



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

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NOTICE OF NO AUDITOR

The accompanying condensed consolidated interim financial statements for Etrion Corporation for the three months ended March 31, 2013, have been prepared by management. The company's independent auditor has not performed a review of these financial statements. Readers are cautioned that these condensed consolidated interim financial statements may not be appropriate for their purposes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000

	Note	March 31 2013 \$'000	March 31 2012 \$'000
Revenue	5	8,322	10,738
Operating expenses	6	(6,811)	(5,992)
Gross profit		1,511	4,746
General and administrative expenses	7	(1,457)	(2,078)
Other(expenses)/income	8	(393)	1,403
Operating profit		(339)	4,071
Finance income	9	62	664
Finance costs	9	(7,212)	(7,484)
Net finance costs		(7,150)	(6,820)
Loss before income tax		(7,489)	(2,749)
Income tax recovery	10	2,033	448
Loss for the period		(5,456)	(2,301)
Other comprehensive gain/(loss):			
Gain/(loss) on currency translation		724	(545)
Gain/(loss) on cash flow hedges (net of tax)		2,315	(1,568)
Total other comprehensive gain/(loss)		3,039	(2,113)
Total comprehensive loss for the period		(2,417)	(4,414)
Loss attributable to:			
Owners of the parent company		(5,456)	(2,301)
Total comprehensive loss attributable to:			
Owners of the parent company		(2,417)	(4,414)
Basic and diluted loss per share	11	\$(0.03)	\$(0.01)

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT MARCH 31, 2013

UNAUDITED

Expressed in US\$'000

		March 31 2013 \$'000	December 31 2012 \$'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	12	337,009	352,208
Intangible assets	13	14,282	14,619
Available for sale investments		2,061	2,061
Deferred income tax assets		7,242	9,142
Trade and other receivables		4,049	7,136
Total non-current assets		364,643	385,166
Current assets			
Trade and other receivables		37,186	29,861
Cash and cash equivalents (including restricted cash)	14	25,701	37,750
Total current assets		62,887	67,611
Total assets		427,530	452,777
Equity			
Attributable to owners of the Company			
Share capital		33,270	33,270
Contributed surplus		10,616	10,430
Other reserves		(19,738)	(22,840)
Accumulated deficit		(41,167)	(35,506)
Total equity		(17,019)	(14,646)
Liabilities			
Non-current liabilities			
Borrowings	15	353,024	369,747
Derivative financial instruments	16	38,442	40,558
Deferred income tax liabilities		1,800	1,610
Provisions		5,417	5,600
Total non-current liabilities		398,683	417,515
Current liabilities			
Trade and other payables		5,313	6,990
Current income tax liabilities	10	544	604
Borrowings	15	30,625	30,024
Derivative financial instruments	16	6,534	9,662
Provisions		2,850	2,628
Total current liabilities		45,866	49,908
Total liabilities		444,549	467,423
Total equity and liabilities		427,530	452,777

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000

	Note	Attributable to owners of the company				Total equity \$'000
		Share capital \$'000	Contributed surplus \$'000	Other reserves \$'000	Accumulated deficit \$'000	
Balance at January 1, 2012		23,293	15,998	(9,429)	(27,300)	2,562
Comprehensive loss:						
- Loss for the period		-	-	-	(2,301)	(2,301)
- Other comprehensive loss:						
Cash flow hedges (net of tax)	9	-	-	(1,568)		(1,568)
Currency translation		-	-	(545)		(545)
Total comprehensive loss		-	-	(2,113)	(2,301)	(4,414)
Transactions with owners in their capacity as owners:						
- Share issuance		9,977	(6,065)			3,912
- Share-based payments		-	79			79
Balance at March 31, 2012		33,270	10,012	(11,542)	(29,601)	2,139
Balance at January 1, 2013		33,270	10,430	(22,840)	(35,506)	(14,646)
Comprehensive loss:						
- Loss for the period		-	-	-	(5,456)	(5,456)
- Prior period adjustment		-	-	-	(204)	(204)
- Other comprehensive loss:						
Cash flow hedges (net of tax)	9	-	-	2,378	-	2,378
Currency translation		-	-	724	-	724
Total comprehensive loss		-	-	3,102	(5,660)	(2,558)
Transactions with owners in their capacity as owners:						
- Share-based payments		-	186	-	-	186
Balance at March 31, 2013		33,270	10,616	(19,738)	(41,167)	(17,019)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000

	Note	March 31 2013 \$'000	March 31 2012 \$'000
Cash flow from operating activities:			
Loss for the period		(5,456)	(2,301)
Adjustments for:			
Depreciation and amortization	6/7	5,080	5,076
Current income tax recovery	10	(3,012)	(627)
Deferred income tax expense	10	979	179
Share-based payment expense	7	168	79
Interest expense	9	4,148	5,314
Interest expense relating to interest rate swap contracts	9	2,410	1,477
Amortization of transaction costs	9	218	213
Foreign exchange loss/(gain)	9	236	(198)
Fair value changes of derivative financial instruments	9	68	(92)
Gain on asset disposal		(17)	-
Other expenses/(income)	8/17	393	(1,403)
Increase in trade and other receivables		(2,632)	(411)
Decrease in trade and other payables		(1,581)	(2,225)
Income tax paid		(43)	-
Total cash flow from operating activities		959	5,081
Cash flow from investing activities:			
Purchases of property, plant and equipment		(41)	(111)
Disposal of property, plant and equipment		40	-
Purchases of intangible assets		(612)	-
Total cash flow used in investing activities		(613)	(111)
Cash flow from financing activities:			
Interest paid	15	(6,073)	(4,421)
Interest paid relating to interest rate swap contracts		(2,821)	(1,823)
Repayment of borrowings	15	(2,771)	(3,536)
Proceeds from borrowings	15	-	2,242
Total cash flow used in financing activities		(11,665)	(7,538)
Net decrease in cash and cash equivalents		(11,319)	(2,568)
Effect of exchange rate differences		(730)	1,090
Cash and cash equivalents (including restricted cash) at the beginning of the period		37,750	39,656
Cash and cash equivalents (including restricted cash) at the end of the period		25,701	38,178

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000 unless otherwise stated

1. GENERAL INFORMATION

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

Etrion Corporation is an independent power producer that owns and operates renewable assets.

These condensed consolidated interim financial statements are presented in US dollars ("\$"). However, since the functional currency of the Company (i.e., the primary economic environment in which the Company operates) is the Euro and the Company's primary listing is in Canada, certain financial information within the notes to these condensed consolidated interim financial statements has been presented in Euros ("€") and Canadian dollars ("CAD\$").

The Company's Board of Directors approved these condensed consolidated interim financial statements authorized for issue on May 13, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are set-out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012.

These condensed consolidated interim financial statements have been drawn up 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, 2012.

(b) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2013, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

At March 31, 2013, the Group had cash and cash equivalents of \$25.7 million (December 31, 2012: \$37.8 million) and positive working capital (i.e., current assets less current liabilities) of \$17.0 million (December 31, 2012: \$17.7 million). During the three months ended March 31, 2013, the Group incurred a net loss of \$5.5 million (2012: \$2.3 million). However, the Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of these condensed consolidated interim financial statements.

The Group's anticipated growth and development activities will depend on the Group's ability to secure additional financing (i.e., corporate debt and equity financing, non-recourse project loans or vendor financing). The Group cannot be certain that financing will be available when needed, and, as a result, the Group may be required to delay discretionary expenditures.

These condensed consolidated interim financial statements for the three months ended March 31, 2013, do not include the adjustments that would result if the Group was unable to continue as a going concern.

(c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the three months ended March 31, 2013, the Group adopted the following new standards and interpretations or amendments thereto applicable for financial periods beginning on January 1, 2013:

- **IAS 19 (revised), Employee Benefits ("IAS 19"):** The revised standard clarifies what is included in annual costs for defined benefit plans, requires actuarial gains and losses to be recognized immediately in comprehensive income and requires additional disclosures regarding the characteristics of the entity's benefit plans, amounts recognized in the financial statements, impacts on future cash flows and risks arising from the defined benefit plan. The Group assessed the full impact of IAS 19 and concluded that the adoption does not have a significant impact on the condensed consolidated interim financial statements for the three months ended March 31, 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000 unless otherwise stated

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- **IFRS 10, Consolidated Financial Statements ("IFRS 10"):** This standard builds on the existing principals by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group assessed the full impact of IFRS 10 and concluded that the adoption does not have a significant impact on the condensed consolidated interim financial statements for the three months ended March 31, 2013.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In connection with the preparation of the Company's condensed consolidated interim financial statements, the Company's management has made assumptions and estimates about future events, and applied judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the condensed consolidated interim financial statements are prepared. On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results may differ from the assumptions and estimates, and such differences could be material.

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2013, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2012.

4. SEGMENT REPORTING

The Company's management has determined the operating segments based on reports reviewed by the Board of Directors used to make strategic decisions. The Board of Directors considers reportable segments from a products and services perspective and measures performance based on earnings before interest, tax, depreciation and amortization ("EBITDA"). The Company's management has identified one reportable segment, the renewable energy segment, which includes the Group's solar power projects. Whilst the Company's management has determined that the Company has only one reportable segment, the Company has decided to disclose the additional information below as it believes that such information would be useful to the users of the financial statements.

The Group's electricity is sold to the Italian state-owned company Gestore Servizi Energetici ("GSE"). All of the Group's operating solar power projects are located in Italy.

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

	Three months ended March 31, 2013			Three months ended March 31, 2012		
	Renewable energy \$'000	Corporate and other \$'000	Total \$'000	Renewable energy \$'000	Corporate and other \$'000	Total \$'000
Revenue	8,322	-	8,322	10,738	-	10,738
Operating expenses ⁽¹⁾⁽²⁾	(1,825)	-	(1,825)	(986)	-	(986)
General and administrative expenses ⁽¹⁾⁽²⁾	(330)	(1,033)	(1,363)	(207)	(1,801)	(2,008)
Other (expenses)/income	-	(393)	(393)	-	1,403	1,403
EBITDA	6,167	(1,426)	4,741	9,545	(398)	9,147
Depreciation and amortization	(4,987)	(93)	(5,080)	(5,006)	(70)	(5,076)
Finance income	62	-	62	664	-	664
Finance costs	(5,150)	(2,062)	(7,212)	(5,634)	(1,850)	(7,484)
Loss before income tax	(3,908)	(3,581)	(7,489)	(431)	(2,318)	(2,749)
Income tax recovery	2,055	(22)	2,033	460	(12)	448
Net loss for the period	(1,853)	(3,603)	(5,456)	29	(2,330)	(2,301)

Notes:

- (1) General and administrative expenses of \$0.4 million, incurred during the three months ended March 31, 2012, relating to internally generated costs and property taxes directly attributable to the Group's renewable energy segment, were reclassified from general and administrative expenses previously allocated to the corporate segment to operating expenses associated with the Group's renewable energy segment, adjusting the amounts previously reported to be consistent with the classification of expenditure applied in 2013.
- (2) Operating expenses and general and administrative expenses shown in the table above, exclude depreciation and amortization expenses (Note 6/7).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000 unless otherwise stated

4. SEGMENT REPORTING (CONTINUED)

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

	March 31, 2013			December 31, 2012		
	Renewable energy \$'000	Corporate and other \$'000	Total \$'000	Renewable energy \$'000	Corporate and other \$'000	Total \$'000
Property, plant and equipment	336,440	569	337,009	351,577	631	352,208
Intangible assets	9,593	4,689	14,282	10,431	4,188	14,619
Available for sale investments	-	2,061	2,061	-	2,061	2,061
Cash and cash equivalents	19,981	5,720	25,701	30,824	6,926	37,750
Other assets	45,364	3,113	48,477	45,946	193	46,139
Total assets	411,378	16,152	427,530	438,778	13,999	452,777
Borrowings	307,236	76,413	383,649	319,704	80,067	399,771
Trade and other payables	2,866	2,447	5,313	2,188	4,802	6,990
Other liabilities	53,257	2,330	55,587	58,092	2,570	60,662
Total liabilities	363,359	81,190	444,549	379,984	87,439	467,423

5. REVENUE

	March 31 2013 \$'000	March 31 2012 \$'000
Feed-in tariff ("FiT") revenue	6,929	8,655
Market Price revenue	1,393	2,083
Total revenue	8,322	10,738

The Group's operating revenues arise from the sale of electricity to the electricity grid in Italy. The Italian FiT is a 20-year commitment from the government to purchase 100% of the solar production at a constant premium rate. This amount is received directly from the Italian government through the state-owned company GSE. The spot market price ("Market Price") is received in addition to the FiT, based on evacuated production (i.e., electricity produced less transmission losses).

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

6. OPERATING EXPENSES

	March 31 2013 \$'000	March 31 2012 \$'000
Operation and maintenance ("O&M") costs	755	172
Operating personnel costs	206	247
Depreciation and amortization (operating solar power projects)	4,987	5,006
Taxes (other than income)	430	148
Insurance	111	105
Land lease	53	51
Other operating expenses	269	263
Total operating expenses	6,811	5,992

O&M costs of \$0.8 million for the three months ended March 31, 2013 (2012: \$0.2 million), relate to fees paid in connection with the operation and maintenance activities of the Group's solar power projects in Italy. The Group outsources these O&M services to third parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000 unless otherwise stated

7. GENERAL AND ADMINISTRATIVE EXPENSES

	March 31 2013 \$'000	March 31 2012 \$'000
Salaries and benefits	405	983
Board of Directors fees	22	60
Share-based payment expense (non-cash item)	168	79
Corporate and professional fees	512	476
Listing, filing and marketing expenses	84	117
Office lease expenses	121	115
Depreciation and amortization (corporate assets)	93	70
Office, travel and other general and administrative expenses	52	178
Total general and administrative expenses	1,457	2,078

General and administrative expenses of \$0.6 million (2012: \$nil) representing internally-generated costs (\$0.4 million) and third-party costs (\$0.2 million) were capitalized during the period within intangible assets, as they directly related to the Group's business development activities (Note 13).

8. OTHER EXPENSES/INCOME

	March 31 2013 \$'000	March 31 2012 \$'000
Impairment related to business development activities	393	-
Exchange right (non-cash compensation)	-	(1,403)
Total other expenses/(income)	393	(1,403)

During the three months ended March 31, 2013, the Group impaired certain costs associated with its business development activities in Chile.

During the three months ended March 31, 2012, the Group recognized other income of \$1.4 million related to the 10% equity interest in the Company's subsidiary, Solar Resources Holding Sarl ("SRH"), previously held by Marco A. Northland, the Company's Chief Executive Officer and director ("Mr. Northland"), to adjust the share-based payment expense previously recognized by the Group for the portion of the performance condition not met at conversion in accordance with IFRS 2, *Share-based Payments* ("IFRS 2").

9. FINANCE INCOME AND COSTS

	March 31 2013 \$'000	March 31 2012 \$'000
Finance income:		
Changes in fair values of derivative financial instruments:		
- Interest rate swap contracts	-	422
- Ineffective portion reclassified from other comprehensive income	18	8
Foreign exchange gain	-	198
Other finance income	44	36
Total finance income	62	664
Finance costs:		
Interest rate expense:		
- Credit facilities and non-recourse loans Note 15	2,385	3,544
- Interest rate swap contracts associated with non-recourse loans	2,410	1,477
- Corporate bond Note 15/17	1,763	1,770
- Amortization of transaction costs	218	213
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income	-	79
- De-designated portion reclassified from other comprehensive income	86	259
Foreign exchange loss	236	-
Other finance costs	114	142
Total finance costs	7,212	7,484
Net finance costs	7,150	6,820

The Group has five credit facilities outstanding, that are hedged using interest rate swap contracts, which were used to finance the construction of its operating solar power projects in Italy. Refer to Note 15 and Note 16 for further details on the Group's credit facilities and derivative financial instruments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

*Expressed in US\$'000 unless otherwise stated***9. FINANCE INCOME AND COSTS (CONTINUED)**

During the three months ended March 31, 2013, the Group also recognized a net fair value gain of \$2.3 million (2012: net fair value loss of \$1.6 million), net of tax, within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

10. INCOME TAXES**(a) INCOME TAX EXPENSE**

	March 31 2013 \$'000	March 31 2012 \$'000
Current income tax recovery:		
Corporate income tax	2,359	493
Provincial income tax	653	134
Total current income tax recovery	3,012	627
Deferred income tax recovery/(expense):		
Current period	159	10
Tax benefits	(1,138)	(189)
Total deferred income tax recovery	(979)	(179)
Total income tax expense	2,033	448

During the three months ended March 31, 2013, the Group recognized an income tax recovery of \$3.0 million (2012: \$0.6 million), associated with its Italian solar power projects based on the forecasted effective tax rate expected during the year. Due to the seasonality of revenues generated from solar electricity, the Italian subsidiaries recognized taxable losses during the period.

During the three months ended March 31, 2013, the Group recognized a deferred income tax expense of \$1.0 million (2012: \$0.2 million), in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts and utilized tax losses, based on the forecasted effective tax rate expected during the year.

(b) CURRENT INCOME TAX LIABILITIES

	March 31 2013 \$'000	December 31 2012 \$'000
Corporate income tax	276	281
Provincial income tax	268	323
Total current income tax liabilities	544	604

11. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of shares outstanding during the period as follows:

	March 31 2013 \$'000	March 31 2012 \$'000
Loss attributable to owners of the Company	(5,456)	(2,301)
	Number of shares	
Weighted average number of shares outstanding	205,746,419	187,736,233
Basic and diluted loss per share⁽¹⁾	\$(0.03)	\$(0.01)

Note:

- (1) Diluted loss per share is equal to basic loss per share, as due to the losses recognized during the periods, the stock options outstanding have an anti-dilutive effect.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000 unless otherwise stated

12. PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Solar power projects \$'000	Equipment and furniture \$'000	Total \$'000
Cost:				
At December 31, 2012	13,206	380,340	1,716	395,262
Additions	-	-	41	41
Disposals	(22)	(102)	-	(124)
Exchange differences	(401)	(11,185)	(49)	(11,635)
At March 31, 2013	12,783	369,053	1,708	383,544
Accumulated depreciation:				
At December 31, 2012		42,059	995	43,054
Charge for the period	-	4,894	69	4,963
Disposals	-	(86)	-	(86)
Exchange differences	-	(1,427)	31	(1,396)
At March 31, 2013	-	45,440	1,095	46,535
Net book value:				
At December 31, 2012	13,206	338,281	721	352,208
At March 31, 2013	12,783	323,613	613	337,009

13. INTANGIBLE ASSETS

	Goodwill \$'000	Licenses and permits \$'000	Other \$'000	Total \$'000
Cost:				
At December 31, 2012	1,733	12,901	1,441	16,075
Additions	-	-	611	611
Impairment	-	-	(393)	(393)
Exchange differences	(54)	(406)	(50)	(510)
At March 31, 2013	1,679	12,495	1,609	15,783
Accumulated amortization:				
At December 31, 2012	-	1,456	-	1,456
Charge of the period	-	119	-	119
Exchange differences	-	(74)	-	(74)
At March 31, 2013	-	1,501	-	1,501
Net book value:				
At December 31, 2012	1,733	11,445	1,441	14,619
At March 31, 2013	1,679	10,994	1,609	14,282

General and administrative expenses of \$0.6 million (2012: \$nil) representing internally-generated costs (\$0.4 million) and third-party costs (\$0.2 million) were capitalized during the period within intangible assets, as they directly related to the Group's business development activities (Note 7).

During the three months ended March 31, 2013, the Group impaired certain costs associated with its business development activities (Note 8).

14. CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)

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

	March 31 2012 \$'000	December 31 2012 \$'000
Cash at banks	25,701	37,750
Total	25,701	37,750

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

Expressed in US\$'000 unless otherwise stated

14. CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) (CONTINUED)

Included within cash and cash equivalents is restricted cash relating to the Group's solar power projects as follows:

	March 31 2012 \$'000	December 31 2012 \$'000
Unrestricted cash and cash equivalents	5,720	6,926
Cash and cash equivalents restricted to solar power projects	19,981	30,824
Total	25,701	37,750

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

15. BORROWINGS

	Corporate borrowings \$'000	Non-recourse project loans \$'000	Total \$'000
At January 1, 2013	80,067	319,704	399,771
Repayment of loans and interest	(3,112)	(5,732)	(8,844)
Accrued interest	1,763	2,385	4,148
Amortization of transaction costs	46	171	217
Exchange difference	(2,351)	(9,292)	(11,643)
At March 31, 2013	76,413	307,236	383,649
- Current portion	-	30,625	30,625
- Non-current portion	76,413	276,611	353,024

At March 31, 2013 and December 31, 2012, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings and non-recourse project loans.

(a) CORPORATE BORROWINGS

At March 31, 2013, the Group had €60 million of corporate bonds outstanding in the Norwegian bond market issued by the Company in April 2011 at 9% annual interest with a 4-year maturity. At March 31, 2013, the amount outstanding, including accrued interest and net of transaction costs, was \$76.4 million (December 31, 2012: \$80.1 million).

(b) NON-RECOURSE PROJECT LOANS

The non-recourse project loans (i.e., facilities to which the lending bank is only entitled to the assets from the associated project) held by the Group's Italian subsidiaries, obtained to finance the construction of the Group's solar power projects, mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin, ranging from 2.22% to 2.75%. In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets (i.e., solar power projects and land) associated with the solar power projects financed by these facilities. Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the GSE and local utilities (Enel S.p.A. and Terna S.p.A.) and the proceeds from the collection of input VAT accumulated for construction costs.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31 2013 \$'000	December 31 2012 \$'000
Derivative financial liabilities:		
Interest rate swap contracts (cash flow hedges)		
- Current portion	6,534	9,662
- Non-current portion	38,442	40,558
Total derivative financial liabilities	44,976	50,220

The Group enters into interest rate swap contracts in order to hedge the risk of variations on the Group's cash flows as a result of floating interest rates on its non-recourse project loans. At March 31, 2013 and December 31, 2012, the Group had seven derivative financial instruments that qualified for hedge accounting and no derivative financial instruments classified at fair value through profit and loss. Refer to **Note 9** for further details relating to fair value movements recognized during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

*Expressed in US\$'000 unless otherwise stated***17. RELATED PARTIES**

For the purposes of preparing the Company's consolidated 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, held through various trusts, which collectively own approximately 24.5% of the Company.

(a) RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2013 and 2012, the Group entered into the following transactions with related parties:

	March 31 2012 \$'000	March 31 2012 \$'000
General and administrative expenses:		
Lundin Services BV	10	1
Finance costs:		
Lundin Services BV:		
- Interest expense associated with corporate bond	223	224
- Transaction costs associated with corporate bond	6	5
Lundin family:		
- Interest expense associated with corporate bond	441	442
- Transaction costs associated with corporate bond	12	11
Total transactions with related parties	692	683

At March 31, 2013, and December 31, 2012, the amounts outstanding to related parties were as follows:

	March 31 2013 \$'000	December 31 2012 \$'000
Current liabilities:		
Lundin family (short-term bridge loan)	-	1,500
Lundin Services BV:		
- General and administrative expenses	2	-
- Participation in corporate bond	-	180
Lundin family (participation in corporate bond)	-	356
Total current liabilities	2	2,036
Non-current liabilities:		
Lundin Services BV (participation in corporate bond)	9,679	9,945
Lundin family (participation in corporate bond)	19,103	19,628
Total non-current liabilities	28,782	29,573
Total amounts outstanding to related parties	28,784	31,609

There were no amounts outstanding from related parties at March 31, 2013, or December 31, 2012.

Lundin Services BV

The Group receives technical and legal services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. The Chief Executive Officer of Lundin Petroleum AB is a Director of the Company.

At March 31, 2013, Lundin Services BV held €7.6 million (December 31, 2012: €7.6 million) of the corporate bonds issued by the Company in April 2011 at 9% annual interest with a 4-year maturity.

Lundin family

At March 31, 2013, the Lundin family held €15 million of the corporate bonds issued by the Company in April 2011 at 9% annual interest with a 4-year maturity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

UNAUDITED

*Expressed in US\$'000 unless otherwise stated***17. RELATED PARTIES (CONTINUED)****(b) KEY MANAGEMENT PERSONNEL**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management of the Group includes members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. The remuneration of key management personnel was as follows:

	March 31 2013 \$'000	March 31 2012 \$'000
Salaries and short-term benefits	195	216
Pension costs	32	37
Board of Directors (non-executive directors)	22	60
Share-based payment	86	37
Total remuneration of key management personnel	335	350

The amounts outstanding to key management personnel were as follows:

	March 31 2013 \$'000	December 31 2012 \$'000
Board of Directors (non-executive directors)	6	60
Other (bonus payable and pension costs payable)	-	278
Total amounts outstanding to key management personnel	6	338

There were no amounts outstanding from key management personnel at March 31, 2013, or December 31, 2012.

Mr. Northland's exchange right

Upon the acquisition of a 90% equity interest in SRH in September 2009, the Company entered into a shareholders' agreement with Mr. Northland, who then held the remaining 10% equity interest in SRH. The agreement provided Mr. Northland with the right to convert such interest in SRH for an equivalent fair value of shares in the Company with a guaranteed floor on the transaction of €4 million. On March 30, 2012, Mr. Northland exercised his right, and, as a result, 18,210,299 common shares of the Company were issued to Mr. Northland. As a result, the Company now owns 100% of SRH.

Following the conversion, an adjustment was made to release the previously recognized financial liability and contributed surplus of \$5.3 million and \$4.7 million, respectively, increasing the Group's share capital by \$10 million. In addition, the Group recognized other income of \$1.4 million during the three months ended March 31, 2012, to adjust the share-based payment expense previously recognized by the Group for the portion of the performance condition not met at conversion in accordance with IFRS 2.