etrion

# Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2011

(Unaudited)

## Contents

# Condensed Consolidated Interim Statement of Comprehensive Income

For the three and nine months ended September 30, 2011

Unaudited

Expressed in US$

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| Revenue | 5 | 18,219 | 6,833 | 43,325 | 6,960 |
| Operating expenses | 6 | (5,454) | (2,892) | (15,183) | (2,930) |
| **Gross profit** | | **12,765** | **3,941** | **28,142** | **4,030** |
| General and administrative expenses | 7 | (3,336) | (4,857) | (11,009) | (11,042) |
| Other income | 8 | 579 | 73 | 1,965 | 73 |
| **Operating profit/(loss)** | | **10,008** | **(843)** | **19,098** | **(6,939)** |
| Finance income | 9 | 3,828 | 289 | 5,395 | 289 |
| Finance costs | 9 | (12,202) | (5,710) | (24,477) | (7,537) |
| **Net finance costs** | | **(8,374)** | **(5,421)** | **(19,082)** | **(7,248)** |
| **Income/(loss) before income tax** | | **1,634** | **(6,264)** | **16** | **(14,187)** |
| Income tax (expense)/recovery | 10 | (4,483) | (112) | (6,510) | 84 |
| **Loss for the period** | | **(2,849)** | **(6,376)** | **(6,494)** | **(14,103)** |
| **Other comprehensive loss (net of tax):** | | | | | |
| (Loss)/gain on foreign currency translation adjustment | | (774) | 793 | 890 | (933) |
| Changes in fair values of cash flow hedges (net of tax) | | (15,350) | (1,957) | (13,240) | (1,957) |
| **Total other comprehensive loss** | | **(16,124)** | **(1,164)** | **(12,350)** | **(2,890)** |
| **Total comprehensive loss for the period** | | **(18,973)** | **(7,540)** | **(18,844)** | **(16,993)** |
| Income/(loss) attributable to: | | | | | |
| Owners of the parent company | 11 | (2,849) | (6,376) | (6,494) | (14,103) |
| Total comprehensive loss attributable to: | | | | | |
| Owners of the parent company | | (18,973) | (7,540) | (18,844) | (16,993) |
| | | $ | $ | $ | $ |
| **Basic and diluted loss per share** | 11 | **(0.02)** | **(0.04)** | **(0.04)** | **(0.09)** |

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

## Condensed Consolidated Interim Balance Sheet

As at September 30, 2011
Unaudited
Expressed in US$

| | Note | September 30 2011 $'000 | December 31 2010 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 384,858 | 341,225 |
| Intangible assets | 13 | 15,573 | 14,785 |
| Available for sale investments | | 10,405 | 10,401 |
| Derivative financial instruments | 18 | - | 1,247 |
| Deferred income tax assets | | 2,812 | - |
| Trade and other receivables | | 24,264 | 20,175 |
| **Total non-current assets** | | **437,912** | **387,833** |
| **Current assets** | | | |
| Trade and other receivables | | 30,564 | 13,359 |
| Cash and cash equivalents (including restricted cash) | 14 | 39,150 | 45,024 |
| **Total current assets** | | **69,714** | **58,383** |
| **Total assets** | | **507,626** | **446,216** |
| **Equity** | | | |
| **Attributable to owners of the Company** | | | |
| Share capital | 15 | 23,293 | 16,741 |
| Contributed surplus | | 15,782 | 15,295 |
| Other reserves | | (9,609) | 2,741 |
| Accumulated deficit | | (6,494) | - |
| **Total equity** | | **22,972** | **34,777** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 17 | 356,711 | 260,868 |
| Derivative financial instruments | 18 | 21,728 | 8,830 |
| Deferred tax liabilities | | 4,710 | 8,762 |
| Provisions and other liabilities | | 3,799 | 1,285 |
| **Total non-current liabilities** | | **386,948** | **279,745** |
| **Current liabilities** | | | |
| Trade and other payables | | 31,468 | 35,931 |
| Current tax liabilities | 10 | 8,622 | 1,997 |
| Borrowings | 17 | 51,285 | 88,089 |
| Derivative financial instruments | 18 | 5,461 | 4,807 |
| Provisions and other liabilities | | 870 | 870 |
| **Total current liabilities** | | **97,706** | **131,694** |
| **Total liabilities** | | **484,654** | **411,439** |
| **Total equity and liabilities** | | **507,626** | **446,216** |

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, 2011
Unaudited
Expressed in US$

| | | Attributable to owners of the company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital $'000 | Contributed surplus $'000 | Other reserves $'000 | Accumulated deficit $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Balance at January 1, 2010** | | **107,557** | **10,341** | **(375)** | **(87,889)** | **29,634** | **-** | **29,634** |
| Comprehensive loss: | | | | | | | | |
| - Loss for the period | | - | - | - | (14,103) | (14,103) | - | (14,103) |
| - Other comprehensive loss: | | | | | | | | |
| Cash flow hedges (net of tax) | | - | - | (1,957) | - | (1,957) | - | (1,957) |
| Currency translation adjustment | | - | - | (933) | - | (933) | - | (933) |
| Total comprehensive loss | | - | - | (2,890) | (14,103) | (16,993) | - | (16,993) |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| - Private placement | | 16,158 | - | - | - | 16,158 | - | 16,158 |
| - Non-controlling interests on acquisition | | - | - | - | - | - | 237 | 237 |
| - Acquisition of non-controlling interests | | - | - | 59 | - | 59 | (237) | (178) |
| - Tax effect of expiration of warrants | | - | (265) | - | - | (265) | - | (265) |
| - Stock options exercised | | 150 | (60) | - | - | 90 | - | 90 |
| - Share-based payments | | - | 2,843 | - | - | 2,843 | - | 2,843 |
| **Balance at September 30, 2010** | | **123,865** | **12,859** | **(3,206)** | **(101,992)** | **31,526** | **-** | **31,526** |
| **Balance at January 1, 2011** | | **16,741** | **15,295** | **2,741** | **-** | **34,777** | **-** | **34,777** |
| Comprehensive loss: | | | | | | | | |
| - Loss for the period | | - | - | - | (6,494) | (6,494) | - | (6,494) |
| - Other comprehensive loss: | | | | | | | | |
| Cash flow hedges (net of tax) | 9 | - | - | (13,240) | - | (13,240) | - | (13,240) |
| Currency translation adjustment | | - | - | 890 | - | 890 | - | 890 |
| Total comprehensive loss | | - | - | (12,350) | (6,494) | (18,844) | - | (18,844) |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| - Equity-based financing fee | 15 | 5,596 | - | - | - | 5,596 | - | 5,596 |
| - Stock options exercised | 15 | 956 | (396) | - | - | 560 | - | 560 |
| - Share-based payments | 16 | - | 883 | - | - | 883 | - | 883 |
| **Balance at September 30, 2011** | | **23,293** | **15,782** | **(9,609)** | **(6,494)** | **22,972** | **-** | **22,972** |

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

## Condensed Consolidated Interim Statement of Cash Flows

For the three and nine months ended September 30, 2011
Unaudited
Expressed in US$

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Cash flow from operating activities** | | | | | |
| **Loss for the period** | | **(2,849)** | **(6,376)** | **(6,494)** | **(14,103)** |
| Adjustments for: | | | | | |
| Depreciation and amortization | 6, 7 | 4,883 | 2,075 | 13,734 | 2,179 |
| Current income tax expense | 10 | 5,381 | 828 | 8,616 | 631 |
| Deferred tax recovery | 10 | (898) | (716) | (2,106) | (715) |
| Share-based payment expense | 16 | 245 | 938 | 888 | 2,737 |
| Interest expense | 9 | 5,509 | 1,877 | 13,944 | 2,141 |
| Interest expense relating to interest rate swap contracts | 9 | 1,584 | 1,307 | 4,678 | 1,449 |
| Amortization of transaction costs | 9 | 215 | 158 | 656 | 189 |
| Early redemption fee | 9 | 921 | - | 921 | - |
| Foreign exchange loss | 9 | 657 | - | 99 | - |
| Changes in fair values of derivative instruments | 9 | (681) | 2,005 | (2,129) | 3,681 |
| Decrease/(increase) in trade and other receivables | | 8,754 | 1,020 | (19,504) | 882 |
| Increase/(decrease) in trade and other payables | | 1,072 | 356 | (4,024) | (2,552) |
| Income tax paid | | (185) | - | (1,704) | - |
| **Total cash flow from/(used in) operating activities** | | **24,608** | **3,472** | **7,575** | **(3,481)** |
| | | | | | |
| **Cash flow from investing activities** | | | | | |
| Purchase of investments | | - | (287) | - | (656) |
| Purchases of property, plant and equipment | | (21,660) | (9,805) | (53,456) | (17,374) |
| Purchases of intangible assets | | (118) | 339 | (1,024) | (6,478) |
| Acquisition of subsidiaries, net of cash acquired | | - | (30,234) | - | (34,515) |
| Acquisition of non-controlling interests | | - | (184) | - | (184) |
| **Total cash flow used in investing activities** | | **(21,778)** | **(40,171)** | **(54,480)** | **(59,207)** |
| | | | | | |
| **Cash flow from financing activities** | | | | | |
| Interest paid | 17 | (4,841) | (2,724) | (12,071) | (3,190) |
| Interest paid relating to interest rate swap arrangements | | (2,954) | (2,500) | (6,023) | (2,500) |
| Repayment of borrowings | 17 | (4,488) | (17,343) | (90,067) | (18,381) |
| Proceeds from borrowings | 17 | 6,196 | 56,382 | 147,917 | 94,054 |
| Private placement | | - | 15,042 | - | 15,042 |
| Proceeds from the issuance of shares | 16 | - | - | 560 | 90 |
| **Total cash flow (used in)/from financing activities** | | **(6,087)** | **48,857** | **40,316** | **85,115** |
| | | | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(3,257)** | **12,158** | **(6,589)** | **22,427** |
| Effect of exchange rate differences | | (2,817) | 4,470 | 715 | 1,339 |
| Cash and cash equivalents (including restricted cash) at the beginning of the period | | 45,224 | 30,586 | 45,024 | 23,448 |
| **Cash and cash equivalents (including restricted cash) at the end of the period** | | **39,150** | **47,214** | **39,150** | **47,214** |

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 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".

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 10, 2011. These condensed consolidated interim financial statements have been reviewed in accordance with the Canadian Auditing Standards but have not been audited.

The Group is primarily focused on acquiring, developing, building, owning and operating solar power plants in Italy.

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

## 2. Summary of significant accounting policies

### *(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, 2010.

Except as described below, 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, 2010.

### *(b) Going Concern*

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2011, 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 come due in the foreseeable future.

At September 30, 2011, the Group had unrestricted cash and cash equivalents of $11.0 million (December 31, 2010: $4.7 million) and negative working capital of $28.0 million (December 31, 2010: negative $73.3 million), primarily attributable to the $37.8 million bridge loan obtained from investment companies associated with the Lundin family, due in June 2012. Subsequent to the balance sheet date, in November 2011, the Company repaid the bridge loan primarily using proceeds from the existing non-recourse loan facility with Natixis, WestLB and Mediocreval for the Helios ITA-3 and Nettuno solar power projects, resulting in positive working capital. Note 20

During the nine months ended September 30, 2011, the Group incurred a net loss of $6.5 million (2010: net loss $14.1 million). However, the Company's management is confident that the Group will be able to fund its committed capital investment program and working capital requirements for at least twelve months from the date of these 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, vendor financing or non-recourse project loans). The Group cannot be certain that financing will be available when needed, and, as a result, the Group may need to delay discretionary expenditures.

## 2. Summary of significant accounting policies (continued)

### *(b) Going Concern (continued)*

These condensed consolidated interim financial statements do not include the adjustments that would result if the Group is unable to continue as a going concern.

### *(c) Changes in accounting policies and disclosures*

The Group has adopted the following amendments to standards and interpretations applicable for financial periods beginning on or after January 1, 2011:

- *IAS 24 (revised), Related Party Disclosures:* The revised standard clarifies and simplifies the definition of a related party. The adoption of this revised standard has not had a significant impact on the disclosures of transactions with related parties.
- *Annual improvements 2010*: The annual improvements made in 2010 have not had a significant impact on the Company's condensed consolidated interim financial statements.

## 3. Critical accounting estimates and assumptions

In connection with the preparation of these 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, revenue, expenses and related disclosures. The 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 could differ from the assumptions and estimates, and such differences could be material.

There has been no change to the Group's critical accounting estimates and assumptions used in the preparation of the condensed consolidated interim financial statements from those disclosed in the Company's consolidated financial statements for the year ended December 31, 2010.

## 4. Segmented 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"). During the current period the Company's management decided to include the Group's oil and gas investments in the corporate and unallocated segment as these investments do not generate periodic income/loss. As a result, The Company's management has identified two reportable segments; the renewable energy segment, which includes the Group's solar power projects and the corporate unallocated segment, which includes oil and gas investments and all corporate overhead expenditure.

## 4. Segment reporting (continued)

The following is an analysis of the Group's segment revenues, EBITDA and results for the three months ended September 30, 2011 and 2010:

| | Renewable energy $'000 | Corporate and unallocated $'000 | Total $'000 |
|---|---|---|---|
| **Three months ended September 30, 2011** | | | |
| Revenue | 18,219 | - | 18,219 |
| Operating expenses (excluding depreciation and amortization) | (667) | - | (667) |
| General and administrative expenses (excluding depreciation and amortization) | (397) | (2,843) | (3,240) |
| Other income | 568 | 11 | 579 |
| **Segment EBITDA** | **17,723** | **(2,832)** | **14,891** |
| Depreciation and amortization | (4,810) | (73) | (4,883) |
| Finance income | 3,831 | (3) | 3,828 |
| Finance costs | (8,692) | (3,510) | (12,202) |
| **Income/(loss) before income tax** | **8,052** | **(6,418)** | **1,634** |
| Income tax expense | (4,481) | (2) | (4,483) |
| **Income/(loss) for the period** | **3,571** | **(6,420)** | **(2,849)** |
| | | | |
| **Three months ended September 30, 2010** | | | |
| Revenue | 6,833 | - | 6,833 |
| Operating expenses (excluding depreciation and amortization) | (842) | - | (842) |
| General and administrative expenses (excluding depreciation and amortization) | - | (4,832) | (4,832) |
| Other income net | - | 73 | 73 |
| **Segment EBITDA** | **5,991** | **(4,759)** | **1,232** |
| Depreciation and amortization | (2,050) | (25) | (2,075) |
| Finance income | - | 289 | 289 |
| Finance costs | (5,311) | (399) | (5,710) |
| **Loss before income tax** | **(1,370)** | **(4,894)** | **(6,264)** |
| Income tax expense | (102) | (10) | (112) |
| **Loss for the period** | **(1,472)** | **(4,904)** | **(6,376)** |

## 4. Segment reporting (continued)

The following is an analysis of the Group's segment revenues, EBITDA and results for the nine months ended September 30, 2011 and 2010:

| | **Renewable energy $'000** | **Corporate and unallocated $'000** | **Total $'000** |
|---|---|---|---|
| **Nine months ended September 30, 2011** | | | |
| Revenue | 43,325 | - | 43,325 |
| Operating expenses (excluding depreciation and amortization) | (1,696) | - | (1,696) |
| General and administrative expenses (excluding depreciation and amortization) | (1,700) | (9,062) | (10,762) |
| Other income | 1,918 | 47 | 1,965 |
| **Segment EBITDA** | **41,847** | **(9,015)** | **32,832** |
| Depreciation and amortization | (13,487) | (247) | (13,734) |
| Finance income | 5,348 | 47 | 5,395 |
| Finance costs | (18,257) | (6,220) | (24,477) |
| **Income/(loss) before income tax** | **15,451** | **(15,435)** | **16** |
| Income tax expense | (6,405) | (105) | (6,510) |
| **Income/(loss) for the period** | **9,046** | **(15,540)** | **(6,494)** |
| | | | |
| **Nine months ended September 30, 2010** | | | |
| Revenue | 6,960 | - | 6,960 |
| Operating expenses (excluding depreciation and amortization) | (842) | - | (842) |
| General and administrative expenses (excluding depreciation and amortization) | - | (10,951) | (10,951) |
| Other income net | - | 73 | 73 |
| **Segment EBITDA** | **6,118** | **(10,878)** | **(4,760)** |
| Depreciation and amortization | (2,089) | (90) | (2,179) |
| Finance income | - | 289 | 289 |
| Finance costs | (7,396) | (141) | (7,537) |
| **Loss before income tax** | **(3,367)** | **(10,820)** | **(14,187)** |
| Income tax (expense)/recovery | (103) | 187 | 84 |
| **Loss for the period** | **(3,470)** | **(10,633)** | **(14,103)** |

## 4. Segment reporting (continued)

The following is an analysis of the Group's assets and liabilities at September 30, 2011 and December 31, 2010:

| | Renewable energy $'000 | Corporate and unallocated $'000 | Total $'000 |
|---|---|---|---|
| **As at September 30, 2011** | | | |
| Property, plant and equipment | 384,477 | 381 | 384,858 |
| Intangible assets | 12,484 | 3,089 | 15,573 |
| Available for sale investments | - | 10,405 | 10,405 |
| Cash and cash equivalents (including restricted cash) | 29,451 | 9,699 | 39,150 |
| Other assets | 54,268 | 3,372 | 57,640 |
| **Total assets** | **480,680** | **26,946** | **507,626** |
| Borrowings | 286,600 | 121,396 | 407,996 |
| Trade and other payables | 22,835 | 8,633 | 31,468 |
| Other liabilities | 33,882 | 11,308 | 45,190 |
| **Total liabilities** | **343,317** | **141,337** | **484,654** |
| **As at December 31, 2010** | | | |
| Property, plant and equipment | 340,883 | 342 | 341,225 |
| Intangible assets | 11,630 | 3,155 | 14,785 |
| Available for sale investments | - | 10,401 | 10,401 |
| Cash and cash equivalents (including restricted cash) | 41,643 | 3,381 | 45,024 |
| Other assets | 32,808 | 1,973 | 34,781 |
| **Total assets** | **426,964** | **19,252** | **446,216** |
| Borrowings | 273,733 | 75,224 | 348,957 |
| Trade and other payables | 24,527 | 11,404 | 35,931 |
| Other liabilities | 24,671 | 1,880 | 26,551 |
| **Total liabilities** | **322,931** | **88,508** | **411,439** |

## 5. Revenue

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Feed-in tariff ("FiT") revenue | 14,827 | 5,711 | 35,457 | 5,765 |
| Market Price revenue | 3,392 | 1,122 | 7,868 | 1,195 |
| **Total** | **18,219** | **6,833** | **43,325** | **6,960** |

The Group's operating revenues arise from the sale of electricity to an Italian state-owned company and the operators of the electricity grid. The Italian FiT is a 20-year commitment from the government to purchase 100% of a solar park's electricity production at a constant premium rate. This amount is received directly from the Italian government, through the state-owned company Gestore Servizi Energetici ("GSE"). The spot market price ("Market Price") is received in addition to the FiT. The Market Price is based on evacuated production (i.e., electricity produced less transmission losses). Production and pricing information is based on estimates until confirmed by the local utilities, Enel S.p.A. and Terna S.p.A.

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 September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Operating and maintenance ("O&M") costs | 108 | 44 | 322 | 44 |
| Insurance | 154 | 109 | 456 | 109 |
| Depreciation and amortization | 4,787 | 2,050 | 13,487 | 2,088 |
| Land lease | 112 | 6 | 149 | 6 |
| Other operating expenses | 293 | 683 | 769 | 683 |
| **Total** | **5,454** | **2,892** | **15,183** | **2,930** |

O&M costs of $0.1 million (2010: $44,000) and $0.3 million (2010: $44,000) for the three and nine months ended September 30, 2011, respectively, relate to fees paid in connection with O&M activities of the Group's solar power projects in Italy. The Group outsources O&M services for the projects to external third parties.

Depreciation and amortization of $4.8 million (2010: $2.1 million) and $13.5 million (2010: $2.1 million) were recognized during the three and nine months ended September 30, 2011, respectively, in relation to operating solar power projects producing electricity during the periods.

## 7. General and administrative expenses

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries and benefits | 1,270 | 734 | 4,387 | 3,064 |
| Board fees | 60 | 60 | 180 | 180 |
| Corporate and professional fees | 635 | 1,369 | 1,961 | 2,473 |
| Share-based payment expense (non-cash item) Note 16 | 245 | 938 | 888 | 2,737 |
| Depreciation and amortization | 96 | 25 | 247 | 91 |
| Office, listing, filing and other general and administrative expenses | 1,030 | 1,731 | 3,346 | 2,497 |
| **Total** | **3,336** | **4,857** | **11,009** | **11,042** |

During the three months ended September 30, 2011, $0.3 million of salaries and benefits were capitalized within property, plant and equipment in connection with construction services provided to the Helios ITA-3 and Nettuno solar power projects.

Depreciation and amortization of $0.1 million (2010: $25,000) and $0.2 million (2010: $0.1 million) was recognized during the three and nine months ended September 30, 2011, respectively, related to depreciation of the Group's corporate assets. Depreciation and amortization associated with the Group's operating solar power projects is included within operating expenses.

## 8. Other income

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Liquidation damages | - | - | 2,194 | - |
| EPC contract cancellation fee | 394 | - | (187) | - |
| Other | 185 | 73 | (42) | 73 |
| **Total** | **579** | **73** | **1,965** | **73** |

## 8. Other income (continued)

During the nine months ended September 30, 2011, the Group recognized a gain of $2.2 million from liquidation damages related to delays encountered by the engineering, procurement and construction ("EPC") contractors responsible for the construction of two of the Group's solar power projects (Etrion Lazio and SVE).

During the three months ended June 30, 2011, the Group recognized an expense of $0.6 million for the EPC contract cancellation fee related to the Helios ITA-3 solar power project. However, during the three months ended September 30, 2011, the Group received a credit note of $0.4 million from the contractor associated with this cancellation fee, resulting in total expense of $0.2 million for the nine months ended September 30, 2011.

## 9. Finance income and costs

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| **Finance income:** | | | | |
| Changes in fair values of derivative instruments: | | | | |
| - Interest rate swap contracts | 3,387 | - | 4,191 | - |
| - Ineffective portion reclassified from other comprehensive income | 415 | 21 | 1,059 | 21 |
| Foreign exchange gain | - | 268 | - | 268 |
| Other finance income | 26 | - | 145 | - |
| **Total finance income** | **3,828** | **289** | **5,395** | **289** |
| **Finance costs:** | | | | |
| Interest rate expense: | | | | |
| - Credit facilities and non-recourse loans | (3,117) | (1,268) | (8,641) | (1,307) |
| - Credit facility with related party (Lundin Services BV) Note 17 and 19 | (4) | (610) | (1,509) | (834) |
| - Credit facility with related party (Lundin family) Note 17 and 19 | (1,519) | - | (1,861) | - |
| - Corporate bond Note 17 | (1,902) | - | (3,417) | - |
| - Interest rate swap contracts | (1,584) | (1,307) | (4,678) | (1,449) |
| - Amortization of transaction costs | (265) | (158) | (752) | (189) |
| Changes in fair values of derivative instruments: | | | | |
| - Interest rate swap contracts | (3,055) | (2,005) | (3,055) | (3,670) |
| - Ineffective portion reclassified from other comprehensive income | (65) | - | (65) | - |
| Early redemption fee Note 19 | (1,636) | - | (1,636) | - |
| Foreign exchange loss | (657) | - | (99) | - |
| Other finance costs | (195) | (471) | (1,059) | (197) |
| | **(13,999)** | **(5,819)** | **(26,772)** | **(7,646)** |
| Amounts capitalized on qualifying assets | 1,797 | 109 | 2,295 | 109 |
| **Total finance costs** | **(12,202)** | **(5,710)** | **(24,477)** | **(7,537)** |
| **Net finance costs** | **(8,374)** | **(5,421)** | **(19,082)** | **(7,248)** |

The Group has entered into five credit facilities that are hedged using interest rate swap contracts in order to finance the construction of its operating solar power projects in Italy. Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment. Refer to Note 17 and Note 18 for further details on the Group's credit facilities and derivative financial instruments.

## 9. Finance income and costs (continued)

During the three and nine months ended September 30, 2011, the Group recognized a fair value gain of $3.4 million and a corresponding fair value loss of $3.1 million, associated with two interest rate swap contracts (Helios ITA and SVE) that were re-designated for hedge accounting during the period. At September 30, 2011, all of the Group's interest rate swap contracts qualified for hedge accounting.

During the three months ended September 30, 2011, the Group recognized a fair value loss of $65,000 (2010: $nil) related to the ineffective portion of a cash flow hedge reclassified from other comprehensive income (Helios ITA) and a fair value gain of $0.4 million (2010: $21,000) related to the ineffective portion of two cash flow hedges reclassified from other comprehensive income (Cassiopea and Etrion Lazio). In addition, a fair value loss of $15.4 million (2010: loss of $2.0 million), net of tax, was recognized in other comprehensive income, related to the effective portion of the Group's interest rate swap contracts (Cassiopea, Centauro, Etrion Lazio, Helios ITA and SVE).

During the nine months ended September 30, 2011, the Group recognized a fair value gain of $1.1 million (2010: $21,000) related to the ineffective portion of two cash flow hedges reclassified from other comprehensive income (Cassiopea and Etrion Lazio) and a fair value loss of $65,000 (2010: $nil) related to the ineffective portion of a cash flow hedge reclassified from other comprehensive income (Helios ITA). In addition, a fair value loss of $13.2 million (2010: loss of $2.0 million), net of tax, was recognized in other comprehensive income, related to the effective portion of the Group's interest rate swap contracts (Cassiopea, Centauro, Etrion Lazio, Helios ITA and SVE).

## 10. Income taxes

### *(a) Income tax expense*

| | **Three months ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| **Current income tax expense:** | | | | |
| - Corporate income tax expense | 4,232 | 845 | 6,593 | 886 |
| - Municipal income tax expense | 1,149 | - | 2,023 | - |
| - Tax recovery on warrants | - | (17) | - | (255) |
| | **5,381** | **828** | **8,616** | **631** |
| **Deferred tax expense/(recovery):** | | | | |
| - Current period | 108 | (716) | 90 | (715) |
| - Tax benefits | (1,006) | - | (2,196) | - |
| | (898) | (716) | (2,106) | (715) |
| **Total income tax expense/(recovery)** | **4,483** | **112** | **6,510** | **(84)** |

During the three and nine months ended September 30, 2011, the Group recognized an income tax expense of $4.2 million (2010: expense $0.8 million) and $6.6 million (2010: expense $0.9 million), respectively, associated with its Italian solar power projects, based on the forecasted effective tax rate expected during 2011. In the comparable periods of 2010, the Group recognized an income tax expense associated with its Swiss subsidiary and a tax recovery on warrants that expired during the period.

During the three and nine months ended September 30, 2011, the Group recognized a deferred tax recovery of $0.9 million (2010: $0.7 million) and $2.1 million (2010: $0.7 million), respectively, in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts and utilized tax losses.

## 10. Income taxes (continued)

### *(b) Current income tax liabilities*

| | September 30 2011 $'000 | December 31 2010 $'000 |
|---|---|---|
| Corporate income tax | 6,385 | 1,297 |
| Municipal income tax | 2,237 | 700 |
| **Total** | **8,622** | **1,997** |

## 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. The calculation of the basic and diluted loss per share for the three and nine months ended September 30, 2011 and 2010, is based on the following data:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| Loss attributable to owners of the Company | (2,849) | (6,376) | (6,494) | (14,103) |
| | **Number of shares** | | **Number of shares** | |
| Weighted average number of outstanding shares | 187,536,120 | 167,440,033 | 183,492,823 | 161,547,475 |
| | **$** | **$** | **$** | **$** |
| **Basic and diluted loss per share** | **(0.02)** | **(0.04)** | **(0.04)** | **(0.09)** |

Diluted loss per share equals basic loss per share as, due to losses incurred in 2011 and 2010, there is no dilutive effect from the existing share options and exchange right.

## 12. Property, plant and equipment

| | Land $'000 | Solar power plants $'000 | Assets under construction $'000 | Equipment and furniture $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **At December 31, 2010** | **13,530** | **311,298** | **21,843** | **937** | **347,608** |
| Additions | - | 264 | 55,159 | 149 | 55,572 |
| Transfer from assets under construction to solar power plants | - | 77,899 | (77,899) | - | - |
| Adjustment for business combinations | - | (422) | - | - | (422) |
| Exchange differences | 145 | 400 | 897 | 35 | 1,477 |
| **At September 30, 2011** | **13,675** | **389,439** | **-** | **1,121** | **404,235** |
| | | | | | |
| **Accumulated depreciation:** | | | | | |
| **At December 31, 2010** | **-** | **5,792** | **-** | **591** | **6,383** |
| Charge for the period | - | 13,319 | - | 120 | 13,439 |
| Exchange differences | - | (470) | - | 25 | (445) |
| **At September 30, 2011** | **-** | **18,641** | **-** | **736** | **19,377** |
| | | | | | |
| **Net book value:** | | | | | |
| At December 31, 2010 | 13,530 | 305,506 | 21,843 | 346 | 341,225 |
| **At September 30, 2011** | **13,675** | **370,798** | **-** | **385** | **384,858** |

## 12. Property, plant and equipment (continued)

The Helios ITA-3 and Nettuno solar power projects were completed and connected to the electricity grid in August 2011 at which time the costs associated with these solar power projects were transferred from assets under construction to solar power plant assets.

During the nine months ended September 30, 2011, the Group adjusted the provisional values of assets and liabilities recognized on the acquisition of the Cassiopea and Centauro solar power projects resulting in a reduction to property, plant and equipment of $0.4 million.

## 13. Intangible assets

| | Goodwill $'000 | Licenses and permits $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| **At December 31, 2010** | **1,866** | **12,847** | **355** | **15,068** |
| Adjustment for business combinations | (113) | - | - | (113) |
| Additions | - | 730 | 294 | 1,024 |
| Exchange differences | 20 | 136 | 4 | 160 |
| **At September 30, 2011** | **1,773** | **13,713** | **653** | **16,139** |
| | | | | |
| **Accumulated amortization:** | | | | |
| **At December 31, 2010** | **-** | **283** | **-** | **283** |
| Charge of the period | - | 189 | - | 189 |
| Exchange differences | - | 94 | - | 94 |
| **At September 30, 2011** | **-** | **566** | **-** | **566** |
| | | | | |
| **Net book value:** | | | | |
| At December 31, 2010 | 1,866 | 12,564 | 355 | 14,785 |
| **At September 30, 2011** | **1,773** | **13,147** | **653** | **15,573** |

During the nine months ended September 30, 2011, the Group adjusted the provisional values of assets and liabilities recognized on the acquisition of the Cassiopea and Centauro solar power projects resulting in a reduction to goodwill of $0.1 million.

## 14. Cash and cash equivalents (including restricted cash)

The Group's cash and cash equivalents (including restricted cash) are held in bank accounts at highly rated banks in Canada, Luxembourg, Switzerland, Italy and Venezuela. The fair value of cash and cash equivalents approximates its carrying value due to short maturities.

| | September 30 2011 $'000 | December 31 2010 $'000 |
|---|---|---|
| Cash at banks | 39,150 | 45,024 |
| **Total** | **39,150** | **45,024** |

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

| | September 30 2011 $'000 | December 31 2010 $'000 |
|---|---|---|
| Unrestricted cash and cash equivalents | 11,023 | 4,748 |
| Cash and cash equivalents restricted to solar power projects | 28,127 | 40,276 |
| **Total** | **39,150** | **45,024** |

## 14. Cash and cash equivalents (including restricted cash) (continued)

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 Group's projects, subject to approval from the lending banks, either through repayment of shareholder loans or through dividend distributions.

## 15. Share capital

| | Number of shares outstanding | Share capital $'000 |
|---|---|---|
| **At December 31, 2010** | **179,766,120** | 16,741 |
| Stock options exercised | 1,270,000 | 956 |
| Equity-based financing fee Note 19 | 6,500,000 | 5,596 |
| **At September 30, 2011** | **187,536,120** | **23,293** |

## 16. 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. The exercise price is set equal to the market price at the date of grant. In certain circumstances, the Board of Directors may authorize different vesting periods for particular stock options granted. Options are conditional on the employee being employed during the vesting period.

During the three and nine months ended September 30, 2011, the Group recognized an expense of $0.2 million (2010: $0.9 million) and $0.9 million (2010: $2.7 million), respectively, related to share-based payments. Included within these amounts are $0.1 million (2010: $0.7 million) and $0.3 million (2010: $2.0 million), respectively, related to the carried interest on the exchange right held by Marco A. Northland, the Chief Executive Officer of the Company ("Mr. Northland"). Note 19

A summary of the Company's outstanding stock options at September 30, 2011, is as follows:

| | Number of share options | Weighted average exercise price CAD$ |
|---|---|---|
| **At December 31, 2010** | **8,052,200** | **0.73** |
| Granted | 485,000 | 0.66 |
| Forfeited | (2,110,000) | 0.79 |
| Exercised | | |
| - Three months ended March 31, 2011 | (940,000) | 0.39 |
| - Three months ended June 30, 2011 | (330,000) | 0.55 |
| - Three months ended September 30, 2011 | - | - |
| **At September 30, 2011** | **5,157,200** | **0.78** |
| | | |
| **Share options exercisable:** | | |
| At December 31, 2010 | 4,671,668 | 0.81 |
| **At September 30, 2011** | **2,853,334** | **0.90** |

## 17. Borrowings

### *(a) Non-recourse project loans*

The non-recourse loans held by the Italian subsidiaries mature at various dates between 2024 and 2028. Counterparties to the non-recourse loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates. Therefore, the Group is somewhat protected from short-term liquidity fluctuations.

| | Societe Generale and Dexia $'000 | BIIS[1], Societe Generale and WestLB $'000 | Barclays $'000 | Centrobanca $'000 | Natixis, WestLB and Mediocreval $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Carrying value at January 1, 2010** | - | - | - | **1,279** | - | **1,279** |
| Proceeds from loans | 5,290 | - | - | 11,454 | 6,320 | 23,064 |
| Borrowings assumed on acquisition | 40,000 | 153,552 | 56,253 | - | - | 249,805 |
| Repayment of loans and interest | (3,041) | (6,239) | (61) | (42) | - | (9,383) |
| Accrued interest | 593 | 2,373 | 501 | 255 | - | 3,722 |
| Amortization of transaction costs | 46 | 111 | 19 | 66 | - | 242 |
| Exchange difference | 3,840 | 2,233 | (1,485) | 416 | - | 5,004 |
| **Carrying value at December 31, 2010** | **46,728** | **152,030** | **55,227** | **13,428** | **6,320** | **273,733** |
| - Current portion | 5,039 | 5,637 | 1,648 | 541 | - | 12,865 |
| - Non-current portion | 41,689 | 146,393 | 53,579 | 12,887 | 6,320 | 260,868 |
| | | | | | | |
| **Carrying value at January 1, 2011** | **46,728** | **152,030** | **55,227** | **13,428** | **6,320** | **273,733** |
| Proceeds from loans | - | - | - | 5,393 | 15,035 | 20,428 |
| Repayment of loans and interest | (1,804) | (11,784) | (3,433) | (1,394) | (417) | (18,832) |
| Accrued interest | 1,037 | 4,960 | 1,701 | 532 | 410 | 8,640 |
| Amortization of transaction costs | 74 | 220 | 59 | 53 | 105 | 511 |
| Exchange difference | 568 | 1,669 | 571 | (34) | (654) | 2,120 |
| **Carrying value at September 30, 2011** | **46,603** | **147,095** | **54,125** | **17,978** | **20,799** | **286,600** |
| - Current portion | 2,933 | 4,442 | 1,694 | 851 | 275 | 10,195 |
| - Non-current portion | 43,670 | 142,653 | 52,431 | 17,127 | 20,524 | 276,405 |

Note:

(1) Banca Infrastrutture Innovazione e Sviluppo (Intesa Sanpaolo Group).

## 17. Borrowings (continued)

### *(b) Corporate borrowings*

| | Lundin Services $'000 | Corporate bond $'000 | Lundin family [1] $'000 | Total $'000 |
|---|---|---|---|---|
| **Carrying value at January 1, 2010** | - | - | - | - |
| Proceeds from loans | 88,155 | - | - | 88,155 |
| Repayment of loans and interest | (15,128) | - | - | (15,128) |
| Accrued interest | 1,569 | - | - | 1,569 |
| Amortization of transaction costs | 289 | - | - | 289 |
| Exchange difference | 339 | - | - | 339 |
| **Carrying value at December 31, 2010** | **75,224** | **-** | **-** | **75,224** |
| - Current portion | 75,224 | - | - | 75,224 |
| - Non-current portion | - | - | - | - |
| | | | | |
| **Carrying value at January 1, 2011** | **75,224** | - | - | **75,224** |
| Proceeds from loans | - | 86,654 | 40,835 | **127,489** |
| Repayment of loans and interest | (83,306) | - | - | **(83,306)** |
| Accrued interest | 1,509 | 3,417 | - | **4,926** |
| Amortization of transaction costs | 114 | 78 | - | **192** |
| Exchange difference | 6,459 | (6,561) | (3,027) | **(3,129)** |
| **Carrying value at September 30, 2011** | **-** | **83,588** | **37,808** | **121,396** |
| - Current portion | - | 3,282 | 37,808 | 41,090 |
| - Non-current portion | - | 80,306 | - | 80,306 |

Note:

(1) The bridge loan was obtained from Zebra Holdings and Investments Sarl and Lorito Holdings Sarl, investment companies wholly-owned by Lundin family trusts ("Lundin family").

*Lundin Services BV loan*

In April 2010, the Company entered into a loan facility agreement with Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB, for up to $81.0 million (€60.0 million) in order to finance capital and operating expenditures of the Group. The loan carried an annual interest rate of Euribor plus a margin of 3% until March 31, 2011, with a margin of 5% thereafter. In May 2011, the net proceeds from the Company's bond issue were used to repay the loan facility in full. Note 19

*Corporate bond issue*

In April 2011, the Company issued $81.0 million (€60.0 million) of corporate bonds in the Norwegian bond market at 9% annual interest with a 4-year maturity. At September 30, 2011, the amount outstanding, including accrued interest and net of transaction costs, was $83.6 million (December 31, 2010: $nil). Note 19

*Lundin family bridge loan*

In order to accelerate construction of the Helios ITA-3 and Nettuno solar power projects, in June 2011, the Company received a $37.8 million (€28.0 million) bridge loan from the Company's major shareholder, the Lundin family.

Subsequent to the balance sheet date, in November 2011, the Company repaid the bridge loan primarily using proceeds from the existing non-recourse loan facility with Natixis, WestLB and Mediocreval for the Helios ITA-3 and Nettuno solar power projects. Note 20

## 18. Derivative financial instruments

| | September 30 2011 $'000 | December 31 2010 $'000 |
|---|---|---|
| **Derivative financial assets:** | | |
| Interest rate swap contracts – cash flow hedge | | |
| - Non-current portion | - | 1,247 |
| **Total derivative financial assets** | **-** | **1,247** |
| | | |
| **Derivative financial liabilities:** | | |
| Interest rate swap contracts – cash flow hedge | | |
| - Current portion | 5,461 | 3,217 |
| - Non-current portion | 21,728 | 6,764 |
| Interest rate swap contracts – at fair value through profit and loss | | |
| - Current portion | - | 1,590 |
| - Non-current portion | - | 2,066 |
| **Total derivative financial liabilities** | **27,189** | **13,637** |

At September 30, 2011, the Group had five derivative financial instruments that qualified for hedge accounting (Cassiopea, Centauro, Etrion Lazio, Helios ITA and SVE) 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.

Refer to Note 20 of the Company's audited consolidated financial statements for the year ended December 31, 2010, for further details pertaining to the Group's derivative financial instruments.

## 19. Related party disclosure

### *(a) Related party transactions*

During the three and nine months ended September 30, 2011 and 2010, the Group entered into the following transactions with related parties:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| **General and administrative expenses** | | | | |
| Lundin Services BV | 9 | 6 | 25 | 37 |
| Lundin Petroleum SA | (10) | 3 | 27 | 74 |
| **Finance costs** | | | | |
| Lundin Services BV: | | | | |
| - Interest expense | - | 590 | 1,510 | 813 |
| - Loan transaction costs | - | - | 114 | - |
| - Interest expense associated with corporate bond | 282 | - | 510 | - |
| Lundin family: | | | | |
| - Equity-based financing fee | 3,155 | - | 3,497 | - |
| - Interest expense associated with corporate bond | 475 | - | 860 | - |
| **Total** | **3,911** | **599** | **6,543** | **924** |

## 19. Related party disclosure (continued)

### *(a) Related party transactions (continued)*

At September 30, 2011, and December 31, 2010, the amounts outstanding to related parties were as follows:

| | September 30 2011 $'000 | December 31 2010 $'000 |
|---|---|---|
| **Current liabilities:** | | |
| Lundin family bridge loan | 37,808 | - |
| Lundin Services BV: | | |
| - Loan facility | - | 75,224 |
| - General and administrative expenses | 5 | 32 |
| Lundin Petroleum SA | (10) | 6 |
| **Total current liabilities** | **37,803** | **75,262** |
| | | |
| **Non-current liabilities:** | | |
| Lundin family (participation in corporate bond) | 20,875 | - |
| Lundin Services BV (participation in corporate bond) | 10,577 | - |
| **Total non-current liabilities** | **31,452** | **-** |
| | | |
| **Total** | **69,255** | **75,262** |

There were no amounts outstanding from related parties at September 30, 2011, and December 31, 2010.

*Lundin Services BV*

The Group receives professional services (i.e., technical and legal) 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.

In addition, in April 2010, the Company entered into a loan agreement with Lundin Services BV to draw up to $81.0 million (€60.0 million). This loan was fully repaid in May 2011. Note 17

In April 2011, Lundin Services BV subscribed for €8.9 million of the corporate bonds issued by the Company that bear an annual interest rate of 9%. In May 2011, Lundin Services BV sold €1.3 million of the corporate bonds, reducing their position to €7.6 million. Note 17

*Lundin Petroleum SA*

The Group receives professional services (i.e., administrative support) from Lundin Petroleum SA, a wholly-owned subsidiary of Lundin Petroleum AB.

*Lundin family*

In order to accelerate construction of the Helios ITA-3 and Nettuno solar power projects, in June 2011, the Company obtained a $37.8 million (€28.0 million) bridge loan from the Company's major shareholder, the Lundin family. The bridge loan bears no interest and matures in June 2012. In consideration for the bridge loan, the Company issued 6.5 million common shares of the Company to the Lundin family. The fair value of the shares issued of $5.6 million has been accounted for as prepaid interest/early redemption fee amortized over the revised life of the bridge loan. During the three and nine months ended September 30, 2011, $1.8 million and $2.1 million, respectively, of the equity-based financing fee had been capitalized within property, plant and equipment, up to the date of the connection of the solar power plants to the electricity grid, and $1.4 million and $1.4 million, respectively, was expensed within finance costs as interest expense and an early redemption fee. Subsequent to the balance sheet date, in November 2011, the bridge loan was fully repaid. Note 9, Note 15, Note 17 and Note 20

## 19. Related party disclosure (continued)

### *(a) Related party transactions (continued)*

*Lundin family (continued)*

In addition, in April 2011, the Lundin family subscribed for €15.0 million of the corporate bonds issued by the Company that bear an annual interest rate of 9%. Note 17

### *(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 during the three and nine months ended September 30, 2011 and 2010 were as follows:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Salaries and short-term benefits, including bonuses | 246 | 91 | 684 | 597 |
| Pension costs | 40 | 33 | 113 | 92 |
| Board of Directors (non-executive directors) | 60 | 60 | 180 | 180 |
| Share-based payment | 414 | 573 | 897 | 2,258 |
| **Total** | **760** | **757** | **1,874** | **3,127** |

At September 30, 2011, and December 31, 2010, the amounts outstanding to key management personnel were as follows:

| | September 30 2011 $'000 | December 31 2010 $'000 |
|---|---|---|
| Mr. Northland's guaranteed floor | 5,401 | 5,345 |
| Board of Directors (non-executive directors) | 60 | 60 |
| Other (bonus payable and pension costs payable) | - | 704 |
| **Total** | **5,461** | **6,109** |

There were no amounts outstanding from key management personnel at September 30, 2011, and December 31, 2010.

*Mr. Northland's exchange right and the Shareholders Agreement*

*Guaranteed floor*

Upon the acquisition of SRH in September 2009, the Company entered into a Shareholders Agreement (the "Agreement") with Mr. Northland, who holds the remaining 10% interest in SRH. The Agreement provides Mr. Northland with the right to exchange his 10% equity interest in SRH, for a period of five years, for an equivalent fair value of shares in the Company with a guaranteed floor on the exchange of €4.0 million, to be settled in cash, if certain conditions are met at the option of Mr. Northland. At September 30, 2011, the Company had recognized a liability related to this exchange right of $5.4 million (December 31, 2010: $5.3 million). If and when Mr. Northland's 10% interest in the net equity of SRH surpasses the €4.0 million guaranteed floor, the excess will be recognized as non-controlling interest.

## 19. Related party disclosure (continued)

### *(b) Key management personnel (continued)*

*Mr. Northland's exchange right and the Shareholders Agreement (continued)*

*Carried interest on the initial investments*

The Agreement also provides for any additional funds required by SRH in order to fund its operations up to €17.7 million to be paid by the Company on behalf of Mr. Northland without any fixed term of repayment. At September 30, 2011, the Group had not repaid any of the principal, and the Company's management does not expect any payments to be made in the foreseeable future. At September 30, 2011, no expense had been recognized in relation to this carried interest.

*Carried interest on the additional investments*

In addition, the Agreement requires the Company to issue loans or shares to Mr. Northland for an amount up to €8.0 million in order for Mr. Northland to maintain his 10% interest in any future equity investments made by the Company into SRH. During the three and nine months ended September 30, 2011, a non-cash, share-based payment expense of $0.1 million (2010: expense $0.7 million) and $0.3 million (2010: expense $2.0 million), respectively, was recognized in relation to this arrangement. Note 16

## 20. Subsequent events

### *(a) Project financing drawdown*

In October and November 2011, the Group completed the drawdown of $39.3 million (€29.1 million) from the existing non-recourse loan facility with Natixis, WestLB and Mediocreval for the Helios ITA-3 and Nettuno solar power projects.

### *(b) Repayment of the Lundin family bridge loan*

Subsequent to the balance sheet date, in November 2011, the Company repaid the $37.8 million (€28.0 million) bridge loan from the Lundin family primarily using proceeds from the existing non-recourse loan facility with Natixis, WestLB and Mediocreval for the Helios ITA-3 and Nettuno solar power projects. Note 17