Q2

ETRION CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2015

UNAUDITED

CONTENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

UNAUDITED

Expressed in US$'000

		Three months ended		Six months ended	
		Q2-15	**Q2-14**	**Q2-15**	**Q2-14**
	Note				
Revenue	5	17,060	17,764	27,447	26,131
Operating expenses	6	(8,585)	(7,123)	(16,593)	(14,622)
Gross profit		**8,475**	**10,641**	**10,854**	**11,509**
General and administrative expenses	7	(2,609)	(1,890)	(5,033)	(4,257)
Other income		39	187	16	187
Impairment	8	(2,468)	-	(2,468)	-
Operating profit		**3,437**	**8,938**	**3,369**	**7,439**
Finance income	9	15	22	3,667	170
Finance costs	9	(12,058)	(8,152)	(18,316)	(17,386)
Net finance costs		**(12,043)**	**(8,130)**	**(14,649)**	**(17,216)**
(Loss) income before income tax		**(8,606)**	**808**	**(11,280)**	**(9,777)**
Income tax (expense) recovery	10	(1,451)	(2,242)	(1,260)	135
Loss for the period		**(10,057)**	**(1,434)**	**(12,540)**	**(9,642)**
Other comprehensive income (loss):					
Items that may be subsequently reclassified to profit and loss					
Gain (loss) on currency translation		277	(497)	98	434
Gain (loss) on cash flow hedges (net of tax)		6,211	(4,277)	5,308	(7,953)
Total other comprehensive income (loss)		**6,488**	**(4,774)**	**5,406**	**(7,519)**
Total comprehensive loss for the period		**(3,569)**	**(6,208)**	**(7,134)**	**(17,161)**
Loss attributable to:					
Owners of the Company		(9,227)	(1,423)	(10,841)	(9,627)
Non-controlling interest	12	(830)	(11)	(1,699)	(15)
Total comprehensive loss attributable to:					
Owners of the Company		(2,751)	(6,197)	(5,486)	(17,146)
Non-controlling interest	12	(818)	(11)	(1,648)	(15)
Basic and diluted loss per share	11	**$(0.028)**	**$(0.005)**	**$(0.032)**	**$(0.031)**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT JUNE 30, 2015

UNAUDITED

Expressed in US$'000

	Note	June 30 2015	December 31 2014
Assets			
Non-current assets			
Property, plant and equipment	13	473,598	477,655
Intangible assets	14	27,352	30,942
Deferred income tax assets		11,982	14,426
Trade and other receivables		2,513	2,822
Total non-current assets		**515,445**	**525,845**
Current assets			
Trade and other receivables		57,322	46,918
Cash and cash equivalents (including restricted cash)	15	69,063	95,349
Total current assets		**126,385**	**142,267**
Total assets		**641,830**	**668,112**
Equity			
Attributable to owners of the Company			
Share capital	16	111,304	111,300
Contributed surplus		11,493	11,048
Other reserves		(24,179)	(29,837)
Accumulated deficit		(73,309)	(62,468)
Total attributable to owners of the Company		**25,309**	**30,043**
Non-controlling interest	12	**1,236**	**2,887**
Total equity		**26,545**	**32,930**
Liabilities			
Non-current liabilities			
Borrowings	18	484,249	454,969
Derivative financial instruments	19	35,921	47,192
Deferred income tax liabilities		427	480
Provisions		5,988	5,221
Other liabilities		21,995	21,503
Total non-current liabilities		**548,580**	**529,365**
Current liabilities			
Trade and other payables		12,562	24,110
Current tax liabilities	10	1,902	458
Borrowings	18	42,649	70,282
Derivative financial instruments	19	7,969	8,203
Provisions		-	784
Other liabilities		1,623	1,980
Total current liabilities		**66,705**	**105,817**
Total liabilities		**615,285**	**635,182**
Total equity and liabilities		**641,830**	**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 SIX MONTHS ENDED JUNE 30, 2015

UNAUDITED

Expressed in US$'000

		Attributable to owners of the Company						
	Note	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total Equity
Balance at January 1, 2014		**34,879**	**10,573**	**(11,981)**	**(45,765)**	**(12,294)**	**956**	**(11,338)**
Comprehensive loss:								
- Loss for the period		-	-	-	(9,627)	(9,627)	(15)	(9,642)
- Other comprehensive loss:								
Cash flow hedges (net of tax)	9	-	-	(7,835)	-	(7,835)	-	(7,835)
Currency translation		-	-	434	-	434	-	434
Total comprehensive loss		**-**	**-**	**(7,401)**	**(9,627)**	**(17,028)**	**(15)**	**(17,043)**
Transactions with owners in their capacity as owners:								
- Share issuance		76,280	-	-	-	76,280	-	76,280
- Stock options exercised		88	(34)	-	-	54	-	54
- Share-based payments		-	129	-	-	129	-	129
- Written call option		-	-	347	-	347	-	347
- Non-controlling interest		-	-	-	-	-	1,234	1,234
Balance at June 30, 2014		**111,247**	**10,668**	**(19,035)**	**(55,392)**	**47,488**	**2,175**	**49,663**
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		-	-	-	(10,841)	(10,841)	(1,699)	(12,540)
- Other comprehensive gain/(loss):								
Cash flow hedges (net of tax)	9	-	-	5,362	-	5,362	52	5,414
Currency translation		-	-	88	-	88	(4)	84
Total comprehensive loss		**-**	**-**	**5,450**	**(10,841)**	**(5,391)**	**(1,651)**	**(7,042)**
Transactions with owners in their capacity as owners:								
- Stock options exercised		4	(2)	-	-	2	-	2
- Share-based payments		-	447	-	-	447	-	447
- Written call option		-	-	208	-	208	-	208
Balance at June 30, 2015		**111,304**	**11,493**	**(24,179)**	**(73,309)**	**25,309**	**1,236**	**26,545**

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 SIX MONTHS ENDED JUNE 30, 2015

UNAUDITED

Expressed in US$'000

		Three months ended		Six months ended	
		Q2-15	Q2-14	Q2-15	Q2-14
	Note				
Cash flow (used in) from operating activities:					
Loss for the period		**(10,057)**	**(1,434)**	**(12,540)**	**(9,642)**
Adjustments for:					
Depreciation and amortization expense (D&A)	6/7	5,800	5,279	11,372	10,551
Impairment	8	2,468	-	2,468	-
Current income tax expense	10	3,126	3,804	1,936	729
Deferred income tax recovery	10	(1,675)	(1,562)	(676)	(864)
Share-based payment expense	7/17	223	62	447	129
Interest expense	9	6,642	4,736	12,970	8,831
Interest expense relating to interest rate swap contracts	9	1,988	2,360	4,004	4,800
Amortization of transaction costs	9	332	280	663	510
Foreign exchange loss (gain)	9	2,759	(790)	(3,543)	180
Loss on derecognition of liability		-	1,033	-	1,033
Fair value changes associated with derivative financial instruments	9	180	266	257	1,450
Other (income) expenses		(1)	(187)	22	(187)
Interest income		(23)	(57)	(23)	(57)
Sub-total		**11,762**	**13,790**	**17,357**	**17,463**
Changes in working capital:					
(Increase) decrease in trade and other receivables		(5,153)	4,942	(10,095)	(12,035)
Decrease in trade and other payables		(8,804)	(1,109)	(17,198)	(2,213)
Income tax paid		(339)	(2,463)	(673)	(2,463)
Total cash flow (used in) from operating activities		**(2,534)**	**15,160**	**(10,609)**	**752**
Cash flow used in investing activities:					
Purchases of property, plant and equipment		(14,221)	(21,792)	(24,103)	(23,990)
Purchases of intangible assets		(363)	(1,780)	(698)	(3,348)
Total cash flow used in investing activities		**(14,584)**	**(23,572)**	**(24,801)**	**(27,338)**
Cash flow from financing activities:					
Interest paid	18	(7,882)	(7,694)	(12,789)	(10,413)
Interest paid relating to interest rate swap contracts		(1,541)	(1,834)	(3,908)	(4,873)
Interest income		23	57	23	57
Repayment of borrowings	18	(4,381)	(2,640)	(7,303)	(9,980)
Proceeds from borrowings	18	28,145	89,524	37,474	91,868
Repayment of Lundin loan facility	20	-	-	-	(18,394)
Proceeds from stock-options exercised	17	2	16	2	54
Contributions from non-controlling interest		-	5,486	-	5,486
Proceeds from the issuance of shares		-	-	-	76,280
Total cash flow from financing activities		**14,366**	**82,915**	**13,499**	**130,085**
Net (decrease) increase in cash and cash equivalents		**(2,752)**	**74,503**	**(21,911)**	**103,499**
Effect of foreign exchange rate differences		1,211	(673)	(4,375)	(523)
Cash and cash equivalents at the beginning of the year		70,604	124,060	95,349	94,914
Cash and cash equivalents at the end of the year		**69,063**	**197,890**	**69,063**	**197,890**

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

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 V62 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 June 30, 2015, the Company owns 136.7 megawatt ("MW") of gross installed solar capacity in Italy, Chile and Japan, and has 27.3 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 August 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. Certain reclassifications have been made to information from the prior year in order to conform to the current presentation. 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.

(b) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three and six months ended June 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 June 30, 2015, the Group had cash and cash equivalents of $69.1 million, $26.5 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 $59.7 million (December 31, 2014: $36.5 million). During the three and six months ended June 30, 2015, the Group incurred a net loss of $10.1 million and $12.5 million (2014: $1.4 million and $9.6 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 six months ended June 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 six months ended June 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 six months ended June 30, 2015, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2014.

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 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		**Q2-15**			**Q2-14**	
	Renewable	**Corporate**	**Total**	**Renewable**	**Corporate**	**Total**
Revenue	**17,060**	**-**	**17,060**	**17,764**	**-**	**17,764**
Operating expenses (Opex)	(2,872)	-	(2,872)	(1,934)	-	(1,934)
General and administrative expenses (G&A)	(336)	(2,186)	(2,522)	(336)	(1,464)	(1,800)
Other income (expenses)	62	(23)	39	180	7	187
Impairment	-	(2,468)	(2,468)	-	-	-
EBITDA	**13,914**	**(4,677)**	**9,237**	**15,674**	**(1,457)**	**14,217**
Depreciation and amortization	(5,713)	(87)	(5,800)	(5,189)	(90)	(5,279)
Finance income	(34)	49	15	11	11	22
Finance costs	(7,332)	(4,726)	(12,058)	(5,120)	(3,032)	(8,152)
Gain (loss) before income tax	**835**	**(9,441)**	**(8,606)**	**5,376**	**(4,568)**	**808**
Income tax expense	(1,394)	(57)	(1,451)	(2,227)	(15)	(2,242)
Net (loss) income for the period	**(559)**	**(9,498)**	**(10,057)**	**3,149**	**(4,583)**	**(1,434)**

Six months ended		**Q2-15**			**Q2-14**	
	Renewable	**Corporate**	**Total**	**Renewable**	**Corporate**	**Total**
Revenue	**27,447**	**-**	**27,447**	**26,131**	**-**	**26,131**
Operating expenses	(5,390)	-	(5,390)	(4,250)	-	(4,250)
General and administrative expenses	(640)	(4,224)	(4,864)	(647)	(3,431)	(4,078)
Other income	3	13	16	180	7	187
Impairment	-	(2,468)	(2,468)	-	-	-
EBITDA	**21,420**	**(6,679)**	**14,741**	**21,414**	**(3,424)**	**17,990**
Depreciation and amortization	(11,203)	(169)	(11,372)	(10,372)	(179)	(10,551)
Finance income	(73)	3,740	3,667	154	16	170
Finance costs	(14,368)	(3,948)	(18,316)	(11,300)	(6,086)	(17,386)
Loss before income tax	**(4,224)**	**(7,056)**	**(11,280)**	**(104)**	**(9,673)**	**(9,777)**
Income tax (expense) recovery	(1,138)	(122)	(1,260)	213	(78)	135
Net (loss) gain for the period	**(5,362)**	**(7,178)**	**(12,540)**	**109**	**(9,751)**	**(9,642)**

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

		June 30, 2015			**December 31, 2014**	
	Renewable	**Corporate**	**Total**	**Renewable**	**Corporate**	**Total**
Property, plant and equipment	473,389	209	473,598	477,414	241	477,655
Intangible assets	25,879	1,473	27,352	25,168	5,774	30,942
Cash and cash equivalents	42,509	26,554	69,063	61,463	33,886	95,349
Other assets	68,616	3,201	71,817	61,771	2,395	64,166
Total assets	**610,393**	**31,437**	**641,830**	**625,816**	**42,296**	**668,112**
Borrowings	437,755	89,143	526,898	428,542	96,709	525,251
Trade and other payables	11,033	1,529	12,562	19,885	4,225	24,110
Other liabilities	74,112	1,713	75,825	83,836	1,985	85,821
Total liabilities	**522,900**	**92,385**	**615,285**	**532,263**	**102,919**	**635,182**

Expressed in US$'000 unless otherwise stated

5. REVENUE

	Three months ended		Six months ended	
	Q2-15	Q2-14	Q2-15	Q2-14
Feed-in Tariff ("FiT")	12,675	16,061	18,479	23,470
Spot market price	4,385	1,703	8,968	2,661
Total revenue	**17,060**	**17,764**	**27,447**	**26,131**

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 the Italian or TEPCO, as applicable, and (2) the spot market price ("Market Price") received for each kWh of electricity generated in Chile and Italy.

6. OPERATING EXPENSES

	Three months ended		Six months ended	
	Q2-15	Q2-14	Q2-15	Q2-14
O&M costs	1,328	995	2,390	1,914
Personnel costs	314	301	555	539
D&A	5,713	5,189	11,203	10,372
Property tax	411	578	824	1,063
Insurance	239	97	373	194
Land lease	59	54	110	109
Transmission costs	185	-	503	-
Other expense (income)	336	(91)	635	431
Total Opex	**8,585**	**7,123**	**16,593**	**14,622**

O&M costs of $1.3 million (2014: $1.0 million) and $2.4 million (2014: $1.9 million) for the three and six months ended June 30, 2014, 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 six months ended June 30, 2015, relate to fees paid by electricity producers 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		Six months ended	
	Q2-15	Q2-14	Q2-15	Q2-14
Salaries and benefits	789	424	1,673	1,474
Board of directors fees	85	126	175	156
Share-based payments	223	62	447	129
Professional fees	904	833	1,538	1,429
Listing and marketing	161	131	289	252
D&A	87	90	169	179
Office lease	82	96	165	219
Office, travel and other	278	128	577	419
Total G&A	**2,609**	**1,890**	**5,033**	**4,257**

During the three months ended June 30, 2015, general and administrative expenses of $0.5 million (2014: $1.8 million) representing internally-generated costs ($0.4 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 six months ended June 30, 2015, general and administrative expenses of $0.7 million (2014: $3.4 million) representing internally-generated costs ($0.5 million) and third-party costs ($0.2 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 June 30, 2015, and as a result of the challenging market environment to secure long-term power purchase agreements in Chile, the Company decided to impair the total costs of $2.5 million capitalized as internally generated intangible assets associated with the development pipeline in Chile.

Expressed in US$'000 unless otherwise stated

9. FINANCE INCOME AND COSTS

	Three months ended		Six months ended	
	Q2-15	**Q2-14**	**Q2-15**	**Q2-14**
Finance income:				
Changes in fair values of derivative financial instruments:				
- Ineffective portion reclassified from other comprehensive income	-	-	101	113
Foreign exchange gain	-	-	3,543	-
Other finance income	15	22	23	57
Total finance income	**15**	**22**	**3,667**	**170**
Finance costs:				
Interest expense:				
- Credit facilities and non-recourse loans Note 18	4,616	3,673	9,190	6,904
- Interest rate swap contracts associated with non-recourse loans	1,988	2,360	4,004	4,800
- Corporate bond Note 18/20	1,768	2,436	3,551	4,264
- Credit facility with related party Note 20	-	-	-	181
- Credit facilities with non-controlling interests	481	214	905	351
- Amortization of transaction costs	414	335	774	597
Changes in fair values of derivative financial instruments:				
- Ineffective portion reclassified from other comprehensive income	4	3	4	1,037
- De-designated portion reclassified from other comprehensive income	72	89	146	179
Written call option over shares in subsidiary	104	174	208	347
Loss on derecognition of liability	-	1,033	-	1,033
Foreign exchange loss (gain)	2,759	(790)	-	180
Other finance costs	157	268	321	469
Total finance costs before deducting amounts capitalized	**12,363**	**9,795**	**19,103**	**20,342**
Amounts capitalized on qualifying assets	(305)	(1,643)	(787)	(2,956)
Total finance costs	**12,058**	**8,152**	**18,316**	**17,386**
Net finance costs	**12,043**	**8,130**	**14,649**	**17,216**

The Group has seven 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 also 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 June 30, 2015, the Group recognized a net fair value gain of $6.2 million (2014: net fair value loss of $4.3 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

During the six months ended June 30, 2015, the Group recognized a net fair value gain of $5.3 million (2014: net fair value loss of $8.0 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

Expressed in US$'000 unless otherwise stated

10. INCOME TAXES

(a) INCOME TAX EXPENSE

	Three months ended		Six months ended	
	Q2-15	**Q2-14**	**Q2-15**	**Q2-14**
Current income tax				
Corporate income tax	(2,346)	(2,986)	(1,394)	(571)
Provincial income tax	(780)	(818)	(542)	(158)
Total tax expense	**(3,126)**	**(3,804)**	**(1,936)**	**(729)**
Deferred income tax :				
Current period	822	389	130	738
Tax benefits	853	1,173	546	126
Total deferred recovery	**1,675**	**1,562**	**676**	**864**
Total income tax expense (recovery)	**(1,451)**	**(2,242)**	**(1,260)**	**135**

During the three and six months ended June 30, 2015, the Group recognized current income tax expense of $3.1 million and $1.9 million (2014: $3.8 million and $0.7 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 six months ended June 30, 2015. 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 tax rate in Italy from 34% to 27.5%.

During the three and six months ended June 30, 2015, the Group recognized a deferred income tax recovery of $1.7 million and $0.7 million (2014: $1.5 million and $0.8 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

	June 30 2015	**December 30 2014**
Corporate income tax	1,400	251
Provincial income tax	502	207
Total current income tax liabilities	**1,902**	**458**

11. 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		Six months ended	
	Q2-15	**Q2-14**	**Q2-15**	**Q2-14**
Loss attributable to owners of the Company	(9,227)	(1,423)	(10,841)	(9,627)
Weighted average number of thousand shares outstanding	334,092	313,958	334,087	313,957
Basic and diluted loss per share	**$(0.028)**	**$(0.005)**	**$(0.032)**	**$(0.031)**

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 PV Salvador SpA ("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 initially owned 70% by Etrion, 20% by Total Energie Developpement ("Total") and 10% by Solventus Chile SpA ("Solventus").

Mito and Shizukuishi are Japanese entities that own the licenses and permits to build and facilities to operate solar parks in Japan totaling 34 MW ("the Mito and Shizukuishi Projects"). Mito and Shizukuishi are owned approximately 87% by Etrion and 13% by Hitachi High-Tech ("HHT"). The Mito and Shizukuishi Projects are under construction and are expected to be fully operational by the end of 2015 and 2016, respectively. During the second quarter of 2015, three out of five solar park sites of the Mito project were completed and started producing electricity and revenue.

The non-controlling interest at June 30, 2015, of $1.2 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 bank related to cash distributions.

Expressed in US$'000 unless otherwise stated

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

	June 30, 2015			December 31, 2014		
	Current	**Non-current**	**Net**	**Current**	**Non-current**	**Net**
Salvador	10,038	(6,925)	3,113	13,087	(4,286)	8,801
Mito	13,495	(11,901)	1,594	6,820	(6,270)	550
Shizukuishi	4,589	(3,879)	710	6,845	(5,502)	1,343
Total net assets (liabilities)	**28,122**	**(22,705)**	**5,417**	**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 June 30, is as follows:

	Q2-15			Q2-14		
	(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	(2,795)	(2,795)	(838)	(39)	(39)	(11)
Mito	71	(43)	(6)	-	-	-
Shizukuishi	(8)	196	26	-	-	-
Total	**(2,732)**	**(2,642)**	**(818)**	**(39)**	**(39)**	**(11)**

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

	Q2-15			Q2-14		
	(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	(5,689)	(5,689)	(1,707)	(51)	(51)	(15)
Mito	70	278	37	-	-	-
Shizukuishi	(11)	172	22	-	-	-
Total	**(5,630)**	**(5,239)**	**(1,648)**	**(51)**	**(51)**	**(15)**

Expressed in US$'000 unless otherwise stated

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	-	-	30,124	984	31,108
Reclassification to solar power plants	-	192,938	(192,938)	-	-
Exchange differences	(1,012)	(13,111)	(15,802)	(125)	(30,050)
At June 30, 2015	**10,874**	**530,492**	**7,082**	**2,296**	**550,744**
Accumulated depreciation:					
At December 31, 2014	**-**	**70,722**	**-**	**1,309**	**72,031**
Charge for the period	-	10,476	-	235	10,711
Exchange differences	-	(5,484)	-	(112)	(5,596)
At June 30, 2015	**-**	**75,714**	**-**	**1,432**	**77,146**
Net book value:					
At December 31, 2014	11,886	279,943	185,698	128	477,655
At **June 30, 2015**	**10,874**	**454,778**	**7,082**	**864**	**473,598**

During the six months ended June 30, 2015, the Group capitalized as assets under construction $29.2 million of incurred capital expenditures associated with the 34 MW solar power projects in Japan.

On January 10, 2015, and during the second quarter of 2015, Project Salvador in Chile and three 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.

In addition, during the six months ended June 30, 2015, the Group capitalized $0.8 million (2014: $2.9 million) of borrowing costs associated with credit facilities obtained to finance the construction of Mito and Shizukuishi.

During the six months ended June 30, 2015, the Group recognized an increase in the dismantling costs associated with Project Salvador, resulting in an increase in the asset value of $0.9 million and a corresponding increase in the dismantling provision.

14. INTANGIBLE ASSETS

	Goodwill	Licenses and permits	Internally generated intangibles and other	Total
Cost:				
At December 31, 2014	**1,595**	**30,393**	**2,540**	**34,528**
Additions	-	-	698	698
Impairment Note 8	-	-	(2,468)	(2,468)
Exchange differences	(136)	(698)	(261)	(1,095)
At June 30, 2015	**1,459**	**29,695**	**509**	**31,663**
Accumulated amortization:				
At December 31, 2014	**-**	**3,213**	**373**	**3,586**
Charge of the period	-	713	154	867
Exchange differences	-	(110)	(32)	(142)
At June 30, 2015	**-**	**3,816**	**495**	**4,311**
Net book value:				
At December 31, 2014	1,595	27,180	2,167	30,942
At **June 30, 2015**	**1,459**	**25,879**	**14**	**27,352**

General and administrative expenses of $0.7 million (2014: $1.8 million), representing internally-generated costs ($0.5 million) and third-party costs ($0.2 million), were capitalized during the period within intangible asset, as they directly related to the Group's business development activities. Note 7

Expressed in US$'000 unless otherwise stated

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 credit ratings assigned by international credit agencies. The fair value of cash and cash equivalents approximates their carrying value due to short maturities.

	June 30 2015	December 31 2014
Cash at banks	69,063	95,349
Total	**69,063**	**95,349**

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

	June 30 2015	December 31 2014
Unrestricted cash at parent level	26,554	33,886
Restricted cash at project level	42,509	61,463
Total	**69,063**	**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 the specific 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 June 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 six months ended June 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 six months ended June 30, 2015, the Group recognized share-based payment expenses of $0.2 million and $0.4 million (2014: $0.1 million and $0.1 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 June 30, 2015	**4,765,000**	**0.47**
Stock options exercisable:		
At December 31, 2014	4,081,333	0.52
At June 30, 2015	**3,719,333**	**0.51**

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 June 30, 2015	**6,622,116**

Expressed in US$'000 unless otherwise stated

18. BORROWINGS

	Corporate bond	Project loans	Total
At January 1, 2015	**96,709**	**428,542**	**525,251**
Proceeds from loans	-	37,474	37,474
Repayment of loans and interest	(3,571)	(16,521)	(20,092)
Accrued interest	3,551	9,163	12,714
Amortization of transaction costs	169	607	776
Exchange difference	(7,715)	(21,510)	(29,225)
At June 30, 2015	**89,143**	**437,755**	**526,898**
- Current portion	1,200	41,449	42,649
- Non-current portion	87,943	396,306	484,249

At June 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 June 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 June 30, 2015, including accrued interest net of transaction costs, was $89.1 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 June 30, 2015, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. At June 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 June 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%. At June 30, 2015, there were no undrawn amounts under this credit facility. 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.

In addition, Salvador has a local currency VAT credit facility with Rabobank, a Chilean bank owned by Rabobank Group, a Dutch multinational banking and financial services company, to finance the VAT associated with the construction costs of Project Salvador. The VAT credit facility bears variable interest rates set every quarter plus a margin. The average applicable interest rate during the three months ended June 30, 2015, was approximately 6.0%. At June 30, 2015, there were no undrawn amounts under this credit facility.

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 June 30, 2015, and December 31, 2014.

At June 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 six months ended June 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 June 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 June 30, 2015, the undrawn gross amount was ¥547 million ($4.5 million). During the three months ended June 30, 2015, the Japanese subsidiaries repaid ¥243 million ($2.0 million) of the total outstanding amount of the VAT facility due to the collection of VAT receivables from the Japanese tax authorities.

Expressed in US$'000 unless otherwise stated

19. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30 2015	December 31 2014
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	7,969	8,203
- Non-current portion	35,921	47,192
Total derivative financial liabilities	**43,890**	**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 curve and an appropriate discount factor. At June 30, 2015, the Group had nine derivative financial instruments that qualified for hedge accounting (2014: seven).

At June 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 transferred 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 six months ended June 30, 2015, and 2014, the Group entered into the following transactions with related parties:

	Three months ended		Six months ended	
	Q2-15	Q2-14	Q2-15	Q2-14
General and administrative expenses:				
Lundin Services BV	42	110	65	112
Finance costs:				
Lundin Services BV:				
- Interest expense	-	-	-	232
- Transaction costs	-	-	-	7
Lundin family:				
- Interest expense	218	307	439	896
- Transaction costs	11	14	21	27
Total transactions with related parties	**271**	**431**	**525**	**1,274**

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

	June 30 2015	December 31 2014
Current liabilities:		
Lundin Services BV:		
- General and administrative expenses	16	7
Lundin family share in corporate bond	-	182
Total current liabilities	**16**	**189**
Non-current liabilities:		
Lundin family share in corporate bond	10,883	11,786
Total non-current liabilities	**10,883**	**11,786**
Total amounts outstanding to related parties	**10,899**	**11,975**

There were no amounts outstanding from related parties at June 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. Both the Chairman and Chief Executive Officer of Lundin Petroleum AB are Directors 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 June 30, 2015, the total corporate bonds held by the Lundin family amounted to €9.9 million.

Expressed in US$'000 unless otherwise stated

(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		Six months ended	
	Q2-15	**Q2-14**	**Q2-15**	**Q2-14**
Salaries and benefits	297	270	588	719
Pension costs	45	38	104	156
Board of Directors	75	125	150	63
Share-based payment	149	28	305	135
Total remuneration	**566**	**461**	**1,147**	**1,073**

The amounts outstanding to key management personnel were as follows:

	June 30 2015	**December 31 2014**
Board of Directors	75	-
Other (bonus and pension costs payable)	-	389
Total outstanding	**75**	**389**

There were no amounts outstanding from key management personnel at June 30, 2015, or December 31, 2014.

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 June 30, 2015, the Group had contractual obligations over two years to acquire construction services in the amount of $37.8 million related to the construction of the 34 MW Mito and Shizukuishi solar power projects in Japan. All of the contractual obligations will be funded from existing cash available or future cash flows from operations with no additional capital investments to be made by the Group.

22. SUBSEQUENT EVENT

On August 10, 2015, the Group received a litigation notice from an employee alleging unreconciled labor-related differences. Given the early stage of the legal process, the information typically required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets, has not been disclosed because the Company is unable to make a reliable estimate of the financial effects of the litigation. The Company's directors believe the claim is without merit, and the Group intends to vigorously defend itself.