

etrion

Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2019
UNAUDITED



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, secured invaluable partnerships with developers, general contractors as well as local lenders.

All our operating solar assets in Japan are secured by 20-year Power Purchase Agreements with the Japanese power utilities.

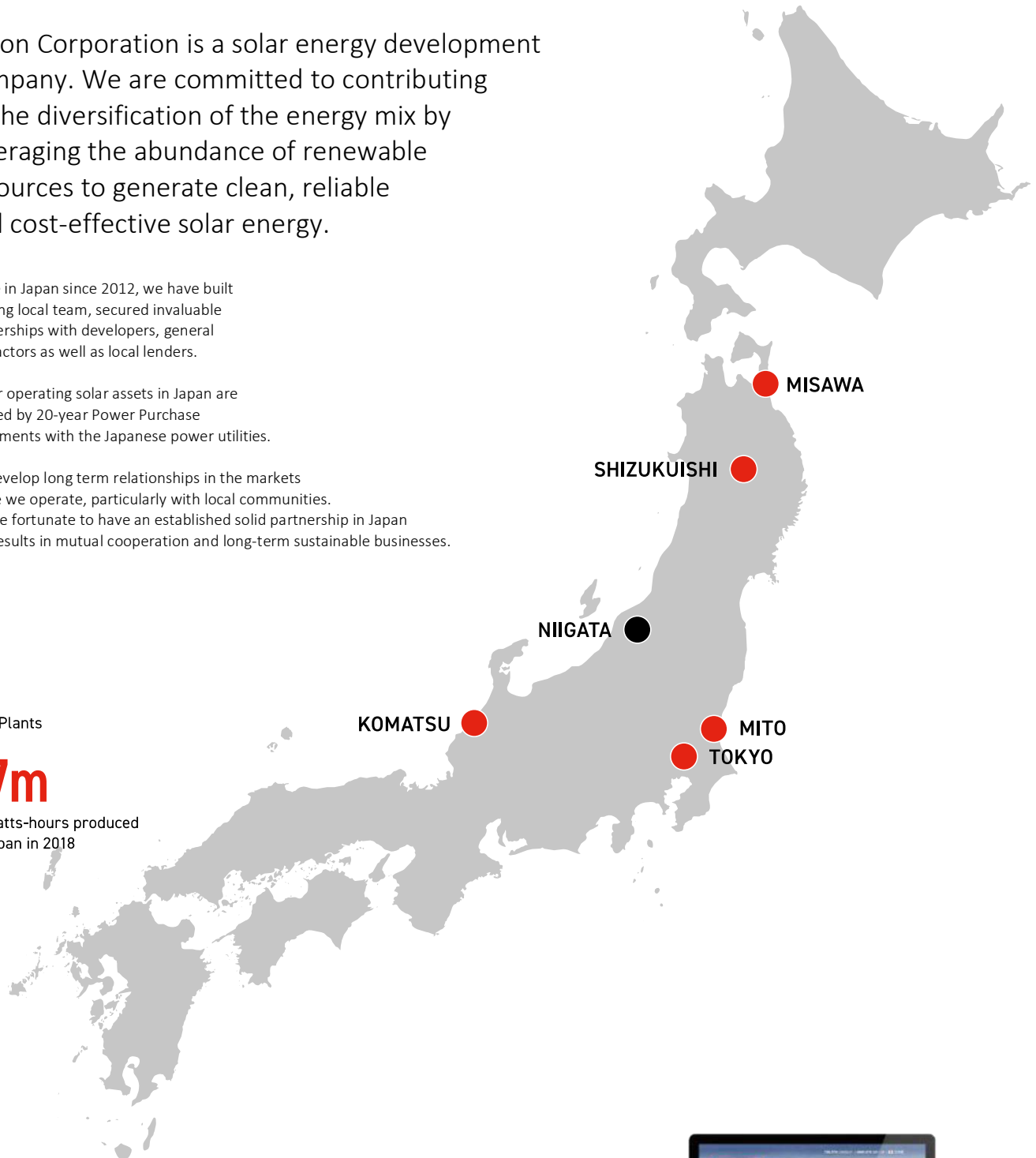
We develop long term relationships in the markets where we operate, particularly with local communities. We are fortunate to have an established solid partnership in Japan that results in mutual cooperation and long-term sustainable businesses.

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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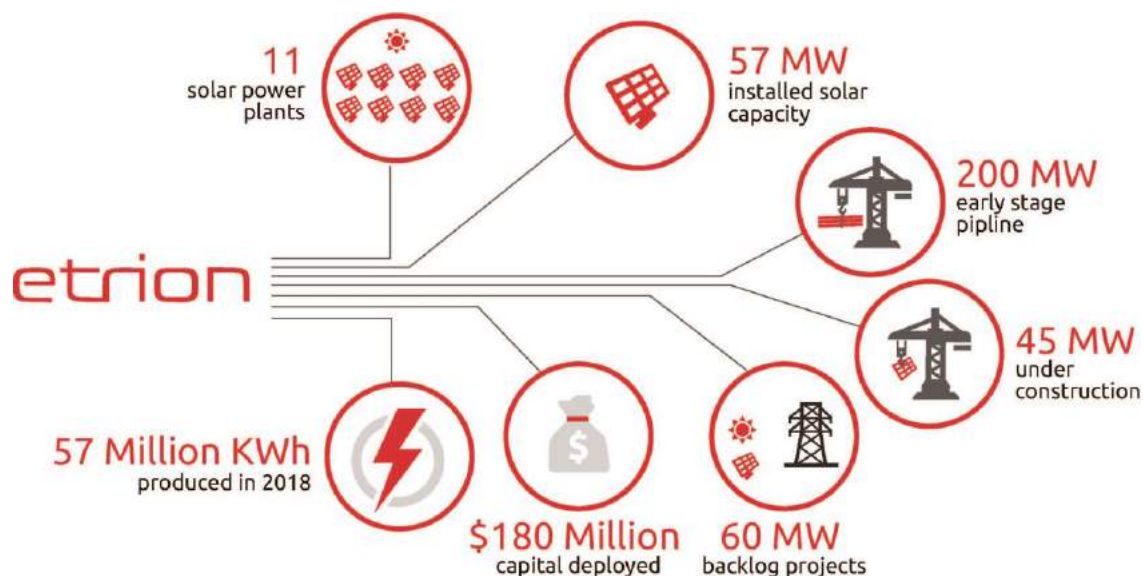
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FINANCIAL STATEMENTS

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Condensed consolidated interim statement of net income (loss) and comprehensive net income (loss)

For the three and six months ended June 30, 2019 and 2018

UNAUDITED

Expressed in US\$'000

	Note	Three months ended		Six months ended	
		Q2-19	Q2-18	Q2-19	Q2-18
Revenue	5	7,705	6,357	11,921	9,267
Operating expenses	6	(3,578)	(3,268)	(7,153)	(6,062)
Gross profit		4,127	3,089	4,768	3,205
General and administrative expenses	7	(1,154)	(1,306)	(2,109)	(2,444)
Additional termination fee	22	-	(1,479)	-	(1,479)
Other income (expenses), net		907	21	662	(17)
Operating profit (loss)		3,880	325	3,321	(735)
Finance income	8	-	1,432	296	803
Finance costs	8	(2,503)	(2,061)	(3,968)	(3,930)
Net finance costs		(2,503)	(629)	(3,672)	(3,127)
Income (loss) before income tax		1,377	(304)	(351)	(3,862)
Income tax expense	9	(830)	(442)	(1,330)	(737)
Net income (loss) for the period		547	(746)	(1,681)	(4,599)
Other comprehensive income (loss)					
Items that may be reclassified to profit and loss:					
Gain (loss) on currency translation		827	(1,283)	769	346
(Loss) gain on cash flow hedges, net of tax		(382)	515	(925)	628
Total other comprehensive income (loss)		445	(768)	(156)	974
Total comprehensive net income (loss) for the period		992	(1,514)	(1,837)	(3,625)
Income (loss) attributable to:					
Owners of the parent		165	(1,028)	(1,806)	(4,691)
Non-controlling interest	11	382	282	125	92
Total		547	(746)	(1,681)	(4,599)
Total comprehensive income (loss) attributable to:					
Owners of the parent		660	(1,842)	(1,814)	(3,823)
Non-controlling interest	11	332	328	(23)	198
Total		992	(1,514)	(1,837)	(3,625)
Basic and diluted earnings (loss) per share from loss for the period	10	\$0.000	\$(0.003)	\$0.005	\$(0.014)

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

Condensed consolidated interim balance sheet

As at June 30, 2019

UNAUDITED

Expressed in US\$'000

	Note	June 30 2019	December 31 2018
Assets			
Non-current assets			
Property, plant and equipment	12	174,051	146,594
Intangible assets	13	11,656	13,318
Deferred income tax assets		3,008	3,076
Trade and other receivables		83	588
Total non-current assets		188,798	163,576
Current assets			
Trade and other receivables		15,313	14,923
Cash and cash equivalents (including restricted cash)	14	168,452	24,727
Total current assets		183,765	39,650
Total assets		372,563	203,226
Equity			
Attributable to common shareholders			
Share capital	15	111,304	111,304
Contributed surplus		13,334	13,281
Other reserves		(12,948)	(12,940)
Accumulated deficit		(111,654)	(109,848)
Total attributable to common shareholders		36	1,797
Non-controlling interest	11	1,109	1,132
Total equity		1,145	2,929
Liabilities			
Non-current liabilities			
Borrowings	17	308,130	166,760
Derivative financial instruments	18	10,332	8,706
Provisions	19	15,700	5,631
Other liabilities		2,580	2,385
Total non-current liabilities		336,742	183,482
Current liabilities			
Trade and other payables	19	21,186	3,997
Current tax liabilities	9	786	795
Borrowings	17	10,271	9,847
Derivative financial instruments	18	1,444	1,452
Provisions	19	310	-
Other liabilities		679	724
Total current liabilities		34,676	16,815
Total liabilities		371,418	200,297
Total equity and liabilities		372,563	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 six months ended June 30, 2019 and 2018

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Expressed in US\$'000

	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total		
Balance at January 1, 2018	111,304	12,538	(13,766)	(101,047)	9,029	818	9,847
Comprehensive income (loss):							
(Loss) income for the period	-	-	-	(4,691)	(4,691)	92	(4,599)
Other comprehensive (loss) income:							
Cash flow hedges (net of tax)	-	-	537	-	537	91	628
Currency translation	-	-	331	-	331	15	346
Total comprehensive income (loss)	-	-	868	(4,691)	(3,823)	198	(3,625)
Transactions with owners in their capacity as owners:							
Share-based payments	-	381	-	-	381	-	381
Balance at June 30, 2018	111,304	12,919	(12,898)	(105,738)	5,587	1,016	6,603
Balance at January 1, 2019	111,304	13,281	(12,940)	(109,848)	1,797	1,132	2,929
Comprehensive income (loss):							
(Loss) income for the period	-	-	-	(1,806)	(1,806)	125	(1,681)
Other comprehensive income (loss):							
Cash flow hedges (net of tax)	-	-	(748)	-	(748)	(177)	(925)
Currency translation	-	-	740	-	740	29	769
Total comprehensive income (loss)	-	-	(8)	(1,806)	(1,814)	(23)	(1,837)
Transactions with owners in their capacity as owners:							
Share-based payments	-	53	-	-	53	-	53
Balance at June 30, 2019	111,304	13,334	(12,948)	(111,654)	36	1,109	1,145

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 six months ended June 30, 2019 and 2018

UNAUDITED

Expressed in US\$'000

		Three months ended		Six months ended	
	Note	Q2-19	Q2-18	Q2-19	Q2-18
Operating activities:					
Net income (loss) for the period		547	(746)	(1,681)	(4,599)
Adjustments for the following non-cash items:					
Depreciation and amortization	6/7	2,262	1,929	4,555	3,647
Current income tax expense	9	663	341	832	571
Deferred income tax expense	9	167	101	498	166
Additional termination fee		-	1,479	-	1,479
Share-based payment expense	7/16	65	193	89	381
Interest expense	8	1,647	1,438	2,943	2,725
Interest expense relating to interest rate swap contracts	8	359	332	735	674
Amortization of transaction costs	8	111	148	218	252
Foreign exchange (gain) loss	8	386	(1,427)	(296)	(798)
Fair value changes on derivative financial instruments	8	-	37	72	118
Other expenses (income)		(245)	(21)	-	17
Sub-total		5,962	3,804	7,965	4,633
Changes in working capital:					
Trade and other receivables		(1,566)	(2,302)	115	(4,482)
Trade and other payables		(973)	4,267	(3,097)	3,227
Reimbursement from developer		911	-	911	-
Income tax paid		(77)	(203)	(855)	(607)
Total cash flow from operating activities		4,257	5,566	5,039	2,771
Investing activities:					
Purchases of property, plant and equipment		(285)	(595)	(371)	(9,318)
Purchases of intangible assets	13	-	(2,349)	(1,657)	(2,619)
Total cash flow used in investing activities		(285)	(2,944)	(2,028)	(11,937)
Financing activities:					
Interest paid	17	(2,258)	(2,535)	(2,258)	(2,535)
Interest relating to interest rate swap contracts		(751)	(663)	(751)	(663)
Proceeds from borrowings	17	147,222	35,129	147,222	39,982
Repayment of borrowings		(3,668)	(4,459)	(3,668)	(4,459)
Principal element of lease payments		(148)	-	(148)	-
Contributions from non-controlling interest		-	-	-	119
Total cash flow from financing activities		140,397	27,472	140,397	32,444
Net increase in cash and cash equivalents		144,369	30,094	143,408	23,278
Effect of exchange rate changes on cash and cash equivalents		852	(1,533)	317	139
Cash and cash equivalents at the beginning of the period		23,231	38,059	24,727	43,203
Cash and cash equivalents (including restricted cash) at the end of the period	14	168,452	66,620	168,452	66,620

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

For the three and six months ended June 30, 2019 and 2018

UNAUDITED

Expressed in US\$'000 unless otherwise stated

1. General Information

Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is incorporated under the laws of the Province of British Columbia, Canada. The address of its registered office is 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 August 6, 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 financial statements for the three and six months ended June 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 June 30, 2019, the Group had cash and cash equivalents of \$168.5 million, \$5.3 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 \$149.0 million (December 31, 2018: \$22.8 million). During the three and six months ended June 30, 2019, the Group recognized a net income \$0.5 million and net loss of \$1.7 million, respectively (2018: net loss of \$0.7 million and \$4.6 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 six months ended June 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 which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. 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 \$10.1 million on January 1, 2019, (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.

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.

Notes to the condensed consolidated interim financial statements

Continued

For the three and six months ended June 30, 2019 and 2018

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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 six months ended June 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

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

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

	Three months ended		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
TEPCO	1,271	1,273	2,254	2,324
HOKURIKU	1,478	746	2,271	746
TOHOKU	4,955	4,338	7,397	6,197
TOTAL	7,705	6,357	11,921	9,267

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

	Three months ended					
	Q2-19			Q2-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	7,705	-	7,705	6,357	-	6,357
Operating expenses	(1,354)	-	(1,354)	(1,379)	-	(1,379)
General and administrative	(140)	(977)	(1,117)	(104)	(1,162)	(1,266)
Additional termination fee	-	-	-	-	(1,479)	(1,479)
Other income (expense)	1	906	907	13	8	21
EBITDA	6,212	(71)	6,141	4,887	(2,633)	2,254
Depreciation and amortization	(2,223)	(38)	(2,261)	(1,889)	(40)	(1,929)
Finance income	-	-	-	5	1,427	1,432
Finance costs	(1,359)	(1,144)	(2,503)	(930)	(1,131)	(2,061)
Income (loss) before income tax	2,630	(1,253)	1,377	2,073	(2,377)	(304)
Income tax expense	(343)	(487)	(830)	(237)	(205)	(442)
Net income (loss) for the period	2,287	(1,740)	547	1,836	(2,582)	(746)

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

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	Six months ended					
	Q2-19			Q2-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	11,921	-	11,921	9,267	-	9,267
Operating expenses	(2,668)	-	(2,668)	(2,495)	-	(2,495)
General and administrative	(212)	(1,828)	(2,040)	(156)	(2,208)	(2,364)
Additional termination fee	-	-	-	-	(1,479)	(1,479)
Other income (expense)	(259)	921	662	1	(18)	(17)
EBITDA	8,782	(907)	7,875	6,617	(3,705)	2,912
Depreciation and amortization	(4,484)	(70)	(4,554)	(3,567)	(80)	(3,647)
Finance income	-	296	296	5	798	803
Finance costs	(2,405)	(1,563)	(3,968)	(1,822)	(2,108)	(3,930)
Income (loss) before income tax	1,893	(2,244)	(351)	1,233	(5,095)	(3,862)
Income tax expense	(710)	(620)	(1,330)	(390)	(347)	(737)
Net income (loss) for the period	1,183	(2,864)	(1,681)	843	(5,442)	(4,599)

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

	June 30, 2019			December 31, 2018		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	173,997	54	174,051	146,529	65	146,594
Intangible assets	6,849	4,807	11,656	8,411	4,907	13,318
Cash and cash equivalents	163,192	5,260	168,452	15,399	9,328	24,727
Other assets	11,543	6,861	18,404	8,504	10,083	18,587
Total assets	355,581	16,982	372,563	178,843	24,383	203,226
Borrowings	280,472	37,929	318,401	138,465	38,142	176,607
Trade and other payables	20,308	878	21,186	1,244	2,753	3,997
Other liabilities	30,484	1,347	31,831	18,653	1,040	19,693
Total liabilities	331,264	40,154	371,418	158,362	41,935	200,297

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

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5. Revenue

	Three months ended		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
Feed-in Tariff ("FiT")	7,705	6,357	11,921	9,267
Total Revenue	7,705	6,357	11,921	9,267

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

6. Operating expenses

	Three months ended		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
Operating and maintenance ("O&M")	339	316	694	523
Personnel costs	296	269	591	512
Depreciation and amortization ("D&A")	2,224	1,889	4,485	3,567
Property tax	394	317	779	611
Insurance	99	69	197	131
Land lease	-	245	-	480
Other operating expenses	226	163	407	238
Total operating expenses	3,578	3,268	7,153	6,062

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		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
Salaries and benefits	232	519	538	987
Board of Directors' fees	68	66	136	135
Share-based payments	65	193	89	381
Professional fees	496	195	776	331
Listing and marketing	87	112	147	185
D&A	38	40	70	80
Office lease	72	73	144	153
Office, travel and other	96	108	209	192
Total general and administrative expenses	1,154	1,306	2,109	2,444

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

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Expressed in US\$'000 unless otherwise stated

8. Finance Income and Costs

	Three months ended		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
Finance income:				
Foreign exchange gain	-	1,427	296	798
Other finance income	-	5	-	5
Total finance income	-	1,432	296	803
Finance costs:				
Credit facilities and non-recourse loans	567	491	1,041	1,010
Interest rate swap contracts	359	332	735	674
Corporate bond	666	926	1,371	1,732
Credit facility with non-controlling interest	61	63	118	119
Amortization of transaction costs	123	154	230	268
Corporate bond call option	-	37	-	118
Ineffective portion cash flow hedges	-	-	72	-
Foreign exchange loss	386	-	-	-
Other finance costs	436	104	496	160
Total finance costs before deducting amounts capitalized	2,598	2,107	4,063	4,081
Amounts capitalized on qualifying assets	(95)	(46)	(95)	(151)
Total finance costs	2,503	2,061	3,968	3,930
Net finance costs	2,503	629	3,672	3,127

The Group has four floating-rate credit facilities outstanding associated with its operating solar power projects in Japan. These credit facilities are hedged using interest rate swap contracts. Refer to [Note 17](#) and [Note 18](#) 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.

9. Income Taxes

(a) Income Tax Expense

	Three months ended		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
Current income tax expense:				
Corporate income tax	(663)	(341)	(832)	(571)
Deferred income tax	(167)	(101)	(498)	(166)
Total income tax expense	(830)	(442)	(1,330)	(737)

During the three and six months ended June 30, 2019, the Group recognized an income tax expense of \$0.1 million and \$0.2 million, respectively (2018: \$0.1 million and \$0.2 million) associated with its solar power projects in Japan and an income tax expense of \$0.5 million and \$0.6 million (2018: \$0.2 million and \$0.3 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax expense of \$0.2 million and \$0.5 million, respectively (2018: \$0.1 million and \$0.2 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

	June 30 2019	December 31 2018
Corporate income tax	786	795
Total current income tax liabilities	786	795

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10. 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		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
Total income (loss) attributable to common shareholders	164	(1,028)	(1,806)	(4,691)
Weighted average number of thousand shares outstanding	334,094	334,094	334,094	334,094
Total basic and diluted (loss) earnings per share	\$0.000	\$(0.003)	\$(0.005)	\$(0.014)

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

11. Non-Controlling Interests

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Shizukuishi Solar GK ("Shizukuishi"), Etrion Energy 1 GK ("Mito"), Etrion Energy 4 GK ("Komatsu"), Etrion Energy 5 GK ("Misawa"), all together the "Japanese entities." 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, 14.9% by HHT. Misawa is owned 60% by Etrion, 10% by HHT and 30% by Tamagawa Holdings, a Japanese real state and solar power developer. The non-controlling interest at June 30, 2019, of \$1.1 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:

	June 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	4,247	(5,355)	(1,108)	3,091	(3,856)	(765)
Mito	1,189	1,609	2,798	1,036	1,321	2,357
Misawa	1,026	771	1,797	866	903	1,769
Komatsu	620	524	1,144	2,121	(654)	1,467
Total	7,082	(2,451)	4,631	7,114	(2,286)	4,828

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

	Three months ended					
	Q2-19			Q2-18		
	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	961	809	100	742	916	121
Mito	320	346	44	338	324	43
Misawa	423	399	159	273	216	88
Komatsu	290	193	29	216	507	76
Total	1,994	1,747	332	1,569	1,963	328

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The summarized income statement for the Japanese entities including the portion allocated to NCI for the six months ended June 30, is as follows:

	Six months ended					
	Q2-19			Q2-18		
	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	2	(354)	(54)	(477)	(249)	(29)
Mito	485	440	55	486	589	78
Misawa	170	59	25	156	199	79
Komatsu	(47)	(324)	(49)	196	472	70
Total	610	(179)	(23)	361	1,011	198

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 (loss) income attributable to non-controlling interest	1	63	(7)	68	125
Other comprehensive income attributable to non-controlling interest	(45)	(6)	(41)	(56)	(148)
As at June 30, 2019	(145)	364	171	719	1,109
Interest held by third parties	13.12%	13.0%	14.9%	40.0%	

12. 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	-	362	11,797	-	9	12,168
Right of use over leased land	-	-	-	10,386	-	10,386
Reclassification from intangibles	-	-	5,287	-	-	5,287
Exchange differences	177	3,285	375	278	106	4,221
At June 30, 2019	8,226	152,776	17,459	10,664	5,230	194,355
Accumulated depreciation:						
At December 31, 2018	-	15,093	-	-	606	15,699
Depreciation	-	3,754	-	290	126	4,170
Exchange differences	-	414	-	7	14	435
At June 30, 2019	-	19,261	-	297	746	20,304
Net book value:						
At December 31, 2018	8,049	134,036	-	-	4,509	146,594
At June 30, 2019	8,226	133,515	17,459	10,367	4,484	174,051

During the three and six months ended June 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 six months ended June 30, 2019, the Group capitalized as assets under construction \$17.0 million (2018: nil) of incurred capital expenditures associated with the solar power projects in Japan. In addition, during 2019, the Group capitalized \$0.1 million (2018: nil) of borrowing costs associated with credit facilities obtained to finance the construction of the Niigata project.

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13. Intangible Assets

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At December 31, 2018	7,061	10,056	17,117
Additions	-	3,787	3,787
Reclassifications to property, plant and equipment	-	(5,287)	(5,287)
Exchange differences	155	120	275
At June 30, 2019	7,216	8,676	15,892
Accumulated amortization:			
At December 31, 2018	2,255	1,544	3,799
Amortization	321	55	376
Exchange differences	56	5	61
At June 30, 2019	2,632	1,604	4,236
Net book value:			
At December 31, 2018	4,806	8,512	13,318
At June 30, 2019	4,584	7,072	11,656

During the six months ended June 30, 2019, general and administrative expenses of \$3.8 million (2018: \$2.6 million) representing internally-generated costs of \$0.9 million (2018: \$0.6 million) and third-party costs of \$2.9 million (2018: \$2.0 million) were capitalized during the period within intangible assets as they directly related to the Group's development activities in Japan.

14. Cash and Cash Equivalents

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

	June 30 2019	December 31 2018
Unrestricted cash at parent level	5,260	9,328
Restricted cash at project level	163,192	15,399
Total	168,452	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 June 30, 2019, restricted cash included \$147.0 million associated with funds secured in June 2019 for the construction of the Niigata solar power project. [Note 17](#)

15. 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 June 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 six months ended June 30, 2019 and 2018.

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16. Share-Based Payments

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, Directors and officers. RSUs have a contractual term of approximately four years and have time-based and performance-based vesting conditions that are market and non-market based. During the three and six months ended June 30, 2019, the Group recognized share-based payment expenses of \$0.1 million and \$0.1 million, respectively (2018: \$0.2 million and \$0.4 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 June 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.

17. 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)	(4,448)	(5,926)
Accrued interest	1,419	83	928	2,430
Amortization of transaction costs	150	12	1,142	1,304
Exchange differences	(387)	750	1,908	2,271
At June 30, 2019	37,929	142,477	137,995	318,401
- Current portion	116	-	10,155	10,271
- Non-current portion	37,813	142,477	127,840	308,130

At June 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 June 2019, the Group secured long term financing for the construction of the 45 MW Niigata solar project located in the Niigata prefecture in northern 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 cost of \$5.2 million.

18. Derivative Financial Instruments

	June 30 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts	-	-
- Current portion	1,444	1,452
- Non-current portion	10,332	8,706
Total derivative financial liabilities	11,776	10,158

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 June 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 to finance income/costs.

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19. Trade, other payables and provisions

	June 30 2019	December 31 2018
Trade and other payables		
Trade payables	7,310	449
Accrued expenses	12,495	2,274
Other trade and other payables	1,381	1,274
Total trade and other payables	21,186	3,997

As at June 30, 2019, the Group's trade payables included \$2.0 million associated with invoiced construction costs of the Niigata project and transaction cost of \$5.2 million incurred during the issuance of the Niigata project bond. In addition, accrued expenses at June 30, 2019, of \$12.5 million includes \$10.0 million associated with unbilled construction costs of the Niigata solar power project.

	June 30 2019	December 31 2018
Provisions		
Leased land liability	10,251	-
Site restoration provision	5,005	4,886
Pension plan	754	745
Total provisions	16,010	5,631
- Current portion	310	-
- Non-current portion	15,700	5,631

As at June 30, 2019, the Group's provisions of \$16.0 million includes \$10.3 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.

20. Related Parties

For the purposes of preparing the Company's condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns through various trusts approximately 36% of the Company's common shares (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 six months ended June 30, 2019, and 2018, the Group entered into the following transactions with related parties:

	Three months ended		Six months ended	
	Q2-19	Q2-18	Q2-19	Q2-18
General and administrative expenses:				
Lundin Petroleum AB	7	7	14	14
Lundin SA	30	35	60	65
Finance costs:				
Lundin family:				
- Interest expense	59	11	122	21
- Transaction costs	7	1	13	2
Total transactions with related parties	103	54	209	102

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Amounts outstanding to related parties at June 30, 2019 and December 31, 2018 are as follows:

	June 30 2019	December 31 2018
Current liabilities:		
Lundin family share in corporate bond	10	9
Total current financial liabilities	10	9
Non-current financial liabilities:		
Lundin family share in corporate bond	3,361	3,303
Total non-current liabilities	3,361	3,303
Total transactions with related parties	3,371	3,312

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

21. Financial Assets and Liabilities

	June 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	3,363	-	3,363	1,544	-	1,544
Cash and cash equivalents	168,452	-	168,452	24,727	-	24,727
Total financial assets	171,815	-	171,815	26,271	-	26,271

	June 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	308,130	-	308,130	166,760	-	166,760
Derivative financial instruments	-	10,332	10,332	-	8,706	8,706
Total non-current	308,130	10,332	318,462	166,760	8,706	175,466
Current						
Trade payables	7,310	-	7,310	449	-	449
Borrowings	10,721	-	10,721	9,847	-	9,847
Derivative financial instruments	-	1,444	1,444	-	1,452	1,452
Total current	18,031	1,444	19,475	10,296	1,452	11,748
Total financial liabilities	326,161	11,776	337,937	177,056	10,158	187,214

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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 June 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 June 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 June 30, 2018 and December 31, 2018, the Group had no financial instruments classified as Level 3.

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

	June 30 2019	December 31 2018
Financial assets		
Level 1: cash and cash equivalents (including restricted cash)	168,452	24,727
Total financial assets	168,452	24,727
Financial liabilities:		
Level 2: borrowings (Project loans)	137,995	138,465
Level 2: interest rate swaps	11,776	10,158
Total financial liabilities	149,771	148,623

22. 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 was no appeal recourse. As of June 30, 2018, the Group recognized a provision for the full amount of the claim, presented under the corporate segment.

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 June 30, 2019, the Group had a contractual obligation over one year to acquire construction services in the amount of \$92.0 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.

25. Subsequent event

On July 1, 2019, Etrion charged the 45 MW Niigata project with a net development fee of approximately ¥600 million (\$5.5 million) and anticipated land lease for ¥459 million (\$4.2 million), increasing the unrestricted cash position in the same amount.