etrion

Condensed Consolidated Interim Financial Statements
Three and Nine Months Ended September 30, 2019
UNAUDITED

24.0 MW Shizukuishi solar power park in Japan

At a Glance

Etrion Corporation

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.

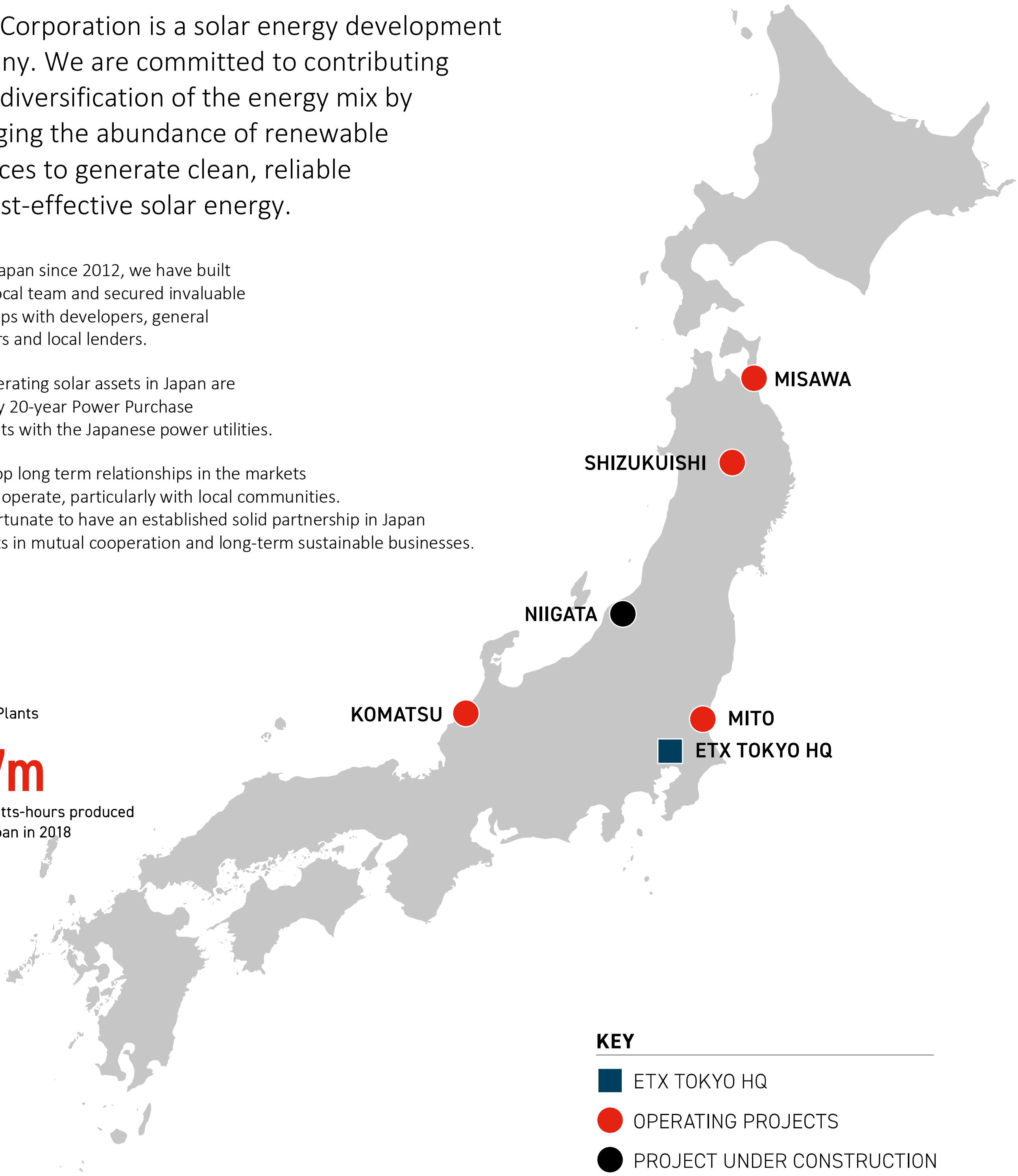
Active in Japan since 2012, we have built a strong local team and secured invaluable partnerships with developers, general contractors and local lenders.

All our operating solar assets in Japan are secured by 20-year 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 results in mutual cooperation and long-term sustainable businesses.

11
Solar Plants

57m
Kilowatts-hours produced for Japan in 2018



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

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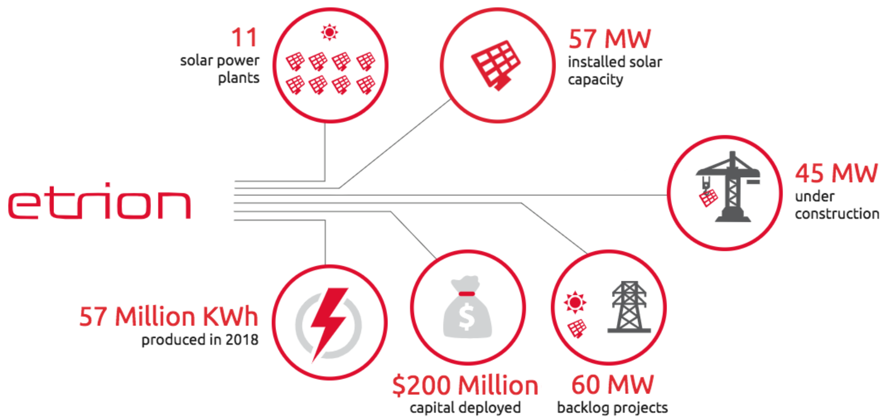
ETRION FACTS



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The accompanying condensed consolidated unaudited interim financial statements of the Company for the three and nine months ended September 30, 2019, 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 income (loss) and comprehensive net income (loss)

For the three and nine months ended September 30, 2019 and 2018
UNAUDITED
Expressed in US$'000

		Three months ended		Nine months ended	
	Note	Q3-19	Q3-18	Q3-19	Q3-18
Revenue	5	6,356	6,185	18,277	15,452
Operating expenses	6	(3,776)	(3,448)	(10,929)	(9,510)
Gross profit		**2,580**	**2,737**	**7,348**	**5,942**
General and administrative expenses	7	(979)	(1,216)	(3,088)	(3,660)
Additional termination fee	23	-	185	-	(1,294)
Other income, net	8	2,220	268	2,882	251
Operating profit		**3,821**	**1,974**	**7,142**	**1,239**
Finance income	9	2,559	-	2,855	491
Finance costs	9	(1,953)	(2,974)	(5,921)	(6,592)
Net finance costs		**606**	**(2,974)**	**(3,066)**	**(6,101)**
Income (loss) before income tax		**4,427**	**(1,000)**	**4,076**	**(4,862)**
Income tax expense	10	(1,185)	(453)	(2,515)	(1,190)
Net income (loss) for the period		**3,242**	**(1,453)**	**1,561**	**(6,052)**
Other comprehensive income (loss)					
Items that may be reclassified to profit and loss:					
Loss on currency translation		(1,264)	(585)	(495)	(238)
(Loss) gain on cash flow hedges, net of tax		135	1,031	(790)	1,658
Total other comprehensive income (loss)		**(1,129)**	**446**	**(1,285)**	**1,420**
Total comprehensive net income (loss) for the period		**2,113**	**(1,007)**	**276**	**(4,632)**
Income (loss) attributable to:					
Owners of the parent		2,973	(1,677)	1,167	(6,368)
Non-controlling interests	12	269	224	394	316
Total		**3,242**	**(1,453)**	**1,561**	**(6,052)**
Total comprehensive income (loss) attributable to:					
Owners of the parent		1,827	(1,372)	13	(5,195)
Non-controlling interests	12	286	365	263	563
Total		**2,113**	**(1,007)**	**276**	**(4,632)**
Basic and diluted earnings (loss) per share from loss for the period	11	**$0.009**	**$(0.005)**	**$0.003**	**$(0.019)**

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

Condensed consolidated interim balance sheet

As at September 30, 2019
UNAUDITED
Expressed in US$'000

	Note	September 30 2019	December 31 2018
Assets			
Non-current assets			
Property, plant and equipment	13	184,169	146,594
Intangible assets	14	13,270	13,318
Deferred income tax assets		3,011	3,076
Trade and other receivables		82	588
Total non-current assets		**200,532**	**163,576**
Current assets			
Trade and other receivables		15,145	14,923
Cash and cash equivalents (including restricted cash)	15	143,940	24,727
Total current assets		**159,085**	**39,650**
Total assets		**359,617**	**203,226**
Equity			
Attributable to common shareholders			
Share capital	16	111,304	111,304
Contributed surplus		13,401	13,281
Other reserves		(14,094)	(12,940)
Accumulated deficit		(108,681)	(109,848)
Total attributable to common shareholders		**1,930**	**1,797**
Non-controlling interests	12	**1,395**	**1,132**
Total equity		**3,325**	**2,929**
Liabilities			
Non-current liabilities			
Borrowings	18	306,863	166,760
Derivative financial instruments	19	10,353	8,706
Provisions	20	15,414	5,631
Other liabilities		2,493	2,385
Total non-current liabilities		**335,123**	**183,482**
Current liabilities			
Trade and other payables	20	8,020	3,997
Current tax liabilities	10	1,813	795
Borrowings	18	8,991	9,847
Derivative financial instruments	19	1,604	1,452
Provisions	20	317	-
Other liabilities		424	724
Total current liabilities		**21,169**	**16,815**
Total liabilities		**356,292**	**200,297**
Total equity and liabilities		**359,617**	**203,226**

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, 2019 and 2018
UNAUDITED
Expressed in US$’000

	Attributable to owners of the parent						
	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total	Non-controlling interests	Total equity
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 (loss) income:							
Cash flow hedges (net of tax)	-	-	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	-	577	-	-	577	-	577
Balance at September 30, 2018	**111,304**	**13,115**	**(12,593)**	**(107,415)**	**4,411**	**1,381**	**5,792**
Balance at January 1, 2019	**111,304**	**13,281**	**(12,940)**	**(109,848)**	**1,797**	**1,132**	**2,929**
Comprehensive income (loss):							
Income for the period	-	-	-	1,167	1,167	394	1,561
Other comprehensive income (loss):							
Cash flow hedges (net of tax)	-	-	(629)	-	(629)	(161)	(790)
Currency translation	-	-	(525)	-	(525)	30	(495)
Total comprehensive income (loss)	**-**	**-**	**(1,154)**	**1,167**	**13**	**263**	**276**
Transactions with owners in their capacity as owners:							
Share-based payments	-	120	-	-	120	-	120
Balance at September 30, 2019	**111,304**	**13,401**	**(14,094)**	**(108,681)**	**1,930**	**1,395**	**3,325**

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, 2019 and 2018
UNAUDITED
Expressed in US$'000

	Note	Three months ended Q3-19	Three months ended Q3-18	Nine months ended Q3-19	Nine months ended Q3-18
Operating activities:					
Net income (loss) for the period		**3,242**	**(1,453)**	**1,561**	**(6,052)**
Adjustments for the following non-cash items:					
Depreciation and amortization	6/7	2,400	2,157	6,955	5,804
Current income tax expense	10	1,240	631	2,072	1,202
Deferred income tax expense	10	(55)	(178)	443	(12)
Additional termination fee		-	(185)	-	-
Share-based payment expense	7/17	67	196	156	577
Interest expense	9	1,466	1,419	4,409	4,144
Interest expense relating to interest rate swap contracts	9	378	372	1,113	1,046
Amortization of transaction costs	9	109	243	327	495
Foreign exchange (gain) loss	9	(2,559)	312	(2,855)	(486)
Fair value changes on derivative financial instruments	9	-	13	72	131
Other expenses (income)		-	(268)	-	(251)
Sub-total		**6,288**	**3,259**	**14,253**	**6,598**
Changes in working capital:					
Trade and other receivables		169	5,138	284	656
Trade and other payables		1,546	(3,096)	(640)	1,425
Additional termination fee		-	(1,294)	-	(1,294)
Income tax paid		(77)	(153)	(932)	(760)
Total cash flow from operating activities		**7,926**	**3,854**	**12,965**	**6,625**
Investing activities:					
Purchases of property, plant and equipment	13	(21,064)	(62)	(21,435)	(9,380)
Purchases of intangible assets	14	(2,228)	(1,064)	(3,885)	(3,683)
Total cash flow used in investing activities		**(23,292)**	**(1,126)**	**(25,320)**	**(13,063)**
Financing activities:					
Interest paid	18	-	(810)	(2,258)	(3,345)
Interest relating to interest rate swap contracts		-	-	(751)	(663)
Proceeds from borrowings	18	(5,507)	(321)	141,715	39,661
Repayment of borrowings	18	(2,817)	(37,268)	(6,485)	(41,727)
Principal element of lease payments		(276)	-	(424)	-
Contributions from non-controlling interests		-	-	-	119
Total cash flow (used in) from financing activities		**(8,600)**	**(38,399)**	**131,797**	**(5,955)**
Net increase in cash and cash equivalents		**(23,966)**	**(35,671)**	**119,442**	**(12,393)**
Effect of exchange rate changes on cash and cash equivalents		(546)	(527)	(229)	(389)
Cash and cash equivalents at the beginning of the period		**168,452**	**66,619**	**24,727**	**43,203**
Cash and cash equivalents (including restricted cash) at the end of the period	15	**143,940**	**30,421**	**143,940**	**30,421**

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

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Notes to the condensed consolidated interim financial statements

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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.

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 14, 2019.

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, 2018. 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, 2018, except for those relating to the application of the new standards applicable from January 1, 2019, as indicated in these condensed consolidated interim financial statements.

(b) Going concern

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2019, 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, 2019, the Group had cash and cash equivalents of $143.9 million, $18.2 million of which was unrestricted and held at the parent level (December 31, 2018: $24.7 million and $9.3 million, respectively) and working capital of $137.9 million (December 31, 2018: $22.8 million). During the three and nine months ended September 30, 2019, the Group recognized a net income of $3.2 million and $1.6 million, respectively (2018: net loss of $1.5 million and $6.1 million). 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 consolidated financial statements. These condensed consolidated interim financial statements for the three and nine months ended September 30, 2019, 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, 2018, except for the adoption of new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16, Leases: This standard addresses the measurement and recognition of leases and 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. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has reviewed all the Group's leasing arrangements considering the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the existing commitments under the solar projects land lease contracts. As at January 1, 2019, the Group had non-cancellable operating lease commitments of US$ 18.3 million. Of these commitments, approximately US$0.3 million related to short-term and low value office leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group recognised right-of-use assets and lease liabilities of approximately $10.4 million on January 1, 2019, based on discounted cash flows under the lease agreements (after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018). Overall net current assets were approximately $1.0 million lower due to the presentation of a portion of the liability as a current liability. Net results after tax are expected to decrease by approximately $0.3 million in 2019 because of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $1.0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Notes to the condensed consolidated interim financial statements

Continued
For the three and nine months ended September 30, 2019 and 2018
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Operating cash flows are expected to increase and financing cash flows to decrease by approximately $1.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019. The Group applies the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets are measured on transition as if the new rules had always been applied.

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, 2019, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2018.

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 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	
	Q3-19	Q3-18	Q3-19	Q3-18
TEPCO	850	1,138	3,105	3,462
HOKURIKU	1,370	1,290	3,641	2,036
TOHOKU	4,136	3,757	11,531	9,954
TOTAL	**6,356**	**6,185**	**18,277**	**15,452**

Notes to the condensed consolidated interim financial statements

Continued
For the three and nine months ended September 30, 2019 and 2018
UNAUDITED
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The Group's revenues, EBITDA and results are presented as follows:

	Three months ended					
	Q3-19			Q3-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**6,356**	**-**	**6,356**	**6,185**	**-**	**6,185**
Operating expenses	(1,412)	-	(1,412)	(1,330)	-	(1,330)
General and administrative expenses	(46)	(897)	(943)	(48)	(1,129)	(1,177)
Additional termination fee	-	-	-	-	185	185
Other income (expense)	380	1,840	2,220	277	(9)	268
EBITDA	**5,278**	**943**	**6,221**	**5,084**	**(953)**	**4,131**
Depreciation and amortization	(2,365)	(36)	(2,401)	(2,118)	(39)	(2,157)
Finance income	-	2,946	2,946	-	-	-
Finance costs	(1,209)	(1,130)	(2,339)	(1,008)	(1,966)	(2,974)
Income (loss) before income tax	**1,704**	**2,723**	**4,427**	**1,958**	**(2,958)**	**(1,000)**
Income tax expense	(88)	(1,097)	(1,185)	(331)	(122)	(453)
Net income (loss) for the period	**1,616**	**1,626**	**3,242**	**1,627**	**(3,080)**	**(1,453)**

Notes to the condensed consolidated interim financial statements

For the three and nine months ended September 30, 2019 and 2018
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	Nine months ended					
	Q3-19			Q3-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**18,277**	**-**	**18,277**	**15,452**	**-**	**15,452**
Operating expenses	(4,080)	-	(4,080)	(3,825)	-	(3,825)
General and administrative expenses	(258)	(2,724)	(2,982)	(204)	(3,337)	(3,541)
Additional termination fee	-	-	-	-	(1,294)	(1,294)
Other income (expense)	122	2,760	2,882	278	(27)	251
EBITDA	**14,061**	**36**	**14,097**	**11,701**	**(4,658)**	**7,043**
Depreciation and amortization	(6,849)	(106)	(6,955)	(5,685)	(119)	(5,804)
Finance income	-	2,855	2,855	5	486	491
Finance costs	(3,614)	(2,307)	(5,921)	(2,830)	(3,762)	(6,592)
Income (loss) before income tax	**3,598**	**478**	**4,076**	**3,191**	**(8,053)**	**(4,862)**
Income tax expense	(798)	(1,717)	(2,515)	(721)	(469)	(1,190)
Net income (loss) for the period	**2,800**	**(1,239)**	**1,561**	**2,470**	**(8,522)**	**(6,052)**

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

	September 30, 2019			December 31, 2018		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	184,111	58	184,169	146,529	65	146,594
Intangible assets	11,110	2,160	13,270	8,411	4,907	13,318
Cash and cash equivalents	125,769	18,171	143,940	15,399	9,328	24,727
Other assets	10,631	7,607	18,238	8,504	10,083	18,587
Total assets	**331,621**	**27,996**	**359,617**	**178,843**	**24,383**	**203,226**
Borrowings	278,629	37,225	315,854	138,465	38,142	176,607
Trade and other payables	6,635	1,385	8,020	1,244	2,753	3,997
Other liabilities	29,833	2,585	32,418	18,653	1,040	19,693
Total liabilities	**315,097**	**41,195**	**356,292**	**158,362**	**41,935**	**200,297**

Notes to the condensed consolidated interim financial statements

For the three and nine months ended September 30, 2019 and 2018
UNAUDITED
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5. Revenue

	Three months ended		Nine months ended	
	Q3-19	Q3-18	Q3-19	Q3-18
Feed-in Tariff ("FiT")	6,356	6,185	18,277	15,452
Total Revenue	**6,356**	**6,185**	**18,277**	**15,452**

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		Nine months ended	
	Q3-19	Q3-18	Q3-19	Q3-18
Operating and maintenance ("O&M")	406	287	1,100	810
Personnel costs	303	207	894	719
Depreciation and amortization ("D&A")	2,364	2,118	6,849	5,685
Property tax	399	298	1,178	909
Insurance	101	75	298	206
Land lease	-	252	-	732
Other operating expenses	203	211	610	449
Total operating expenses	**3,776**	**3,448**	**10,929**	**9,510**

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		Nine months ended	
	Q3-19	Q3-18	Q3-19	Q3-18
Salaries and benefits	300	547	838	1,534
Board of Directors' fees	68	69	204	204
Share-based payments	67	196	156	577
Professional fees	227	148	1,003	479
Listing and marketing	57	47	204	232
D&A	36	39	106	119
Office lease	75	75	219	228
Office, travel and other	149	95	358	287
Total general and administrative expenses	**979**	**1,216**	**3,088**	**3,660**

8. Other income

	Three months ended		Nine months ended	
	Q3-19	Q3-18	Q3-19	Q3-18
Gain on sale of solar project rights	1,838	-	2,761	-
Business interruption insurance reimbursement	271	-	271	-
Uncovered insurance solar parks claim	(15)	-	(277)	-
Other income (expenses), net	126	268	127	251
Total other income	**2,220**	**268**	**2,882**	**251**

During the nine months ended September 30,2019, the Company fully collected ¥300 million (approximately $2.8 million) from a local Japanese developer of gain on sale of the project rights of the Kumamoto project.

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9. Finance income and costs

	Three months ended		Nine months ended	
	Q3-19	Q3-18	Q3-19	Q3-18
Finance income:				
Foreign exchange gain	2,559	-	2,855	486
Other finance income	-	-	-	5
Total finance income	**2,559**	**-**	**2,855**	**491**
Finance costs:				
Credit facilities and non-recourse loans	772	491	1,813	1,501
Interest rate swap contracts	378	372	1,113	1,046
Corporate bond	668	858	2,039	2,590
Credit facility with non-controlling interest	56	67	174	186
Amortization of transaction costs	154	242	384	510
Corporate bond call option	-	13	-	131
Ineffective portion cash flow hedges	-	-	72	-
Foreign exchange loss	-	312	-	-
Other finance costs	250	619	746	779
Total finance costs before deducting amounts capitalized	**2,278**	**2,974**	**6,341**	**6,743**
Amounts capitalized on qualifying assets	(325)	-	(420)	(151)
Total finance costs	**1,953**	**2,974**	**5,921**	**6,592**
Net finance (income) costs	**(606)**	**2,974**	**3,066**	**6,101**

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		Nine months ended	
	Q3-19	Q3-18	Q3-19	Q3-18
Current income tax expense:				
Corporate income tax	(1,240)	(631)	(2,072)	(1,202)
Deferred income tax	55	178	(443)	12
Total income tax expense	**(1,185)**	**(453)**	**(2,515)**	**(1,190)**

During the three and nine months ended September 30, 2019, the Group recognized an income tax expense of $0.2 million and $0.4 million, respectively (2018: $0.5 million and $0.7 million) associated with its solar power projects in Japan and an income tax expense of $1.0 million and $1.7 million (2018: $0.2 million and $0.5 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax income of $55 thousand and a deferred income tax expense $0.4 million, respectively (2018: $0.2 million and $12 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 2019	December 31 2018
Corporate income tax	1,813	795
Total current income tax liabilities	**1,813**	**795**

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11. Earnings (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	
	Q3-19	Q3-18	Q3-19	Q3-18
Total income (loss) attributable to common shareholders	2,973	(1,677)	1,167	(6,368)
Weighted average number of thousand shares outstanding	334,094	334,094	334,094	334,094
Total basic and diluted earnings (loss) per share	**$0.009**	**$(0.005)**	**$0.003**	**$(0.019)**

Diluted earnings (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 they are out-of-the-money.

12. 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 project companies." 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. Mito and Shizukuishi are owned 87% by Etrion and 13% by Hitachi High-Tech ("HHT"). Komatsu is owned 85.1% by Etrion and 14.9% by HHT. Misawa is owned 60% by Etrion, 10% by HHT and 30% by Tamagawa Holdings, a Japanese real estate and solar power developer. The non-controlling interests at September 30, 2019, of $1.4 million (December 31, 2018: $1.1 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.

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, 2019			December 31, 2018		
	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)
Shizukuishi	5,622	(5,945)	(323)	3,091	(3,856)	(765)
Mito	1,839	1,129	2,968	1,036	1,321	2,357
Misawa	1,663	466	2,129	866	903	1,769
Komatsu	1,336	2	1,338	2,121	(654)	1,467
Total	**10,460**	**(4,348)**	**6,112**	**7,114**	**(2,286)**	**4,828**

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

	Three months ended					
	Q3-19			Q3-18		
	Income for the period	Comprehensive income for the period	Comprehensive income allocated to NCI	Income for the period	Comprehensive income for the period	Comprehensive income allocated to NCI
Shizukuishi	669	771	102	476	989	120
Mito	143	174	23	233	377	43
Misawa	337	328	130	155	276	107
Komatsu	191	190	31	460	672	95
Total	**1,340**	**1,463**	**286**	**1,324**	**2,314**	**365**

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The summarized income statement for the Japanese project companies including the portion allocated to non-controlling interests for the nine months ended September 30, is as follows:

	Nine months ended					
	Q3-19			Q3-18		
	Income (loss) for the period	Comprehensive (loss) income for the period	Comprehensive (loss) income allocated to NCI	(Loss) income for the period	Comprehensive (loss) income for the period	Comprehensive (loss) income allocated to NCI
Shizukuishi	671	417	47	(1)	740	92
Mito	628	614	78	719	966	121
Misawa	507	387	157	311	475	185
Komatsu	144	(134)	(19)	656	1,144	165
Total	**1,950**	**1,284**	**263**	**1,685**	**3,325**	**563**

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

	Shizukuishi	Mito	Komatsu	Misawa	Total
As at December 31, 2018	**(101)**	**307**	**219**	**707**	**1,132**
Net income (loss) attributable to non-controlling interest	88	82	21	203	394
Other comprehensive income attributable to non-controlling interest	(29)	(2)	(41)	(59)	(131)
As at September 30, 2019	**(42)**	**387**	**199**	**851**	**1,395**
Interest held by third parties	13.12%	13.0%	14.9%	40.0%	

13. Property, plant and equipment

	Land	Solar power projects	Assets under construction	Right of use	Other PPE	Total
Cost:						
At December 31, 2018	**8,049**	**149,129**	**-**	**-**	**5,115**	**162,293**
Additions	-	365	23,839	-	20	24,224
Right of use over leased land	-	-	-	10,386	-	10,386
Reclassification from intangibles	-	-	5,287	-	-	5,287
Exchange differences	177	3,283	468	354	103	4,385
At September 30, 2019	**8,226**	**152,777**	**29,594**	**10,740**	**5,238**	**206,575**
Accumulated depreciation:						
At December 31, 2018	**-**	**15,093**	**-**	**-**	**606**	**15,699**
Depreciation	-	5,562	-	442	198	6,202
Exchange differences	-	414	-	83	8	505
At September 30, 2019	**-**	**21,069**	**-**	**525**	**812**	**22,406**
Net book value:						
At December 31, 2018	8,049	134,036	-	-	4,509	146,594
At September 30, 2019	**8,226**	**131,708**	**29,594**	**10,215**	**4,426**	**184,169**

During the three and nine months ended September 30, 2019, the Group recognised right-of-use assets of $10.4 million in accordance with IFRS 16, associated with the long-term land lease contracts of its operational subsidiaries in Japan. Note 2c. During the nine months ended September 30, 2019, the Group capitalized as assets under construction $23.4 million (2018: nil) of incurred capital expenditures associated with the solar power projects in Japan. In addition, during 2019, the Group capitalized $0.4 million (2018: nil) of borrowing costs associated with credit facilities obtained to finance the construction of the Niigata project.

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14. Intangible assets

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At December 31, 2018	**7,061**	**10,056**	**17,117**
Additions	2,078	3,885	5,963
Reclassifications of permitted projects	1,858	(2,646)	(788)
Reclassifications to property, plant and equipment	-	(5,287)	(5,287)
Exchange differences	155	534	689
At September 30, 2019	**11,152**	**6,542**	**17,694**
Accumulated amortization:			
At December 31, 2018	**2,255**	**1,544**	**3,799**
Amortization	535	87	622
Exchange differences	58	(55)	3
At September 30, 2019	**2,848**	**1,576**	**4,424**
Net book value:			
At December 31, 2018	4,806	8,512	13,318
At September 30, 2019	**8,304**	**4,966**	**13,270**

During the nine months ended September 30, 2019, general and administrative expenses of $3.9 million (2018: $3.7 million) representing internally-generated costs of $1.0 million (2018: $1.0 million) and third-party costs of $2.9 million (2018: $2.7 million) were capitalized during the period within intangible assets as they directly related to the Group's development activities in Japan.

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.

	September 30 2019	December 31 2018
Unrestricted cash at parent level	18,171	9,328
Restricted cash at project level	125,769	15,399
Total	**143,940**	**24,727**

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 September 30, 2019, restricted cash included $103 million associated with funds secured in September 2019 for the construction of the Niigata solar power 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 September 30, 2019 (December 31, 2018: 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, 2019 and 2018.

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17. 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, 2019, the Group recognized share-based payment expenses of $0.1 million and $0.2 million, respectively (2018: $0.2 million and $0.6 million) related to its RSUs scheme. Note 7

Changes in the Company's outstanding RSUs are as follows:

	Number of RSUs
At December 31, 2018	**15,491,706**
Exercised	(241,706)
Forfeited	(2,000,000)
At September 30, 2019	**13,250,000**

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, 2018	**38,142**	**-**	**138,465**	**176,607**
Proceeds from loans	-	141,715	-	141,715
Repayment of loans and interest	(1,395)	(83)	(7,273)	(8,751)
Accrued interest	2,091	528	1,250	3,869
Amortization of transaction costs	233	80	101	414
Exchange differences	(1,846)	15	3,831	2,000
At September 30, 2019	**37,225**	**142,255**	**136,374**	**315,854**
- Current portion	**780**	**446**	**7,765**	**8,991**
- Non-current portion	**36,445**	**141,809**	**128,609**	**306,863**

At September 30, 2019 and December 31, 2018, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans. In September 2019, the Group secured long term financing for the construction of the 45 MW Niigata solar project located in the Niigata prefecture in central Japan. The arranger of the Etrion Green Project Bond, rated BBB, was Goldman Sachs Japan Co., LTD ("Goldman Sachs"). The total project cost is expected to be approximately JPY 16.7 billion (US$ 154.2 million) including VAT, which has been financed 95% through a non-recourse loan with a tenor of construction period plus 16.8 years. The all-in non-recourse project loan interest rate is 1.2%. The lender to the Niigata project is a Green Project Bond Trust ("The Trust"), which issued asset-backed securities and loans, fully underwritten by the arranger Goldman Sachs and sold to other investors. Proceeds from the project bond are presented net of transaction costs of $5.2 million. During the three months ended September 30,2019, the Company fully repaid the outstanding balance of the VAT credit facility associated with the Komatsu project for a total of ¥308 million (approximately $3.0 million).

19. Derivative financial instruments

	September 30 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts		-
- Current portion	1,604	1,452
- Non-current portion	10,353	8,706
Total derivative financial liabilities	**11,957**	**10,158**

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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, 2019, and December 31, 2018, 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

	September 30 2019	December 31 2018
Trade and other payables		
Trade payables	123	449
Accrued expenses	5,477	2,274
Other trade and other payables	2,420	1,274
Total trade and other payables	**8,020**	**3,997**

As at September 30, 2019, the Group's accrued expenses of $5.5 million includes $4.1 million associated with unbilled construction costs of the Niigata solar power project.

	September 30 2019	December 31 2018
Provisions		
Leased land liability	9,980	-
Site restoration provision	5,012	4,886
Pension plan	739	745
Total provisions	**15,731**	**5,631**
- Current portion	**317**	**-**
- Non-current portion	**15,414**	**5,631**

As at September 30, 2019, the Group's provisions of $16.0 million includes $10.0 million associated with net present value of the leased land liability, as a result of the adoption of IFRS 16. The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019, used the simplified transition approach and has not restated comparative amounts for the year prior to first adoption.

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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 (2018: 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 and nine months ended September 30, 2019, and 2018, the Group entered into the following transactions with related parties:

	Three months ended		Nine months ended	
	Q3-19	Q3-18	Q3-19	Q3-18
General and administrative expenses:				
Lundin Petroleum AB	5	6	19	20
Lundin SA	30	30	90	95
Finance costs:				
Lundin family:				
- Interest expense	-	76	181	97
- Transaction costs	-	4	19	6
Total transactions with related parties	**35**	**116**	**309**	**218**

Lundin family

Investment companies associated with the Lundin family subscribed for €3 million of the new corporate bond issue completed in June 2018. During the three months ended September 30, 2019, all corporate bonds held by the Lundin family or by entities controlled by the Lundin family were sold. Amounts outstanding to related parties at September 30, 2019 and December 31, 2018 are as follows:

	September 30 2019	December 31 2018
Current liabilities:		
Lundin family share in corporate bond	-	9
Total current financial liabilities	**-**	**9**
Non-current financial liabilities:		
Lundin family share in corporate bond	-	3,303
Total non-current liabilities	**-**	**3,303**
Total transactions with related parties	**-**	**3,312**

There were no amounts outstanding from related parties at September 30, 2019 and December 31, 2018.

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22. Financial assets and liabilities

	September 30, 2019			December 31, 2018		
	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	2,660	-	**2,660**	1,544	-	**1,544**
Cash and cash equivalents	143,940	-	**143,940**	24,727	-	**24,727**
Total financial assets	**146,600**	**-**	**129,479**	**26,271**	**-**	**26,271**

	September 30, 2019			December 31, 2018		
	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	306,862	-	**306,862**	166,760	-	**166,760**
Derivative financial instruments	-	10,353	**10,353**	-	8,706	**8,706**
Total non-current	**306,862**	**10,353**	**317,215**	**166,760**	**8,706**	**175,466**
Current						
Trade payables	123	-	**126**	449	-	**449**
Borrowings	8,991	-	**8,991**	9,847	-	**9,847**
Derivative financial instruments	-	1,604	**1,604**	-	1,452	**1,452**
Total current	**9,114**	**10,595**	**10,721**	**10,296**	**1,452**	**11,748**
Total financial liabilities	**315,976**	**20,948**	**327,936**	**177,056**	**10,158**	**187,214**

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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, 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 September 30, 2018 and December 31, 2018, 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:

	September 30 2019	December 31 2018
Financial assets		
Level 1: cash and cash equivalents (including restricted cash)	143,940	24,727
Total financial assets	**143,940**	**24,727**
Financial liabilities:		
Level 2: borrowings (project loans)	136,374	138,465
Level 2: interest rate swaps	11,957	10,158
Total financial liabilities	**148,331**	**148,623**

23. Arbitration

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.

24. 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.

25. 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 September 30, 2019, the Group had a contractual obligation payable over a period of over one year to acquire construction services in the amount of $74 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.