



etrion

Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2020
UNAUDITED

At a Glance

Etrion Corporation

Etrion Corporation is a renewable 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, general contractors and local lenders.

The revenue stream from our operating solar assets in Japan are secured by long-term fixed price Power Purchase Agreements with the Japanese power utilities.

We develop long term relationships in the markets where we operate, particularly with local communities. We are fortunate to have an established, solid partnership in Japan that through our deep cooperation enables long-term sustainable businesses.

11

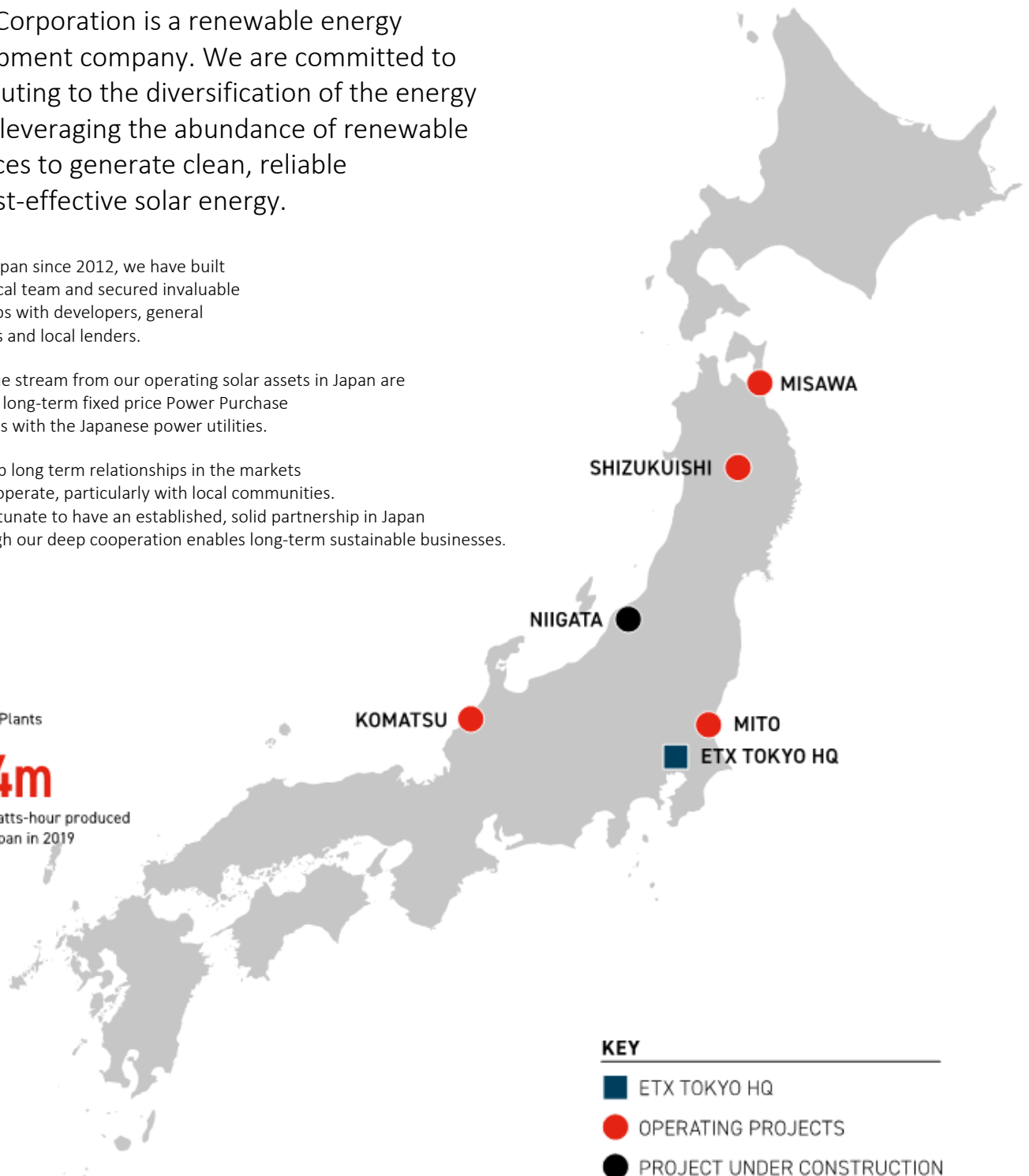
Solar Plants

64m

Kilowatts-hour produced for Japan in 2019



For more information about our Company, take a look on our website at: www.etrion.com



Contents

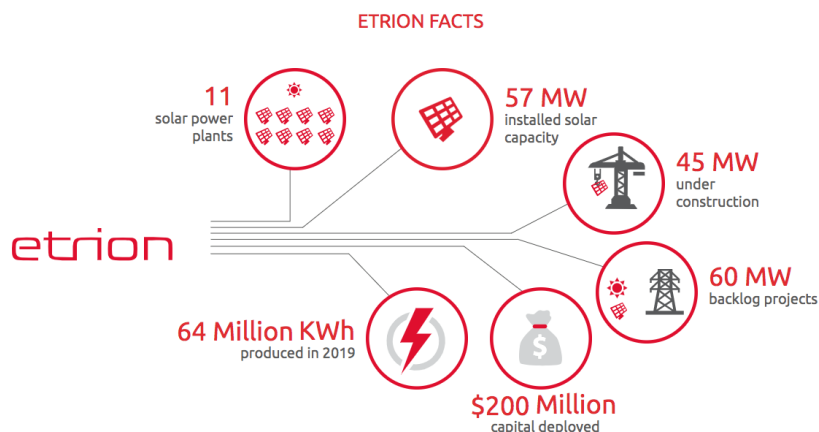
In this Report

Financial statements

Condensed consolidated interim statement of net loss and comprehensive net loss	5
Condensed consolidated interim balance sheet	6
Condensed consolidated interim statement of changes in equity	7
Condensed consolidated interim statement of cash flow	8

Notes to the consolidated financial statements

Note 1	General information	10
Note 2	Accounting policies	10
Note 3	Accounting estimates and assumptions	10
Note 4	Segment reporting	11
Note 5	Revenue	12
Note 6	Operating expenses	12
Note 7	General and administrative expenses	12
Note 8	Other expenses	12
Note 9	Net finance costs	13
Note 10	Income taxes	13
Note 11	Loss per share	14
Note 12	Non-controlling interests	14
Note 13	Property, plant and equipment	15
Note 14	Intangible assets	15
Note 15	Cash and cash equivalents	16
Note 16	Share capital	16
Note 17	Share-based payments	16
Note 18	Borrowings	16
Note 19	Derivative financial instruments	17
Note 20	Trade, other payables and provisions	17
Note 21	Related parties	18
Note 22	Financial assets and liabilities	19
Note 23	Contingencies	20
Note 24	Commitments	20
Note 25	Subsequent events	20



FINANCIAL STATEMENTS

Condensed consolidated interim statement of net loss and comprehensive net loss	5
Condensed consolidated interim balance sheet	6
Condensed consolidated interim statement of changes in equity	7
Condensed consolidated interim statement of cash flow	8

The accompanying condensed consolidated unaudited interim financial statements of the Company for the three months ended March 31, 2020, 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 net loss

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000

	Note	Three months ended	
		Q1-20	Q1-19
Revenue	5	4,296	4,216
Operating expenses	6	(3,345)	(3,575)
Gross profit		951	641
General and administrative expenses	7	(1,348)	(955)
Other expenses	8	(450)	(245)
Operating loss		(847)	(559)
Finance income	9	247	683
Finance costs	9	(1,862)	(1,851)
Net finance costs		(1,615)	(1,168)
Income loss before income tax		(2,462)	(1,727)
Income tax expense	10	(116)	(500)
Net loss for the period		(2,578)	(2,227)
Other comprehensive income (loss)			
Items that may be reclassified to profit and loss:			
Gain (loss) on currency translation		527	(58)
Loss on cash flow hedges, net of tax		(510)	(543)
Total other comprehensive income (loss)		17	(601)
Total comprehensive net loss for the period		(2,561)	(2,828)
Loss attributable to:			
Owners of the parent		(2,578)	(1,970)
Non-controlling interests	12	-	(257)
Total		(2,578)	(2,227)
Total comprehensive loss attributable to:			
Owners of the parent		(2,561)	(2,473)
Non-controlling interests	12	-	(355)
Total		(2,561)	(2,828)
Basic and diluted loss per share from loss for the period	11	\$(0.01)	\$(0.01)

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

Condensed consolidated interim balance sheet

As at March 31, 2020

UNAUDITED

Expressed in US\$'000

	Note	March 31 2020	December 31 2019
Assets			
Non-current assets			
Property, plant and equipment	13	205,354	191,796
Intangible assets	14	14,775	14,755
Deferred income tax assets		2,837	2,839
Trade and other receivables		6,501	3,949
Total non-current assets		229,467	213,339
Current assets			
Trade and other receivables		13,556	10,240
Cash and cash equivalents (including restricted cash)	15	108,781	123,382
Total current assets		122,337	133,622
Total assets		351,804	346,961
Equity			
Attributable to common shareholders			
Share capital	16	111,304	111,304
Contributed surplus		13,491	13,443
Other reserves		(12,782)	(12,799)
Accumulated deficit		(117,626)	(115,048)
Total attributable to common shareholders		(5,613)	(3,100)
Total equity		(5,613)	(3,100)
Liabilities			
Non-current liabilities			
Borrowings	18	301,045	301,464
Derivative financial instruments	19	9,828	8,782
Provisions	20	15,575	15,848
Total non-current liabilities		326,448	326,094
Current liabilities			
Trade and other payables	20	19,795	12,917
Current tax liabilities	10	122	1,676
Borrowings	18	9,118	7,585
Derivative financial instruments	19	1,494	1,429
Provisions	20	326	319
Other liabilities		114	41
Total current liabilities		30,969	23,967
Total liabilities		357,417	350,061
Total equity and liabilities		351,804	346,961

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

Condensed consolidated interim statement of changes in equity

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total		
Balance at January 1, 2019	111,304	13,281	(12,940)	(109,848)	1,797	1,132	2,929
Comprehensive loss:							
Loss for the period	-	-	-	(1,970)	(1,970)	(257)	(2,227)
Other comprehensive loss:							
Cash flow hedges (net of tax)	-	-	(445)	-	(445)	(98)	(543)
Currency translation	-	-	(58)	-	(58)	-	(58)
Total comprehensive loss	-	-	(503)	(1,970)	(2,473)	(355)	(2,828)
Transactions with owners in their capacity as owners:							
Share-based payments	-	(14)	-	-	(14)	-	(14)
Balance at March 31, 2019	111,304	13,267	(13,443)	(111,818)	(690)	777	87
Balance at January 1, 2020	111,304	13,443	(12,799)	(115,048)	(3,100)	-	(3,100)
Comprehensive income loss:							
Loss for the period	-	-	-	(2,578)	(2,578)	-	(2,578)
Other comprehensive loss:							
Cash flow hedges (net of tax)	-	-	(510)	-	(510)	-	(510)
Currency translation	-	-	527	-	527	-	527
Total comprehensive income (loss)	-	-	17	(2,578)	(2,561)	-	(2,561)
Transactions with owners in their capacity as owners:							
Share-based payments	-	48	-	-	48	-	48
Balance at March 31, 2020	111,304	13,491	(12,782)	(117,626)	(5,613)	-	(5,613)

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

Condensed consolidated interim statement of cash flow

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000

		Three months ended	
	Note	Q1-20	Q1-19
Operating activities:			
Net income (loss) for the period		(2,578)	(2,227)
Adjustments for the following non-cash items:			
Depreciation and amortization	6/7	2,324	2,293
Current income tax expense	10	(88)	169
Deferred income tax expense	10	204	331
Share-based payment expense	7/17	48	24
Interest expense	9	1,352	1,296
Interest expense relating to interest rate swap contracts	9	352	376
Amortization of transaction costs	9	113	107
Foreign exchange (gain) loss	9	(246)	(682)
Fair value changes on derivative financial instruments	9	45	72
Other expenses (income)		450	245
Sub-total		1,976	2,004
Changes in working capital:			
Trade and other receivables		(5,869)	1,681
Trade and other payables		6,708	(2,124)
Income tax paid		(1,594)	(778)
Total cash flow from operating activities		1,221	783
Investing activities:			
Purchases of property, plant and equipment	13	(15,139)	(86)
Purchases of intangible assets	14	(391)	(1,657)
Total cash flow used in investing activities		(15,530)	(1,743)
Financing activities:			
Proceeds from borrowings	18	484	-
Principal element of lease payments		(135)	-
Total cash flow from financing activities		349	-
Net decrease in cash and cash equivalents		(13,960)	(960)
Effect of exchange rate changes on cash and cash equivalents		(641)	(536)
Cash and cash equivalents at the beginning of the period		123,382	24,727
Cash and cash equivalents at the end of the period	15	108,781	23,231

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1	General information	10
Note 2	Accounting policies	10
Note 3	Accounting estimates and assumptions	10
Note 4	Segment reporting	11
Note 5	Revenue	12
Note 6	Operating expenses	12
Note 7	General and administrative expenses	12
Note 8	Other expenses	12
Note 9	Net finance costs	13
Note 10	Income taxes	13
Note 11	Loss per share	14
Note 12	Non-controlling interests	14
Note 13	Property, plant and equipment	15
Note 14	Intangible assets	15
Note 15	Cash and cash equivalents	16
Note 16	Share capital	16
Note 17	Share-based payments	16
Note 18	Borrowings	16
Note 19	Derivative financial instruments	17
Note 20	Trade, other payables and provisions	17
Note 21	Related parties	18
Note 22	Financial assets and liabilities	19
Note 23	Contingencies	20
Note 24	Commitments	20
Note 25	Subsequent events	20

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

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 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm Stock 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 and 45 MW of project under construction (the "Niigata Project").

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 May 7, 2020.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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, 2019. 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, 2019.

(b) Going concern

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2020, 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 March 31, 2020, the Group had cash and cash equivalents of \$108.8 million, \$9.7 million of which was unrestricted and held at the parent level (December 31, 2019: \$123.4 million and \$10.6 million, respectively) and working capital of \$91.4 million (December 31, 2019: \$109.7 million). During the three months ended March 31, 2020, the Group recognized a net loss of \$2.6 million (2019: \$2.2 million). The Company's management is confident that the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements. These condensed consolidated interim financial statements for the three months ended March 31, 2020, 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, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. 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 months ended March 31, 2020, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2019.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

4. Segment reporting

In reviewing and monitoring the performance of the Group, the Board of Directors considers reportable segments from a geographical perspective and measures performance based on EBITDA. While the Company's management has determined that the Company has only one reportable segment, 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	
	Q1-20	Q1-19
TEPCO	957	982
HOKURIKU	805	793
TOHOKU	2,534	2,441
TOTAL	4,296	4,216

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

	Three months ended					
	Q1-20			Q1-19		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	4,296	-	4,296	4,216	-	4,216
Operating expenses	(1,055)	-	(1,055)	(1,314)	-	(1,314)
General and administrative expenses	(96)	(1,218)	(1,314)	(72)	(851)	(923)
Other income (expense)	8	(458)	(450)	(260)	15	(245)
EBITDA	3,153	(1,676)	1,477	2,570	(836)	1,734
Depreciation and amortization	(2,290)	(34)	(2,324)	(2,261)	(32)	(2,293)
Finance income	-	247	247	-	683	683
Finance costs	(1,094)	(768)	(1,862)	(1,046)	(805)	(1,851)
Loss before income tax	(231)	(2,231)	(2,462)	(737)	(990)	(1,727)
Income tax expense	(208)	92	(116)	(367)	(133)	(500)
Net loss for the period	(439)	(2,139)	(2,578)	(1,104)	(1,123)	(2,227)

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

	March 31, 2020			December 31, 2019		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	205,307	47	205,354	191,744	52	191,796
Intangible assets	12,219	2,556	14,775	12,493	2,262	14,755
Cash and cash equivalents	99,069	9,712	108,781	112,786	10,596	123,382
Other assets	13,828	9,066	22,894	9,326	7,702	17,028
Total assets	330,423	21,381	351,804	326,349	20,612	346,961
Borrowings	272,784	37,379	310,163	271,504	37,545	309,049
Trade and other payables	16,766	3,029	19,795	9,626	3,291	12,917
Other liabilities	26,251	1,208	27,459	25,550	2,545	28,095
Total liabilities	315,801	41,616	357,417	306,680	43,381	350,061

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

5. Revenue

	Three months ended	
	Q1-20	Q1-19
Feed-in tariff ("FiT")	4,296	4,216
Total Revenue	4,296	4,216

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

6. Operating expenses

	Three months ended	
	Q1-20	Q1-19
Operating and maintenance ("O&M")	294	355
Personnel costs	139	295
Depreciation and amortization ("D&A")	2,290	2,261
Property tax	345	385
Insurance	99	98
Other operating expenses	178	181
Total operating expenses	3,345	3,575

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. 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	
	Q1-20	Q1-19
Salaries and benefits	583	306
Board of Directors' fees	68	68
Share-based payments	48	24
Professional fees	368	280
Listing and marketing	45	60
D&A	34	32
Office lease	74	72
Office, travel and other	128	113
Total general and administrative expenses	1,348	955

8. Other expenses

	Three months ended	
	Q1-20	Q1-19
Municipality tax reassessment from disposed assets	383	-
Repair works not covered by insurance contracts	-	261
Other income (expenses), net	67	(16)
Total other expenses	450	245

During the three months ended March 31, 2020, the Company recognized \$0.4 million on tax reassessments received from the Italian municipalities where two of its previously owned solar parks operated. Under the terms of the original sale and purchase agreement, the seller was responsible for certain specific potential claims not confirmed at the date of sale in December 2016. During the three months ended March 31, 2019, the Company recognized \$0.3 million of repair works not covered by the insurance companies.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

9. Net finance costs

	Three months ended	
	Q1-20	Q1-19
Finance income:		
Foreign exchange gain	246	682
Other finance income	1	1
Total finance income	247	683
Finance costs:		
Credit facilities and non-recourse loans	890	474
Interest rate swap contracts	352	376
Corporate bond	665	705
Credit facility with non-controlling interest	-	57
Amortization of transaction costs	180	107
Interest expense on land lease liabilities	180	-
Ineffective portion of cash flow hedges	45	72
Other finance costs	56	60
Total finance costs before deducting amounts capitalized	2,368	1,851
Amounts capitalized on qualifying assets	(506)	-
Total finance costs	1,862	1,851
Net finance costs	1,615	1,168

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 18](#) and [Note 19](#) for further details on the Group's credit facilities and derivative financial instruments. In addition, the Group has a fixed rate project bond outstanding associated with its project under construction. Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment.

10. Income taxes

(a) Income tax expense

	Three months ended	
	Q1-20	Q1-19
Current income tax expense:		
Corporate income tax recovery (expense)	88	(169)
Deferred income tax	(204)	(331)
Total income tax expense	(116)	(500)

During the three months ended March 31, 2020, the Group recognized an income tax recovery of \$0.1 million (2019: income tax expense of \$0.2 million) associated with its solar power projects in Japan and management services subsidiaries. In addition, the Group recognized a deferred income tax income of \$0.2 million (2019: \$0.3 million) 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

	March 31 2020	December 31 2019
Corporate income tax	122	1,676
Total current income tax liabilities	122	1,676

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

11. 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	
	Q1-20	Q1-19
Total loss attributable to common shareholders	(2,578)	(1,970)
Weighted average number of thousand shares outstanding	334,094	334,094
Total basic and diluted loss per share	\$(0.008)	\$(0.006)

Diluted loss per share equals basic loss per share, as there is no dilutive effect from the existing RSUs, since the impact of including them would be to dilute a loss.

12. Non-controlling interests

On December 25, 2019, the Group acquired the total non-controlling interest ("NCI") in Shizukuishi Solar GK ("Shizukuishi"), Etrion Energy 1 GK ("Mito"), Etrion Energy 4 GK ("Komatsu") and Etrion Energy 5 GK ("Misawa"), all together the "Japanese project companies", and became owner of 100% of the issued and outstanding shares. Shizukuishi, Mito, Komatsu and Misawa are Japanese entities that own the licenses, permits and facilities to build and operate solar parks in Japan totalling 57 MW. As a result of the acquisition of the NCIs on December 25, 2019, the Group no longer presents information associated with the financial position for each subsidiary that had NCIs that were material to the Group.

The summarized income statement for the Japanese project companies including the portion allocated to non-controlling interests for the three months ended March 31, is as follows:

	Three months ended					
	Q1-20			Q1-19		
	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	-	-	-	(959)	(1,163)	(154)
Mito	-	-	-	165	94	12
Misawa	-	-	-	(253)	(340)	(136)
Komatsu	-	-	-	(337)	(517)	(77)
Total	-	-	-	(1,384)	(1,926)	(355)

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

13. Property, plant and equipment

	Land	Solar power projects	Assets under construction	Right of use	Other PPE	Total
Cost:						
At December 31, 2019	8,137	151,061	40,782	10,559	5,435	215,974
Additions	-	-	15,645	-	-	15,645
Exchange differences	-	73	53	149	6	281
At March 31, 2020	8,137	151,134	56,480	10,708	5,441	231,900
Accumulated depreciation:						
At December 31, 2019	-	22,645	-	650	883	24,178
Depreciation	-	1,915	-	148	69	2,132
Exchange differences	-	123	-	114	(1)	236
At March 31, 2020	-	24,683	-	912	951	26,546
Net book value:						
At December 31, 2019	8,137	128,416	40,782	9,909	4,552	191,796
At March 31, 2020	8,137	126,451	56,480	9,796	4,490	205,354

During the three months ended March 31, 2020, the Group capitalized as assets under construction \$15.1 million (2019: nil) of incurred capital expenditures associated with the Niigata Project. In addition, during the three months ended March 31, 2020, the Group capitalized \$0.5 million (2019: nil) of borrowing costs associated with credit facilities obtained to finance the construction of the Niigata Project.

14. Intangible assets

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At December 31, 2019	15,684	3,886	19,570
Additions	-	391	391
Exchange differences	-	(78)	(78)
At March 31, 2020	15,684	4,199	19,883
Accumulated amortization:			
At December 31, 2019	3,161	1,654	4,815
Amortization	164	2	166
Exchange differences	125	2	127
At March 31, 2020	3,450	1,658	5,108
Net book value:			
At December 31, 2019	12,523	2,232	14,755
At March 31, 2020	12,234	2,541	14,775

During the three months ended March 31, 2020, general and administrative expenses of \$0.4 million (2019: \$1.7 million) representing internally-generated costs of \$0.1 million (2019: \$0.4 million) and third-party costs of \$0.3 million (2019: \$1.3 million) were capitalized during the period within intangible assets as they directly related to the Group's development activities in Japan.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

15. Cash and cash equivalents

The Group's cash and cash equivalents (including restricted cash) are held in banks in Canada, Luxembourg, Switzerland, the 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 owing due to short maturities.

	March 31 2020	December 31 2019
Unrestricted cash at parent level	9,712	10,596
Restricted cash at project level	99,069	112,786
Total	108,781	123,382

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. As of March 31, 2020, restricted cash included \$86.0 million associated with funds secured in 2019 for the construction of the Niigata Project. [Note 18](#)

16. Share capital

The Company has authorized capital consisting of an unlimited number of common shares, of which 334,094,324 shares are issued and outstanding at March 31, 2020 (December 31, 2019: 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 three months ended March 31, 2020 and 2019.

17. Share-based payments

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. Outstanding RSUs have a contractual term of six years and have market-based performance and vesting conditions. During the three months ended March 31, 2020, the Group recognized share-based payment expenses of \$48,000 thousand (2019: \$24,000 thousand) related to its RSUs scheme. [Note 7](#)

During the three months ended March 31, 2020, there were no changes in the Company's outstanding RSUs totalling 11,666,667.

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.

18. Borrowings

	Corporate bond	Project bond	Project loans	Total
At December 31, 2019	37,545	140,642	130,862	309,049
Proceeds from loans	-	-	484	484
Accrued interest	665	414	476	1,555
Amortization of transaction costs	78	67	35	180
Exchange differences	(909)	948	(1,144)	(1,105)
At March 31, 2020	37,379	142,071	130,713	310,163
- Current portion	784	414	7,920	9,118
- Non-current portion	36,595	141,657	122,793	301,045

At March 31, 2020 and December 31, 2019, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans. On March 13, 2020, the Company's subsidiary, Mito, entered into an amendment of the senior loan credit facility with the original lender bank, Sumitomo Mitsui Trust Bank ("SMTB"), to increase the size of the non-recourse Mito project loan size by ¥295 million, with existing tenor and slightly lower interest rate.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

19. Derivative financial instruments

	March 31 2020	December 31 2019
Derivative financial liabilities:		
Interest rate swap contracts		-
- Current portion	1,494	1,429
- Non-current portion	9,828	8,782
Total derivative financial liabilities	11,322	10,211

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 March 31, 2020, and December 31, 2019, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in finance income/costs.

20. Trade, other payables and provisions

	March 31 2020	December 31 2019
Trade and other payables		
Trade payables	353	493
Accrued expenses	18,477	10,933
Other trade and other payables	965	1,491
Total trade and other payables	19,795	12,917

As at March 31, 2020, the Group's accrued expenses of \$18.5 million (2019: \$10.9 million) includes \$14.8 million (2019: \$7.3 million) associated with unbilled construction costs of the Niigata Project.

	March 31 2020	December 31 2019
Provisions		
Leased land liability	9,719	9,992
Site restoration provision	5,209	5,206
Pension plan	973	969
Total provisions	15,901	16,167
- Current portion	326	319
- Non-current portion	15,575	15,848

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

21. 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, 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 (2019: 36%). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Details of transactions between the Group and other related parties are disclosed below.

(a) Related party transactions

During the three months ended March 31, 2020, and 2019, the Group entered into the following transactions with related parties:

	Three months ended	
	Q1-20	Q1-19
General and administrative expenses:		
Lundin Energy AB	-	7
Lundin SA	30	30
Finance costs:		
Lundin family:		
- Interest expense	-	63
- Transaction costs	-	6
Total transactions with related parties	30	106

Amounts outstanding to related parties at March 31, 2020 and December 31, 2019 are as follows:

	March 31 2020	December 31 2019
Current liabilities:		
Lundin SA	30	-
Total current financial liabilities	30	-
Total transactions with related parties	30	-

There were no amounts outstanding from related parties at March 31, 2020 and December 31, 2019.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

22. Financial assets and liabilities

	March 31, 2020			December 31, 2019		
	Financial assets at amortized cost	Fair value recognized in profit and loss	Total	Financial assets at amortized cost	Fair value recognized in profit and loss	Total
Financial assets						
Current						
Trade receivables	2,628	-	2,628	1,272	-	1,272
Cash and cash equivalents	108,781	-	108,781	123,382	-	123,382
Total financial assets	111,409	-	111,409	124,654	-	124,654

	March 31, 2020			December 31, 2019		
	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	301,045	-	301,045	301,464	-	301,464
Derivative financial instruments	-	9,828	9,828	-	8,782	8,782
Total non-current	301,045	9,828	310,873	301,464	8,782	310,246
Current						
Trade payables	353	-	353	493	-	493
Borrowings	9,118	-	9,118	7,585	-	7,585
Derivative financial instruments	-	1,494	1,494	-	1,429	1,429
Total current	9,471	1,494	10,965	8,078	1,429	9,507
Total financial liabilities	310,516	11,322	321,838	309,542	10,211	319,753

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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, 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.

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 March 31, 2020 and December 31, 2019, the Group had no financial instruments classified as Level 3.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

Expressed in US\$'000 unless otherwise stated

The Group's assets and liabilities that are measured at fair value are as follows:

	March 31 2020	December 31 2019
Financial assets		
Level 1: cash and cash equivalents (including restricted cash)	108,781	123,382
Total financial assets	108,781	123,382
Financial liabilities:		
Level 2: borrowings	310,163	309,049
Level 2: interest rate swaps	11,322	10,211
Total financial liabilities	321,485	319,260

23. 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.

24. Commitments

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of March 31, 2020, the Group had a contractual obligation payable over a period of over one year to acquire construction services in the amount of \$66.5 million related to the construction of the 45 MW Niigata solar power project in Japan. This contractual obligation will be funded from existing cash available at the project company level.

25. Subsequent events

Coronavirus (COVID-19)

The potential disruption and magnitude of the coronavirus outbreak on the Company's business operations will depend on certain developments, including the duration, spread and severity of the COVID-19 outbreak in Japan. The Company is actively monitoring and implementing specific precautionary measures to mitigate any potential disruptions. As of the date hereof, none of the Company's operating or development projects has been adversely affected. However, the duration and extent of the COVID-19 outbreak and the potential financial impact on the Company's operations and development activities cannot be reasonably predicted at this time and it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition including, without limitation, the possible temporary suspension of construction activities at the Niigata Project.