CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2014

UNAUDITED

CONTENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2014

UNAUDITED

Expressed in US$'000

	Note	March 31 2014 $'000	March 31 2013 $'000
Revenue	5	8,367	8,322
Operating expenses	6	(7,499)	(6,811)
Gross profit		**868**	**1,511**
General and administrative expenses	7	(2,367)	(1,457)
Other expenses		-	(393)
Operating loss		**(1,499)**	**(339)**
Finance income	8	148	62
Finance costs	8	(9,234)	(7,212)
Net finance costs		**(9,086)**	**(7,150)**
Loss before income tax		**(10,585)**	**(7,489)**
Income tax recovery	9	2,377	2,033
Loss for the period		**(8,208)**	**(5,456)**
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit and loss			
Gain on currency translation		931	724
(Loss)/gain on cash flow hedges (net of tax)		(3,676)	2,315
Total other comprehensive (loss)/income		**(2,745)**	**3,039**
Total comprehensive loss for the period		**(10,953)**	**(2,417)**
Loss attributable to:			
Owners of the Company		(8,204)	(5,456)
Non-controlling interest	11	(4)	-
Total comprehensive loss attributable to:			
Owners of the Company		(10,949)	(2,417)
Non-controlling interest	11	(4)	-
Basic and diluted loss per share	10	**$(0.03)**	**$(0.03)**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT MARCH 31, 2014

UNAUDITED

Expressed in US$'000

	Note	March 31 2014 $'000	December 31 2013 $'000
Assets			
Non-current assets			
Property, plant and equipment	12	356,534	357,644
Intangible assets	13	32,894	31,446
Deferred income tax assets		9,714	8,856
Trade and other receivables		6,970	3,464
Total non-current assets		**406,112**	**401,410**
Current assets			
Trade and other receivables		36,486	21,927
Derivative financial instruments		827	-
Cash and cash equivalents (including restricted cash)	14	124,060	94,914
Total current assets		**161,373**	**116,841**
Total assets		**567,485**	**518,251**
Equity			
Attributable to owners of the Company			
Share capital	15	111,221	34,879
Contributed surplus		10,628	10,573
Other reserves		(14,494)	(11,981)
Accumulated deficit		(53,969)	(45,765)
Total attributable to owners of the Company		**53,386**	**(12,294)**
Non-controlling interest	11	**952**	**956**
Total equity		**54,338**	**(11,338)**
Liabilities			
Non-current liabilities			
Borrowings	17	333,896	417,432
Derivative financial instruments	18	32,709	27,019
Deferred income tax liabilities		1,966	2,316
Provisions		4,230	4,195
Other liabilities		9,354	9,247
Total non-current liabilities		**382,155**	**460,209**
Current liabilities			
Trade and other payables		15,505	35,360
Current tax liabilities		705	757
Borrowings	17	102,287	21,152
Derivative financial instruments	18	9,399	9,110
Provisions		1,261	1,166
Other liabilities		1,835	1,835
Total current liabilities		**130,992**	**69,380**
Total liabilities		**513,147**	**529,589**
Total equity and liabilities		**567,485**	**518,251**

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, 2014

UNAUDITED

Expressed in US$'000

		Attributable to owners of the Company						
	Note	Share capital $'000	Contributed surplus $'000	Other reserves $'000	Accumulated deficit $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance at January 1, 2013		**33,270**	**10,430**	**(22,840)**	**(35,506)**	**(14,646)**	**-**	**(14,646)**
Comprehensive loss:								
- Loss for the period		-	-	-	(5,456)	(5,456)	-	(5,456)
- Prior period adjustment		-	-	-	(204)	(204)	-	(204)
- Other comprehensive loss:								
Cash flow hedges (net of tax)	8	-	-	2,378	-	2,378	-	2,378
Currency translation		-	-	724	-	724	-	724
Total comprehensive loss		**-**	**-**	**3,102**	**(5,660)**	**(2,558)**	**-**	**(2,558)**
Transactions with owners in their capacity as owners:								
- Share-based payments		-	186	-	-	186	-	186
Balance at March 31, 2013		**33,270**	**10,616**	**(19,738)**	**(41,166)**	**(17,018)**	**-**	**(17,018)**
Balance at January 1, 2014		**34,879**	**10,573**	**(11,981)**	**(45,765)**	**(12,294)**	**956**	**(11,338)**
Comprehensive loss:								
- Loss for the period		-	-	-	(8,204)	(8,204)	(4)	(8,208)
- Other comprehensive gain/(loss):								
Cash flow hedges (net of tax)	8	-	-	(3,617)	-	(3,617)	-	(3,617)
Currency translation		-	-	931	-	931	-	931
Total comprehensive loss		**-**	**-**	**(2,686)**	**(8,204)**	**(10,890)**	**(4)**	**(10,894)**
Transactions with owners in their capacity as owners:								
- Share issuance	15	76,280	-	-	-	76,280	-	76,280
- Stock options exercised	16	62	(24)	-	-	38	-	38
- Share-based payments		-	79	-	-	79	-	79
- Written call option		-	-	173	-	173	-	173
Balance at March 31, 2014		**111,221**	**10,628**	**(14,494)**	**(53,969)**	**53,386**	**952**	**54,338**

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, 2014

UNAUDITED

Expressed in US$'000

	Note	March 31 2014 $'000	March 31 2013 $'000
Cash flow from operating activities:			
Loss for the period		**(8,208)**	**(5,456)**
Adjustments for:			
Depreciation and amortization	6/7	5,272	5,080
Current income tax expense	9	3,075	(3,012)
Deferred income tax recovery	9	(698)	979
Share-based payment expense	7/16	67	168
Interest expense	8	4,095	4,148
Interest expense relating to interest rate swap contracts	8	2,440	2,410
Amortization of transaction costs	8	230	218
Foreign exchange (gain)/loss	8	970	236
Fair value changes associated with derivative financial instruments	8	1,184	68
Gain on assets disposal		-	(17)
Other expenses		-	393
Decrease in trade and other receivables		(21,730)	(2,632)
(Decrease)/increase in trade and other payables		(1,104)	(1,581)
Income tax paid		-	(43)
Total cash flow (used in)/from operating activities		**(14,407)**	**959**
Cash flow from investing activities:			
Purchases of property, plant and equipment		(2,198)	(41)
Disposal of property, plant and equipment		-	40
Purchases of intangible assets		(1,568)	(612)
Total cash flow used in investing activities		**(3,766)**	**(613)**
Cash flow from financing activities:			
Interest paid	17	(2,719)	(6,073)
Interest paid relating to interest rate swap contracts		(3,039)	(2,821)
Repayment of borrowings	17	(7,340)	(2,771)
Proceeds from borrowings	17	2,343	-
Repayment of Lundin loan facility	19	(18,394)	-
Proceeds from stock-options exercised	16	38	-
Proceeds from the issuance of shares	15	76,280	-
Total cash flow from/(used in) financing activities		**47,169**	**(11,665)**
Net increase/(decrease) in cash and cash equivalents		**28,996**	**(11,319)**
Effect of foreign exchange rate differences		150	(730)
Cash and cash equivalents (including restricted cash) at the beginning of the year		94,914	37,750
Cash and cash equivalents (including restricted cash) at the end of the year		**124,060**	**25,701**

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

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 1600-925 West Georgia St, Vancouver, British Columbia V62 3L2, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden under the same ticker symbol, "ETX".

Etrion Corporation is an independent power producer that owns and operates solar power generation plants.

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

The Company's Board of Directors approved these condensed consolidated interim financial statements for issue on May 8, 2014.

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, 2013.

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, 2013.

(b) GOING CONCERN

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2014 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, 2014, the Group had cash and cash equivalents of $124.1 million (December 31, 2013: $94.9 million) and positive working capital (i.e., current assets less current liabilities) of $30.4 million (December 31, 2013: $47.5 million). During the three months ended March 31, 2014, the Group incurred a net loss of $8.2 million (2013: $5.5 million).

In January 2014, Etrion completed a private placement transaction that exceeded management expectations and raised gross proceeds of approximately $80 million (the "Equity Financing"). In addition, in April 2014, Etrion issued new secured bonds for €80 million (the Bond "Financing"). The existing €60 million bonds will be redeemed with the proceeds from the Bond Financing on May 19, 2014, resulting in net proceeds (excluding transaction costs) of approximately €20 million for the Company from the refinancing. Note 21

Accordingly, the Group has secured financing for its anticipated growth and development activities.

These condensed consolidated interim financial statements for the three months ended March 31, 2014, 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

During the three months ended March 31, 2014, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2014.

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, 2014 from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2013.

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. While 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 this information is useful for readers of the consolidated financial statements.

The Group's electricity is sold to the Italian state-owned company Gestore Servizi Energetici ("GSE"). At March 31, 2014 and 2013, all of the Group's operating solar power projects were located in Italy.

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

	Three months ended March 31, 2014			**Three months ended March 31, 2013**		
	Renewable energy $'000	**Corporate and other $'000**	**Total $'000**	**Renewable energy $'000**	**Corporate and other $'000**	**Total $'000**
Revenue	**8,367**	**-**	**8,367**	**8,322**	**-**	**8,322**
Operating expenses[(1)]	(2,316)	-	(2,316)	(1,825)	-	(1,825)
General and administrative expenses[(1)]	(311)	(1,967)	(2,278)	(330)	(1,033)	(1,363)
Other expenses	-	-	-	-	(393)	(393)
EBITDA	**5,740**	**(1,967)**	**3,773**	**6,167**	**(1,426)**	**4,741**
Depreciation and amortization	(5,183)	(89)	(5,272)	(4,987)	(93)	(5,080)
Finance income	143	5	148	62	-	62
Finance costs	(6,180)	(3,054)	(9,234)	(5,150)	(2,062)	(7,212)
Loss before income tax	**(5,480)**	**(5,105)**	**(10,585)**	**(3,908)**	**(3,581)**	**(7,489)**
Income tax recovery	2,440	(63)	2,377	2,055	(22)	2,033
Net loss for the period	**(3,040)**	**(5,168)**	**(8,208)**	**(1,853)**	**(3,603)**	**(5,456)**

Notes:

(1) Operating expenses and general and administrative expenses shown in the table above exclude depreciation and amortization expenses (**Note 6/7**).

4. SEGMENT REPORTING (CONTINUED)

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

	March 31, 2014			December 31, 2013		
	Renewable energy $'000	Corporate and other $'000	Total $'000	Renewable energy $'000	Corporate and other $'000	Total $'000
Property, plant and equipment	356,283	251	356,534	357,413	231	357,644
Intangible assets	25,918	6,976	32,894	26,009	5,437	31,446
Cash and cash equivalents	55,940	68,120	124,060	86,403	8,511	94,914
Other assets	48,945	5,052	53,997	27,433	6,814	34,247
Total assets	**487,086**	**80,399**	**567,485**	**497,258**	**20,993**	**518,251**
Borrowings	349,520	86,663	436,183	354,634	83,950	438,584
Trade and other payables	10,572	4,933	15,505	10,712	24,648	35,360
Other liabilities	60,022	1,437	61,459	54,180	1,616	55,796
Total liabilities	**420,114**	**93,033**	**513,147**	**419,526**	**110,214**	**529,740**

5. REVENUE

	March 31 2014 $'000	March 31 2013 $'000
Feed-in tariff ("FiT") revenue	7,409	6,929
Market Price revenue	958	1,393
Total revenue	**8,367**	**8,322**

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 2014 $'000	March 31 2013 $'000
Operation and maintenance ("O&M") costs	919	755
Operating personnel costs	238	206
Depreciation and amortization (operating solar power projects)	5,183	4,987
Taxes (other than income)	485	430
Insurance	97	111
Land lease	55	53
Other operating expenses	522	269
Total operating expenses	**7,499**	**6,811**

O&M costs of $0.9 million for the three months ended March 31, 2014 (2013: $0.8 million) relate to fees and expenses incurred 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.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	March 31 2014 $'000	March 31 2013 $'000
Salaries and benefits	1,050	405
Board of Directors fees	30	22
Share-based payment expense (non-cash item)	67	168
Corporate and professional fees	596	512
Listing, filing and marketing expenses	121	84
Office lease expenses	123	121
Depreciation and amortization (corporate assets)	89	93
Office, travel and other general and administrative expenses	291	52
Total general and administrative expenses	**2,367**	**1,457**

General and administrative expenses of $1.6 million (2013: $0.6), representing internally-generated costs ($0.6 million) and third-party costs ($1.0 million), were capitalized during the period within intangible assets, as they directly related to the Group's business development activities. Note 13

8. FINANCE INCOME AND COSTS

	March 31 2014 $'000	March 31 2013 $'000
Finance income:		
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income	113	18
Other finance income	35	44
Total finance income	**148**	**62**
Finance costs:		
Interest expense:		
- Credit facilities and non-recourse loans Note 17	3,231	2,385
- Interest rate swap contracts associated with non-recourse loans	2,440	2,410
- Corporate bond Note 17/21	1,828	1,763
- Credit facility with related party (Lundin family) Note 19	181	-
- Credit facilities with non-controlling interests	137	-
- Amortization of transaction costs	262	218
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income	1,034	-
- De-designated portion reclassified from other comprehensive income	90	86
Written call option over shares in subsidiary	173	-
Foreign exchange loss	970	236
Other finance costs	201	114
Total finance costs before deducting amounts capitalized	**10,547**	**7,212**
Amounts capitalized on qualifying assets	(1,313)	-
Total finance costs	**9,234**	**7,212**
Net finance costs	**9,086**	**7,150**

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 17 and Note 18 for further details on the Group's credit facilities and derivative financial instruments.

The Group has also entered into credit facilities in order to finance the construction of its solar power plants in Chile. Applicable borrowings costs has been capitalized as assets under construction within property, plant and equipment. Note 12

During the three months ended March 31, 2014, the Group also recognized a net fair value loss of $3.7 million (2013: net fair value gain of $2.3 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

9. INCOME TAXES

(a) INCOME TAX EXPENSE

	March 31 2014 $'000	March 31 2013 $'000
Current income tax recovery:		
Corporate income tax	2,415	2,359
Provincial income tax	660	653
Total current income tax recovery	**3,075**	**3,012**
Deferred income tax expense:		
Current period	349	159
Tax benefits	(1,047)	(1,138)
Total deferred income tax expense	**(698)**	**(979)**
Total income tax recovery	**2,377**	**2,033**

During the three months ended March 31, 2014, the Group recognized current income tax recovery of $3.1 million (2013: $3.0 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 first quarter of 2014, the incremental tax associated with the Robin Hood tax legislation was reduced from 10.5% to 6.5%, reducing the corporate income tax rate from 38% to 34% for 2014 and beyond for the solar projects affected by this additional tax. This tax rate is applicable to five of the Group's operating solar projects in Italy.

During the three months ended March 31, 2014, the Group recognized a deferred income tax expense of $0.7 million (2013: $1.0 million) in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

(b) CURRENT INCOME TAX LIABILITIES

	March 31 2014 $'000	December 31 2013 $'000
Corporate income tax	654	654
Provincial income tax	51	103
Total current income tax liabilities	**705**	**757**

10. 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 2014 $'000	March 31 2013 $'000
Loss attributable to owners of the Company	(8,204)	(5,456)
	Number of shares	
Weighted average number of shares outstanding	293,692,951	205,746,419
Basic and diluted loss per share[(1)]	**$(0.03)**	**$(0.03)**

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.

11. NON-CONTROLLING INTERESTS

Below is the summarized financial information of PV Salvador Spa ("Salvador"), the Group's only subsidiary that includes a material non-controlling interest. Salvador is a Chilean entity that owns the licenses and permits to build and operate a 70 megawatt solar power plant in northern Chile ("Project Salvador"). Salvador is initially 70% owned by Etrion, 20% by Total Energie developpement ("Total Energie") and 10% by Solventus Chile Spa ("Solventus").

Summarized balance sheet	**March 31 2014 $'000**	**December 31 2013 $'000**
Current		
Assets	49,783	55,138
Liabilities	7,779	8,292
Total current net assets	**42,004**	**46,846**
Non-Current		
Assets	30,486	22,826
Liabilities	69,314	66,484
Total non-current net assets	**(38,828)**	**(43,658)**
Net assets	**3,176**	**3,188**

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of Salvador, other than those imposed by the lending bank related to cash distributions.

Summarized income statement	**2014 $'000**
Loss before income tax	(12)
After tax net loss	(12)
Total comprehensive loss	**(12)**
Total comprehensive loss allocated to non-controlling interest	**(4)**

12. PROPERTY, PLANT AND EQUIPMENT

	Land $'000	**Solar power projects $'000**	**Assets under construction $'000**	**Equipment and furniture $'000**	**Total $'000**
Cost:					
At December 31, 2013	**13,755**	**399,044**	**7,705**	**1,479**	**421,983**
Additions	-	-	4,210	39	4,249
Exchange differences	(3)	(255)	-	-	(258)
At March 31, 2014	**13,752**	**398,789**	**11,915**	**1,518**	**425,974**
Accumulated depreciation:					
At December 31, 2013	**-**	**63,232**	**-**	**1,107**	**64,339**
Charge for the period	-	5,047	-	67	5,114
Exchange differences	-	(13)	-	-	(13)
At March 31, 2014	**-**	**68,266**	**-**	**1,174**	**69,440**
Net book value:					
At December 31, 2013	13,755	335,812	7,705	372	357,644
At March 31, 2014	13,752	330,523	11,915	344	356,534

During the first quarter of 2014, the Group's assets under construction increased by $2.9 million based on the percentage of work completed on Project Salvador in Chile, with the difference against the contractor's invoicing recognized as prepayment expense. In addition, during the three months ended March 31, 2014, the Group capitalized $1.3 million of borrowing costs associated with credit facilities obtained to finance the construction of Project Salvador.

13. INTANGIBLE ASSETS

	Goodwill $'000	Licenses and permits $'000	Internally generated development costs and other $'000	Total $'000
Cost:				
At December 31, 2013	**1,809**	**28,370**	**3,613**	**33,792**
Additions	-	-	1,628	1,628
Exchange differences	-	(7)	(3)	(10)
At March 31, 2014	**1,809**	**28,363**	**5,238**	**35,410**
Accumulated amortization:				
At December 31, 2013	**-**	**2,150**	**196**	**2,346**
Charge of the period	-	90	80	170
At March 31, 2014	**-**	**2,240**	**276**	**2,516**
Net book value:				
At December 31, 2013	1,809	26,220	3,417	31,446
At March 31, 2014	1,809	26,123	4,962	32,894

General and administrative expenses of $1.6 million (2013: $0.6), representing internally-generated costs ($0.6 million) and third-party costs ($1.0 million), were capitalized during the period within intangible assets, as they directly related to the Group's business development activities. Note 7

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, the United States of America and Chile). The fair value of cash and cash equivalents approximates its carrying value due to short maturities.

	March 31 2014 $'000	December 31 2013 $'000
Cash at banks	124,060	94,914
Total	**124,060**	**94,914**

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

	March 31 2014 $'000	December 31 2013 $'000
Unrestricted cash and cash equivalents	68,120	8,511
Cash and cash equivalents restricted to solar power projects	55,940	86,403
Total	**124,060**	**94,914**

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 through dividend distributions. During the three months ended March 31, 2014, the unrestricted cash balance increased by approximately $60 million, and the restricted cash balance decreased by approximately $30 million, primarily due to the Equity Financing completed in January 2014 and payment of construction-related invoices associated with Project Salvador, respectively.

15. SHARE CAPITAL

The Company has authorized capital consisting of an unlimited number of common shares, of which 333,972,657 are issued and outstanding at March 31, 2014 (2013: 205,746,419). 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, if and when declared by the Board of Directors.

	Number of shares outstanding	Share capital $'000
At December 31, 2013	**209,219,086**	**34,879**
Private placement	124,633,571	76,280
Stock options exercised Note 16	120,000	62
At March 31, 2014	**333,972,657**	**111,221**

No dividends were declared during the three months ended March 31, 2014 and 2013.

In January 2014, the Company completed the Equity Financing. An aggregate of 124,633,571 new common shares were issued at a price of SEK 4.15 (approximately CAD$0.70) per share for gross proceeds of SEK 517,229,320 (approximately $80.0 million). Entities associated with the Lundin family subscribed for 28,201,571 shares or approximately 23% of the Equity Financing. As a result, the Lundin family continues to be Etrion's largest shareholder and owns approximately 24.3% of the Company's shares.

During the three months ended March 31, 2014, the Company issued 120,000 shares (2012: nil) with a fair value of CAD$0.52 (2012: nil) as a result of stock options being exercised during the period. No stock options were exercised in 2013. Note 16

16. SHARE-BASED PAYMENTS

The Company maintains an equity-settled stock option awards scheme for employees, consultants, directors and officers. All outstanding stock options have a contractual term ranging from five to ten years and generally vest over a period of three years with the exercise price set equal to the market price at the date of grant.

During the three months ended March 31, 2014, the Group recognized share-based payment expenses of $0.1 million (2013: $0.2 million) related to its stock option awards scheme. Note 7

Changes in the Company's outstanding stock options are as follows:

	Number of share options	Weighted average exercise price CAD$
At December 31, 2013	**6,190,000**	**0.49**
Exercised	(120,000)	0.35
At March 31, 2014	**6,070,000**	**0.49**
Stock options exercisable:		
At December 31, 2013	3,646,001	0.57
At March 31, 2014	3,713,999	0.58

The Company recognizes an expense within general and administrative expenses when stock options are granted to employees, consultants, directors and officers using the fair value method at the date of grant. Share-based compensation is calculated using the Black-Scholes option pricing model.

17. BORROWINGS

	Corporate borrowings $'000	Non-recourse project loans $'000	Total $'000
At January 1, 2014	**83,950**	**354,634**	**438,584**
Proceeds from loans	-	2,343	2,343
Repayment of loans and interest	-	(10,059)	(10,059)
Call option	822	-	822
Accrued interest	1,855	2,502	4,357
Amortization of transaction costs	53	255	308
Exchange difference	(17)	(155)	(172)
At March 31, 2014	**86,663**	**349,520**	**436,183**
- Current portion	86,663	15,624	102,287
- Non-current portion	-	333,896	333,896

At March 31, 2014 and December 31, 2013, 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, 2014, 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. The carrying amount of the corporate bond as at March 31, 2014, including accrued interest net of transaction costs, was $86.7 million (December 31, 2013: $83.9 million). On April 23, 2014, Etrion announced closing of the Bond Financing with the proceeds to be used to refinance the Company's existing €60 million corporate bonds, as well as for general corporate purposes. The new bonds have an annual interest rate of 8.0% and mature in April 2019. Note 18

On March 28, 2014, the Group notified the bondholders of the existing €60 million corporate bonds of its intention to redeem the bonds in full at 101% of par value, pursuant to the exercise of the 1% call option in accordance with the terms of the bonds. At March 31, 2014, the Company recognized as a current asset the $0.8 million associated with the fair value of this call option. The existing and the new corporate bonds have a minimum unrestricted cash balance covenant of €3 million.

(b) NON-RECOURSE PROJECT LOANS

Group's Italian subsidiaries

The non-recourse project loans (i.e., where the lending bank has security only over the assets of 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 1.35% to 3.1%. At March 31, 2014, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. At March 31, 2014, the Group had no undrawn amounts associated with these facilities.

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 proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

All the Italian non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at March 31, 2014 and December 31, 2013.

17. BORROWINGS (CONTINUED)

(b) NON-RECOURSE PROJECT LOANS (CONTINUED)

Group's Chilean subsidiaries

The non-recourse project loan held by the Group's Chilean subsidiary, Salvador, obtained to finance the construction of Project Salvador matures in 2033 and bears a fixed annual interest rate of 7.51%. The repayment of this facility is secured principally by the proceeds from the sale of electricity in the spot market once the solar plant is completed and operational. The loan is accounted for using the amortized costs method based on the effective interest rate. As March 31, 2014, the undrawn amounts associated with this facility amounted to $105 million. In addition, during the three months ended March 31, 2014, the Group made its first drawdown of $2.3 million from the VAT credit facility with Rabobank, a Chilean bank owned by Rabobank Group, a Dutch multinational banking and financial service company, to finance the related VAT capital disbursements of Project Salvador. As of March 31, 2014, the undrawn amounts associated with this facility amounted to $32.7 million.

The operations of the Group's solar power projects are restricted by operational and financial covenants. At March 31, 2014 and December 31, 2013, the Group was not in breach of any covenants.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31 2014 $'000	December 31 2013 $'000
Derivative financial assets:		
Call option		
- Current portion	827	-
Total derivative financial assets	827	-
Derivative financial liabilities:		
Interest rate swap contracts (cash flow hedges)		
- Current portion	9,399	9,110
- Non-current portion	32,709	27,019
Total derivative financial liabilities	**42,108**	**36,129**

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, 2014 and December 31, 2013, the Group had seven derivative financial instruments that qualified for hedge accounting. Note 8

On March 28, 2014, the Group recognized as derivative financial instruments classified at fair value through profit and loss the call option associated with the €60 million corporate bond that is being redeemed at 101% of par value. Note 21

19. RELATED PARTIES

For the purposes of preparing the Company's 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 24.3% of the common shares of the Company.

(a) RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2014 and 2013, the Group entered into the following transactions with related parties:

	March 31 2014 $'000	March 31 2013 $'000
General and administrative expenses:		
Lundin Services BV	-	10
Finance costs:		
Lundin Services BV:		
- Interest expense associated with corporate bond	232	223
- Transaction costs associated with corporate bond	7	6
Lundin family:		
- Interest expense associated with corporate bond	457	441
- Transaction costs associated with corporate bond	13	12
- Interest expense associated with Lundin bridge loan[1]	132	-
Total transactions with related parties	**841**	**692**

Note:
(1) $0.2 million of the interest expense associated with the Lundin bridge loan was capitalized within property, plant and equipment. Notes 12 and 8

At March 31, 2014, and December 31, 2013, the amounts outstanding to related parties were as follows:

	March 31 2014 $'000	December 31 2013 $'000
Current liabilities:		
Lundin family bridge loan	-	18,215
Lundin Services BV:		
- General and administrative expenses	-	5
- Participation in corporate bond	-	191
Lundin family (participation in corporate bond)	-	378
Total current liabilities	**-**	**18,789**
Non-current liabilities:		
Lundin Services BV (participation in corporate bond)	-	10,444
Lundin family (participation in corporate bond)	-	20,613
Total non-current liabilities	**-**	**31,057**
Total amounts outstanding to related parties	**-**	**49,846**

There were no amounts outstanding from related parties at March 31, 2014, or December 31, 2013.

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.

During the three months ended March 31, 2014, Lundin Services BV sold their remaining €7.6 million of the corporate bonds issued by the Company in April 2011 at 9.0% annual interest with a 4-year maturity. Lundin Services BV did not participate in or subscribe to the Bond Financing that closed in April 2014. Note 21

Lundin family

Corporate bond

During the three months ended March 31, 2014, investment companies associated the Lundin family sold their €15 million of the corporate bonds issued by the Company in April 2011 at 9.0% annual interest with a 4-year maturity. These investment companies associated with the Lundin family subscribed for €15 million of the Bond Financing that closed in April 2014. Note 21

19. RELATED PARTIES (CONTINUED)

Lundin family bridge Loan

In September 2013, the Group obtained a $42 million unsecured loan facility from Lorito Guernsey, a company affiliated with the Lundin family at an annual interest rate of 12% with a 12-month maturity in order to fund its business development activities in Chile. During 2013, $18 million was drawn under the loan facility and in January 2014 the total outstanding amount of $18.4 million, including interest, was repaid.

(a) 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 2014 $'000	March 31 2013 $'000
Salaries and short-term benefits	449	195
Pension costs	97	32
Board of Directors (non-executive directors)	31	22
Share-based payment	35	86
Total remuneration of key management personnel	**612**	**335**

The amounts outstanding to key management personnel were as follows:

	March 31 2014 $'000	December 31 2013 $'000
Board of Directors (non-executive directors)	19	-
Other (bonus payable and pension costs payable)	129	825
Total amounts outstanding to key management personnel	**148**	**825**

There were no amounts outstanding from key management personnel at March 31, 2014, or December 31, 2013.

20. COMMITMENTS

Contractual commitments

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of March 31, 2014, the Group had contractual obligations to acquire construction services in the amount of $138 million related to Project Salvador, of which 30% is being financed by the equity sponsors (including Etrion) and 70% is being financed through a non-recourse project loan.

Capital investments

In September 2013, Etrion signed a subscription and a shareholder agreement with Total Energie and Solventus to build, own and operate Project Salvador in northern Chile. The total project cost of approximately $200 million has been financed 70% through non-recourse project debt, and 30% through equity funded by Etrion, Total and Solventus, based on their respective ownership interests, resulting in a total capital commitment for Etrion of approximately $42 million. As of March 31, 2014, Etrion has contributed $15 million, and its remaining capital contribution commitment amounts to $27 million based on its initial 70% participation in the project company.

21. SUBSEQUENT EVENTS

On April 23, 2014, Etrion successfully completed the Bond Financing. The new bonds have an annual interest rate of 8.0% and a bullet maturity in April 2019. Net proceeds from the Bond Financing will be used to refinance the Company's existing €60 million corporate bonds that pay 9.0% annual interest and mature April 2015, as well as for general corporate purposes. The existing bonds have been called for redemption in accordance with their terms at a price of 101% of par plus accrued interest and will be redeemed on May 19, 2014.