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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

UNAUDITED

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

UNAUDITED

Expressed in US$'000

		Three months ended		Nine months ended	
		September 30	September 30	September 30	September 30
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Revenue	5	19,414	18,341	46,150	48,277
Operating expenses	6	(7,059)	(6,491)	(21,038)	(18,847)
Gross profit		**12,355**	**11,850**	**25,112**	**29,430**
General and administrative expenses	7	(1,503)	(2,318)	(4,675)	(6,732)
Other income/(expenses)	8	7	27	(620)	2,018
Operating profit		**10,859**	**9,559**	**19,817**	**24,716**
Finance income	9	621	60	1,111	638
Finance costs	9	(7,163)	(6,940)	(21,165)	(21,708)
Net finance costs		**(6,542)**	**(6,880)**	**(20,054)**	**(21,070)**
Income/(loss) before income tax		**4,317**	**2,679**	**(237)**	**3,646**
Income tax expense	10	(3,261)	(2,300)	(4,401)	(4,812)
Income/(loss) for the period		**1,056**	**379**	**(4,638)**	**(1,166)**
Other comprehensive income/(loss):					
Loss on currency translation		(509)	(394)	(334)	(536)
Gain/(loss) on cash flow hedges (net of tax)		1,140	(4,017)	10,077	(10,396)
Total other comprehensive income/(loss)		**631**	**(4,411)**	**9,743**	**(10,932)**
Total comprehensive income/(loss) for the period		**1,687**	**(4,032)**	**5,105**	**(12,098)**
Income/(loss) attributable to:					
Owners of the Company		1,056	379	(4,638)	(1,166)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,687	(4,032)	5,105	(12,098)
Basic earnings/(loss) per share	11	**$0.005**	**$0.002**	**$(0.023)**	**$(0.006)**
Diluted earnings/(loss) per share	11	**$0.005**	**$0.002**	**$(0.023)**	**$(0.006)**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2013

UNAUDITED

Expressed in US$'000

	Note	September 30 2013 $'000	December 31 2012 $'000
Assets			
Non-current assets			
Property, plant and equipment	12	345,521	352,208
Intangible assets	13	16,451	14,619
Available for sale investments	20	2,061	2,061
Deferred income tax assets		10,076	9,142
Trade and other receivables		3,585	7,136
Total non-current assets		**377,694**	**385,166**
Current assets			
Trade and other receivables		38,621	29,861
Cash and cash equivalents (including restricted cash)	14	25,235	37,750
Total current assets		**63,856**	**67,611**
Total assets		**441,550**	**452,777**
Equity			
Attributable to owners of the Company			
Share capital		33,270	33,270
Contributed surplus		10,931	10,430
Other reserves		(12,922)	(22,840)
Accumulated deficit		(40,144)	(35,506)
Total equity		**(8,865)**	**(14,646)**
Liabilities			
Non-current liabilities			
Borrowings	16	364,698	369,747
Derivative financial instruments	17	27,514	40,558
Deferred income tax liabilities		2,204	1,610
Provisions		5,711	5,600
Total non-current liabilities		**400,127**	**417,515**
Current liabilities			
Trade and other payables		5,784	6,990
Current income tax liabilities	10	7,837	604
Borrowings	16	23,688	30,024
Derivative financial instruments	17	9,425	9,662
Provisions		3,554	2,628
Total current liabilities		**50,288**	**49,908**
Total liabilities		**450,415**	**467,423**
Total equity and liabilities		**441,550**	**452,777**

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, 2013

UNAUDITED

Expressed in US$'000

		Attributable to owners of the Company				
	Note	Share capital $'000	Contributed surplus $'000	Other reserves $'000	Accumulated deficit $'000	Total equity $'000
Balance at January 1, 2012		**23,293**	**15,998**	**(9,429)**	**(27,300)**	**2,562**
Comprehensive loss:						
- Loss for the period		-	-	-	(1,166)	(1,166)
- Other comprehensive loss:						
Cash flow hedges (net of tax)		-	-	(10,040)	-	(10,040)
Currency translation		-	-	(536)	-	(536)
Total comprehensive loss		-	-	(10,576)	(1,166)	(11,742)
Transactions with owners in their capacity as owners:						
- Share issuance		9,977	(6,065)	-	-	3,912
- Share-based payments		-	302	-	-	302
Balance at September 30, 2012		**33,270**	**10,235**	**(20,005)**	**(28,466)**	**(4,966)**
Balance at January 1, 2013		**33,270**	**10,430**	**(22,840)**	**(35,506)**	**(14,646)**
Comprehensive loss:						
- Loss for the period		-	-	-	(4,638)	(4,638)
- Other comprehensive income/(loss):						
Cash flow hedges (net of tax)	9	-	-	10,252	-	10,252
Currency translation		-	-	(334)	-	(334)
Total comprehensive income/(loss)		-	-	**9,918**	**(4,638)**	**5,280**
Transactions with owners in their capacity as owners:						
- Share-based payments	15	-	501	-	-	501
Balance at September 30, 2013		**33,270**	**10,931**	**(12,922)**	**(40,144)**	**(8,865)**

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, 2013

UNAUDITED

Expressed in US$'000

	Note	Three months ended		Nine months ended	
		September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Cash flow from operating activities:					
Income/(loss) for the period		1,056	379	(4,638)	(1,166)
Adjustments for:					
Depreciation and amortization	6/7	5,022	4,850	15,117	14,839
Current income tax expense	10	5,949	3,502	7,742	7,368
Deferred income tax recovery	10	(2,688)	(1,202)	(3,341)	(2,556)
Share-based payment expense	7	125	143	445	302
Interest expense	9	4,153	4,645	12,377	14,871
Interest expense relating to interest rate swap contracts	9	2,460	1,917	7,268	5,084
Amortization of transaction costs	9	221	198	656	611
Foreign exchange (gain)/loss	9	(74)	(172)	134	39
Fair value changes of derivative financial instruments	9	179	246	(111)	301
Interest income		(545)	(58)	(647)	(135)
Gain on asset disposal		-	-	(1)	-
Other (income)/expenses	8	(7)	17	620	(1,371)
Decrease/(increase) in trade and other receivables		6,533	1,646	(3,174)	(7,937)
Increase/(decrease) in trade and other payables		1,754	217	(168)	(1,357)
Income tax paid		(820)	(2,069)	(1,849)	(2,847)
Total cash flow from operating activities		**23,318**	**14,259**	**30,430**	**26,046**
Cash flow from investing activities:					
Purchases of property, plant and equipment		(146)	(111)	(217)	(629)
Disposal of property, plant and equipment		-	-	60	-
Purchases of intangible assets		(1,012)	(31)	(2,352)	(31)
Total cash flow used in investing activities		**(1,158)**	**(142)**	**(2,509)**	**(660)**
Cash flow from financing activities:					
Interest paid	16	(2,823)	(3,372)	(11,101)	(14,034)
Interest paid relating to interest rate swap contracts		(3,115)	(2,359)	(7,783)	(5,241)
Interest income		-	58	86	135
Repayment of borrowings	16	(17,159)	(4,154)	(22,207)	(11,699)
Proceeds from borrowings		-	-	-	2,242
Total cash flow used in financing activities		**(23,097)**	**(9,827)**	**(41,005)**	**(28,597)**
Net (decrease)/increase in cash and cash equivalents		**(937)**	**4,290**	**(13,084)**	**(3,211)**
Effect of exchange rate differences		872	776	569	(127)
Cash and cash equivalents (including restricted cash) at the beginning of the period		25,300	31,252	37,750	39,656
Cash and cash equivalents (including restricted cash) at the end of the period		**25,235**	**36,318**	**25,235**	**36,318**

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

1. GENERAL INFORMATION

Etrion Corporation (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 V6C 3L2, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden.

Etrion Corporation is an independent power producer that owns and operates renewable assets.

These condensed consolidated interim financial statements are presented in US dollars ("$" or "US$"). However, since the functional currency of the Company (i.e., the primary economic environment in which the Company operates) is the Euro and the Company's primary listing is in Canada, certain financial information within the notes to these condensed consolidated interim financial statements has been presented in Euros ("€") and Canadian dollars ("CAD$").

The Company's Board of Directors approved these condensed consolidated interim financial statements authorized for issue on November 6, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with *IAS 34, Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012.

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, 2012.

(b) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013, 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 and do not include the adjustments that would result if the Group was unable to continue as a going concern.

At September 30, 2013, the Group had cash and cash equivalents of $25.2 million (December 31, 2012: $37.8 million) and positive working capital (i.e., current assets less current liabilities) of $13.6 million (December 31, 2012: $17.7 million). During the nine months ended September 30, 2013, the Group incurred a net loss of $4.6 million (2012: $1.2 million). However, the Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of these condensed consolidated interim financial statements.

The Group's anticipated growth and development activities will depend on the Group's ability to secure additional financing (i.e., corporate debt and equity financing, non-recourse project loans or vendor financing). The Group cannot be certain that financing will be available when needed, and, as a result, the Group may be required to delay discretionary expenditures.

(c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the nine months ended September 30, 2013, the Group adopted the following new standards and interpretations or amendments thereto applicable for financial periods beginning on January 1, 2013:

- *IAS 19 (revised), Employee Benefits ("IAS 19"):* The revised standard clarifies what is included in annual costs for defined benefit plans, requires actuarial gains and losses to be recognized immediately in comprehensive income and requires additional disclosures regarding the characteristics of the entity's benefit plans, amounts recognized in the financial statements, impacts on future cash flows and risks arising from the defined benefit plan. The Group assessed the full impact of IAS 19 and concluded that the adoption does not have a significant impact on the condensed consolidated interim financial statements for the three and nine months ended September 30, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- *IFRS 10, Consolidated Financial Statements ("IFRS 10"):* This standard builds on the existing principals by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group assessed the full impact of IFRS 10 and concluded that the adoption does not have a significant impact on the condensed consolidated interim financial statements for the three and nine months ended September 30, 2013.
- *IFRS 13, Fair value measurements ("IFRS 13"):* This standard aims to improve consistency and reduce complexity by providing precise definitions of fair value, a single source of fair value measurement and disclosure requirements for use across all IFRS. The Group assessed the full impact of IFRS 13 and concluded that the adoption does not have a significant impact on the condensed consolidated interim financial statements for the three and nine months ended September 30, 2013.

3. CRITICAL 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, 2013, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2012.

4. SEGMENT REPORTING

The Company's management has determined the operating segments based on reports reviewed by the Board of Directors 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. Whilst the Company's management has determined that the Company has only one reportable segment, the Company has decided to disclose the additional information below as it believes that such information would be useful to the users of the financial statements.

The Group's electricity is sold to the Italian state-owned company Gestore Servizi Energetici ("GSE"). All of the Group's operating solar power projects are located in Italy.

4. SEGMENT REPORTING (CONTINUED)

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

Three months ended September 30:	2013			2012		
	Renewable energy $'000	Corporate and other $'000	Total $'000	Renewable energy $'000	Corporate and other $'000	Total $'000
Revenue	**19,414**	**-**	**19,414**	**18,341**	**-**	**18,341**
Operating expenses(1)(2)	(2,128)	-	(2,128)	(1,702)	-	(1,702)
General and administrative expenses(1)(2)	(466)	(946)	(1,412)	(25)	(2,232)	(2,257)
Other income/(expenses)	28	(21)	7	24	3	27
EBITDA	**16,848**	**(967)**	**15,881**	**16,638**	**(2,229)**	**14,409**
Depreciation and amortization	(4,931)	(91)	(5,022)	(4,788)	(62)	(4,850)
Finance income	544	77	621	52	8	60
Finance costs	(5,306)	(1,857)	(7,163)	(5,185)	(1,755)	(6,940)
Income/(loss) before income tax	**7,155**	**(2,838)**	**4,317**	**6,717**	**(4,038)**	**2,679**
Income tax expense	(3,267)	6	(3,261)	(2,266)	(34)	(2,300)
Net income/(loss) for the period	**3,888**	**(2,832)**	**1,056**	**4,451**	**(4,072)**	**379**

Notes:

(1) General and administrative expenses of $0.5 million, incurred during the three months ended September 30, 2012, relating to internally generated costs and property taxes directly attributable to the Group's renewable energy segment, were reclassified from general and administrative expenses previously allocated to the corporate segment to operating expenses associated with the Group's renewable energy segment, adjusting the amounts previously reported to be consistent with the classification of expenditure applied in 2013.

(2) Operating expenses and general and administrative expenses shown in the table above, exclude depreciation and amortization expenses. Note 6 and 7

Nine months ended September 30:	2013			2012		
	Renewable energy $'000	Corporate and other $'000	Total $'000	Renewable energy $'000	Corporate and other $'000	Total $'000
Revenue	**46,150**	**-**	**46,150**	**48,277**	**-**	**48,277**
Operating expenses(1)(2)	(6,194)	-	(6,194)	(4,206)	-	(4,206)
General and administrative expenses(1)(2)	(1,183)	(3,219)	(4,402)	(570)	(5,964)	(6,534)
Other (expenses)/income	(290)	(330)	(620)	465	1,553	2,018
EBITDA	**38,483**	**(3,549)**	**34,934**	**43,966**	**(4,411)**	**39,555**
Depreciation and amortization	(14,843)	(274)	(15,117)	(14,640)	(199)	(14,839)
Finance income	1,107	4	1,111	630	8	638
Finance costs	(15,521)	(5,644)	(21,165)	(16,283)	(5,425)	(21,708)
Income/(loss) before income tax	**9,226**	**(9,463)**	**(237)**	**13,673**	**(10,027)**	**3,646**
Income tax expense	(4,229)	(172)	(4,401)	(4,748)	(64)	(4,812)
Net income/(loss) for the period	**4,997**	**(9,635)**	**(4,638)**	**8,925**	**(10,091)**	**(1,166)**

Notes:

(1) General and administrative expenses of $1.6 million, incurred during the nine months ended September 30, 2013, relating to internally generated costs and property taxes directly attributable to the Group's renewable energy segment, were reclassified from general and administrative expenses previously allocated to the corporate segment to operating expenses associated with the Group's renewable energy segment, adjusting the amounts previously reported to be consistent with the classification of expenditure applied in 2013.

(2) Operating expenses and general and administrative expenses shown in the table above, exclude depreciation and amortization expenses. Note 6 and 7

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

	September 30, 2013			December 31, 2012		
	Renewable energy $'000	Corporate and other $'000	Total $'000	Renewable energy $'000	Corporate and other $'000	Total $'000
Property, plant and equipment	345,005	516	345,521	351,577	631	352,208
Intangible assets	9,943	6,508	16,451	10,431	4,188	14,619
Available for sale investments	-	2,061	2,061	-	2,061	2,061
Cash and cash equivalents	20,920	4,315	25,235	30,824	6,926	37,750
Other assets	49,411	2,871	52,282	45,946	193	46,139
Total assets	**425,279**	**16,271**	**441,550**	**438,778**	**13,999**	**452,777**
Borrowings	304,415	83,971	388,386	319,704	80,067	399,771
Trade and other payables	3,236	2,548	5,784	2,188	4,802	6,990
Other liabilities	53,964	2,281	56,245	58,092	2,570	60,662
Total liabilities	**361,615**	**88,800**	**450,415**	**379,984**	**87,439**	**467,423**

5. REVENUE

	Three months ended		Nine months ended	
	September 30 2013 $'000	**September 30 2012 $'000**	**September 30 2013 $'000**	**September 30 2012 $'000**
Feed-in tariff ("FiT") revenue	16,453	14,897	39,419	39,424
Market Price revenue	2,961	3,444	6,731	8,853
Total revenue	**19,414**	**18,341**	**46,150**	**48,277**

The Group's operating revenues arise from the sale of electricity to the electricity grid in Italy. The Italian FiT is a 20-year commitment from the government to purchase 100% of the solar production at a constant premium rate. This amount is received directly from the Italian government through the state-owned company GSE. The spot market price ("Market Price") is received in addition to the FiT, based on evacuated production (i.e., electricity produced less transmission losses).

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

6. OPERATING EXPENSES

	Three months ended		Nine months ended	
	September 30 2013 $'000	**September 30 2012 $'000**	**September 30 2013 $'000**	**September 30 2012 $'000**
Operation and maintenance ("O&M") costs	1,105	665	2,728	1,223
Operating personnel costs	260	235	777	723
Depreciation and amortization (operating solar power projects)	4,931	4,788	14,843	14,640
Property tax on solar producing assets	438	281	1,306	844
Insurance	107	130	328	353
Land lease	55	50	161	149
Other operating expenses	163	342	895	915
Total operating expenses	**7,059**	**6,491**	**21,038**	**18,847**

Note:

(1) Operating expenses incurred during the three and nine months ended September 30, 2012, as previously reported of $6.0 million and of $17.3 million, respectively, were increased by $0.5 million and $1.6 million, due to a reclassification of certain general and administrative expenses, including internally generated costs and property taxes, directly related to the operation of the Group's solar power projects to be consistent with the classification of expenditure applied in 2013.

O&M costs of $1.1 (2012: $0.7 million) and $2.7 million (2012: $1.2 million) for the three and nine months ended September 30, 2013, respectively, relate to fees paid mainly in connection with the operation and maintenance activities of the Group's solar power projects in Italy. The Group outsources these O&M services to third parties.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
	September 30 2013 $'000	**September 30 2012 $'000**	**September 30 2013 $'000**	**September 30 2012 $'000**
Salaries and benefits	480	758	1,408	2,556
Board of Directors fees	25	60	71	180
Share-based payment expense (non-cash item) Note 15	125	143	445	302
Corporate and professional fees	487	687	1,545	1,745
Listing, filing and marketing expenses	55	-	250	142
Office lease expenses	112	143	351	370
Depreciation and amortization (corporate assets)	91	62	274	199
Office, travel and other general and administrative expenses	128	465	331	1,238
Total general and administrative expenses	**1,503**	**2,318**	**4,675**	**6,732**

Note:

(1) General and administrative expenses incurred during the three and nine months ended September 30, 2012, as previously reported of $2.8 million and $8.3 million, respectively, were reduced by $0.5 million and $1.6 million due to a reclassification of certain costs, including internally generated costs and property taxes, directly related to the operation of the Group's solar power projects to be consistent with the classification of expenditure applied in 2013.

During the three months ended September 30, 2013, general and administrative expenses of $0.9 million (2012: $nil) representing internally-generated costs ($0.5 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. Note 13

7. GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

During the nine months ended September 30, 2013, general and administrative expenses of $2.3 million (2012: $nil) representing internally-generated costs ($1.4 million) and third-party costs ($0.9 million) were capitalized during the period within intangible assets, as they directly related to the Group's business development activities. Note 13

8. OTHER INCOME/EXPENSES

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Impairment related to business development activities	-	-	(393)	-
Exchange right (non-cash compensation)	-	(32)	-	1,371
Other income/(expenses)	7	59	(227)	647
Total other income/(expenses)	**7**	**27**	**(620)**	**2,018**

During the nine months ended September 30, 2013, the Group impaired certain costs associated with its business development activities in Chile related to a certain project it is no longer pursuing.

9. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Finance income:				
Changes in fair values of derivative financial instruments:				
- Interest rate swap contracts	-	-	-	413
- Ineffective portion reclassified from other comprehensive income	2	-	465	88
Foreign exchange gain	74	-	-	-
Other finance income	545	60	646	137
Total finance income	**621**	**60**	**1,111**	**638**
Finance costs:				
Interest rate expense:				
- Credit facilities and non-recourse loans Note 16	2,360	2,919	7,046	9,644
- Interest rate swap contracts associated with non-recourse loans	2,460	1,917	7,268	5,084
- Corporate bond Note 16 and 18	1,793	1,726	5,331	5,227
- Amortization of transaction costs	221	198	656	611
Changes in fair values of derivative financial instruments:				
- Ineffective portion reclassified from other comprehensive income	95	172	96	244
- De-designated portion reclassified from other comprehensive income	86	71	258	454
- Interest rate swap contracts	-	3	-	104
Foreign exchange loss	-	(172)	134	39
Other finance costs	148	106	376	301
Total finance costs	**7,163**	**6,940**	**21,165**	**21,708**
Net finance costs	**6,542**	**6,880**	**20,054**	**21,070**

The Group has five credit facilities outstanding, that are hedged using interest rate swap contracts, which were used to finance the construction of its operating solar power projects in Italy. Refer to Note 16 and Note 17 for further details on the Group's credit facilities and derivative financial instruments.

During the three and nine months ended September 30, 2013, the Group recognized a net fair value gain of $1.1 million (2012: net fair value loss of $4.0 million) and of $10.1 million (2012: net fair value loss of $10.4 million), respectively, net of tax, within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

10. INCOME TAXES

(a) INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Current income tax expense:				
Corporate income tax	4,819	2,762	6,122	5,801
Provincial income tax	1,130	740	1,620	1,567
Total current income tax expense	**5,949**	**3,502**	**7,742**	**7,368**
Deferred income tax recovery:				
Current period	(300)	(165)	403	(386)
Tax benefits	(2,388)	(1,037)	(3,744)	(2,170)
Total deferred income tax recovery	**(2,688)**	**(1,202)**	**(3,341)**	**(2,556)**
Total income tax expense	**3,261**	**2,300**	**4,401**	**4,812**

During the three and nine months ended September 30, 2013, the Group recognized an income tax expense of $5.9 million (2012: $3.5 million) and $7.7 million (2012: $7.4 million), respectively, associated with its Italian solar power projects, based on the forecasted effective tax rate expected during 2013. During the second quarter of 2013, the Italian government expanded the scope of the "Robin Hood" tax (applicable to companies operating in the energy sector) now affecting five of the Group's operating solar projects (previously only applicable to one of the Group's operating solar projects), resulting in an increase to the corporate income tax rate in Italy from 27.5% to 38%. In 2014, the incremental tax associated with the Robin Hood tax legislation will be reduced to 6.5%, reducing the corporate income tax rate to 34% for 2014 and beyond for the solar projects affected by this additional tax.

During the three and nine months ended September 30, 2013, the Group recognized a deferred income tax recovery of $2.7 million (2011: $1.2 million) and $3.3 million (2012: $2.6 million), respectively, in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts and utilized tax losses.

(b) CURRENT INCOME TAX LIABILITIES

	September 30 2013 $'000	December 31 2012 $'000
Corporate income tax	6,285	281
Provincial income tax	1,552	323
Total current income tax liabilities	**7,837**	**604**

11. EARNINGS/LOSS PER SHARE

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

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Income/(loss) attributable to owners of the Company	**1,056**	**379**	**(4,638)**	**(1,166)**
	Number of shares		Number of shares	
Weighted average number of shares outstanding (basic)	205,746,419	205,746,419	205,746,419	199,743,024
Adjustments for dilutive potential ordinary shares:				
- Stock options	-	8,648	-	-
Weighted average number of shares outstanding (diluted)	205,746,419	205,755,067	205,746,419	199,743,024
Basic earnings/(loss) per share	**$0.005**	**$0.002**	**$(0.023)**	**$(0.006)**
Diluted earnings/(loss) per share	**$0.005**	**$0.002**	**$(0.023)**	**$(0.006)**

12. PROPERTY, PLANT AND EQUIPMENT

	Land $'000	Solar power projects $'000	Equipment and furniture $'000	Total $'000
Cost:				
At December 31, 2012	**13,206**	**380,340**	**1,716**	**395,262**
Additions	-	138	79	217
Disposals	(22)	(186)	-	(208)
Exchange differences	303	8,985	41	9,329
At September 30, 2013	**13,487**	**389,277**	**1,836**	**404,600**
Accumulated depreciation:				
At December 31, 2012	**-**	**42,059**	**995**	**43,054**
Charge for the period	-	14,560	206	14,766
Disposals	-	(147)	-	(147)
Exchange differences	-	1,383	23	1,406
At September 30, 2013	**-**	**57,855**	**1,224**	**59,079**
Net book value:				
At December 31, 2012	13,206	338,281	721	352,208
At September 30, 2013	13,487	331,422	612	345,521

13. INTANGIBLE ASSETS

	Goodwill $'000	Licenses and permits $'000	Other $'000	Total $'000
Cost:				
At December 31, 2012	**1,733**	**12,901**	**1,441**	**16,075**
Additions	-	-	2,352	2,352
Impairment	-	-	(393)	(393)
Exchange differences	39	186	32	257
At September 30, 2013	**1,772**	**13,087**	**3,432**	**18,291**
Accumulated amortization:				
At December 31, 2012	**-**	**1,456**	**-**	**1,456**
Charge of the period	-	351	-	351
Exchange differences	-	33	-	33
At September 30, 2013	**-**	**1,840**	**-**	**1,840**
Net book value:				
At December 31, 2012	1,733	11,445	1,441	14,619
At September 30, 2013	1,772	11,247	3,432	16,451

During the nine months ended September 30, 2013, general and administrative expenses of $2.3 million (2012: $nil) representing internally-generated costs ($1.4 million) and third-party costs ($0.9 million) were capitalized during the period within intangible assets, as they directly related to the Group's business development activities.

During the nine months ended September 30, 2013, the Group impaired certain costs associated with its business development activities in Chile related to a certain project it is no longer pursuing. Note 8

14. CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)

The Group's cash and cash equivalents (including restricted cash) are held with banks with high and medium credit ratings assigned by international credit agencies in Canada, Luxembourg, Switzerland, Italy, Chile and Venezuela. The fair value of cash and cash equivalents approximates its carrying value due to short maturities.

	September 30 2013 $'000	December 31 2012 $'000
Cash at banks	25,235	37,750
Total cash and cash equivalents	**25,235**	**37,750**

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

	September 30 2013 $'000	December 31 2012 $'000
Unrestricted cash and cash equivalents	4,315	6,926
Cash and cash equivalents restricted to solar power projects	20,920	30,824
Total cash and cash equivalents	**25,235**	**37,750**

Restricted cash relates to cash and cash equivalents held at the project level that is 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 project companies, subject to approval from the lending banks, either through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions.

During the three months ended September 30, 2013, the Group repaid the $12.3 million Value added tax ("VAT") facility associated with one of its solar power projects, which matured on September 30, 2013, using $11.7 million of restricted cash that was replaced upon receipt of the associated VAT reimbursement from the Italian tax authorities in October 2013. This resulted in a temporary reduction of $11.7 million to the Group's cash and cash equivalents at September 30, 2013. Note 16 and 20

15. SHARE-BASED PAYMENTS

The Company maintains an equity-settled stock option awards scheme. 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.

During the three and nine months ended September 30, 2013, the Group recognized share-based payment expenses of $0.1 million (2012: $0.1 million) and $0.4 million (2012: $0.3 million), respectively, related to its stock option awards scheme.

A summary of the Company's outstanding stock options at September 30, 2013, is as follows:

	Number of share options	Weighted average exercise price CAD$
At December 31, 2012	**7,450,000**	**0.53**
Granted	160,000	0.24
Cancelled	(222,000)	0.93
At September 30, 2013	**7,388,000**	**0.51**
Stock options exercisable:		
At December 31, 2012	3,247,667	0.67
At September 30, 2013	4,388,002	0.58

16. BORROWINGS

	Corporate borrowings $'000	Non-recourse project loans $'000	Total $'000
At December 31, 2012	**80,067**	**319,704**	**399,771**
Repayment of loans and interest	(3,457)	(29,851)	(33,308)
Accrued interest	5,315	7,044	12,359
Amortization of transaction costs	143	513	656
Exchange differences	1,903	7,005	8,908
At September 30, 2013	**83,971**	**304,415**	**388,386**
- Current portion	3,282	20,406	23,688
- Non-current portion	80,689	284,009	364,698

At September 30, 2013 and December 31, 2012, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings and non-recourse project loans.

(a) CORPORATE BORROWINGS

Corporate Bond

At September 30, 2013, the Group had €60 million of corporate bonds outstanding in the Norwegian bond market issued by the Company in April 2011 with an annual interest rate of 9% and a 4-year maturity. At September 30, 2013, the amount outstanding, including accrued interest and net of transaction costs, was $83.9 million (December 31, 2012: $80.1 million).

Lundin family Loan

In September 2013, the Group obtained a $42 million unsecured loan facility from a company affiliated with the Lundin family, Etrion's largest shareholder, at an annual interest rate of 12% with a 12-month maturity, in order to fund its business development activities in Chile. At September 30, 2013, no amounts had been drawn under this loan facility. Note 18 and 20

(b) NON-RECOURSE PROJECT LOANS

The non-recourse project loans (i.e., facilities to which the lending bank is only entitled to the assets from the associated project) held by the Group's Italian subsidiaries, obtained to finance the construction of the Group's solar power projects, mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin, ranging from 2.22% to 2.75%. In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets (i.e., solar power projects and land) associated with the solar power projects financed by these facilities. Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the GSE and local utilities (Enel S.p.A. and Terna S.p.A.) and the proceeds from the collection of input VAT accumulated for construction costs.

In addition to the self-amortizing nature of the Group's non-recourse project loans and repayment of interest, during the three months ended September 30, 2013, the Group repaid the $12.3 million VAT facility associated with one of its solar power projects, which matured on September 30, 2013. Note 14

17. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30 2013 $'000	December 31 2012 $'000
Derivative financial liabilities:		
Interest rate swap contracts (cash flow hedges)		
- Current portion	9,425	9,662
- Non-current portion	27,514	40,558
Total derivative financial liabilities	**36,938**	**50,220**

The Group enters into interest rate swap contracts in order to hedge the risk of variations on the Group's cash flows as a result of floating interest rates on its non-recourse project loans. At September 30, 2013 and December 31, 2012, the Group had seven derivative financial instruments that qualified for hedge accounting and no derivative financial instruments classified at fair value through profit and loss. Refer to Note 9 for further details relating to fair value movements recognized during the period. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, calculated using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor interest rate forward yield curve and an appropriate discount factor.

18. RELATED PARTIES

For the purposes of preparing the Company's consolidated 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 owned through various trusts, approximately 24.5% of the Company at September 30, 2013.

(a) RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2013 and 2012, the Group entered into the following transactions with related parties:

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
General and administrative expenses				
Lundin Services BV	6	8	23	22
Finance costs				
Lundin Services BV:				
- Interest expense associated with corporate bond	233	214	677	658
- Transaction costs associated with corporate bond	6	8	18	16
Lundin family:				
- Interest expense associated with corporate bond	459	423	1,336	1,298
- Transaction costs associated with corporate bond	13	16	35	32
Total transactions with related parties	**717**	**669**	**2,089**	**2,026**

At September 30, 2013, and December 31, 2012, the amounts outstanding to related parties were as follows:

	September 30 2013 $'000	December 31 2012 $'000
Current liabilities:		
Lundin family (short-term bridge loan)	-	1,500
Lundin Services BV:		
- General and administrative expenses	2	-
- Participation in corporate bond	403	180
Lundin family (participation in corporate bond)	795	356
Total current liabilities	**1,200**	**2,036**
Non-current liabilities:		
Lundin Services BV (participation in corporate bond)	10,636	9,945
Lundin family (participation in corporate bond)	20,993	19,628
Total non-current liabilities	**31,629**	**26,573**
Total amounts outstanding to related parties	**32,829**	**31,609**

There were no amounts outstanding from related parties at September 30, 2013, or December 31, 2012.

Lundin Services BV

The Group receives technical and legal services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. The Chief Executive Officer of Lundin Petroleum AB is a Director of the Company.

At September 30, 2013, Lundin Services BV held €7.6 million (December 31, 2012: €7.6 million) of the corporate bonds issued by the Company in April 2011 at 9% annual interest with a 4-year maturity.

Lundin family

Corporate bond

At September 30, 2013, the Lundin family held €15 million of the corporate bonds issued by the Company in April 2011 at 9% annual interest with a 4-year maturity.

Lundin family Loan

In December 2012, the Group received $1.5 million from an investment company associated with the Lundin family, in order to fund certain business development activities. The short-term loan was non-interest bearing and was fully repaid in February 2013.

18. RELATED PARTIES (CONTINUED)

(a) *RELATED PARTY TRANSACTIONS (CONTINUED)*

Lundin family (continued)

Lundin family Loan (continued)

In September 2013, the Group obtained a $42 million unsecured loan facility from a company affiliated with the Lundin family, Etrion's largest shareholder, at an annual interest rate of 12% with a 12-month maturity, in order to fund its business development activities in Chile. At September 30, 2013, no amounts had been drawn under the loan facility. Note 16 and 20

(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. The remuneration of key management personnel was as follows:

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Salaries and short-term benefits	192	185	640	582
Board of Directors (non-executive directors)	25	60	71	180
Share-based payment	69	59	220	192
Pension costs	35	31	110	115
Termination payments	-	-	-	62
Total	**321**	**335**	**1,041**	**1,131**

The amounts outstanding to key management personnel were as follows:

	September 30 2013 $'000	December 31 2012 $'000
Board of Directors (non-executive directors)	-	60
Other (bonus payable and pension costs payable)	226	278
Total amounts outstanding to key management personnel	**226**	**338**

There were no amounts outstanding from key management personnel at September 30, 2013, or December 31, 2012.

19. COMMITMENTS

In September 2013, Etrion signed a purchase agreement (the "Purchase Agreement") with Total SA ("Total") and Solventus Energías Renovables ("Solventus") to build, own and operate a 70 megawatt solar project in the in the north of Chile ("Project Salvador"). Pursuant to the Purchase Agreement, Etrion, Total and Solventus will own 70%, 20%, and 10% interests, respectively, in the project. The total project cost of approximately $200 million will be financed 70% through non-recourse project debt and the remaining 30% equity portion will be funded by Etrion, Total and Solventus, based on their respective ownership interests, resulting in a total capital commitment to Etrion of approximately $42 million. The acquisitions is subject to certain conditions being met customary to a transaction of this nature and it is expected to be completed in the fourth quarter of 2013 upon which Etrion will own 70% of the project company. In connection with the Purchase Agreement, in October 2013, a company affiliated with the Lundin family, issued a $42 million letter of credit to Total on behalf of Etrion, which will be reduced accordingly, as Etrion funds its equity portion of Project Salvador. In addition, in September 30, 2013, the Group obtained a $42 million unsecured corporate loan facility from a company affiliated with the Lundin family to fund its development activities in Chile, including Project Salvador. Note 16, 18 and 20

20. SUBSEQUENT EVENTS

(a) *LUNDIN FAMILY LOAN*

In October 2013, the Group borrowed $3 million under the loan facility from a company affiliated with the Lundin family, Etrion's largest shareholder, at an annual interest rate of 12% with a 12-month maturity. Note 16 and 18

20. SUBSEQUENT EVENTS (CONTINUED)

(b) LETTER OF CREDIT

In October 2013, in connection with the Purchase Agreement for Project Salvador, a company affiliated with the Lundin family, Etrion's largest shareholder, issued a $42 million letter of credit to Total on behalf of Etrion for total consideration of 2,500,000 common shares in Etrion. As Etrion funds its equity portion of Project Salvador the availability under the letter of credit will be reduced accordingly. As a result, the Lundin family now owns approximately 25.4% of the Company, collectively held through various trusts. Note 19

(c) NON-CORE ASSET SALE

In October 2013, Etrion sold all of its shares in its previously wholly-owned subsidiary, PFC Oil & Gas, CA ("PFC"), for total cash consideration of $5 million, of which $3 million was paid at closing and the balance of $2 million is expected to be received in March 2014. PFC owns 40% of PetroCumarebo and 5% of Baripetrol, two Venezuelan oil and gas companies controlled by Petróleos de Venezuela, the national oil company. The Company's holding in PetroCumarebo and Baripetrol were considered passive investments classified as available for sale. The non-core assets were carried on Etrion's balance sheet at $1 million at September 30, 2013, comprised of available for sale investments of $2.1 million, offset by trade and other payables of $1.1 million (relating to advance dividends received).

(d) VAT REIMBURSEMENT

In October 2013, the Group received the $11.7 million VAT reimbursement from the Italian tax authorities associated with one of its solar power projects, increasing the Group's restricted cash and cash equivalents by $11.7 million. Note 14 and 16