



Q3

ETRION CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

UNAUDITED

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	Unaudited	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

UNAUDITED

Expressed in US\$'000

		Three months ended		Nine months ended	
		Q3-15	Q3-14	Q3-15	Q3-14
	Note				
Revenue	5	15,913	17,129	43,360	43,260
Operating expenses	6	(8,691)	(7,094)	(25,284)	(21,716)
Gross profit		7,222	10,035	18,076	21,544
General and administrative expenses	7	(2,957)	(2,002)	(7,990)	(6,259)
Impairment	8	(413)	-	(2,881)	-
Other income		126	85	142	272
Operating profit		3,978	8,118	7,347	15,557
Finance income	9	1,273	2,651	4,940	2,616
Finance costs	9	(9,421)	(7,403)	(27,737)	(24,584)
Net finance costs		(8,148)	(4,752)	(22,797)	(21,968)
(Loss) income before income tax		(4,170)	3,366	(15,450)	(6,411)
Income tax expense	10	(219)	(2,173)	(1,479)	(2,038)
(Loss) income for the period		(4,389)	1,193	(16,929)	(8,449)
Other comprehensive (loss) income:					
Items that may be subsequently reclassified to profit and loss					
(Loss) gain on currency translation		(40)	(1,033)	58	(599)
(Loss) gain on cash flow hedges (net of tax)		(1,713)	(2,924)	3,595	(10,877)
Total other comprehensive (loss) income		(1,753)	(3,957)	3,653	(11,476)
Total comprehensive loss for the period		(6,142)	(2,764)	(13,276)	(19,925)
(Loss) income attributable to:					
Owners of the Company		(3,136)	1,255	(13,977)	(8,372)
Non-controlling interest	12	(1,253)	(62)	(2,952)	(77)
Total comprehensive loss attributable to:					
Owners of the Company		(4,813)	(2,702)	(10,299)	(19,848)
Non-controlling interest	12	(1,329)	(62)	(2,977)	(77)
Basic earnings (loss) per share	11	\$(0.009)	\$0.004	\$(0.042)	\$(0.026)
Diluted earnings (loss) per share		\$(0.009)	\$0.004	\$(0.042)	\$(0.026)

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2015

UNAUDITED

Expressed in US\$'000

		September 30	December 31
		2015	2014
	Note		
Assets			
Non-current assets			
Property, plant and equipment	13	486,128	477,655
Intangible assets	14	27,001	30,942
Deferred income tax assets	10	14,618	14,426
Trade and other receivables		2,495	2,822
Total non-current assets		530,242	525,845
Current assets			
Trade and other receivables		53,101	46,918
Cash and cash equivalents (including restricted cash)	15	73,618	95,349
Total current assets		126,719	142,267
Total assets		656,961	668,112
Equity			
Attributable to owners of the Company			
Share capital	16	111,304	111,300
Contributed surplus		11,701	11,048
Other reserves		(25,770)	(29,837)
Accumulated deficit		(76,445)	(62,468)
Total attributable to owners of the Company		20,790	30,043
Non-controlling interest	12	(103)	2,887
Total equity		20,687	32,930
Liabilities			
Non-current liabilities			
Borrowings	18	494,924	454,969
Derivative financial instruments	19	38,117	47,192
Deferred income tax liabilities		419	480
Provisions		6,732	5,221
Other liabilities		22,448	21,503
Total non-current liabilities		562,640	529,365
Current liabilities			
Trade and other payables		18,070	24,110
Current tax liabilities	10	3,880	458
Borrowings	18	42,221	70,282
Derivative financial instruments	19	7,959	8,203
Provisions		-	784
Other liabilities		1,504	1,980
Total current liabilities		73,634	105,817
Total liabilities		636,274	635,182
Total equity and liabilities		656,961	668,112

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

UNAUDITED

Expressed in US\$'000

	Attributable to owners of the Company					Non-controlling interest	Total Equity
	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total		
	Note						
Balance at January 1, 2014	34,879	10,573	(11,981)	(45,765)	(12,294)	956	(11,338)
Comprehensive loss:							
- Loss for the period	-	-	-	(8,372)	(8,372)	(77)	(8,449)
- Other comprehensive loss:							
Cash flow hedges (net of tax)	-	-	(10,751)	-	(10,751)	-	(10,751)
Currency translation	-	-	(599)	-	(599)	-	(599)
Total comprehensive loss	-	-	(11,350)	(8,372)	(19,722)	(77)	(19,799)
Transactions with owners in their capacity as owners:							
- Share issuance	76,280	-	-	-	76,280	-	76,280
- Stock options exercised	141	(57)	-	-	84	-	84
- Share-based payments	17	205	-	-	205	-	205
- Written call option	9	-	523	-	523	-	523
- Non-controlling interest	-	-	-	-	-	2,013	2,013
Balance at September 30, 2014	111,300	10,721	(22,808)	(54,137)	45,076	2,892	47,968
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	-	-	-	(13,977)	(13,977)	(2,952)	(16,929)
- Other comprehensive gain/(loss):							
Cash flow hedges (net of tax)	-	-	3,792	-	3,792	(38)	3,754
Currency translation	-	-	(39)	-	(39)	-	(39)
Total comprehensive loss	-	-	3,753	(13,977)	(10,224)	(2,990)	(13,214)
Transactions with owners in their capacity as owners:							
- Stock options exercised	4	(2)	-	-	2	-	2
- Share-based payments	17	655	-	-	655	-	655
- Written call option	9	-	314	-	314	-	314
Balance at September 30, 2015	111,304	11,701	(25,770)	(76,445)	20,790	(103)	20,687

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

UNAUDITED

Expressed in US\$'000

		Three months ended		Nine months ended	
		Q3-15	Q3-14	Q3-15	Q3-14
	Note				
Cash flow from (used in) operating activities:					
(Loss) income for the period		(4,389)	1,193	(16,929)	(8,449)
Adjustments for:					
Depreciation and amortization expense (D&A)	6/7	6,062	5,113	17,434	15,664
Impairment	8	413	-	2,881	-
Current income tax expense	10	2,081	3,636	4,017	4,365
Deferred income tax recovery	10	(1,862)	(1,463)	(2,538)	(2,327)
Share-based payment expense	7/17	208	48	655	177
Interest expense	9	6,697	4,340	19,667	13,171
Interest expense relating to interest rate swap contracts	9	2,023	2,329	6,027	7,129
Amortization of transaction costs	9	299	269	962	779
Foreign exchange loss (gain)	9	(170)	2,201	(3,713)	2,381
Loss on derecognition of liability		-	(11)	-	1,022
Fair value changes associated with derivative financial instruments	9	237	251	494	1,701
Other (income) expenses		-	(85)	22	(272)
Interest income		(1,103)	(65)	(1,126)	(122)
Sub-total		10,496	17,756	27,853	35,219
Changes in working capital:					
Decrease (Increase) in trade and other receivables		4,239	(15,633)	(5,856)	(27,668)
(Decrease) in trade and other payables		(8,582)	(879)	(25,782)	(3,092)
Income tax paid		-	(722)	(671)	(3,185)
Total cash flow from (used in) operating activities		6,153	522	(4,456)	1,274
Cash flow used in investing activities:					
Purchases of property, plant and equipment		(4,871)	(52,998)	(28,974)	(76,988)
Purchases of intangible assets		(543)	(1,878)	(1,241)	(5,226)
Total cash flow used in investing activities		(5,414)	(54,876)	(30,215)	(82,214)
Cash flow from financing activities:					
Interest paid	18	(4,733)	(4,816)	(17,522)	(15,229)
Interest paid relating to interest rate swap contracts		(2,492)	(2,670)	(6,400)	(7,543)
Interest income		1,103	(57)	1,126	-
Repayment of borrowings	18	(4,181)	(4,562)	(11,484)	(14,542)
Proceeds from borrowings	18	13,723	16,519	51,197	108,387
Repayment of Lundin loan facility	20	-	-	-	(18,394)
Proceeds from stock-options exercised	17	-	30	2	84
Contributions from non-controlling interest		-	4,392	-	9,878
Proceeds from the issuance of shares		-	-	-	76,280
Total cash flow from financing activities		3,420	8,836	16,919	138,921
Net increase (decrease) in cash and cash equivalents		4,159	(45,518)	(17,752)	57,981
Effect of foreign exchange rate differences		396	(5,129)	(3,979)	(5,652)
Cash and cash equivalents at the beginning of the period		69,063	197,890	95,349	94,914
Cash and cash equivalents at the end of the period		73,618	147,243	73,618	147,243

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

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. As of September 30, 2015, the Company owns 139 megawatt ("MW") of gross installed solar capacity in Italy, Chile and Japan, and has 24.7 MW of gross solar projects under construction in Japan. The Company is also actively developing greenfield solar power projects in Japan and Chile.

These condensed consolidated interim financial statements are presented in United States of America dollars ("\$" or "USD"), 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 consolidated 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 November 11, 2015.

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, 2014. 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, 2014. Certain reclassifications have been made to information from the prior year in order to conform to the current presentation.

(b) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2015, 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 September 30, 2015, the Group had cash and cash equivalents of \$73.6 million, \$22.9 million of which was unrestricted and held at the parent level (December 31, 2014: \$95.3 million and \$33.9 million), and working capital of \$53.1 million (December 31, 2014: \$36.5 million). During the three and nine months ended September 30, 2015, the Group incurred a net loss of \$4.4 million and \$16.9 million (2014: \$1.2 million net income and \$8.4 net loss million), respectively. 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 and nine months ended September 30, 2015, 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 and nine months ended September 30, 2015, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2015.

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 and nine months ended September 30, 2015, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

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 Chile to the spot electricity market and in Japan to the Japanese public utility, Tokyo Electric Power Company ("TEPCO").

The Group's revenues, EBITDA and results can be presented as follows:

Three months ended	Q3-15			Q3-14		
	Renewable	Corporate	Total	Renewable	Corporate	Total
Revenue	15,913	-	15,913	17,129	-	17,129
Operating expenses (Opex)	(2,711)	-	(2,711)	(2,067)	-	(2,067)
General and administrative expenses (G&A)	(399)	(2,476)	(2,875)	(190)	(1,726)	(1,916)
Impairment	-	(413)	(413)	-	-	-
Other income (expenses)	7	119	126	31	54	85
EBITDA	12,810	(2,770)	10,040	14,903	(1,672)	13,231
Depreciation and amortization	(5,979)	(83)	(6,062)	(5,027)	(86)	(5,113)
Finance income	845	428	1,273	89	2,562	2,651
Finance costs	(7,432)	(1,989)	(9,421)	(5,153)	(2,250)	(7,403)
Income (loss) before income tax	244	(4,414)	(4,170)	4,812	(1,446)	3,366
Income tax expense	(177)	(42)	(219)	(2,103)	(70)	(2,173)
Net (loss) income for the period	67	(4,456)	(4,389)	2,709	(1,516)	1,193

Nine months ended	Q3-15			Q3-14		
	Renewable	Corporate	Total	Renewable	Corporate	Total
Revenue	43,360	-	43,360	43,260	-	43,260
Operating expenses	(8,101)	-	(8,101)	(6,317)	-	(6,317)
General and administrative expenses	(1,039)	(6,700)	(7,739)	(837)	(5,157)	(5,994)
Impairment	-	(2,881)	(2,881)	-	-	-
Other income	10	132	142	211	61	272
EBITDA	34,230	(9,449)	24,781	36,317	(5,096)	31,221
Depreciation and amortization	(17,182)	(252)	(17,434)	(15,399)	(265)	(15,664)
Finance income	772	4,168	4,940	38	2,578	2,616
Finance costs	(21,800)	(5,937)	(27,737)	(16,248)	(8,336)	(24,584)
Income (loss) before income tax	(3,980)	(11,470)	(15,450)	4,708	(11,119)	(6,411)
Income tax (expense) recovery	(1,315)	(164)	(1,479)	(1,890)	(148)	(2,038)
Net (loss) gain for the period	(5,295)	(11,634)	(16,929)	2,818	(11,267)	(8,449)

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

	September 30, 2015			December 31, 2014		
	Renewable	Corporate	Total	Renewable	Corporate	Total
Property, plant and equipment	485,924	204	486,128	477,414	241	477,655
Intangible assets	24,899	2,102	27,001	25,168	5,774	30,942
Cash and cash equivalents	50,669	22,949	73,618	61,463	33,886	95,349
Other assets	66,436	3,778	70,214	61,771	2,395	64,166
Total assets	627,928	29,033	656,961	625,816	42,296	668,112
Borrowings	446,020	91,125	537,145	428,542	96,709	525,251
Trade and other payables	16,457	1,613	18,070	19,885	4,225	24,110
Other liabilities	79,507	1,552	81,059	83,836	1,985	85,821
Total liabilities	541,984	94,290	636,274	532,263	102,919	635,182

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

UNAUDITED

Expressed in US\$'000 unless otherwise stated

5. REVENUE

	Three months ended		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
Feed-in Tariff ("FiT")	12,671	15,247	31,150	38,717
Spot market price	3,054	1,882	12,022	4,543
Other utility income	188	-	188	-
Total revenue	15,913	17,129	43,360	43,260

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 two 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, and (2) the spot market price ("Market Price") received for each kWh of electricity generated in Chile and Italy.

Starting July 2015, the Group also receives a capacity payment associated with its operations in Chile through its 70%-owned subsidiary, PV Salvador SpA ("Salvador"). 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 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		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
O&M costs	1,346	804	3,736	2,718
Personnel costs	314	261	869	800
D&A	5,979	5,027	17,182	15,399
Property tax	407	514	1,231	1,577
Insurance	198	94	571	288
Land lease	86	53	196	162
Transmission costs	22	-	525	-
Other expenses	339	341	974	772
Total Opex	8,691	7,094	25,284	21,716

O&M costs of \$3.7 million (2014: \$2.7 million) and \$1.3 million (2014: \$0.8 million) for the three and nine months ended September 30, 2015, respectively, 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.

Transmission costs incurred during the three and nine months ended September 30, 2015, 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		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
Salaries and benefits	898	716	2,571	2,190
Board of directors fees	(34)	103	141	259
Share-based payments	208	48	655	177
Professional fees	981	518	2,519	1,947
Listing and marketing	72	67	361	319
D&A	83	86	252	265
Office lease	148	112	313	331
Office, travel and other	601	352	1,178	771
Total G&A	2,957	2,002	7,990	6,259

During the three months ended September 30, 2015, general and administrative expenses of \$0.3 million (2014: \$0.8 million) representing internally-generated costs (\$0.2 million) and third-party costs (\$0.1 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 14](#).

During the nine months ended September 30, 2015, general and administrative expenses of \$1.2 million (2014: \$4.2 million) representing internally-generated costs (\$0.8 million) and third-party costs (\$0.4 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 14](#).

8. IMPAIRMENT

During the three months ended September 30, 2015, the Company decided to impair \$0.4 million of internally generated intangible assets associated with projects in Japan that the Group is no longer pursuing.

During the nine months ended September 30, 2015, the Company decided to impair total costs of \$2.5 million capitalized as internally generated intangible assets associated with the development pipeline in Chile due to the challenging market environment to secure long-term power purchase agreements in Chile.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

UNAUDITED

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9. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
Finance income:				
Changes in fair values of derivative financial instruments:				
- Ineffective portion reclassified from other comprehensive income	-	-	101	113
Foreign exchange gain	170	2,586	3,713	2,381
Other finance income	1,103	65	1,126	122
Total finance income	1,273	2,651	4,940	2,616
Finance costs:				
Interest expense:				
- Credit facilities and non-recourse loans Note 18	4,576	4,429	13,766	11,333
- Interest rate swap contracts associated with non-recourse loans	2,023	2,329	6,027	7,129
- Corporate bond Note 18/20	1,779	2,145	5,330	6,409
- Credit facility with related party Note 20	-	-	-	179
- Credit facilities with non-controlling interests	381	302	1,286	653
- Amortization of transaction costs	320	377	1,094	974
Changes in fair values of derivative financial instruments:				
- Ineffective portion reclassified from other comprehensive income	59	-	63	1,025
- De-designated portion reclassified from other comprehensive income	72	87	218	266
Written call option over shares in subsidiary	106	176	314	523
Loss on derecognition of liability	-	-	-	1,022
Other finance costs	165	201	486	670
Total finance costs before deducting amounts capitalized	9,481	10,046	28,584	30,183
Amounts capitalized on qualifying assets	(60)	(2,643)	(847)	(5,599)
Total finance costs	9,421	7,403	27,737	24,584
Net finance costs	8,148	4,752	22,797	21,968

The Group has nine floating-rate credit facilities outstanding obtained to finance the construction of its operating solar power projects in Italy and 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 September 30, 2015, the Group recognized a net fair value loss of \$1.7 million (2014: net fair value loss of \$2.9 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

During the nine months ended September 30, 2015, the Group recognized a net fair value gain of \$3.6 million (2014: net fair value loss of \$10.9 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

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10. INCOME TAXES

(a) INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
Current income tax				
Corporate income tax	(2,441)	(2,769)	(3,835)	(3,340)
Provincial income tax	360	(867)	(182)	(1,025)
Total tax expense	(2,081)	(3,636)	(4,017)	(4,365)
Deferred income tax :				
Current period	947	265	1,077	1,003
Tax benefits	915	1,198	1,461	1,324
Total deferred recovery	1,862	1,463	2,538	2,327
Total income tax expense	(219)	(2,173)	(1,479)	(2,038)

During the three and nine months ended September 30, 2015, the Group recognized current income tax expense of \$2.1 million and \$4.0 million (2014: \$3.6 million and \$4.4 million), respectively, associated with its operating solar power projects based on the forecasted effective tax rate expected during the year.

Due to the seasonality of revenues generated from solar electricity in Italy, the Company recognized taxable gains during the three and nine months ended September 30, 2015.

In addition, during the three months ended September 30, 2015, the provincial tax rate applicable to the Group's operating subsidiaries in Italy decreased to zero, attributable to the specifics of the tax legislation in northern Italy.

In addition, the increase in the average useful life of solar assets in Italy generated higher taxable income, which was partially offset by the reduction of the corporate tax rate in Italy from 34% to 27.5%.

During the three and nine months ended September 30, 2015, the Group recognized a deferred income tax recovery of \$1.9 million and \$2.5 million (2014: \$1.5 million and \$2.3 million), respectively, in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. In addition, due to spot price volatility in Chile, the Group recognized a tax benefit associated with tax losses accumulated during the period.

(b) CURRENT INCOME TAX LIABILITIES

	September 30 2015	December 31 2014
Corporate income tax	3,832	251
Provincial income tax	48	207
Total current income tax liabilities	3,880	458

11. EARNINGS/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		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
(Loss) income attributable to owners of the Company	(3,136)	1,255	(13,977)	(8,372)
Weighted average number of thousand shares outstanding	334,094	320,726	334,089	320,726
Basic earnings (loss) per share	\$(0.009)	\$0.004	\$(0.042)	\$(0.026)
Diluted earnings (loss) per share	\$(0.009)	\$0.004	\$(0.042)	\$(0.026)

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.

12. 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. During the second and third quarter of 2015, all five sites of the Mito project were completed and started producing electricity and revenue.

The non-controlling interest at September 30, 2015, of \$0.1 million (December 31, 2014: \$2.9 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.

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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:

	September 30, 2015			December 31, 2014		
	Current	Non-current	Net	Current	Non-current	Net
Salvador	22,422	(23,533)	(1,111)	13,087	(4,286)	8,801
Shizukuishi	(2,419)	3,485	1,066	6,820	(6,270)	550
Mito	4,545	(3,854)	691	6,845	(5,502)	1,343
Total net assets (liabilities)	24,548	(23,902)	646	26,752	(16,058)	10,694

The summarized income statement for Salvador, Mito and Shizukuishi, including the portion allocated to NCI during the three months ended September 30, is as follows:

	Q3-15			Q3-14		
	(Loss) gain for the period	Comprehensive (loss) gain for the period	Comprehensive (loss) gain allocated to NCI	(Loss) for the period	Comprehensive (loss) for the period	Comprehensive (loss) allocated to NCI
Salvador	(4,222)	(4,222)	(1,266)	(183)	(183)	(55)
Shizukuishi	(30)	(428)	(56)	(28)	(28)	(4)
Mito	233	(50)	(7)	(21)	(21)	(3)
Total	(4,019)	(4,700)	(1,329)	(232)	(232)	(62)

The summarized income statement for Salvador, Mito and Shizukuishi, including the portion allocated to NCI during the nine months ended September 30, is as follows:

	Q3-15			Q3-14		
	(Loss) gain for the period	Comprehensive (loss) gain for the period	Comprehensive (loss) gain allocated to NCI	(Loss) for the period	Comprehensive (loss) for the period	Comprehensive (loss) allocated to NCI
Salvador	(9,911)	(9,911)	(2,973)	(234)	(234)	(70)
Shizukuishi	(41)	(256)	(34)	(28)	(28)	(4)
Mito	296	228	30	(21)	(21)	(3)
Total	(9,656)	(9,939)	(2,977)	(283)	(283)	(77)

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13. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Assets under construction	Equipment and furniture	Total
Cost:					
At December 31, 2014	11,886	350,665	185,698	1,437	549,686
Additions	-	-	47,130	1,754	48,884
Reclassification to solar power plants	-	199,883	(199,883)	-	-
Disposals	-	-	-	(70)	(70)
Exchange differences	(995)	(12,826)	(15,546)	(120)	(29,487)
At September 30, 2015	10,891	537,722	17,399	3,001	569,013
Accumulated depreciation:					
At December 31, 2014	-	70,722	-	1,309	72,031
Charge for the period	-	16,069	-	346	16,415
Disposals	-	-	-	(70)	(70)
Exchange differences	-	(5,381)	-	(110)	(5,491)
At September 30, 2015	-	81,410	-	1,475	82,885
Net book value:					
At December 31, 2014	11,886	279,943	185,698	128	477,655
At September 30, 2015	10,891	456,312	17,399	1,526	486,128

During the nine months ended September 30, 2015, the Group capitalized as assets under construction \$46.3 million of incurred capital expenditures associated with the first 34 MW of solar power projects in Japan.

On January 10, 2015, and at various points during the second and third quarter of 2015, Project Salvador in Chile and all five solar park sites of the Mito project in Japan, respectively, achieved 100% production capacity, and the Company reclassified total construction costs to solar power project in accordance with the Group's accounting policies.

14. INTANGIBLE ASSETS

In addition, during the nine months ended September 30, 2015, the Group capitalized \$0.8 million (2014: \$5.6 million) of borrowing costs associated with credit facilities obtained to finance the construction of Mito and Shizukuishi.

During the nine months ended September 30, 2015, the Group recognized an increase in the dismantling costs associated with Project Salvador and the Mito project, in accordance with the Group's accounting policies, resulting in an increase in the asset value of \$1.8 million and a corresponding increase in the dismantling provision.

	Goodwill	Licenses and permits	Internally generated intangibles and other	Total
Cost:				
At December 31, 2014	1,595	30,393	2,540	34,528
Additions	-	-	1,241	1,241
Impairment Note 8	-	-	(2,881)	(2,881)
Exchange differences	(126)	(3,269)	1,764	(1,631)
At September 30, 2015	1,469	27,124	2,664	31,257
Accumulated amortization:				
At December 31, 2014	-	3,213	373	3,586
Charge of the period	-	1,123	220	1,343
Exchange differences	-	(642)	(31)	(673)
At September 30, 2015	-	3,694	562	4,256
Net book value:				
At December 31, 2014	1,595	27,180	2,167	30,942
At September 30, 2015	1,469	23,430	2,102	27,001

General and administrative expenses of \$1.2 million (2014: \$4.2 million), representing internally-generated costs (\$0.8 million) and third-party costs (\$0.4 million), were capitalized during the period within intangible asset,

as they directly related to the Group's business development activities. [Note 7](#)

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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, 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.

	September 30 2015	December 31 2014
Cash at banks	73,618	95,349
Total	73,618	95,349

Included within cash and cash equivalents is restricted cash related to the Group's solar power projects as follows:

	September 30 2015	December 31 2014
Unrestricted cash at parent level	22,949	33,886
Restricted cash at project level	50,669	61,463
Total	73,618	95,349

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 September 30, 2015 (December 31, 2014: 334,082,657). 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 and nine months ended September 30, 2015 and 2014.

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 and nine months ended September 30, 2015, the Group recognized share-based payment expenses of \$0.2 million and \$0.7 million (2014: \$0.1 million and \$0.2 million), respectively, 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, 2014	5,380,000	0.48
Expired	(603,333)	0.60
Exercised	(11,667)	0.24
At September 30, 2015	4,765,000	0.47
Stock options exercisable:		
At December 31, 2014	4,081,333	0.52
At September 30, 2015	4,660,666	0.47

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, 2014	6,660,440
Cancelled	(38,324)
At September 30, 2015	6,622,116

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18. BORROWINGS

	Corporate bond	Project loans	Total
At January 1, 2015	96,709	428,542	525,251
Proceeds from loans	-	51,197	51,197
Repayment of loans and interest	(3,566)	(25,440)	(29,006)
Accrued interest	5,330	13,764	19,094
Amortization of transaction costs	256	837	1,093
Exchange difference	(7,604)	(22,880)	(30,484)
At September 30, 2015	91,125	446,020	537,145
- Current portion	2,983	39,238	42,221
- Non-current portion	88,142	406,782	494,924

At September 30, 2015, 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 September 30, 2015, 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 September 30, 2015, including accrued interest net of transaction costs, was \$91.1 million (December 31, 2014: \$96.7 million).

(b) NON-RECOURSE PROJECT LOANS

Italian subsidiaries

The non-recourse project loans obtained by the Group's Italian subsidiaries to finance the construction of the Group's Italian solar power projects mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin ranging from 1.35% to 3.1%. At September 30, 2015, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. At September 30, 2015, the Group had no undrawn amounts associated with these facilities. All the Italian non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at September 30, 2015, and December 31, 2014.

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 loan was drawn in three tranches and bears an average fixed interest rate of 7.1%. On September 23, 2015, Salvador drew an additional \$13.8 million under the secondary tranche of the senior credit facility with the Overseas Private Investment Corporation ("OPIC") in order to meet Salvador's debt service obligations and avoid additional equity requirements if the spot electricity price continues to be lower than expected. The new loan under the secondary tranche matures on June 1, 2033 and bears an

all-in interest rate of 3.5%, which is re-set every week depending on the rate paid on short terms US bonds. At September 30, 2015, there were no undrawn amounts under the OPIC senior credit facility. The repayment of these credit facilities 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. In addition, Salvador has a local currency VAT credit facility with Rabobank. The VAT credit facility bears variable interest rates set every quarter plus a margin. The average applicable interest rate during the three months ended September 30, 2015, was approximately 6.0%. This VAT credit facility was fully repaid on October 14, 2015, following the collection of VAT receivables from the Chilean tax authorities. **Note 23**

Japanese subsidiaries

The Group's Japanese subsidiaries that hold the 34 MW Mito and Shizukuishi projects entered into a senior secured financing agreement in Japanese yen to finance the construction costs of these projects. These Mito and Shizukuishi credit facilities mature in 2034 and bear TIBOR floating interest rates plus a margin of 1.3% and 1.4%, respectively, during the construction period of the solar plants. The Mito and Shizukuishi non-recourse projects loans are 90% hedged during the operational period at an interest rate of 2.96% and 3.13% all-in, respectively, through interest rate swap contracts, all of which qualified for hedge accounting at September 30, 2015, and December 31, 2014. At September 30, 2015, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

In addition, during 2014, the Group's Japanese subsidiaries entered into a VAT credit facility agreement in Japanese yen in order to finance the related VAT capital disbursements of the Shizukuishi and Mito projects. These VAT credit facilities have a term of three years and bear a variable interest rate plus a margin.

During the nine months ended September 30, 2015, the Group's Japanese subsidiaries drew down under the senior financing agreement the amount of ¥3,920 million (\$32.1 million). As of September 30, 2015, the undrawn gross amount was ¥4,724 million (\$39.2 million). In addition, the Group's Japanese subsidiaries also drew down under the VAT credit facility the amount of ¥301 million (\$2.5 million). As of September 30, 2015, the undrawn gross amount was ¥547 million (\$4.5 million). During the nine months ended September 30, 2015, the Japanese subsidiaries repaid ¥243 million (\$2.0 million) of the VAT facility due to the collection of VAT receivables from the Japanese tax authorities.

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19. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30 2015	December 31 2014
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	7,959	8,203
- Non-current portion	38,117	47,192
Total derivative financial liabilities	46,076	55,395

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 September 30, 2015, the Group had nine derivative financial instruments that qualified for hedge accounting (2014: seven). The Group's derivative financial instruments are classified within level 2 of the fair value hierarchy.

At September 30, 2015, and December 31, 2014, 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 in to finance income/costs.

20. 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 (2014: 24.3%).

(a) RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2015, and 2014, the Group entered into the following transactions with related parties:

	Three months ended		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
General and administrative expenses:				
Lundin Services BV	11	30	76	142
Finance costs:				
Lundin Services BV:				
- Interest expense	-	-	-	269
- Transaction costs	-	-	-	10
Lundin family:				
- Interest expense	219	544	658	1,440
- Transaction costs	11	24	32	51
Total transactions with related parties	241	598	766	1,912

At September 30, 2015, and December 31, 2014, the amounts outstanding to related parties were as follows:

	September 30 2015	December 31 2014
Current liabilities:		
Lundin Services BV:		
General and administrative expenses	3	7
Lundin family share in corporate bond	-	182
Total current liabilities	3	189
Non-current liabilities:		
Lundin family share in corporate bond	10,908	11,786
Total non-current liabilities	10,908	11,786
Total amounts outstanding	10,911	11,975

There were no amounts outstanding from related parties at September 30, 2015, or December 31, 2014.

Lundin Services BV

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

Lundin family

Investment companies associated with the Lundin family subscribed for €15 million of the corporate bond issue completed in April 2014. As at September 30, 2015, the total corporate bonds held by the Lundin family amounted to €9.9 million.

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(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		Nine months ended	
	Q3-15	Q3-14	Q3-15	Q3-14
Salaries and benefits	291	181	879	900
Pension costs	36	27	140	162
Board of Directors	(45)	94	105	250
Share-based payment	183	119	488	182
Total remuneration	465	421	1,612	1,494

The amounts outstanding to key management personnel were as follows:

	September 30	December 31
	2015	2014
Board of Directors	8	-
Other (bonus and pension costs)	-	389
Total outstanding	8	389

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 September 30, 2015, the Group had contractual obligations over two years to acquire construction services in the amount of \$34.8 million related to the construction of the 34 MW Mito and Shizukuishi solar power projects in Japan. These contractual obligations 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.

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.

23. SUBSEQUENT EVENT

VAT reimbursement and VAT facility repayment

On October 13, 2015, the Group's subsidiary Salvador received a cash reimbursement in Chilean pesos equivalent to \$24.3 million from the Chilean tax authorities associated with VAT credits accumulated during the construction of Project Salvador. Following receipt of the VAT reimbursement, Project Salvador fully repaid the Rabobank VAT credit facility of \$24.1 million, including accrued interest.