total
Property, plant and equipment	491,866	158	492,024	480,808	165	480,973
Intangible assets	24,463	4,285	28,748	24,276	3,361	27,637
Cash and cash equivalents	40,346	14,106	54,452	34,917	17,582	52,499
Other assets	45,705	8,166	53,871	43,585	8,626	52,211
Total assets	602,380	26,715	629,095	583,586	29,734	613,320
Borrowings	462,551	92,957	555,508	446,001	87,059	533,060
Trade and other payables	23,085	2,086	25,171	23,196	4,183	27,379
Other liabilities	56,416	2,296	58,712	42,059	4,418	46,477
Total liabilities	542,052	97,339	639,391	511,256	95,660	606,916

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

Expressed in US\$'000 unless otherwise stated

5. REVENUE

	Three months ended	
	Q1-16	Q1-15
Feed-in Tariff ("FIT")	6,452	5,804
Spot market price ("Market Price")	1,339	4,583
PPA agreement	1,969	-
Other utility income	143	-
Total revenue	9,903	10,387

The Group's operating revenues arise from the sale of electricity in Italy, Chile and Japan.

The Group receives revenues denominated in Euros, US dollars and Japanese yen from its operating solar projects. Revenues come from three components: (1) the FIT system, whereby a premium constant price is received for each kWh of electricity produced through a 20-year contract with GSE or TEPCO, as applicable, (2) the Market Price received for each kWh of electricity generated in Chile and Italy, and (3) contracted PPAs, whereby a fixed price is received for each kWh of electricity produced and sold under private electricity sale agreements.

PPA revenues

Starting January 1, 2016, the Group receives PPA revenues associated with its operations in Chile through its 70%-owned subsidiary, PV Salvador SpA ("Salvador"). Project Salvador executed in May 2015 a long-term PPA with EE-ERNC-1, an investment grade off-taker. The PPA is for the first 70 gigawatt-hours of Project Salvador's production for 15 years with the electricity price denominated in US (approximately \$0.10 per kWh).

Other utility income

Starting from July 2015, Salvador receives a capacity payment associated with its operations in Chile. The capacity payment is a monthly fixed amount received by Salvador from other energy producers in the spot market and is calculated based on Salvador's production capacity, the maximum system demand in the peak period and a fixed tariff calculated by the Chilean authorities.

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

6. OPERATING EXPENSES

	Three months ended	
	Q1-16	Q1-15
O&M costs	1,004	1,062
Purchased power ("Nodal Costs")	1,141	-
Personnel costs	376	241
D&A	6,011	5,490
Property tax	403	413
Insurance	167	134
Land lease	90	51
Transmission costs	174	318
Other expenses	308	299
Total Opex	9,674	8,008

O&M costs of \$1.0 million (2015: \$1.1 million) relate to fees paid in connection with the operation and maintenance activities of the Group's operating solar power projects in Italy, Chile and Japan. The Group outsources these O&M services to third parties.

In addition, in order to satisfy the obligations under the terms of the PPA agreement, Salvador purchases and pays the cost of electricity in the withdrawal node at the off-taker ("Nodal Costs"). During the three months ended March 31, 2016, the average Nodal Costs were approximately \$0.057 per kWh.

Transmission costs incurred during the three months ended March 31, 2016, relate to fees paid by electricity producers, including Salvador, for the utilization of the private electricity grid in the Sistema Interconectado Central ("SIC") electricity network area in Chile to deliver electricity to final consumers.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	Q1-16	Q1-15
Salaries and benefits	656	884
Board of directors fees	37	90
Share-based payments	243	224
Professional fees	529	634
Listing and marketing	74	128
D&A	54	82
Office lease	114	83
Office, travel and other	170	299
Total G&A	1,877	2,424

During the three months ended March 31, 2016, general and administrative expenses of \$0.8 million (2015: \$0.3 million) representing internally-generated costs (\$0.5 million) and third-party costs (\$0.3 million) were capitalized within intangible assets, as they directly related to the Group's business development activities in Chile and Japan [Note 13](#).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

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8. FINANCE INCOME AND COSTS

	Three months ended	
	Q1-16	Q1-15
Finance income:		
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income	-	101
Foreign exchange gain	378	6,302
Other finance income	4	8
Total finance income	382	6,411
Finance costs:		
Interest expense:		
- Credit facilities and non-recourse loans Note 17	4,299	4,574
- Interest rate swap contracts associated with non-recourse loans	895	2,016
- Corporate bond Note 17/19	1,763	1,783
- Credit facilities with non-controlling interests	431	424
- Amortization of transaction costs	339	360
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income	204	-
- De-designated portion reclassified from other comprehensive income	559	74
Written call option over shares in subsidiary	67	104
Other finance costs	118	164
Total finance costs before deducting amounts capitalized	8,675	9,499
Amounts capitalized on qualifying assets	(139)	(482)
Total finance costs	8,536	9,017
Net finance costs	8,154	2,606

The Group has four floating-rate credit facilities and one project bond outstanding associated with its operating solar power projects in Italy and Japan and 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 17](#) and [Note 18](#) 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 12](#)

During the three months ended March 31, 2016, the Group recognized \$0.4 million (2015: \$6.3million) of foreign exchange gains mainly associated with the Euro denominated loan of a Japanese subsidiary using the Japanese Yen as functional currency.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

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9. INCOME TAXES

(a) INCOME TAX EXPENSE

	Three months ended	
	Q1-16	Q1-15
Current income tax		
Corporate income tax recovery	54	952
Provincial income tax recovery	-	238
Total income tax recovery	54	1,190
Deferred income tax		
Current period recovery (expense)	1,371	(692)
Tax benefits	(198)	(307)
Total deferred recovery (expense)	1,173	(999)
Total income tax recovery	1,227	191

During the three months ended March 31, 2016, the Group recognized a net income tax recovery of \$1.2 million (2015: \$0.2 million), associated with its operating solar power projects in Italy, Chile and Japan based on the forecasted effective tax rate expected during the year. Net income tax recovery also includes \$0.4 million of corporate income tax expense associated with the management service entities of the Group.

Due to the seasonality of revenues generated from solar electricity in Italy and Market Price volatility in Chile, the operating subsidiaries in these countries recognized taxable losses during the three months ended March 31, 2016 and the deferred recovery associated with the tax benefit of the incurred losses during the period.

(b) CURRENT INCOME TAX LIABILITIES

	March 31 2016	December 31 2015
Corporate income tax	574	566
Provincial income tax	-	106
Total current income tax liabilities	574	672

10. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of shares outstanding during the period as follows:

	Three months ended	
	Q1-16	Q1-15
Loss income attributable to owners of the Company	(7,588)	(1,614)
Weighted average number of thousand shares outstanding	334,090	334,083
Basic and diluted loss per share	\$(0.02)	\$(0.00)

Diluted loss per share is equal to basic loss per share, as, due to the losses recognized during the periods, the stock options outstanding have an anti-dilutive effect.

11. NON-CONTROLLING INTEREST

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Salvador, Shizukuishi Solar GK ("Shizukuishi") and Etrion Energy 1 GK ("Mito").

Salvador is a Chilean entity that owns the licenses, permits, and facilities to operate the 70 MW solar power plant in northern Chile ("Project Salvador"). Salvador is currently owned 70% by Etrion, 20% by Total Energie Developpement S.A. ("Total") and 10% by Solventus Chile SpA ("Solventus").

Mito and Shizukuishi are Japanese entities that own the licenses, permits and facilities to build and operate solar parks in Japan totaling 34 MW ("the Mito and Shizukuishi Projects"). Mito and Shizukuishi are owned 87% by Etrion and 13% by Hitachi High-Tech ("HHT"). The Shizukuishi Project is under construction and is expected to be fully operational by the third quarter of 2016.

The non-controlling interest at March 31, 2016, an asset of \$1.9 million (December 31, 2015: \$0.6 million), represents the 30% minority interest in Salvador held by Total and Solventus and the 13% minority interest of Mito and Shizukuishi held by HHT. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of Salvador, Mito and Shizukuishi, 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, 2016

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The summarized current and non-current net assets (liabilities) of the entities in which there is a non-controlling interest are as follows:

	March 31, 2016			December 31, 2015		
	Current	Non-current	Net	Current	Non-current	Net
Salvador	16,534	(22,380)	(5,846)	17,443	(20,021)	(2,579)
Shizukuishi	(11,615)	10,516	(1,099)	(9,632)	10,251	619
Mito	3,867	(3,615)	252	4,295	(3,786)	509
Total net assets (liabilities)	8,786	(15,479)	(6,693)	12,106	(13,556)	(1,451)

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

	Q1-16			Q1-15		
	(Loss) gain for the period	Comprehensive loss for the period	Comprehensive loss allocated to NCI	Loss for the period	Comprehensive (loss) gain for the period	Comprehensive (loss) gain allocated to NCI
Salvador	(3,267)	(3,267)	(980)	(2,894)	(2,894)	(869)
Shizukuishi	(61)	(1,653)	(217)	(3)	82	11
Mito	223	(295)	(38)	(1)	215	28
Total	(3,105)	(5,215)	(1,235)	(2,898)	(2,597)	(830)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

UNAUDITED

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Assets under construction	Equipment and furniture	Total
Cost:					
At December 31, 2015	10,891	521,354	33,371	3,148	568,764
Additions	-	134	855	-	989
Exchange differences	476	15,767	1,458	137	17,838
At March 31, 2016	11,367	537,255	35,684	3,285	587,591
Accumulated depreciation:					
At December 31, 2015	-	86,460	-	1,331	87,791
Charge for the period	-	5,626	-	93	5,719
Exchange differences	-	1,998	-	59	2,057
At March 31, 2016	-	94,084	-	1,483	95,567
Net book value:					
At December 31, 2015	10,891	434,894	33,371	1,817	480,973
At March 31, 2016	11,367	443,171	35,684	1,802	492,024

During the three months ended March 31, 2016, the Group capitalized as assets under construction \$0.8 million of incurred capital expenditures associated with the 25 MW solar power project in Japan. In addition, during the three months ended March 31, 2016, the Group capitalized \$0.1 million (2015: \$0.5 million) of borrowing costs associated with the credit facilities obtained to finance the construction of Shizukuishi.

13. INTANGIBLE ASSETS

	Goodwill	Licenses and permits	Internally generated intangibles and other	Total
Cost:				
At December 31, 2015	1,428	26,578	3,963	31,969
Additions	-	-	787	787
Exchange differences	65	662	205	932
At March 31, 2016	1,493	27,240	4,955	33,688
Accumulated amortization:				
At December 31, 2015	-	3,730	602	4,332
Charge of the period	-	378	41	419
Exchange differences	-	162	27	189
At March 31, 2016	-	4,270	670	4,940
Net book value:				
At December 31, 2015	1,428	22,848	3,361	27,637
At March 31, 2016	1,493	22,970	4,285	28,748

During the three months ended March 31, 2016, general and administrative expenses of \$0.8 million (2015: \$0.3 million) representing internally-generated costs (\$0.5 million) and third-party costs (\$0.3 million) were capitalized during the period within intangible assets, as they directly related to the Group's business development activities in Chile and Japan. [Note 7](#)

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14. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents (including restricted cash) are held in banks in Canada, Luxembourg, Switzerland, Italy, United States of America, 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 related to the Group's solar power projects as follows:

	March 31 2016	December 31 2015
Unrestricted cash at parent level	14,106	17,582
Restricted cash at project level	40,346	34,917
Total cash and cash equivalents	54,452	52,499

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.

15. 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, 2016 (December 31, 2015: 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, 2016 and 2015.

16. 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, 2016, the Group recognized share-based payment expenses of \$0.2 million (2015: \$0.2 million) related to its stock option and RSU award schemes. **Note 7.** 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, 2015	3,751,000	0.42
Forfeited	(224,000)	0.34
At March 31, 2016	3,527,000	0.43
Stock options exercisable:		
At December 31, 2015	3,079,333	0.42
At March 31, 2016	3,485,333	0.43

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 share fair value at the grant date calculated with a valuation model that incorporates all the variables included in the market vesting conditions.

	Number of RSUs
At December 31, 2015	16,892,793
Forfeited	(191,116)
At March 31, 2016	16,701,677

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17. BORROWINGS

	Corporate bond	Project bond	Project loans	Total
At December 31, 2015	87,059	37,522	408,479	533,060
Interest repayment	-	-	(2,652)	(2,652)
Accrued interest	1,763	1,328	2,969	6,060
Amortization of transaction costs	90	165	83	338
Exchange difference	4,045	1,493	13,164	18,702
At March 31, 2016	92,957	40,508	422,043	555,008
- Current portion	3,198	1,371	24,348	28,917
- Non-current portion	89,759	39,137	397,695	526,591

At March 31, 2016, 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 BOND

At March 31, 2016, the Group had €80 million of corporate bonds outstanding in the Norwegian bond market 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, 2016, including accrued interest net of transaction costs, was \$93.0 million (December 31, 2015: \$87.1 million).

(b) NON-RECOURSE PROJECT LOANS

Italian subsidiaries

On March 22, 2016, the Group's Italian subsidiary, Helios ITA, received a waiver from the project finance banks of certain provisions of the senior credit facility agreement regarding the calculation of financial ratios and breach of covenants. As a result, the Helios ITA total debt outstanding is not considered to be immediately repayable and has been classified as non-current as at March 31, 2016.

All the Italian non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at March 31, 2016, and December 31, 2015.

Chilean subsidiaries

The non-recourse project loan obtained by the Group's Chilean subsidiary, Salvador, to finance the construction of 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 costs method based on the effective interest rate. The fair value of this credit facility equals its carrying amount, as the impact of discounting is not significant given the fixed-rate terms of the loan.

Japanese subsidiaries

During the three months ended March 31, 2016, the Group's Japanese subsidiaries did not draw additional resources from the senior financing agreement (2015: ¥800 million) or the VAT credit facility (2015: ¥100 million). As of March 31, 2016, the undrawn gross amount of the senior and VAT credit facility was ¥4,724 million (2015: ¥7,844 million) and ¥299 million (2015: ¥501 million), respectively.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31 2016	December 31 2015
Derivative financial assets:		
Interest rate swap contracts		
- Current portion	-	702
Total derivative financial assets	-	702
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	4,038	3,230
- Non-current portion	21,058	10,639
Total derivative financial liabilities	25,096	13,869

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 Italy and 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 Euribor and TIBOR interest rate forward yield curves and an appropriate discount factor. At March 31, 2016, the Group had four derivative financial instruments that qualified for hedge accounting (December 31, 2015: four). The Group's derivative financial instruments are classified within level 2 of the fair value hierarchy.

During the three months ended March 31, 2016, the Group recognized a net fair value loss of \$7.4 million (2015: net fair value loss of \$0.9 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

At March 31, 2016, and December 31, 2015, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted

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for within equity, except for the ineffective portion that is recorded in finance income and costs.

19. RELATED PARTIES

For the purposes of preparing the Company's 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 directly and through various trusts approximately 24.3% of the Company's common shares (2015: 24.3%).

(a) RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2016, and 2015, the Group entered into the following transactions with related parties:

	Three months ended	
	Q1-16	Q1-15
General and administrative expenses:		
Lundin Services BV	3	23
Lundin Petroleum AB	7	-
Finance costs:		
Lundin family:		
- Interest expense	220	221
- Transaction costs	11	10
Total transactions with related parties	241	254

At March 31, 2016, and December 31, 2015, the amounts outstanding to related parties were as follows:

	March 31	December 31
	2016	2016
Current liabilities:		
Lundin Services BV:		
General and administrative expenses	2	2
Lundin family share in corporate bond	397	387
Total current liabilities	399	389
Non-current liabilities:		
Lundin family share in corporate bond	11,108	10,908
Total non-current liabilities	11,108	10,908
Total amounts outstanding	11,507	11,297

There were no amounts outstanding from related parties at March 31, 2016, or December 31, 2015.

Lundin Services BV

The Group receives professional services from Lundin Services BV ("Lundin Services"), a wholly-owned subsidiary of Lundin Petroleum AB.

Lundin family

Investment companies associated with the Lundin family subscribed for €15 million of the corporate bond issue completed in April 2014. As at March 31, 2016, the total corporate bonds held by the Lundin family amounted to €9.9 million.

(b) KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management of the Group includes members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. Remuneration of key management personnel is as follows:

	Three months ended	
	Q1-16	Q1-15
Salaries and benefits	220	291
Pension costs	45	59
Board of Directors	38	75
Share-based payment	233	156
Total remuneration	536	581

The amounts outstanding to key management personnel were as follows:

	March 31	December 31
	2016	2015
Board of Directors	38	-
Other (bonus and pension costs)	-	107
Total outstanding	38	107

20. 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, 2016, the Group had a contractual obligation to acquire construction services in the amount of \$33.9 million related to the construction of the 25 MW Shizukuishi solar power project in Japan. This contractual obligation will be funded from existing cash available at the project company level or future cash flows from operations with no additional capital investments to be made by the Group or additional funding from the Group's unrestricted cash balance.

21. 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.