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Etrion Corporation

Condensed Consolidated Interim Financial Statements

**Three and nine months ended September 30, 2018
UNAUDITED**

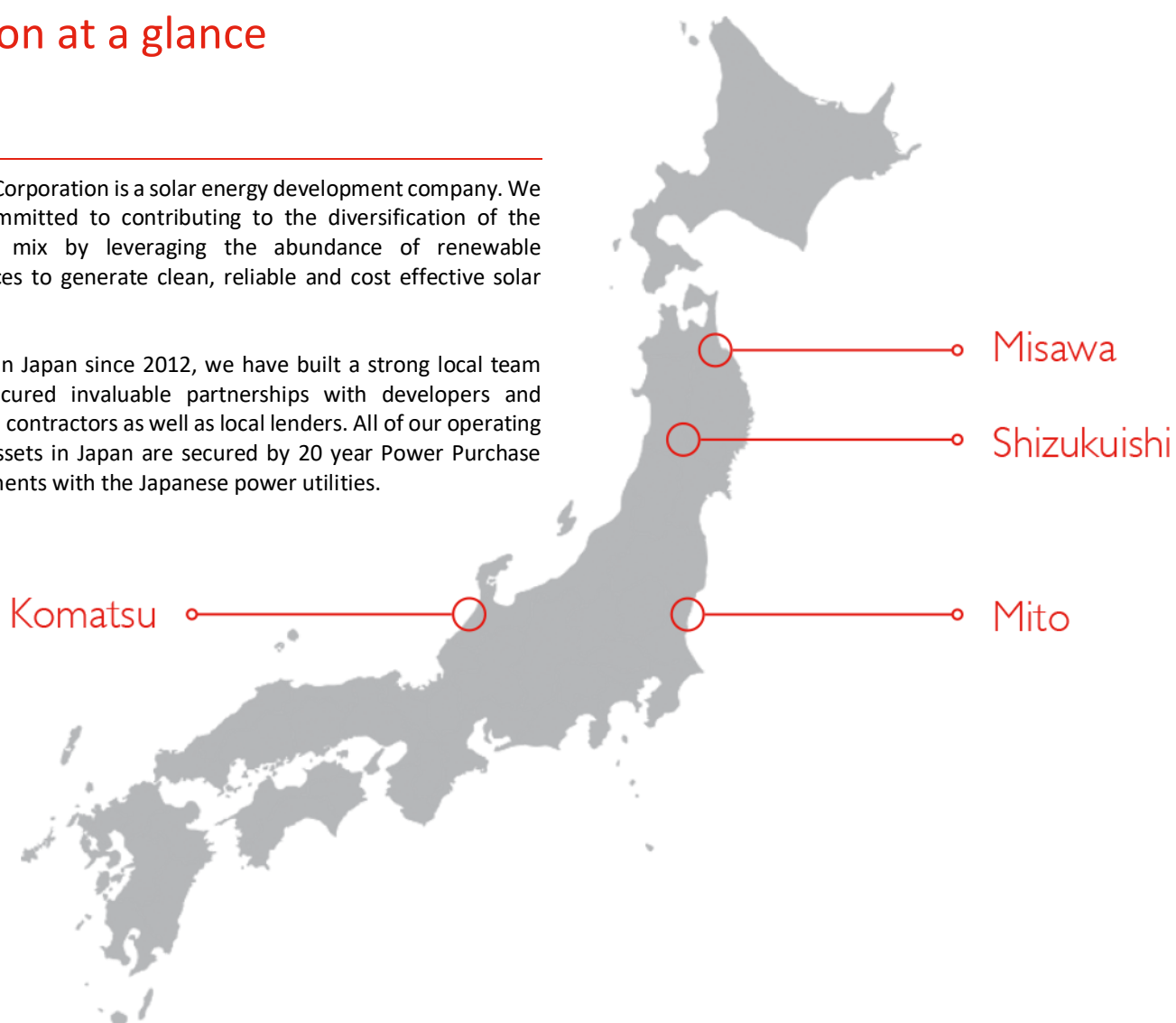


Misawa solar power project in northern Japan

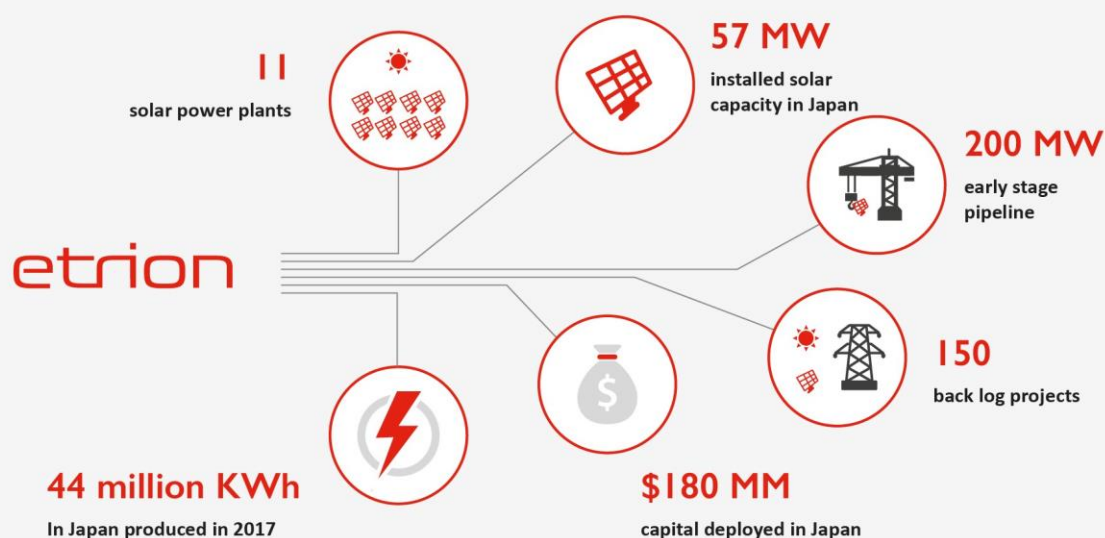
Etrion at a glance

Etrion Corporation is a solar energy development company. We are committed to contributing to the diversification of the energy mix by leveraging the abundance of renewable resources to generate clean, reliable and cost effective solar energy.

Active in Japan since 2012, we have built a strong local team and secured invaluable partnerships with developers and general contractors as well as local lenders. All of our operating solar assets in Japan are secured by 20 year Power Purchase Agreements with the Japanese power utilities.



ETRION FACTS



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The accompanying condensed consolidated unaudited interim financial statements of the Company for the three and nine months ended September 30, 2018, have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements. Readers are cautioned that these condensed consolidated unaudited interim financial statements may not be appropriate for their purposes.

Condensed consolidated interim statement of net loss and comprehensive loss

For the three and nine months ended September 30, 2018

UNAUDITED

Expressed in US\$'000

		Three months ended		Nine months ended	
		Q3-18	Q3-17(*)	Q3-18	Q3-17(*)
	Note				
Revenue	5	6,185	7,005	15,452	19,245
Operating expenses	6	(3,448)	(5,801)	(9,510)	(16,892)
Gross profit		2,737	1,204	5,942	2,353
General and administrative expenses	7	(1,216)	(1,733)	(3,660)	(6,540)
Additional termination fee	21	185	-	(1,294)	-
Other income (expense)		268	(97)	251	(65)
Operating profit (loss)		1,974	(626)	1,239	(4,252)
Finance income	8	-	29	491	120
Finance costs	8	(2,974)	(4,793)	(6,592)	(15,038)
Net finance costs		(2,974)	(4,764)	(6,101)	(14,918)
Gain on deconsolidation of subsidiary		-	41,015	-	41,015
(Loss) income before income tax		(1,000)	35,625	(4,862)	21,845
Income tax expense	9	(453)	(464)	(1,190)	(1,113)
Net (loss) income for the period		(1,453)	35,161	(6,052)	20,732
Other comprehensive (loss) income					
Items that may be reclassified to profit and loss:					
(Loss) gain on currency translation		(585)	832	(238)	3,750
Gain (loss) on cash flow hedges, net of tax	19	1,031	427	1,658	(288)
Total other comprehensive income		446	1,259	1,420	3,462
Total comprehensive (loss) income for the period		(1,007)	36,420	(4,632)	24,194
(Loss) income attributable to:					
Owners of the parent		(1,677)	36,080	(6,368)	23,717
Non-controlling interest	11	224	(919)	316	(2,985)
Total		(1,453)	35,161	(6,052)	20,732
Total comprehensive (loss) income attributable to:					
Owners of the parent		(1,372)	37,250	(5,195)	27,178
Non-controlling interest	11	365	(830)	563	(2,984)
Total		(1,007)	36,420	(4,632)	24,194
Basic and diluted loss per share from loss of the period	10	\$(0.005)	\$0.11	\$(0.019)	\$0.07

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

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. **Note 1**

Condensed consolidated interim balance sheet

As at September 30, 2018

UNAUDITED

Expressed in US\$'000

		September 30 2018	December 31 2017
Assets	Note		
Non-current assets			
Property, plant and equipment	12	143,308	140,608
Intangible assets	13	14,289	9,725
Deferred income tax assets	9	2,556	2,771
Trade and other receivables		620	647
Total non-current assets		160,773	153,751
Current assets			
Derivative financial instruments	19	-	319
Trade and other receivables		14,234	14,862
Cash and cash equivalents (including restricted cash)	14	30,421	43,203
Total current assets		44,655	58,384
Total assets		205,428	212,135
Equity			
Attributable to common shareholders			
Share capital	15	111,304	111,304
Contributed surplus		13,115	12,538
Other reserves		(12,593)	(13,766)
Accumulated deficit		(107,415)	(101,047)
Total attributable to common shareholders		4,411	9,029
Non-controlling interest	11	1,381	818
Total equity		5,792	9,847
Liabilities			
Non-current liabilities			
Borrowings	17	165,771	170,784
Derivative financial instruments	19	7,189	8,788
Provisions		5,903	4,620
Other liabilities		2,891	3,323
Total non-current liabilities		181,754	187,515
Current liabilities			
Trade and other payables		4,391	3,493
Current tax liabilities	9	940	535
Borrowings	17	10,993	8,917
Derivative financial instruments	19	1,496	1,444
Other liabilities		62	384
Total current liabilities		17,882	14,773
Total liabilities		199,636	202,288
Total equity and liabilities		205,428	212,135

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, 2018

UNAUDITED

Expressed in US\$'000

	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total		
Balance at January 1, 2017	111,304	11,989	(17,340)	(120,768)	(14,815)	(31,474)	(46,289)
Comprehensive income (loss):							
Income (loss) for the period	-	-	-	23,717	23,717	(2,985)	20,732
Other comprehensive (loss) income:							
Cash flow hedges (net of tax)	19	-	(264)	-	(264)	(24)	(288)
Currency translation	-	-	3,725	-	3,725	25	3,750
Total comprehensive income (loss)	-	-	3,461	23,717	27,178	(2,984)	24,194
Transactions with owners in their capacity as owners:							
Share-based payments	7/16	662	-	-	662	-	622
Loans conversion	-	-	-	-	-	17,788	17,788
Deconsolidation of subsidiary	-	-	-	-	-	17,578	17,578
Balance at September 30, 2017	111,304	12,651	(13,879)	(97,051)	13,025	908	13,933
Balance at January 1, 2018	111,304	12,538	(13,766)	(101,047)	9,029	818	9,847
Comprehensive income (loss):							
(Loss) income for the period	-	-	-	(6,368)	(6,368)	316	(6,052)
Other comprehensive income (loss):							
Cash flow hedges (net of tax)	19	-	1,385	-	1,385	273	1,659
Currency translation	-	-	(212)	-	(212)	(26)	(239)
Total comprehensive income (loss)	-	-	1,173	(6,368)	(5,195)	563	(4,632)
Transactions with owners in their capacity as owners:							
Share-based payments	7/16	577	-	-	577	-	577
Balance at September 30, 2018	111,304	13,115	(12,593)	(107,415)	4,411	1,381	5,792

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, 2018

UNAUDITED

Expressed in US\$'000

		Three months ended		Nine months ended	
		Q3-18	Q3-17 (*)	Q3-18	Q3-17 (*)
	Note				
Operating activities:					
Net loss (income) for the period		(1,453)	35,161	(6,052)	20,732
Adjustments for the following non-cash items:					
Depreciation and amortization	6/7	2,157	3,138	5,804	8,726
Gain on deconsolidation of subsidiary		-	(41,015)	-	(41,015)
Current income tax expense	9	631	507	1,202	1,151
Deferred income tax expense	9	(178)	(43)	(12)	(38)
Additional termination fee		(185)	-	-	-
Share-based payment expense	7/16	196	160	577	662
Interest expense	8	1,419	4,002	4,144	11,779
Interest expense relating to interest rate swap contracts	8	372	313	1,046	938
Amortization of transaction costs	8	243	154	495	425
Foreign exchange (gain) loss	8	312	260	(486)	1,689
Fair value changes associated with derivative financial instruments	8	13	(2)	131	(71)
Other expenses (income)		(268)	97	(251)	65
Sub-total		3,259	2,732	6,598	5,043
Changes in working capital:					
Trade and other receivables		5,138	2,591	656	2,599
Trade and other payables		(3,096)	(6,368)	1,425	(9,660)
Additional termination fee		(1,294)	-	(1,294)	-
Income tax paid		(153)	(448)	(760)	(1,034)
Total cash flow used in operating activities		3,854	(1,493)	6,625	(3,052)
Investing activities:					
Purchases of property, plant and equipment	12	(62)	(15,617)	(9,380)	(36,190)
Purchases of intangible assets	13	(1,064)	(209)	(3,683)	(825)
Total cash flow used in investing activities		(1,126)	(15,826)	(13,063)	(37,015)
Financing activities:					
Interest paid	17	(810)	-	(3,345)	(5,206)
Interest relating to interest rate swap contracts		-	-	(663)	(684)
Proceeds from borrowings	17	(321)	17,015	39,661	49,389
Repayment of borrowings		(37,268)	-	(41,727)	(6,079)
Contributions from non-controlling interest		-	391	119	547
Total cash flow (used in) from financing activities		(38,399)	17,406	(5,955)	37,967
Net (decrease) increase in cash and cash equivalents		(35,671)	87	(12,393)	(2,100)
Effect of exchange rate changes on cash and cash equivalents		(527)	1,690	(388)	4,655
Cash from deconsolidated subsidiary		-	(2,584)	-	(2,584)
Cash and cash equivalents (including restricted cash) at the beginning of the period		66,619	61,952	43,203	61,174
Cash and cash equivalents (including restricted cash) at the end of the period		30,421	61,145	30,421	61,145

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

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. **Note 1**

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2018

UNAUDITED

Expressed in US\$'000 unless otherwise stated

1. GENERAL INFORMATION

Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is incorporated under the laws of the Province of British Columbia, Canada. The address of its registered office is 1600-925 West Georgia Street, Vancouver, British Columbia V6Z 3L2, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden under the same ticker symbol, "ETX".

Etrion is an independent power producer that develops, builds, owns and operates solar power generation plants. The Company owns 57 megawatts ("MW") of installed solar capacity in Japan. The Company has 350 MW of greenfield solar power projects which it is pursuing in Japan.

Effective September 30, 2017, the Group no longer consolidates PV Salvador SpA, the subsidiary that owns the 70 MW Salvador solar power project in Northern Chile. Therefore, the Group's consolidated financial performance for the three and nine months ended September 30, 2018, is not fully comparable with the same periods in 2017. The Group has not restated previous year's figures because Salvador is still owned by the Group. Refer to "Deconsolidation of Subsidiary" disclosures in the 2017 audited consolidated financial statements for further information.

These condensed consolidated interim financial statements are presented in United States ("US") Dollars ("\$"), which is the Group's presentation currency.

The Company's Board of Directors approved these condensed consolidated interim financial statements on November 6, 2018.

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"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017. These condensed consolidated interim financial statements have

been prepared 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, 2017, except for those relating to the application of the new standards applicable from January 1, 2018, as indicated in these condensed consolidated interim financial statements. Certain reclassifications have been made to conform to the current presentation.

(B) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future. At September 30, 2018, the Group had cash and cash equivalents of \$30.4 million, \$12.1 million of which was unrestricted and held at the parent level (December 31, 2017: \$43.2 million and \$30.4 million, respectively) and working capital of \$26.7 million (December 31, 2017: \$43.6 million). During the three and nine months ended September 30, 2018, the Group recognized a net loss of \$1.5 million and \$6.1 million, respectively (2017 net income: \$35.2 million and \$20.7 million, respectively). 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. These condensed consolidated interim financial statements for the three and nine months ended September 30, 2018, do not include the adjustments that would result if the Group were unable to continue as a going concern.

(C) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15, Revenue from contracts with customers: This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2018

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standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 15 assessment: The Group has completed the assessment and full impact of IFRS 15 and has adopted this standard in the accounting period beginning January 1, 2018. Etrion's solar power plants produce electricity, which is measured based on kWh. The selling price of electricity is also calculated with reference to kWh and the single performance obligation is to deliver kWh of electricity produced in the measuring point of the electricity grid. Therefore, revenue is recognized when the performance obligation is satisfied. This occurs over-time, when electricity produced is measured by the meters and therefore the Company will use the right to invoice practical expedient as per IFRS 15. The IFRS 15 right to invoice practical expedient method is not different from the Company's accounting policies previously in place.

IFRS 15 transition: The Company has elected to use the modified retrospective method to all contracts with customers. In practice, the IFRS 15 revenue recognition requirements have no effect on timing or amount of revenue and cash flows arising from contracts with customers, because of the fixed-price long term contracts with the power utilities in Japan. The IFRS 15 adoption has no quantitative impact in the Company's financial statements and therefore there is no impact on the accumulated deficit balance.

IFRS 9, Financial Instruments: This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing IAS 39 Financial Instruments: Recognition and Measurement. Management expects IFRS 9 to affect the Companies' hedge accounting processes and controls. The Group has completed the process of evaluating the impact of the IFRS 9 on the financial statements and on its internal controls and has adopted this standard on January 1, 2018. The new accounting policies based on IFRS 9 are effective from January 1, 2018 and, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. Etrion has adopted IFRS 9 retrospectively with transition adjustments recognized through equity as at January 1, 2018, except for the hedge accounting provisions of IFRS 9, which were applied prospectively effective January 1, 2018. The adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

Classification of financial instruments: IFRS 9 introduces a new model for classifying financial assets. The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. The classification and measurement of financial liabilities under IFRS 9 remains the same as in IAS 39 except where an entity has chosen to measure a financial liability at fair value with changes through profit and loss. Etrion identified its financial assets under the scope of IFRS 9 and have run them through the classification principles of the standard in order to assess the contractual cash flow characteristics (SPPI test) and to identify the applicable business model. As a result of this assessment the financial assets of the Company will be classified under amortized costs and fair value through profit and loss.

Impairment of financial assets: IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables that are measured at Amortized Cost or FVOCI—the so-called “expected credit losses” model. Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it—from the moment of its origination or acquisition. Etrion's accounts receivables arising from the sale of electricity in Japan have a 30 days payment terms and none of the operating Japanese entities have experience any payment delays since the first invoice was issued. Based on the conclusions of the assessment performed and particularly based on past experience, future expectations and credit rating of the counterparties (Japanese utilities) no impairment losses was necessary as of the adoption date.

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. The Group is in the process of assessing to what extent existing commitments under lease contracts will result in the recognition of an asset and a liability for future payments.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2018

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There are no other IFRS or interpretations that are not yet effective and that would be expected to have a material impact on the Group.

3. ACCOUNTING ESTIMATES AND ASSUMPTIONS

In connection with the preparation of the Company's condensed consolidated interim financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the condensed consolidated interim financial statements are prepared.

On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results may differ from the assumptions and estimates, and such differences could be material. There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2017.

4. SEGMENT REPORTING

The Board of Directors considers reportable segments from a geographical perspective and measures performance based on EBITDA and reviews and monitors performance of the Group on this basis. While the Company's management has determined that the Company has only two reportable segments, the Company has decided to disclose additional information about its corporate activities as it believes that this information is useful for readers of the consolidated financial statements.

The Group's country of domicile is Canada. However, all consolidated revenues from external customers are derived from Japan. The Group's electricity production in Japan is sold to the Japanese public utilities, Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc. ("HOKURIKU"), and Tohoku Electric Power Co., Inc. ("TOHOKU"). The Company's revenue breakdown by major customers in Japan is shown below:

	Three months ended		Nine months ended	
	Q3-18	Q3-17	Q3-18	Q3-17
TEPCO	1,138	1,060	3,462	3,386
HOKURIKU	3,757	3,807	9,954	9,334
TOHOKU	1,290	-	2,036	-
TOTAL	6,185	4,867	15,452	12,720

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2018

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The Group's revenues, EBITDA and results from continuing operations are presented as follows:

	Three months ended						
	Q3-18			Q3-17			
	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	6,185	-	6,185	2,138	4,867	-	7,005
Operating expenses	(1,330)	-	(1,330)	(1,645)	(1,062)	-	(2,707)
General and administrative	(48)	(1,129)	(1,177)	(54)	(28)	(1,607)	(1,689)
Additional termination fee	-	185	185	-	-	-	-
Other (expense) income	277	(9)	268	(1)	-	(96)	(97)
EBITDA	5,084	(953)	4,131	438	3,777	(1,703)	2,512
Gain on deconsolidation of subsidiary	-	-	-	-	-	41,015	41,015
Depreciation and amortization	(2,118)	(39)	(2,157)	(1,359)	(1,733)	(46)	(3,138)
Finance income	-	-	-	28	1	-	29
Finance costs	(1,008)	(1,966)	(2,974)	(2,607)	(743)	(1,443)	(4,793)
Income (loss) before income tax	1,958	(2,958)	(1,000)	(3,500)	1,302	37,823	35,625
Income tax expense	(331)	(122)	(453)	-	(281)	(183)	(464)
Net income (loss) for the period	1,627	(3,080)	(1,453)	(3,500)	1,021	37,640	35,161

	Nine months ended						
	Q3-18			Q3-17			
	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	15,452	-	15,452	6,525	12,720	-	19,245
Operating expenses	(3,825)	-	(3,825)	(5,389)	(2,919)	-	(8,308)
General and administrative	(204)	(3,337)	(3,541)	(269)	(157)	(5,972)	(6,398)
Additional termination fee	-	(1,294)	(1,294)	-	-	-	-
Other (expense) income	278	(27)	251	(6)	43	(102)	(65)
EBITDA	11,701	(4,658)	7,043	861	9,687	(6,074)	4,474
Gain on deconsolidation of subsidiary	-	-	-	-	-	41,015	41,015
Depreciation and amortization	(5,685)	(119)	(5,804)	(4,034)	(4,550)	(142)	(8,726)
Finance income	5	486	491	28	92	-	120
Finance costs	(2,830)	(3,762)	(6,592)	(7,822)	(2,349)	(4,867)	(15,038)
Income (loss) before income tax	3,191	(8,053)	(4,862)	(10,967)	2,880	29,932	21,845
Income tax expense	(721)	(469)	(1,190)	-	(639)	(474)	(1,113)
Net income (loss) for the period	2,470	(8,522)	(6,052)	(10,967)	2,241	29,458	20,732

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2018

UNAUDITED

Expressed in US\$'000 unless otherwise stated

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

	September 30, 2018			December 31, 2017		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	143,251	57	143,308	140,563	45	140,608
Intangible assets	8,276	6,013	14,289	5,327	4,398	9,725
Cash and cash equivalents	18,332	12,089	30,421	12,818	30,385	43,203
Other assets	9,127	8,283	17,410	8,747	9,852	18,599
Total assets	178,986	26,442	205,428	167,455	44,680	212,135
Borrowings	137,774	38,990	176,764	139,013	40,688	179,701
Trade and other payables	3,355	1,036	4,391	1,460	2,033	3,493
Other liabilities	17,165	1,316	18,481	17,603	1,491	19,094
Total liabilities	158,294	41,342	199,636	158,076	44,212	202,288

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5. REVENUE

	Three months ended		Nine months ended	
	Q3-18	Q3-17 (*)	Q3-18	Q3-17(*)
Feed-in Tariff ("FiT")	6,185	4,867	15,452	12,720
Spot market price	-	249	-	727
PPA agreement	-	1,518	-	4,838
Other utility income	-	371	-	960
Total Revenue	6,185	7,005	15,452	19,245

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

Spot market price, PPA agreement and other utility income refers to revenue items from the Chilean subsidiary deconsolidated in 2017. **Note 1**

6. OPERATING EXPENSES

	Three months ended		Nine months ended	
	Q3-18	Q3-17 (*)	Q3-18	Q3-17 (*)
O&M	287	722	810	2,111
Purchased power	-	540	-	2,013
Personnel costs	207	373	719	976
D&A	2,118	3,092	5,685	8,584
Property tax	298	263	909	774
Insurance	75	126	206	387
Land lease	252	239	732	713
Transmission costs	-	288	-	899
Other expenses	211	158	449	435
Total Opex	3,448	5,801	9,510	16,892

O&M costs relate to fees paid in connection with the operation and maintenance activities of the Group's operating solar power projects in Japan. Purchased power and transmission costs refers to expense items from the Chilean subsidiary deconsolidated in 2017. **Note 1**. Depreciation and amortization relate to the Group's operating solar power projects producing electricity during the period.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
	Q3-18	Q3-17(*)	Q3-18	Q3-17(*)
Salaries and benefits	547	766	1,534	2,310
Board of directors' fees	69	69	204	203
Share-based payments	196	160	577	662
Professional fees	148	296	479	1,467
Listing and marketing	47	126	232	567
D&A	39	46	119	142
Office lease	75	156	228	294
Office, travel and other	95	114	287	506
Write-off guarantees	-	-	-	389
Total G&A	1,216	1,733	3,660	6,540

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. **Note 1**

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8. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	Q3-18	Q3-17(*)	Q3-18	Q3-17(*)
Finance income:				
Foreign exchange gain	-	-	486	-
Other finance income	-	27	5	33
Ineffective portion cash flow hedges	-	2	-	87
Total finance income	-	29	491	120
Finance costs:				
Credit facilities and non-recourse loans Note 17	491	3,041	1,501	9,103
Interest rate swap contracts	372	313	1,046	938
Corporate bond Note 17/20	858	956	2,590	2,689
Credit facility with non-controlling interest	67	64	186	195
Amortization of transaction costs	242	174	510	469
Corporate bond call option Note 19	13	-	131	-
Ineffective portion cash flow hedges	-	-	-	16
Foreign exchange loss	312	260	-	1,689
Other finance costs	619	65	779	191
Total finance costs before deducting amounts capitalized	2,974	4,873	6,743	15,290
Amounts capitalized on qualifying assets Note 12	-	(80)	(151)	(252)
Total finance costs	2,974	4,793	6,592	15,038
Net finance costs	2,974	4,764	6,101	14,918

The Group has four floating-rate credit facilities outstanding associated with its operating solar power projects in Japan. These credit facilities are hedged using interest rate swap contracts. Refer to [Note 17](#) and [Note 19](#) for further details on the Group's credit facilities and derivative financial instruments. Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment. [Note 12](#)

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. [Note 1](#)

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9. INCOME TAXES

(A) Income tax expense

	Three months ended		Nine months ended	
	Q3-18	Q3-17(*)	Q3-18	Q3-17(*)
Income tax expense:				
Corporate income tax	(631)	(507)	(1,202)	(1,151)
Deferred tax expense	178	43	12	38
Total income tax expense	(453)	(464)	(1,190)	(1,113)

During the three and nine months ended September 30, 2018, the Group recognized an income tax expense of \$0.5 million and \$0.7 million, respectively (2017: \$0.1 million and \$0.5 million) associated with its solar power projects in Japan and an income tax expense of \$0.2 million and \$0.5 million (2017: \$0.4 million and \$0.7 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax expense of \$0.2 million and \$12 thousand, respectively (2017: \$43 thousand and \$38 thousand) primarily due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

(B) Current income tax liabilities

	September 30 2018	December 31 2017
Corporate income tax	940	535
Total current income tax liabilities	940	535

10. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the net loss for the period attributable to owners of the Company by the weighted average number of shares outstanding during the period. The calculation of basic and diluted loss per share is as follows:

	Three months ended		Nine months ended	
	Q3-18	Q3-17(*)	Q3-18	Q3-17(*)
Loss attributable to owners of the parent:				
Total loss (income) for the period	(1,677)	36,080	(6,368)	23,717
Weighted average number of thousand shares outstanding	334,094	334,094	334,094	334,094
Total basic and diluted (loss) earnings per share	\$(0.005)	\$0.11	\$(0.019)	\$0.07

Diluted loss per share equals basic loss per share, as there is no dilutive effect from the existing RSUs, since the performance conditions have not been satisfied and are out-of-the-money.

Note 16

11. NON-CONTROLLING INTERESTS

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Shizukuishi Solar GK ("Shizukuishi"), Etrion Energy 1 GK ("Mito"), Etrion Energy 4 GK ("Komatsu"), Etrion Energy 5 GK ("Misawa"), all together the "Japanese entities." The non-controlling interest at September 30, 2018, of \$1.4 million (December 31, 2017: \$0.8 million), represents the value attributable to non-controlling interests in the Japanese project companies. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Japanese project companies, other than those imposed by the lending banks related to cash distributions.

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. Note 1

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Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	September 30, 2018			December 31, 2017		
	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)
Shizukuishi	3,994	(4,155)	(162)	1,730	(2,606)	(876)
Mito	1,264	1,113	2,377	663	781	1,444
Misawa	1,257	826	2,083	2,652	(1,028)	1,624
Komatsu	2,808	(1,068)	1,740	2,374	(1,739)	635
Total net assets (liabilities)	9,323	(3,284)	6,038	7,419	(4,592)	2,827

Changes in the net assets (liabilities) position over time of the subsidiaries above are mainly driven by, the ability of accumulating positive operating results and, changes in the fair value of derivatives instruments (i.e. interest rate swaps). The summarized income statement for the Japanese entities and Salvador including the portion allocated to NCI for the three months ended September 30, is as follows:

	Three months ended Q3-18			Three months ended Q3-17		
	Income for the period	Comprehensive income for the period	Comprehensive income allocated to NCI	(Loss) income for the period	Comprehensive (loss) income for the period	Comprehensive (loss) income allocated to NCI
Shizukuishi	476	989	120	416	664	87
Mito	233	377	43	221	248	33
Misawa	155	276	107	123	163	64
Komatsu	460	672	95	(4)	81	12
Salvador	-	-	-	(3,500)	(3,500)	(1,115)
Total	1,324	2,314	365	(2,744)	(2,344)	(919)

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

	Nine months ended Q3-18			Nine months ended Q3-17		
	(Loss) income for the period	Comprehensive income for the period	Comprehensive income allocated to NCI	(Loss) income for the period	Comprehensive (loss) income for the period	Comprehensive (loss) income allocated to NCI
Shizukuishi	(1)	740	92	438	840	110
Mito	719	966	121	621	788	103
Misawa	311	475	185	430	548	219
Komatsu	656	1,144	165	(33)	(1,009)	(126)
Salvador	-	-	-	(10,967)	(10,967)	(3,290)
Total	1,685	3,325	563	(9,511)	(9,800)	(2,984)

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The net change in participating non-controlling interests in operating entities is as follows:

	Shizukuishi	Mito	Komatsu	Misawa	Total
As at December 31, 2017	(116)	189	95	650	818
Net (loss) income attributable to non-controlling interest	-	94	98	124	316
Other comprehensive income attributable to non-controlling interest	95	27	67	59	248
As at September 30, 2018	(21)	310	259	833	1,381
Interest held by third parties	13%	13%	15%	40%	

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Assets under construction	Other PPE	Total
Cost:					
At December 31, 2017	2,673	113,264	29,155	3,863	148,955
Additions	5,338	171	3,099	1,402	10,010
Disposal	-	-	-	(18)	(18)
Reclassification	-	32,254	(32,254)	-	-
Exchange differences	(270)	(1,990)	-	(93)	(2,353)
At September 30, 2018	7,741	143,699	-	5,154	156,594

Accumulated depreciation:

At December 31, 2017	-	7,969	-	378	8,347
Depreciation	-	5,056	-	168	5,224
Disposals	-	-	-	(9)	(9)
Exchange differences	-	(268)	-	(8)	(276)
At September 30, 2018	-	12,757	-	529	13,286

Net book value:

At December 31, 2017	2,673	105,295	29,155	3,485	140,608
At September 30, 2018	7,741	130,942	-	4,625	143,308

During the nine months ended September 30, 2018, the Group capitalized as assets under construction \$2.9 million (2017: \$34.1 million) of incurred capital expenditures associated with the solar projects construction activity in Japan. In addition, during the nine months ended September 30, 2018, the Group capitalized \$0.2 million (2017: \$0.3 million) of borrowing costs associated with credit facilities obtained to finance the construction of the Komatsu solar power project. [Note 8](#) and [Note 17](#). In May 2018, the Group's 13.2 MW Japanese solar power project (Komatsu) achieved commercial operation date and the Company reclassified the associated construction costs to "Solar power projects", in accordance with the Group's accounting policies. In January 2018, the Group completed the acquisition of land plots in Japan of \$5.3 million to be used for the construction of one of the solar power projects currently in the development pipeline.

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13. INTANGIBLE ASSETS

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At December 31, 2017	6,906	5,862	12,768
Additions	-	5,523	5,523
Impairment	-	(35)	(35)
Exchange differences	(77)	(335)	(412)
At September 30, 2018	6,829	11,015	17,844
Accumulated amortization:			
At December 31, 2017	1,579	1,464	3,043
Amortization	482	101	583
Exchange differences	(35)	(36)	(71)
At September 30, 2018	2,026	1,529	3,555
Net book value:			
At December 31, 2017	5,327	4,398	9,725
At September 30, 2018	4,803	9,486	14,289

During the nine months ended September 30, 2018, general and administrative expenses of \$3.7 million (2017: \$0.8 million) representing internally-generated costs of \$1.0 million (2017: \$0.8 million) and third-party costs of \$2.7 million (2017: \$ nil) were capitalized during the period within intangible assets as they directly related to the Group's development activities in Japan. Additions to intangible assets included certain payments of US\$ 1.8 million associated with the land development activities which are presented as part of development costs.

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14. CASH AND CASH EQUIVALENTS

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

	September 30 2018	December 31 2017
Unrestricted cash at parent level	12,089	30,385
Restricted cash at project level	18,332	12,818
Total	30,421	43,203

Restricted cash relates to cash and cash equivalents held at the project level that are restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions.

15. SHARE CAPITAL

The Company has authorized capital consisting of an unlimited number of common shares, of which : 334,094,324 are issued and outstanding at September 30, 2018 (December 31, 2017: 334,094,324). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all of the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors. No dividends were declared during the nine months ended September 30, 2018 and 2017. [Note 16](#)

16. SHARE-BASED PAYMENTS

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. RSUs have a contractual term of approximately four years and have time-based and performance-based vesting conditions that are market and non-market based. During the three and nine months ended September 30, 2018, the Group recognized share-based payment expenses of \$0.2 million and \$0.6 million (2017: \$0.2 million and \$0.7 million) related to its RSUs scheme. [Note 7](#)

The Company recognizes an expense within general and administrative expenses when RSUs are granted to employees, consultants, directors and officers using the grant date share fair value for RSUs with service and non-market performance conditions. For RSUs with market-based performance conditions, share-based compensation is calculated using an adjusted grant date share fair value calculated with a valuation model that incorporates all the variables included in the market vesting conditions.

During the three and nine months ended September 30, 2018, there were no changes in the Company's outstanding RSUs totalling 22,424,433, of which 22,099,727 are performance based.

In addition, the Company maintained an equity-settled stock option awards scheme for employees, consultants, directors and officers. All outstanding stock options had a contractual term ranging from five to ten years and generally vested over a period of three years with the exercise price set equal to the market price at the date of grant. In April 2018, the Company's outstanding stock options totalling 150,000 at an exercise price of CAD\$1.59 expired unexercised.

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17. BORROWINGS

	Corporate bond	Project loans	Total
At December 31, 2017	40,688	139,013	179,701
Proceeds from loans	34,463	4,853	39,316
Repayment of principal and interest	(2,338)	(6,092)	(8,430)
Redemption of corporate bond	(36,643)	-	(36,643)
Accrued interest	2,590	1,506	4,096
Amortization of transaction costs	386	124	510
Exchange difference	(156)	(1,630)	(1,786)
At September 30, 2018	38,990	137,774	176,764
- Current portion	858	10,135	10,993
- Non-current portion	38,132	127,639	165,771

At September 30, 2018, 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.

CORPORATE BORROWINGS

On June 15, 2018, Etrion completed the €40 million senior secured bond issue (the "New Bonds") in the Nordic bond market. The New Bonds have an annual interest rate of 7.25% and a bullet maturity in May 2021. The Company has listed the New Bonds on the Frankfurt Stock Exchange Open Market and plans to list it on the Oslo Stock Exchange within six months from the issue date. The Company's holding of €6.3 million in the Company's currently outstanding bonds have been rolled-over into the New Bonds, which is included in the issued amount, and can be sold at a later date if additional funding is required. In addition, on June 15, 2018, Etrion cancelled €2.8 million of the previously issued corporate bond to bondholders that accepted to roll-over into the New Bonds.

On July 17, 2018, Etrion completed the redemption of the €40 million nominal amount of corporate bonds issued in 2014 that paid 8.0% annual interest and were to mature in April 2019. The 2014 bonds were redeemed at 101% of par plus accrued interest for a total net amount of €31.8 million (\$37.2 million) using the net proceeds from Etrion's recently issued €40 million of senior secured bonds that have an annual interest rate of 7.25% and mature in May 2021.

The New Bonds agreement includes a call option that allows the Company to redeem the bond early (in its entirety) at any time at a specified percentage over the par value. At September 30, 2018, no separate amount was recognised in relation to this call option as it was deemed to be out-of-the-money.

At September 30, 2018, the Group had €33.7 million (net of the Company's holdings of €6.3 million) of the new corporate bonds outstanding. The bond was issued by the Company in June 2018 at 7.25% annual interest with a 3-year maturity. The carrying amount of the new corporate bonds as at September 30, 2018, including accrued interest net of transaction costs, was \$38.9 million (December 31, 2017: \$nil).

NON-RECOURSE PROJECT LOANS

Japanese subsidiaries

During the nine months ended September 30, 2018, the Group's Japanese subsidiaries with solar power projects under construction drew down a total of ¥491 million (\$4.6 million) and ¥35 million (\$0.3 million) under the senior financing agreements and under the VAT credit facility, respectively (2017: ¥2,374 million and ¥267 million, respectively). At September 30, 2018, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥nil (2017: ¥3,433 million (\$30.6 million)). At September 30, 2018, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at September 30, 2018, and December 31, 2017.

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18. FINANCIAL ASSETS AND LIABILITIES

	September 30, 2018			December 31, 2017		
	Other receivables at amortized cost	Fair value recognized in profit and loss	Total	Other receivables at amortized cost	Fair value recognized in profit and loss	Total
Financial assets						
Current						
Derivative financial instruments	-	-	-	-	319	319
Trade and other receivables	2,269	-	2,269	941	-	941
Cash and cash equivalents	30,421	-	30,421	43,203	-	43,203
Total financial assets	32,690	-	32,690	44,144	319	44,463

	September 30, 2018			December 31, 2017		
	Financial and other liabilities at amortized cost	Derivatives used for hedging	Total	Financial and other liabilities at amortized cost	Derivatives used for hedging	Total
Financial liabilities						
Non-current						
Borrowings	165,771	-	165,771	170,784	-	170,784
Derivative financial instruments	-	7,189	7,189	-	8,788	8,788
Total non-current	165,771	7,189	172,960	170,784	8,788	179,572
Current						
Trade and other payables	4,391	-	4,391	285	-	285
Borrowings	10,993	-	10,993	8,917	-	8,917
Derivative financial instruments	-	1,496	1,496	-	1,444	1,444
Total current	15,384	1,496	16,880	9,202	1,444	10,646
Total financial liabilities	181,155	8,685	189,840	179,986	10,232	190,218

The Group's financial instruments carried at fair value are classified within the following measurement hierarchy depending on the valuation technique used to estimate their fair values:

Level 1: includes fair value measurements derived from quoted prices in active markets for identical assets or liabilities. The fair values of financial instruments traded in the active market are based on quoted market prices at the balance sheet date. At September 30, 2018 and December 31, 2017, the Group's cash and cash equivalents were classified as Level 1.

Level 2: includes fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that maximize the use of observable market data, where it is available,

and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. At September 30, 2018 and December 31, 2017, the Group's interest rate swap contracts were classified as Level 2 and the fair value of such instruments was 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 TIBOR forward interest rate curves and an appropriate discount factor. The fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

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Level 3: includes fair value measurements derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data. At September 30, 2018 and December 31, 2017, the Group had no financial instruments classified as Level 3. The Group's assets and liabilities that are measured at fair value are as follows:

	September 30 2018	December 31 2017
Financial assets		
Level 1: Cash and cash equivalents	30,421	43,203
Level 2: Bond call option	-	319
Total Financial assets	30,421	43,522
Financial liabilities		
Level 2: Borrowings	137,774	139,013
Level 2: Interest rate swaps	8,685	10,232
Total financial liabilities	146,459	149,245

19. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30 2018	December 31 2017
Derivative financial assets:		
Corporate bond call option	-	319
Total derivative financial assets	-	319
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	1,496	1,444
- Non-current portion	7,189	8,788
Total derivative financial liabilities	8,685	10,232

Corporate bond call option

During the three and nine months ended September 30, 2018, the Group recognized a fair value loss of \$13 thousand and \$131 thousand, respectively, associated with the change in the fair value of the previous corporate bond call option.

Interest rate swap contracts

The Group enters into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Japan. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR interest rate forward yield curves and an appropriate discount factor. At September 30, 2018, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity. During the three and nine months ended September 30, 2018, the Group recognized a net fair value gain of \$1.0 million and \$1.7 million, respectively (2017 net fair value gain of \$0.4 million and net fair value loss of \$0.3 million).

20. RELATED PARTIES

For the purposes of preparing the Company's condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns through various trusts approximately 36% of the Company's common shares (2017: 24.3%). During the three and nine months ended September 30, 2018, and 2017, the Group entered into the following transactions with related parties:

	Three months ended		Nine months ended	
	Q3-18	Q3-17	Q3-18	Q3-17
General and administrative expenses:				
Lundin Services BV	-	-	-	5
Lundin Petroleum AB	6	6	20	19
Lundin SA	30	30	95	90
Finance costs:				
Lundin family:				
- Interest expense	76	145	97	410
- Transaction costs	4	13	6	35
Total transactions with related parties	116	194	218	559

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Amounts outstanding to related parties at September 30, 2018 and December 31, 2017 are as follows:

	September 30 2018	December 31 2017
Current liabilities:		
Lundin Services BV and Lundin Petroleum AB:		
General and administrative expenses	-	1
Lundin family share in corporate bond	74	7
Key management personnel	-	384
Total current liabilities	74	392
Non-current liabilities:		
Lundin family share in corporate bond	3,403	475
Total non-current liabilities	3,403	475
Total amounts outstanding	3,477	867

There were no amounts outstanding from related parties at September 30, 2018 and December 31, 2017.

21. ARBITRATION

Additional termination fee

In May 2018, a Chilean arbitration court ruled against one of the Group's Chilean subsidiaries and ordered an additional \$1.5 million termination fee payment to one of the subsidiary's subcontractors. Management considered that payment was due since there is no appeal recourse. On August 29, 2018, parties in the arbitration process agreed to a final and definitive settlement of \$1.3 million paid in cash as of that date. During the three months ended September 30, 2018, the Group has recognized an adjustment of \$0.2 million to the previous full amount of the claim and it is presented under the corporate segment.

22. CONTINGENCIES

On August 10, 2015, the Group received a litigation notice from a former employee alleging unreconciled labor-related differences. The Company's directors believe the claim is without merit, and the Group intends to vigorously defend itself. Given the current stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation and has not included a provision for liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in these condensed consolidated interim financial statements.