



etrion

Condensed Consolidated Interim
Financial Statements
Three Months Ended March 31, 2021
UNAUDITED

At a Glance

Etrion Corporation

Etrion Corporation is a renewable energy development company. From our inception we have been 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 best in class family of solar assets together with a strong local team and have secured invaluable partnerships with developers, general contractors and local lenders.

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

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the potential sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. In March and April 2021, subsidiaries of Etrion signed various formal agreements to sell most of the solar portfolio to two different Japanese consortiums. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent and securing all necessary shareholder and regulatory approvals.

11

Solar plants

61m

Kilowatt-hours produced for Japan in 2020



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



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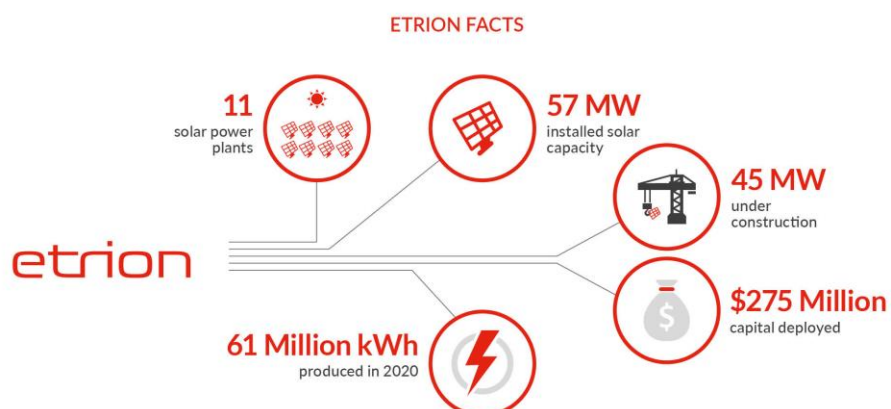
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FINANCIAL STATEMENTS

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The accompanying condensed consolidated unaudited interim financial statements of the Company for the three months ended March 31, 2021, 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, 2021 and 2020

UNAUDITED

Expressed in US\$'000

		Three months ended	
	Note	Q1-21	Q1-20 Restated*
Continuing operations			
General and administrative expenses	6	(1,682)	(1,252)
Other expense	7	(133)	(458)
Operating loss		(1,815)	(1,710)
Finance income	8	102	247
Finance costs	8	(657)	(768)
Net finance costs		(555)	(521)
Loss before income tax		(2,370)	(2,131)
Income tax (expense) recovery	9	(83)	92
Loss for the period from continuing operations		(2,453)	(2,139)
Profit (loss) from discontinued operations, net of tax	5	923	(439)
Net loss for the period		(1,530)	(2,578)
Other comprehensive (loss) income			
Items that may be reclassified to profit and loss:			
(Loss) gain on currency translation		(1,722)	527
Gain (loss) on cash flow hedges, net of tax – discontinued operations		818	(510)
Total other comprehensive (loss) income		(904)	17
Total comprehensive net loss for the period		(2,434)	(2,561)
Loss attributable to:			
Owners of the parent		(1,530)	(2,578)
Total		(1,530)	(2,578)
Total comprehensive loss attributable to:			
Owners of the parent		(2,434)	(2,561)
Total		(2,434)	(2,561)
Total comprehensive loss attributable to owners of the Company:			
Continuing operations		(4,175)	(1,612)
Discontinued operations		1,741	(949)
Total		(2,434)	(2,561)
Basic and diluted loss per share from continuing operations	10	\$(0.01)	\$(0.01)
Basic and diluted loss per share for the period	10	\$(0.01)	\$(0.01)

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

*See note 5 for details regarding the restatement as a result of discontinued operations.

Condensed consolidated interim balance sheet

As at March 31, 2021

UNAUDITED

Expressed in US\$'000

	Note	March 31 2021	December 31 2020
Assets			
Non-current assets			
Property, plant and equipment	11	16	18
Intangible assets	12	1,063	1,110
Deferred income tax assets		160	171
Trade and other receivables		-	2
Total non-current assets		1,239	1,301
Current assets			
Derivative financial instruments	17	-	120
Trade and other receivables		2,285	1,773
Cash and cash equivalents	13	4,865	45,964
		7,150	47,857
Assets held for sale	5	315,808	332,467
Total current assets		322,958	380,324
Total assets		324,197	381,625
Equity			
Attributable to common shareholders			
Share capital	14	111,304	111,304
Contributed surplus		13,773	13,641
Other reserves		194	1,916
Reserves of a disposal group held for sale	5	(11,975)	(12,793)
Accumulated losses		(94,086)	(92,556)
Total equity		19,210	21,512
Liabilities			
Non-current liabilities			
Provisions		1,142	1,221
Total non-current liabilities		1,142	1,221
Current liabilities			
Trade and other payables	18	1,278	2,639
Current tax liabilities	9	2,834	2,990
Borrowings	16	-	41,406
Loan due to related parties	19	4,679	-
		8,791	47,035
Liabilities directly associated with the assets held for sale	5	295,054	311,857
Total current liabilities		303,845	358,892
Total liabilities		304,987	360,113
Total equity and liabilities		324,197	381,625

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

Condensed consolidated statement of changes in equity

For the three months ended March 31, 2021 and 2020

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Expressed in US\$'000

	Share capital	Contributed surplus	Other reserves	Accumulated losses	Reserve of disposal group held for sale	Total equity
Balance at January 1, 2020	111,304	13,443	(12,799)	(115,048)	-	(3,100)
Comprehensive (loss) income:						
(Loss) for the period	-	-	-	(2,578)	-	(2,578)
Other comprehensive (loss) income:						
Cash flow hedges (net of tax)	-	-	(510)	-	-	(510)
Currency translation	-	-	527	-	-	527
Total comprehensive income (loss)	-	-	17	(2,578)	-	(2,561)

Transactions with owners in their capacity as owners:

Share-based payments	-	48	-	-	-	48
Balance at March 31, 2020	111,304	13,491	(12,782)	(117,626)	-	(5,613)

Balance at January 1, 2021	111,304	13,641	1,916	(92,556)	(12,793)	21,512
Comprehensive income:						
Loss for the period	-	-		(1,530)	-	(1,530)
Other comprehensive (loss) income:						
Cash flow hedges (net of tax)	-	-	818	-	-	818
Discontinued operations	5	-	(818)	-	818	-
Currency translation	-	-	(1,722)	-	-	(1,722)
Total comprehensive (loss) income	-	-	(1,722)	(1,530)	818	(2,434)

Transactions with owners in their capacity as owners:

Share-based payments	-	132	-	-	-	132
Balance at March 31, 2021	111,304	13,773	194	(94,086)	(11,975)	19,210

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, 2021 and 2020

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Expressed in US\$'000

		Three months ended	
		Q1-21	Q1-20
	Note		Restated*
Operating activities:			
Net loss for the period		(1,530)	(2,578)
Less: net income (loss) from discontinued operations		923	(439)
Loss for the period from continuing operations		(2,453)	(2,139)
Adjustments for:			
Depreciation and amortization	6	33	34
Income tax expense (recovery)	9	83	(92)
Share-based payment expense	6/15	132	48
Interest expense on corporate bond	8	570	979
Loss on call option	8	117	-
Foreign exchange gain	8	(102)	(246)
Other expense		131	450
Sub-total		(1,489)	(966)
Changes in working capital:			
Trade and other receivables		(340)	(1,422)
Trade and other payables		(1,455)	3,553
Income tax paid		(83)	(1,594)
Net cash outflow from continuing operations		(3,367)	(429)
Net cash inflow from discontinued operations		1,396	1,650
Total cash flow (used in) generated from operating activities		(1,971)	1,221
Investing activities:			
Purchases of intangible assets	12	-	(391)
Net cash outflow from continuing operations		-	(391)
Net cash outflow from discontinued operations		-	(15,139)
Total cash flow used in investing activities		-	(15,530)
Financing activities:			
Interest paid	16	(179)	-
Corporate bond repayment	16	(40,316)	-
Proceeds from Lundin family loan	19	4,679	-
Net cash outflow from continuing operations		(35,816)	-
Net cash (outflow)/inflow from discontinued operations		(144)	349
Total cash flow (used in) generated from financing activities		(35,960)	349
Net decreased in cash and cash equivalents		(37,931)	(13,960)
Effect of exchange rate changes on cash and cash equivalents		(6,884)	(641)
Cash and cash equivalents at the beginning of the period		109,679	123,382
Cash and cash equivalents at the end of the period	13	64,864	108,781
From continuing operations		4,865	108,781
From discontinued operations		59,999	-

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

*See note 5 for details regarding the restatement as a result of discontinued operations.

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Notes to the consolidated financial statements

For the three months ended March 31, 2021 and 2020

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 and 45 MW of project under construction (the "Niigata Project"), all in Japan.

The Company engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd ("MUMSS") in the summer of 2020 as financial advisor to assist with the potential sale of the Japanese solar assets. During the third quarter of 2020, the Company received several non-binding proposals from strategic and financial investors regarding the potential purchase of the solar projects and a short-listed group of interested parties were selected to engage in detailed due diligence of the subject assets. Following such due diligence, the Company received various binding offers and in the fourth quarter the Board of Directors selected two preferred bidders, one for the four operating solar projects and another one for Project Niigata. Following the selection of the preferred bidders, the Company entered into negotiation of formal transaction agreements.

On March 31, 2021, subsidiaries of the Company signed the first formal agreements to sell their interests in the Company's 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito operating solar energy projects to a Japanese consortium ("Consortium"), for an aggregate net purchase price of approximately JPY 8.252 billion (or \$74.9 million). The Company is currently negotiating the sale of the Company's fourth operating project, Misawa, which is currently undergoing repairs from winter storms, to the same Consortium that is acquiring the other three operating assets.

On April 9, 2021, the Company announced the signature of agreements to sell the Group's interests in the 45 MW Niigata solar project under construction to a consortium led by Renewable Japan Co. Ltd for an aggregate net purchase price of approximately JPY 6.3 billion (approximately \$57.7 million), subject to certain adjustments at closing. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent, and securing all necessary shareholder and regulatory approvals. The Company's management has concluded that, since September 30, 2020, the Japanese solar assets and the entire Solar Segment have met the definition of assets held for sale and discontinued operations as per IFRS 5. [Note 5](#)

During January and February 2021, the Misawa solar park suffered from heavy snowfalls resulting in damages to the solar modules on sites three and four. The production of electricity was partially interrupted, and the total damage is currently under assessment. The solar project company has property and business interruption insurance policies. The project company will be assessing the insurance claim with the insurer after confirming the level of damages and agreeing the business interruption claim with the insurer. The Company expects to have the parks fully restored by June of this year.

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 6, 2021.

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, 2020. 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, 2020.

(b) Going concern

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2021, 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, 2021, the Group had unrestricted cash and cash equivalents from continuing operations of \$4.9 million (December 31, 2020: \$46.0 million) and a negative working capital of \$1.6 million. During the three months ended March 31, 2021, the Group recognized a net loss of \$1.5 million (2020: loss \$2.6 million). The Company's management is confident that in the event the proposed sale of the Group's solar assets is not completed, the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements. The Company's interim consolidated financial statements for the three months ended March 31, 2021, 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, 2020. 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.

(d) Assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is considered as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and: (1) represents a separate major line of business or geographical area of operations, (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (3) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of net income. Additional disclosures are provided in [Note 5](#). All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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 values of assets, liabilities, revenues, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the condensed consolidated interim financial statements are prepared.

On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these 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, 2021, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2020.

Notes to the consolidated financial statements

For the three months ended March 31, 2021 and 2020

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Expressed in US\$'000 unless otherwise stated

4. Segment reporting

While the Company's only segment (Solar Japan) is now classified as discontinued operations [Note 5](#), management continues to disclose the segment information together with the 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 as below:

	Three months ended	
	Q1-21	Q1-20
TEPCO	1,038	957
TOHOKU	2,104	2,534
HOKURIKU	802	805
TOTAL	3,944	4,296

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

	Three months ended					
	Q1-21			Q1-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	3,944	-	3,944	4,296	-	4,296
Operating expenses	(1,135)	-	(1,135)	(1,055)	-	(1,055)
General and administrative expenses	(46)	(1,649)	(1,695)	(96)	(1,218)	(1,314)
Other (expense) income	(2)	(133)	(135)	8	(458)	(450)
EBITDA	2,761	(1,782)	979	3,153	(1,676)	1,477
Depreciation and amortization	-	(33)	(33)	(2,290)	(34)	(2,324)
Finance income	-	102	102	-	247	247
Finance costs	(1,084)	(657)	(1,741)	(1,094)	(768)	(1,862)
Income (loss) before income tax	1,677	(2,370)	(693)	(231)	(2,231)	(2,462)
Income tax (expense) recovery	(754)	(83)	(837)	(208)	92	(116)
Net income (loss) for the period	923	(2,453)	(1,530)	(439)	(2,139)	(2,578)

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

	March 31, 2021			December 31, 2020		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	231,084	16	231,100	242,800	18	242,818
Intangible assets	11,420	1,063	12,483	12,306	1,110	13,416
Cash and cash equivalents	59,999	4,865	64,864	63,715	45,964	109,679
Other assets	13,305	2,445	15,750	13,646	2,066	15,712
Total assets	315,808	8,389	324,197	332,467	49,158	381,625
Borrowings	260,745	-	260,745	279,953	41,406	321,359
Trade and other payables	10,474	1,278	11,752	5,104	2,639	7,743
Other liabilities	23,835	8,655	32,490	26,800	4,211	31,011
Total liabilities	295,054	9,933	304,987	311,857	48,256	360,113

5. Discontinued operations and assets held for sale

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the potential sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. In March and April 2021, subsidiaries of Etrion signed various formal agreements to sell most of the solar portfolio to two different Japanese consortiums. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent, and securing all necessary shareholder and regulatory approvals. The Company is currently negotiating the sale of the Company's fourth operating project, Misawa, which is currently undergoing repairs from winter storms, to the same Consortium that is acquiring the other three operating assets. The Solar Japan segment has been classified as a disposal group held for sale and as discontinued operations since September 30, 2020.

The results of the Solar Japan discontinued operations for the period are presented below:

	Three months ended	
	Q1-21	Q1-20
Revenue	3,944	4,296
Operating expenses	(1,135)	(1,055)
General and administrative expenses	(46)	(96)
Other (expense) income	(2)	8
EBITDA	2,761	3,153
Depreciation and amortization	-	(2,290)
Finance costs	(1,084)	(1,094)
Income (loss) before income tax from discontinued operations	1,677	(231)
Income tax expense	(754)	(208)
Net Income (loss) for the period from discontinued operations	923	(439)

The major classes of assets and liabilities of the Solar Japan disposal group classified as held for sale as at March 31, 2021, are as follows:

	March 31 2021	December 31 2020
Assets		
Property, plant and equipment	231,084	242,800
Intangible assets	11,420	12,306
Deferred income tax assets	1,166	2,349
Trade and other receivables	12,139	11,297
Cash and cash equivalents	59,999	63,715
Assets classified as held for sale	315,808	332,467
Liabilities		
Borrowings	260,745	279,953
Trade and other payables	10,474	5,104
Tax liabilities	2	5
Derivative financial instruments	9,579	11,140
Lease liabilities	9,188	10,199
Provisions	5,066	5,456
Liabilities directly associated with assets held for sale	295,054	311,857
Net assets directly associated with disposal group	20,754	20,610
Amounts included in other reserves:		
Loss on cash flow hedges	(16,450)	(17,575)
Deferred tax on cash flow hedges	4,475	4,782
Reserve of disposal group classified as held for sale	(11,975)	(12,793)

Notes to the consolidated financial statements

For the three months ended March 31, 2021 and 2020

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6. General and administrative expenses

	Three months ended	
	Q1-21	Q1-20 Restated
Salaries and benefits	509	583
Board of Directors' fees	29	68
Share-based payments	132	48
Professional fees	534	368
Disposal expenses assets-held for sale	278	-
Listing and marketing	48	45
Depreciation and amortization	33	34
Office lease	56	74
Office, travel and other	63	128
Total general and administrative expenses	1,682	1,348

7. Other expense

	Three months ended	
	Q1-21	Q1-20 Restated
Municipality tax reassessment from disposed assets	-	383
Other	133	67
Total other expense	133	450

During the three months ended March 31, 2021, the Company recognized a \$0.1 million write-off of unrecoverable VAT from one of its Japanese subsidiaries. During the three months ended March 31, 2020, the Company recognized \$0.4 million of tax expense relating to 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.

8. Net finance costs

	Three months ended	
	Q1-21	Q1-20 Restated
Finance income:		
Foreign exchange gain	102	246
Other finance income	-	1
Total finance income	102	247
Finance costs:		
Interest expense on corporate bond	64	743
Loss on call option	117	-
Loss on debt extinguishment	435	-
Other finance costs	41	25
Total finance costs	657	768
Net finance costs	555	521

The Group had a fixed rate corporate bond which has been fully repaid on January 7, 2021. Interest expenses are calculated using the effective interest rate method as described in IFRS 9 Financial instruments. During the three months ended March 31, 2021, the Group recognized a finance cost of \$0.4 million together with a loss on call option of \$0.1 million associated with the redemption of the corporate bond. The finance costs associated with the projects held for sale are disclosed under [Note 5](#).

9. Income taxes**(a) Income tax expense**

	Three months ended	
	Q1-21	Q1-20 Restated
Income tax expense:		
Corporate income tax (expense) recovery	(83)	92
Total income tax (expense) recovery	(83)	92

During the three months ended March 31, 2021, the Group recognized an income tax expense of \$0.1 million (2020: income tax recovery of \$0.1 million) associated with its management services subsidiaries.

(b) Current income tax liabilities

	March 31 2021	December 31 2020
Corporate income tax	2,834	2,990
Total current income tax liabilities	2,834	2,990

Notes to the consolidated financial statements

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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	
	Q1-21	Q1-20 Restated
Loss (income) attributable to common shareholders:		
Loss from continuing operations	(2,453)	(2,139)
Income (loss) from discontinued operations	923	(439)
Total loss attributable to common shareholders	(1,530)	(2,578)
Weighted average number of thousand shares outstanding	334,094	334,094
Adjustments for dilutive potential ordinary shares (RSU):	16,767	11,667
Weighted average number of thousand shares outstanding (diluted)	350,861	345,761
Basic and diluted (loss) earnings per share:		
Loss from continuing operations	\$(0.01)	\$(0.01)
Income (loss) from discontinued operations	\$0.00	\$(0.00)
Total basic and diluted loss per share	\$(0.01)	\$(0.01)

11. Property, plant and equipment

	Other PPE	Total
Cost:		
At December 31, 2020	204	204
Additions	2	2
Disposal	(18)	(18)
Exchange differences	(9)	(9)
At March 31, 2021	179	179
Accumulated depreciation:		
At December 31, 2020	186	186
Depreciation	3	3
Disposal	(18)	(18)
Exchange differences	(8)	(8)
At March 31, 2021	163	163
Net book value:		
At December 31, 2020	18	18
At March 31, 2021	16	16

All property, plant and equipment associated with the Solar Japan segment have been classified as assets held for sale, effective since September 30, 2020. [Note 5](#)

12. Intangible assets

	Other intangibles	Total
Cost:		
At December 31, 2020	2,423	2,423
Exchange differences	(78)	(78)
At March 31, 2021	2,345	2,345
Accumulated amortization:		
At December 31, 2020	1,313	1,313
Amortization	29	29
Exchange differences	(60)	(60)
At March 31, 2021	1,282	1,282
Net book value:		
At December 31, 2020	1,110	1,110
At March 31, 2021	1,063	1,063

All intangible assets associated with the Solar Japan segment have been classified as assets held for sale, effective since September 30, 2020.

Note 5

13. 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 to short maturities.

	March 31 2021	December 31 2020
Unrestricted cash at parent level	4,865	8,956
Restricted cash at parent level (bond)	-	37,008
Total	4,865	45,964

Restricted cash at project level relates to cash and cash equivalents that are restricted by the lending banks for future payment 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.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at March 31, 2021:

	March 31 2021	December 31 2020
Cash and cash equivalents attributable to continuing operations	4,865	45,964
Cash and cash equivalents attributable to discontinued operations	59,999	63,715
Total	64,864	109,679

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For the three months ended March 31, 2021 and 2020

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14. Share capital

The Company has authorized capital consisting of an unlimited number of common shares, of which 334,094,324 shares are issued and fully-paid and outstanding at March 31, 2021 (December 31, 2020: 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, 2021 and 2020.

15. 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 vesting conditions. During the three months ended March 31, 2021, the Group recognized share-based payment expenses of \$0.1 million (2020: \$0.1 million) related to its RSUs scheme. [Note 6](#)

During the three months ended March 31, 2021, there were no changes in the Company's outstanding RSUs totalling 16,766,667.

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.

16. Borrowings

	Corporate bond	Total
At December 31, 2020	41,406	41,406
Accrued interest	64	64
Repayment of interest	(179)	(179)
Repayment of the corporate bond	(40,316)	(40,316)
Derecognition of transaction costs	162	162
Exchange differences	(1,137)	(1,137)
At March 31, 2021	-	-

On January 7, 2021, the Company repaid the outstanding corporate bond, in full and at a redemption price of 100.725% of the face value plus accrued and unpaid interest.

At March 31, 2021 and December 31, 2020, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans. All borrowings associated with the Solar Japan segment have been classified as liabilities associated with assets held for sale, effective since September 30, 2020. [Note 5](#)

17. Derivative financial instruments

	March 31 2021	December 31 2020
Derivative financial assets:		
Corporate bond call option	-	120
Total derivative financial assets	-	120

Corporate bond call option

During the three months ended March 31, 2021, the Group derecognized the call option on the redemption of the corporate bond which was fully repaid on January 7, 2021.

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, 2021, and December 31, 2020, 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. All derivatives associated with the Solar Japan segment, in the amount of \$9.6 million (2020: \$11.1 million), have been classified as liabilities associated with assets held for sale, effective since September 30, 2020. [Note 5](#)

18. Trade and other payables

	March 31 2021	December 31 2020
Financial liabilities		
Trade payables	301	262
Total financial liabilities	301	262
Accrued expenses	782	2,153
Other payables	195	224
Total trade and other payables	1,278	2,639

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19. 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 (2020: 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, 2021, the Group entered into the following transactions with related parties:

	Three months ended	
	Q1-21	Q1-20
General and administrative expenses:		
Lundin Energy AB	1	-
Lundin SA	30	30
Finance costs:		
Lundin family:		
- Interest expense	2	-
Total transactions with related parties	33	30

Amounts outstanding to related parties at March 31, 2021 and December 31, 2020 are as follows:

	March 31 2021	March 31 2020
Current liabilities:		
Lundin family	4,679	-
Total current financial liabilities	4,679	-
Total transactions with related parties	4,679	-

Lundin family

On January 4, 2021, Etrion received a €4.0 million (approximately \$4.7 million) loan facility from the Lundin family in order to provide additional financing in anticipation of the redemption of the corporate bonds. The loan bears a 3% interest rate and is repayable in twelve months.

There were no amounts outstanding from related parties at March 31, 2021 and December 31, 2020.

20. Financial assets and liabilities

	March 31, 2021			December 31, 2020		
	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						
Derivative financial instruments	-	-	-	-	120	120
Cash and cash equivalents	4,889	-	4,889	45,964	-	45,964
Total financial assets	4,889	4,889	4,889	45,964	120	46,084

	March 31, 2021			December 31, 2020		
	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total
Financial liabilities						
Current						
Trade payables	301	-	301	262	-	262
Borrowings	-	-	-	-	41,406	41,406
Loan due to related parties	4,679	-	4,679	-	-	-
Total current	4,980	-	4,980	262	41,406	41,668
Total financial liabilities	4,980	-	4,980	262	41,406	41,668

The Group's financial instruments carried at fair value are classified at the following levels within a measurement hierarchy that is based on the valuation technique used to estimate 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, 2021 and December 31, 2020, the Group's cash and cash equivalents and corporate bond were classified as Level 1. The fair value of the corporate bond approximated its carrying value.

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, 2021 and December 31, 2020, 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, based on 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, 2021 and December 31, 2020, the Group had no financial instruments classified as Level 3.

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

	March 31 2021	December 31 2020
Financial assets		
Level 1: Cash and cash equivalents (including restricted cash)	4,889	45,964
Level 2: Bond call option	-	120
Total financial assets	4,889	46,084
Financial liabilities:		
Level 1: Corporate bond	-	41,406
Level 2: Borrowings	4,679	-
Level 2: Interest rate swaps	-	-
Total financial liabilities	4,679	41,406

21. 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 continues 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 consolidated financial statements.

22. 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, 2021, as part of its discontinued operations, the Group had a contractual obligation payable over a period of over one year to acquire construction services in the amount of \$29.0 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.

23. Coronavirus (COVID-19)

The magnitude of any potential disruption of the Company's business operations due to the coronavirus outbreak 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.

24. Subsequent events

Sales and Purchase Agreements

On April 9, 2021, the Company announced the signature of agreements to sell their interests in the Company's 45 MW Niigata solar project under construction led by Renewable Japan Co. Ltd for an aggregate net purchase price of approximately JPY 6.3 billion (approximately \$57.7 million), subject to certain adjustments at closing.