



Q217

ETRION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND SIX MONTHS ENDED JUNE 30, 2017

Etrion is an independent power producer that develops, builds, owns and operates utility-scale solar power generation plants.



Shizukuishi solar power project in northern Japan

Etrion is a solar platform with a proven track record operating assets in Japan and Chile. The Company has gross installed solar capacity of 114 MW plus 13MW under construction, 45 MW of backlog projects and 200 MW of additional pipeline.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business opportunities. This MD&A, prepared as of August 7, 2017, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2017. Financial information is reported in United States dollars ("\$" or "USD"). However, certain material financial information has also been disclosed in Japanese yen ("¥") because the Company has its main business activities in Japan. The Company also owns an asset in Chile whose operations are reported in \$. Exchange rates for the relevant currency of the Group with respect to the \$ and the ¥ are as follows:

	€/¥	\$/¥
Closing rate at June 30, 2017	127.88	112.06
Closing rate at June 30, 2016	114.16	102.70
Six months average rate June 30, 2017	121.64	112.35
Six months average rate June 30, 2016	124.58	111.78

NON-IFRS FINANCIAL MEASURES AND FORWARD-LOOKING STATEMENTS

The terms "adjusted net income (loss)", earnings before interest, tax, depreciation and amortization ("EBITDA"), "Adjusted EBITDA", "solar segments EBITDA" and "adjusted operating cash flow", used throughout this MD&A, are non-IFRS measures and therefore do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures disclosed by other companies. The basis for calculation has not changed and has been applied consistently by the Company over all periods presented. Adjusted net income (loss) is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income (loss) as reconciled on page 12). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure is net income (loss) as reconciled on page 12). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance (the most comparable IFRS measure is operating cash flow as reconciled on page 12). This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information contained herein. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 20.

SECOND QUARTER 2017 HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- Advancing on the construction of the 13.2 MW¹ Komatsu project in northern Japan. The project is approximately 25% complete, on budget and on schedule, with estimated connection to the electricity grid in the second quarter of 2018.
- Connected the last two solar park sites of the Aomori solar project in Japan in July 2017, representing 4.2 MW of the 9.5 MW total planned capacity. The first two solar park sites, representing 5.3 MW of the 9.5 MW total planned capacity were connected in February 2017.
- Advanced on the development of the Kumamoto project in Japan with a total capacity of 45 MW. Project is targeted to reach financial close within 2018. The Company is also advancing the development of additional projects in Japan with a combined capacity of 200 MW. Prices for engineering, procurement, and construction (“EPC”) contracts are starting to drop, which will have a positive economic impact on projects reaching financial close in the future.
- Produced 22.3 million kilowatt-hours (“kWh”) of electricity from the Company’s 39 MW portfolio comprising 8 solar power plant sites in Japan.
- Produced 70.1 million kWh of electricity from the Company’s 70 MW solar power plant in Chile (“Project Salvador”).

FINANCIAL HIGHLIGHTS

- Generated revenues and solar segment EBITDA of \$7.0 million and \$4.0 million, respectively.
- Closed the second quarter of 2017 with a cash balance of \$62.0 million, \$40.8 million of which was unrestricted and held at the parent level, and working capital of \$46.1 million.

¹ The capacity of power plants in this document is described in approximate megawatts (“MW”) on a direct current basis, also referred to as megawatt-peak.

SECOND QUARTER 2017 HIGHLIGHTS

USD thousands (unless otherwise stated)	Three months ended		Six months ended	
	Q2-17	Q2-16 (*)	Q2-17	Q2-16 (*)
Electricity production (MWh) ²	42,467	29,520	92,389	78,252
Financial results				
Revenues	7,042	3,141	12,240	6,903
Gross profit (loss)	1,366	(1,106)	1,149	(2,376)
EBITDA	1,904	433	1,962	383
Adjusted EBITDA	2,214	70	2,839	20
Net loss from continuing operations	(6,865)	(2,871)	(14,429)	(9,699)
Net income from discontinued operations	-	4,314	-	2,595
Net (loss) income	(6,865)	1,443	(14,429)	(7,104)
Adjusted net loss	(3,441)	(516)	(7,531)	(4,116)
Cash flow				
Project cash distributions	-	-	3,342	-
Cash flow from (used in) operations	1,262	407	(1,559)	(2,312)
Adjusted operating cash flow	2,032	(483)	2,311	(377)
			June 30 2017	December 31 2016
Balance sheet				
Total assets			311,267	288,641
Operational assets			194,992	187,644
Unrestricted cash at parent level			40,769	42,286
Restricted cash at project level			21,183	18,888
Working capital			46,084	45,257
Consolidated net debt on a cash basis			256,807	225,700
Corporate net debt (cash)			4,773	(98)
* 2016 comparative figures have been restated to exclude the discontinued Italian operation				

BUSINESS REVIEW

BUSINESS OVERVIEW

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants. The Company owns and operates 114 MW of installed solar capacity in Japan and Chile. Etrion has 13 MW of solar projects under construction and several projects at different stages of development in Japan. The Company has three operational projects (ten solar park sites) and one project under construction (one solar park site) in Japan. In addition, the Company has an operating project in Chile. All operational projects in Japan benefit from revenues generated from feed-in-tariff ("FiT") power purchase agreements ("PPAs"), fixed price contracts with local utilities. The project in Chile benefits from a combination of a long term PPA contract and the spot/merchant market.

Etrion's current strategy is to focus exclusively on continuing to develop and operate solar power projects in Japan.

The Company's business model focuses on six key drivers for success: (1) stable revenues; (2) low risk jurisdictions; (3) strategic partnerships; (4) low equipment cost and operating expenses; (5) available long-term financing; and (6) low cost of debt.

The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden. Etrion has corporate bonds listed on the Oslo Stock Exchange in Norway. Etrion is based in Miami, Florida, United States with offices in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 29 employees.

² MWH=Megawatt-hour

OPERATIONS REVIEW – THREE MONTHS ENDED JUNE 30

USD thousands (unless otherwise stated)	Q2-17			Q2-16		
	Chile	Japan	Total	Chile	Japan	Total
Operational data ⁽¹⁾						
Electricity production (MWh)	27,584	14,883	42,467	26,115	3,405	29,520
Operational performance ⁽¹⁾						
Electricity revenue						
Feed-in-Tariff	-	5,256	5,256	-	1,258	1,258
Market price	150	-	150	333	-	333
PPAs	1,319	-	1,319	1,298	-	1,298
Other utility income	317	-	317	252	-	252
Total revenues	1,786	5,256	7,042	1,883	1,258	3,141
EBITDA ⁽²⁾	48	3,949	3,997	564	969	1,533
EBITDA margin (%)	3%	75%	57%	30%	77%	49%
Net (loss) income	(3,879)	1,185	(2,694)	(3,420)	258	(3,162)

(1) Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries

(2) Refers to segment EBITDA as reconciled in the segment information section on page 10.

OPERATING PERFORMANCE

Power Production and Electricity Prices

During Q2-17, the Group produced 44% more electricity compared to the same period of 2016, due primarily to the strong performance and increased capacity in Japan, and lower curtailments in Chile.

Japanese projects

The Japanese projects produced a total of approximately 14.9 million kWh of electricity during Q2-17, more than four times the amount compared to the same period in 2016, due to the high irradiation, high performance ratio and the incremental production from the Shizukuishi and Aomori solar power projects connected in October 2016 and February 2017, respectively. In Japan, the Group received the FiT of ¥40 per kWh applicable to Mito and to the Shizukuishi solar park site and the FiT of ¥36 per kWh applicable to the first two solar park sites of the Aomori project.

Chilean project

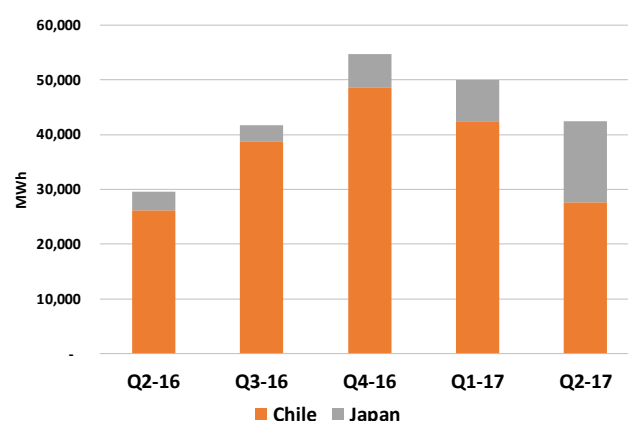
Project Salvador's production of approximately 27.6 million kWh of electricity during Q2-17 was 5.6% higher than the comparable period in 2016 due to lower curtailments. During Q2-17, approximately 13.2 million kWh were sold under the terms of a PPA that started on January 1, 2016.

In Chile, the average spot market price ("Market Price") received by the Group in Q2-17 for Project Salvador was \$0.005 per kWh (Q2-16: \$0.013 per kWh). In addition, the Group's Chilean subsidiary benefited from the approximately \$0.10 per kWh for the electricity sold under the terms of the PPA.

Historical production

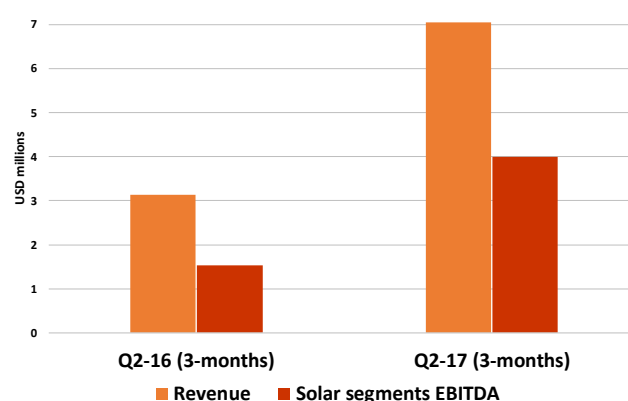
Solar-related production is subject to seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months. However, on an annual basis, solar irradiation is expected to vary less than 10% year-over-year.

The historical quarterly electricity production of the Group is shown below, including the impact of seasonality. Etrion's current solar power plants in operation are capable of producing more than 247 million kWh on an annual basis.



Revenue and project-level EBITDA

During Q2-17, the Group's revenue and project-level EBITDA more than doubled, compared to the same period in 2016, primarily due to the strong performance and incremental production in Japan, partially offset by lower Market Price in Chile.



OPERATIONS REVIEW – SIX MONTHS ENDED JUNE 30

USD thousands (unless otherwise stated)	Chile	Q2-17 Japan	Total	Chile	Q2-16 Japan	Total
Operational data ⁽¹⁾						
Electricity production (MWh)	70,060	22,329	92,389	72,095	6,157	78,252
Operational performance ⁽¹⁾						
Electricity revenue						
Feed-in-Tariff	-	7,853	7,853	-	2,216	2,216
Market price	478	-	478	1,025	-	1,025
PPAs	3,320	-	3,320	3,267	-	3,267
Other utility income	589	-	589	395	-	395
Total revenues	4,387	7,853	12,240	4,687	2,216	6,903
EBITDA ⁽²⁾	423	5,910	6,333	1,198	1,737	2,935
EBITDA margin (%)	10%	75%	52%	26%	78%	43%
Net (loss) income	(7,467)	1,220	(6,247)	(6,687)	395	(6,292)

(1) Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries

(2) Refers to segment EBITDA as reconciled in the segment information section on page 11.

OPERATING PERFORMANCE

Power Production and Electricity Prices

During the first half of 2017, the Group produced 18% more electricity compared to the same period of 2016, due primarily to the strong performance and increased capacity in Japan, partially offset by higher curtailments in Chile.

Japanese projects

The Japanese projects produced a total of approximately 22.3 million kWh of electricity during the first half of 2017, more than three times the amount compared to the same period in 2016, due to the high irradiation, high performance ratio and the incremental production from the Shizukuishi and Aomori solar power projects connected in October 2016 and February 2017, respectively. In Japan, the Group received the FiT of ¥40 per kWh applicable to Mito and to the Shizukuishi solar park site and the FiT of ¥36 per kWh applicable to the first two solar park sites of the Aomori project.

Chilean project

Project Salvador's production of approximately 70.1 million kWh of electricity during the first half of 2017 was 2.8% lower than the comparable period in 2016 due to higher curtailments. During the first half of 2017, approximately 33.2 million kWh were sold under the terms of a PPA that started on January 1, 2016 at a price of approximately \$0.10 per kWh.

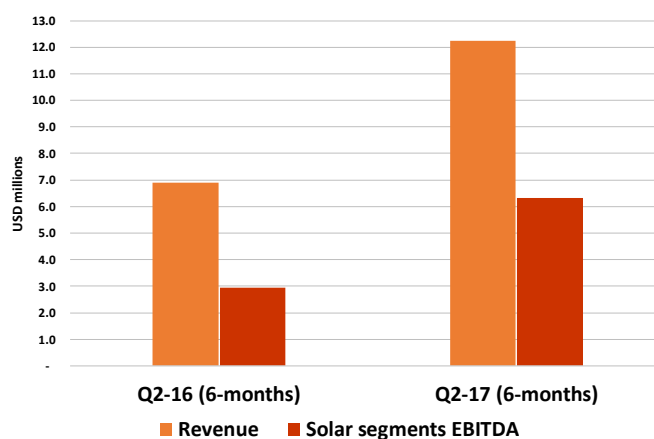
In Chile, the average spot market price ("Market Price") received by the Group during the first half of 2017 for Project Salvador was \$0.007 per kWh.

Historical production

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. However, on an annual basis, solar irradiation is expected to vary less than 10% year-over-year.

Revenue and project-level EBITDA

During the first half of 2017, the Group's revenue and project-level EBITDA increased 77% and 116%, respectively, compared to the same period in 2016, primarily due to the strong performance and incremental production in Japan, partially offset by lower Market Price and curtailments affecting the electricity produced Chile.



OPERATING PROJECTS - JAPAN

Mito

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 18 years. The Group's 87%-owned operating solar power project in Japan is shown below:



Project	Region	Sites	Gross MW	Technology	Connection date
Mito-site 1	Ibaraki	1	1.3	Fixed-tilt	Jun-2015
Mito-site 2	Ibaraki	1	1.3	Fixed-tilt	Aug-2015
Mito-site 3	Ibaraki	1	1.3	Fixed-tilt	Jul-2015
Mito-site 4	Ibaraki	1	2.7	Fixed-tilt	May-2015
Mito-site 5	Ibaraki	1	2.7	Fixed-tilt	Jun-2015
Total		5	9.3		

Mito's solar power sites in Japan are capable of producing more than 10.5 million kWh of electricity on an annual basis.

Shizukuishi

As of the date of this MD&A, the remaining PPA contract life of Shizukuishi is approximately 19.5 years. The Group's 87%-owned operating solar power project in Japan is shown below:



Project	Region	Sites	Gross MW	Technology	Connection date
Shizukuishi	Iwate	1	24.7	Fixed-tilt	Oct-2016
Total		1	24.7		

Shizukuishi's solar power plant in Japan is capable of producing approximately 25.6 million kWh of electricity per year.

Aomori



Project	Region	Sites	Gross MW	Technology	Connection date
Aomori	Tohoku	3-4	5.3	Fixed-tilt	Feb-2017
Aomori	Tohoku	1-2	4.2	Fixed-tilt	Jul-2017
Total		4	9.5		

Aomori is a 9.5 MW utility-scale solar photovoltaic power plant under construction, located in Misawa city in the Aomori prefecture of the Tohoku region in Japan. The project consists of four sites. Construction-related works began in July 2016, and the first two sites of the Aomori solar project totaling 5.3 MW were connected to the grid and started recognizing revenues as of the end of February 2017. In July, 2017, the Company connected the remaining two solar park sites of the Group's Aomori solar project in Japan, representing 4.2 MW of the 9.5 MW total planned capacity. Aomori is expected to produce approximately 10.7 million kWh of solar electricity per year.

OPERATING PROJECT - CHILE

As of the date of this MD&A, the remaining PPA contract life for 70 GWh per annum of Project Salvador's electricity production is approximately 14 years. The Group's 70%-owned operating solar power project in Chile is shown below:



Project	Region	Sites	Gross MW	Technology	Connection date
Salvador	Atacama	1	70	Single axis	Nov-14
Total		1	70		

Etrion's solar power plant in Chile is capable of producing more than 200 million kWh of electricity on an annual basis.

DEVELOPMENT ACTIVITIES

PROJECTS UNDER CONSTRUCTION - JAPAN

Etrion is actively pursuing renewable energy projects in Japan, due to the attractive solar FiT program and low financing costs. Japan is one of the largest solar PV markets in the world with over 31 gigawatts ("GW") of installed capacity by the end of 2016. This is expected to reach 52 GW by the end of 2019.³ Etrion is currently allocating substantially all of its resources and management to further develop this market.

Komatsu



Project	Region	Sites	Gross MW	Technology	Expected Connection date
Komatsu	Honsu	1	13.2	Fixed-tilt	July-2018
Total		1	13.2		

Komatsu is a 13.2 MW utility-scale solar photovoltaic power plant under construction, located in the Ishikawa prefecture of the Honsu region in Japan. Construction-related works began in the first quarter of 2017, and the solar project is expected to be fully operational by the second quarter of 2018. Once operational, Komatsu is expected to produce approximately 14.2 million kWh of solar electricity per year.

Etrion has charged the Komatsu project with a net development fee of approximately ¥239 million (\$2.0 million).

PROJECTS UNDER DEVELOPMENT - JAPAN

Etrion is reviewing a large pipeline of opportunities in different stages of development and is in different stages of negotiation with third parties. The most advanced project totaling 45 MW, listed in the table below as backlog, is expected to be shovel-ready within the next 12-18 months. Changes (if any) to previously disclosed project size and details are due to optimizations during the development process. Final size and economics are only confirmed when financial close is reached. Etrion expects to own between 85%-100% in these projects, with Hitachi-High-Tech ("HHT") and/or local development partners owning the remainder.

Project	Region	Sites	MW	Technology
Kumamoto	South	1	45	Fixed-tilt
Total backlog		1	45	
Brownfield 1	Central	1	55	Fixed-tilt
Brownfield 2	Central	1	45	Fixed-tilt
Greenfield 1	Central	1	50	Fixed-tilt
Other early stage			50	Fixed-tilt
Total early stage			200	
Total pipeline			245	

Japanese backlog

Kumamoto is a 45 MW solar project in southern Japan with the FiT secured and a portion of the land contracts signed by the developers and land owners. Etrion has secured exclusivity with the developer and the grid impact studies are complete. The project is expected to be shovel-ready during 2018.

Kumamoto is at an advanced development stage and while the Company believes it is likely to reach shovel-ready status, it may be delayed, scaled down or replaced by other projects within the next 12 months in order to accelerate construction or improve economic benefits to the Company.

The Company is currently in discussions with EPC contractors and in ongoing optimization activities to reduce civil and installation works. Therefore it is not providing at this time an updated estimated total project cost associated with the development and construction of the backlog project. Total project costs are expected to be financed with a minimum of 80% non-recourse project debt with the remaining equity portion to be funded by the Group and its Japanese partners.

Etrion also expects to charge this project with development fees that effectively reduce the Company's net equity contribution.

The equity needed to build this Japanese backlog project is likely to be contributed throughout the construction period, typically expended over a two year construction period, rather than at the start of construction.

Early stage pipeline

Early stage pipeline projects are those where the FiT has been secured and certain other projects development activities have also been accomplished. This could include the interconnection agreement with the utility, land acquisition, certain permits, etc. However, given the early stage nature of these projects the

³ Bloomberg New Energy Finance

Company will not provide timing status until the projects reach backlog stage. The estimated capacity disclosed for the projects below are management best estimates, however, final capacity may be adjusted based on permit restrictions, land availability and economics.

Japan Brownfield Project 1 is a 55 MW solar project in central Japan with FiT and land exclusivity secured. The project is going through a complex environment permitting process.

Japan Brownfield Project 2 is a 45 MW solar project in central Japan with FiT and land exclusivity secured. Construction contract with the utility has been signed. The project is going through the permitting and land acquisition process.

Japan Greenfield Project 1 is a potential 50 MW solar project in central Japan with land exclusivity and FiT secured. Construction contract with the utility has been signed.

Etrion is also advancing on several other projects under early stage negotiations for a minimum capacity of additional 50 MW.

PROJECTS UNDER DEVELOPMENT - CHILE

The Company has decided to stop any further development in Chile because it has concluded that current growth opportunities in Japan provide a much higher economic returns and lower market risk.

SOLAR MARKET OVERVIEW

The market for renewable energy sources, including solar, biomass, wind, hydro and bio fuels, is driven by a variety of factors, such as legislative and policy support, technology, macroeconomic conditions, pricing and environmental concerns. The overall goal for the solar energy market is to reach grid parity, whereby the price of solar energy is competitive with traditional sources of electricity, such as coal and natural gas. Solar technology cost has dropped dramatically and continues to decrease. In addition, solar energy has reached grid parity in certain parts of the world where solar irradiation and electricity prices are high. As the cost of solar technology continues to decrease, new potential markets are expected to develop in areas where solar electricity is price-competitive with other sources of energy.

Solar power plants are an important source of renewable energy. They have very low operating and maintenance costs with minimal moving parts. The technology is essentially silent, emission-free and scalable to meet multiple distributed power requirements. Energy generated from the sun consists of both energy from PV cells and energy generated from solar collectors (i.e., thermal energy or heat).

The key drivers for growth within the renewable energy sector are:

- Increasing global demand for energy due to population and economic growth combined with finite oil and gas reserves;
- Improving technologies like storage and accelerated cost reductions for renewable energy;
- Increased concern about long-term climate change and focus on reducing carbon emissions from energy generation using fossil fuels;

- Political commitment at national and regional levels to support the development and use of renewable energy sources; and
- Attractive government incentives, such as FiTs, capital subsidies and tax incentives in markets that have not yet reached grid parity.

JAPANESE MARKET

Japan is the world's third largest energy consumer and today is the second largest solar market. The use of solar power in Japan has accelerated since the Japanese FiT scheme for renewable energy was introduced in July 2012 to help offset the loss of nuclear power caused by the Fukushima disaster. This in turn led to most of the nation's 52 reactors being idled due to safety concerns. While current renewable energy usage remains low (currently 15% of total primary energy), Japan is planning to accelerate further renewable energy development. By the end of 2019, Japan is projected to have more than 52 GW of solar capacity.

On January 22, 2015, the Japanese Ministry of Economy, Trade and Industry ("METI") officially announced new rules with respect to the FiT regime. The rules apply to new projects and were designed to streamline the process between developers, METI and utilities. Projects with accepted existing grid connection are not affected. METI's main objective in announcing new rules was to address the increasing speculation from developers that have been applying for the FiT but not realizing projects, and at the same time to unblock the grid assessment applications that were put on hold by some of the utilities facing overloaded capacity.

The Act to amend the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (the "FIT Amendment Act") was promulgated on June 3, 2016. The FIT Amendment Act makes various changes to the rules for the Japanese renewable energy feed in tariff program including:

- to require certain categories of projects to commence operations within three years from 1 April 2017 (i.e. by 31 March 2020); this will likely result in reduced FiT payments periods after such three years period,
- to allow such projects to change their modules without triggering changes in the FIT rate; and
- to allow such projects to also reduce their project size by more than 20% without triggering a FIT rate reduction.

Management believes Etrion's previously communicated joint development target with HHT of reaching 100 MW shovel-ready in Japan should not be affected by the changes to the Japanese FiT regime described above, nor will the projects in operation or under construction.

CHILEAN MARKET

The energy sector in Chile is largely liberalized and privatized, which enables energy producers to enter into US dollar-denominated bilateral agreements directly with industrial clients. Chile's energy demand had been severely affected by the downturn of the natural resources sector. On the supply side, Chile has experienced an explosive growth in renewable

energy power generation over the past two years resulting in a dramatic drop in energy prices.

FINANCIAL REVIEW

FINANCIAL RESULTS

SECOND QUARTER SELECTED FINANCIAL INFORMATION

During the first half of 2017, the Group's performance and results from continuing operations were positively impacted by the incremental production of electricity in Japan. Therefore, revenue and project-level EBITDA increased in comparison with 2016. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

USD thousands (except per share data)	Three months ended		Six months ended	
	Q2-17	Q2-16	Q2-17	Q2-16
Revenue	7,042	3,141	12,240	6,903
Gross profit (loss)	1,366	(1,106)	1,149	(2,376)
Net loss from continuing operations	(6,865)	(2,871)	(14,429)	(9,699)
Net (loss) income attributable to owners of the Company	(5,865)	2,438	(12,363)	(5,150)
Basic and diluted (loss) income per share	\$(0.018)	\$0.007	\$(0.037)	\$(0.015)
Net loss from continuing operations	(6,865)	(2,871)	(14,429)	(9,699)
Adjustments to net loss for:				
Net income tax expense (recovery)	553	119	649	(793)
Impairment	-	278	-	278
Depreciation and amortization	2,937	2,815	5,588	5,609
Share-based payment expense	239	(167)	502	76
Net finance costs	5,171	(335)	10,033	4,503
Other income	(3)	(322)	(32)	(351)
Income tax paid	(48)	(880)	(586)	(880)
Changes in working capital	(722)	1,770	(3,284)	(1,055)
Operating cash flow	1,262	407	(1,559)	(2,312)

Summarized consolidated balance sheet information, prepared in accordance with IFRS, is as follows:

USD thousands	June 30 2017	December 31 2016
Non-current assets	238,640	214,290
Current assets	72,627	74,351
Total assets	311,267	288,641
Non-current liabilities	324,132	305,836
Current liabilities	26,543	29,094
Total liabilities	350,675	334,930
Net liabilities	(39,408)	(46,289)
Working capital	46,084	45,257
Dividends declared	-	-

SEGMENT INFORMATION

Management considers reportable segments from a geographical perspective and measures performance based EBITDA and reviews and monitors performance of the Group on this basis.

The Company has identified two reportable segments solar energy Chile and solar energy Japan, which include the Group's solar power projects that were previously aggregated under the renewable segment. While the Company has determined it 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 condensed consolidated interim financial statements. To ensure a consistent comparison to the new structure, the prior year segmental information has been restated.

SEGMENT INFORMATION THREE MONTHS ENDED JUNE 30

Segment consolidated financial information for the three months ended June 30, prepared in accordance with IFRS, is as follows:

USD thousands	Q2-17				Q2-16			
	Solar Chile	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	1,786	5,256	-	7,042	1,883	1,258	-	3,141
Operating expenses	(1,555)	(1,235)	-	(2,790)	(1,247)	(241)	-	(1,488)
General and administrative	(178)	(73)	(2,100)	(2,351)	(27)	(54)	(1,102)	(1,183)
Other income (expenses)	(5)	1	7	3	(45)	6	2	(37)
EBITDA	48	3,949	(2,093)	1,904	564	969	(1,100)	433
Impairment	-	-	-	-	-	-	(278)	(278)
Depreciation and amortization	(1,345)	(1,543)	(49)	(2,937)	(2,392)	(369)	(54)	(2,815)
Finance income	-	79	-	79	75	-	5,151	5,226
Finance costs	(2,582)	(897)	(1,879)	(5,358)	(3,110)	(225)	(1,983)	(5,318)
(Loss) income before income tax	(3,879)	1,588	(4,021)	(6,312)	(4,863)	375	1,736	(2,752)
Income tax (expense) recovery	-	(403)	(150)	(553)	1,443	(117)	(1,445)	(119)
Net (loss) income for the period	(3,879)	1,185	(4,171)	(6,865)	(3,420)	258	291	(2,871)

Solar Chile: During Q2-17, the Group's Chilean solar segment generated revenues of \$1.8 million and EBITDA of \$0.1 million, representing a 5% and 91% decrease, respectively, in comparison with the same period in 2016, mainly driven by lower than expected Market Price and additional transmission costs and professional fees incurred. The Group's Chilean segment generated a net loss of \$3.9 million, in comparison with the net loss result of \$3.4 million for the same period in 2016. During Q2-17 the Group's Chilean solar segment did not recognize net income tax recovery from its tax losses incurred, in comparison with the same period in 2016, due to the uncertainty regarding future taxable profits.

Solar Japan: During Q2-17, the Group's Japanese solar segment generated revenues of \$5.3 million and EBITDA of \$3.9 million, which represented a significant increase in comparison with the same period in 2016, driven by the additional production from the Shizukuishi and Aomori solar projects and production above expectations due to higher than normal irradiation and strong performance. In addition, the Group's Japanese segment generated a net income of \$1.2 million, in comparison with the net income of \$0.3 million for the same period in 2016.

Corporate: During Q2-17, the Group's corporate segment generated negative EBITDA of \$2.1 million and a net loss of \$4.2 million, respectively, mainly due to corporate general and administrative expenses and finance costs associated with the Company's corporate bond.

SEGMENT INFORMATION SIX MONTHS ENDED JUNE 30

Segment consolidated financial information for the six months ended June 30, prepared in accordance with IFRS, is as follows:

USD thousands	Q2-17				Q2-16			
	Solar Chile	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	4,387	7,853	-	12,240	4,687	2,216	-	6,903
Operating expenses	(3,744)	(1,857)	-	(5,601)	(3,386)	(393)	-	(3,779)
General and administrative	(215)	(129)	(4,365)	(4,709)	(58)	(92)	(2,573)	(2,723)
Other income (expenses)	(5)	43	(6)	32	(45)	6	21	(18)
EBITDA	423	5,910	(4,371)	1,962	1,198	1,737	(2,552)	383
Impairment	-	-	-	-	-	-	(278)	(278)
Depreciation and amortization	(2,675)	(2,817)	(96)	(5,588)	(4,786)	(715)	(108)	(5,609)
Finance income	-	91	-	91	269	-	5,339	5,608
Finance costs	(5,215)	(1,606)	(3,424)	(10,245)	(6,202)	(472)	(3,922)	(10,596)
(Loss) income before income tax	(7,467)	1,578	(7,891)	(13,780)	(9,521)	550	(1,521)	(10,492)
Income tax (expense) recovery	-	(358)	(291)	(649)	2,834	(155)	(1,886)	793
Net (loss) income for the period	(7,467)	1,220	(8,182)	(14,429)	(6,687)	395	(3,407)	(9,699)

Solar Chile: During the first half of 2017, the Group's Chilean solar segment generated revenues of \$4.4 million and EBITDA of \$0.4 million, representing a 6% and 65% decrease, respectively, in comparison with the same period in 2016, mainly driven by lower than expected Market Price, higher curtailments and additional transmission costs and professional fees incurred. The Group's Chilean segment generated a net loss of \$7.5 million, in comparison with the net loss result of \$6.7 million for the same period in 2016. During the first half of 2017 the Group's Chilean solar segment did not recognize net income tax recovery from its tax losses incurred, in comparison with the same period in 2016, due to the uncertainty regarding future taxable profits.

Solar Japan: During the first half of 2017, the Group's Japanese solar segment generated revenues of \$7.9 million and EBITDA of \$5.9 million, which represented a significant increase in comparison with the same period in 2016, driven by the additional production from the Shizukuishi and Aomori solar projects and production above expectations due to good irradiation and performance. In addition, the Group's Japanese segment generated a net income of \$1.2 million, in comparison with the net income of \$0.4 million for the same period in 2016.

Corporate: During the first half of 2017, the Group's corporate segment generated negative EBITDA of \$4.4 million and a net loss of \$8.2 million, respectively, mainly due to corporate general and administrative expenses and finance costs associated with the Company's corporate bond.

NON-GAAP PERFORMANCE MEASURES

Reconciliation of adjusted net loss to net loss	Three months ended		Six months ended	
USD thousands	Q2-17	Q2-16	Q2-17	Q2-16
Net loss from continuing operations	(6,865)	(2,871)	(14,429)	(9,699)
Adjustments for non-recurring items:				
General and administrative expenses ¹	310	(363)	488	(363)
Impairment	-	278	-	278
Write off of guarantees	-	-	389	-
Adjustments for non-cash items:				
Depreciation and amortization	2,937	2,815	5,588	5,609
Fair value movements (derivative financial instruments)	(62)	(208)	(69)	(17)
Share-based payment expense	239	(167)	502	76
Adjusted net loss	(3,441)	(516)	(7,531)	(4,116)

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended		Six months ended	
USD thousands	Q2-17	Q2-16	Q2-17	Q2-16
Operating cash flow	1,262	407	(1,559)	(2,312)
- Changes in working capital	722	(1,770)	3,284	1,055
- Income tax paid	48	880	586	880
Adjusted operating cash flow	2,032	(483)	2,311	(377)

Reconciliation of Solar segments Adjusted EBITDA to EBITDA	Three months ended		Six months ended	
USD thousands	Q2-17	Q2-16	Q2-17	Q2-16
Net loss from continuing operations	(6,865)	(2,871)	(14,429)	(9,699)
Adjustments for:				
Net income tax expense	553	119	649	(793)
Net finance costs	5,279	92	10,154	4,988
Depreciation and amortization	2,937	2,815	5,588	5,609
Impairment	-	278	-	278
EBITDA	1,904	433	1,962	383
Adjustments for non-recurring items:				
General and administrative expenses ¹	310	(363)	488	(363)
Write off deposits in guarantee	-	-	389	-
Adjusted EBITDA	2,214	70	2,839	20
Corporate G&A expenses after non-recurring items	1,783	1,463	3,494	2,915
Solar segments Adjusted EBITDA	3,997	1,533	6,333	2,935

(1) Relates to extraordinary and non-recurring marketing and professional fees.

QUARTERLY SELECTED FINANCIAL INFORMATION

Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

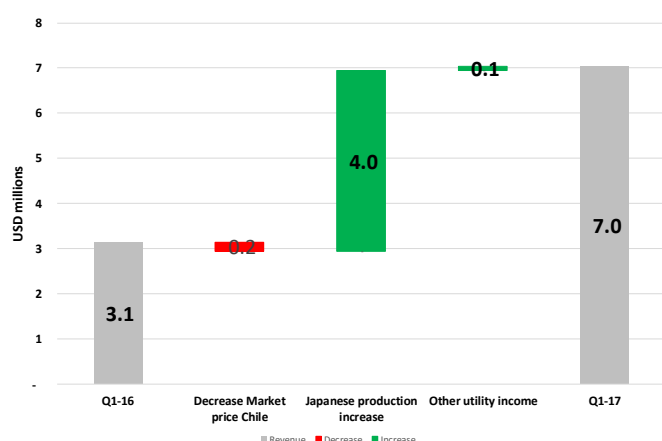
USD thousands (except per share data)	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Revenue	7,042	5,198	4,979	17,224	16,605	9,903	7,088	15,913
Net (loss) income	(6,865)	(7,564)	20,981	(88,295)	1,443	(8,547)	(1,808)	(4,389)
Net (loss) income attributable to owners of Etrion	(5,865)	(6,497)	30,070	(61,131)	2,438	(7,588)	(1,340)	(3,136)
Basic and diluted (loss) earnings per share	(0.018)	(0.019)	0.090	(0.183)	0.007	(0.023)	(0.004)	(0.009)

Solar-related production and revenues experience seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months, resulting in lower revenues in the first and fourth quarters each year. In Japan, revenues are received in Japanese yen and have been translated at the average ¥/\$ exchange rate for the corresponding period. Consequently, revenues expressed in \$ may fluctuate according to exchange rate variations. The Group's condensed consolidated interim financial statements are presented in \$, which is the Group's presentation currency. The Company's functional currency is the ¥. The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS.

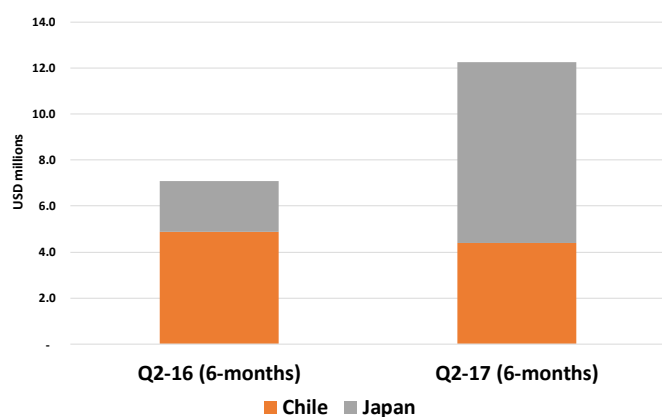
REVENUE

USD thousands	Three months ended		Six months ended	
	Q2-17	Q2-16	Q2-17	Q2-16
FiT revenue	5,256	1,258	7,853	2,216
Market Price revenue	150	333	478	1,025
PPA revenue	1,319	1,298	3,320	3,267
Other utility income	317	252	589	395
Total revenue	7,042	3,141	12,240	6,903

Revenues increased significantly by \$4.0 million during Q2-17 compared to the same period of 2016, primarily due to an overall production increase in Japan, partially offset by lower Chilean Market Price. The reconciliation of total revenue in Q2-17 versus Q2-16 is as follows:



During the first half of 2017, revenues increased significantly by \$5.3 million compared to the same period of 2016, primarily due to an overall production increase in Japan, partially offset by lower Chilean Market Price. The chart below shows the revenue comparison generated by country:



ADJUSTED CONSOLIDATED EBITDA

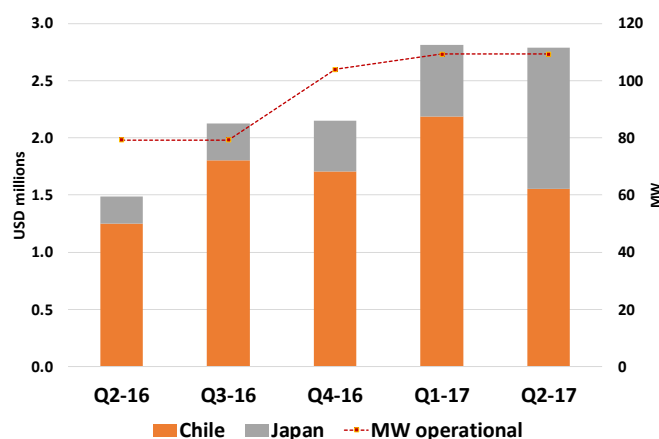
During Q2-17 and the first half of 2017, adjusted consolidated EBITDA increased compared to the same periods of 2016, mainly as a result of EBITDA being contributed by the Group's Japanese solar segment segment, partially offset by lower than expected Market Price.

OPERATING EXPENSES

USD thousands	Three months ended		Six months ended	
	Q2-17	Q2-16	Q2-17	Q2-16
O&M costs	715	601	1,389	1,197
Purchased power	523	707	1,473	1,848
Personnel costs	303	144	603	288
D&A	2,888	2,761	5,492	5,501
Property tax	480	-	511	-
Insurance	141	75	261	171
Land lease	240	48	474	94
Transmission costs	195	(256)	611	(82)
Other expenses	191	167	277	262
Total operating expenses	5,676	4,247	11,091	9,279

During Q2-17 and first half of 2017, operating expenses increased by \$1.4 million (34%) and by \$1.8 million (20%), respectively, compared to the same period of 2016, primarily due to incremental operational costs associated with the Shizukuishi and Aomori project and the increase in transmission costs in Chile.

During Q2-17 and the first half of 2017, the average nodal costs in Chile were approximately \$0.039 and \$0.044 per kWh in comparison to \$0.055 and \$0.056 per kWh in the same period of 2016. These nodal costs are expected to drop significantly once the work underway to expand the transmission capacity in the north of the SIC network is completed. This is expected to occur by early 2018. The chart below shows the historical operating expenses (before depreciation and amortization) over the last five quarters including the effect of the recently added projects in Japan.



GENERAL AND ADMINISTRATIVE EXPENSES

USD thousands	Three months ended		Six months ended	
	Q2-17	Q2-16	Q2-17	Q2-16
Salaries and benefits	781	448	1,544	1,104
Board of directors fees	37	49	74	86
Share-based payments	239	(167)	502	76
Professional fees	654	454	1,171	703
Listing and marketing	370	103	441	177
D&A	49	54	96	108
Office lease	107	105	198	219
Office, travel and other	165	193	392	360
Write-off guarantees	-	-	389	-
Total general and admin	2,402	1,239	4,807	2,833

General and administrative expenses increased by \$1.2 million (94%) during Q2-17 and by \$2.0 million (70%) during the first half of 2017, compared to the same period in 2016, primarily due to the write-off of certain deposits in guarantee associated with projects that the Company is no longer pursuing in Chile, one-time additional professional fees associated with the sale of the Italian subsidiaries and one-time marketing expenses. In addition, the Company had an increase in salaries and benefits due to a higher headcount given the expansion in Japan.

NET FINANCE COSTS

USD thousands	Three months ended		Six months ended	
	Q2-17	Q2-16	Q2-17	Q2-16
Interest project loans	3,383	2,856	6,809	5,688
Interest corporate bond	967	2,247	1,864	4,441
Fair value movements	(62)	160	(69)	351
Foreign exchange	883	(5,197)	1,429	(5,575)
Other finance costs	108	26	121	83
Net finance cost	5,279	92	10,154	4,988

During Q2-17 and the first half of 2017, net finance costs increased by \$5.2 million and by \$5.2 million, respectively, compared to the same period in 2016, mainly as a result of the recognition of foreign exchange losses, relative to the same period in 2016, when the Company recognized foreign exchange gains due to its previously Euro-denominated intercompany loans. In addition, the increase in project loan interests associated with the Shizukuishi and Aomori solar operational projects in Japan was offset by a decrease in corporate bond interest following the partial repayment executed in December 2016. During Q2-17 and the first half of 2017, the Group capitalized \$0.1 million and \$0.2 million (2016: \$0.2 million and \$0.4 million) of borrowing costs associated with credit facilities obtained to finance the construction of Aomori and Komatsu.

INCOME TAX EXPENSE

USD thousands	Three months ended		Six months ended	
	Q2-17	Q2-16	Q2-17	Q2-16
Current tax	(356)	(1,598)	(644)	(2,123)
Deferred tax	(197)	1,479	(5)	2,916
Net income tax expense	(553)	(119)	(649)	793

During Q2-17 and the first half of 2017, the Group recognized an income tax expense of \$0.2 million and \$0.4 million, respectively (2016: \$0.1 million and \$0.2 million) associated with its solar power projects in Japan and an income tax expense of \$0.1 million and \$0.2 million (2016: \$1.4 million and \$1.8 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax expense of \$0.2 million and \$5,000, respectively (2016: deferred tax recovery of \$1.5 million and \$2.9 million) primarily due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

FINANCIAL POSITION

LIQUIDITY AND FINANCING

CASH POSITION

USD thousands	June 30	December 31
	2017	2016
Cash and cash equivalents:		
Unrestricted at parent level	40,769	42,286
Restricted at project level	21,183	18,888
Total cash and cash equivalents	61,952	61,174

UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at June 30, 2017, included unrestricted cash of \$40.8 million (December 31, 2016: \$42.3 million) held at the parent level. The Group has a fully-funded portfolio of operational and under construction projects. In addition, the Group expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity, assets sales or debt financing and non-recourse project loans, as required.

RESTRICTED CASH ANALYSIS

USD thousands	June 30	December 31
	2017	2016
Chile	2,249	4,123
Japan	18,934	14,765
Total restricted cash	21,183	18,888

The Group's cash and cash equivalents at June 30, 2017, included restricted cash held at the project level in Japan and Chile that is 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, through payment of interest on shareholder loans or through dividend distributions.

WORKING CAPITAL

At June 30, 2017, the Group had working capital of \$46.1 million (December 31, 2016: \$45.3 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS but are not expected to be settled in cash in the next 12 months without replacement. Excluding these derivative financial liabilities that are not expected to be settled in the near-term, the Group's working capital would have been \$47.3 million. (December 31, 2016: \$46.4 million).

At June 30, 2017, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2017	2018	2019	2020	2021	After 5 years	Total
EPC contract	21,980	2,445	-	-	-	-	24,425
Project loans	18,602	20,450	16,529	17,481	18,227	309,282	400,571
Corporate bond	1,826	3,652	47,474	-	-	-	52,952
O&M contracts	2,371	2,711	2,464	3,292	3,254	45,713	59,805
Operating leases	661	1,161	992	992	992	15,052	19,850
Trade payables	7,380	-	-	-	-	-	7,380
Total	52,820	30,419	67,459	21,765	22,473	370,047	564,983

All of these contractual obligations are expected to be funded from existing cash available, future cash flows from operations and/or debt refinancing with no additional capital injections to be made by the Group.

NET EQUITY

During the first half of 2017, the total equity attributable to owners of the Company decreased by \$9.6 million from a net liability position of \$14.8 million at December 31, 2016, to a net liability position of \$24.4 million at June 30, 2017. This change was primarily due to the net loss reported by the Group during the period, unrealized fair value losses recognized within other reserves associated with the Group's derivative financial instruments and the cumulative foreign exchange translation adjustment. Total equity attributable to owners of the Company at June 30, 2017, was negatively impacted by the cumulative fair value losses of \$13.2 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at June 30, 2017, would have resulted in a net liability position of \$11.2 million.

BORROWINGS

Non-recourse project loans

The following is a summary of the Group's non-recourse project loans:

USD thousands	MW	Maturity	June 30 2017	December 31 2016
Shizukuishi	25	December 31, 2034	60,677	63,093
Mito	9	December 31, 2034	22,602	22,199
Aomori	10	December 31, 2034	28,396	8,477
Komatsu	13	June 30, 2036	12,934	-
Salvador	70	September 1, 2033	151,421	148,900
Total	127		276,030	242,669

Japanese projects

During the six months ended June 30, 2017, the Group's Japanese subsidiaries with solar power projects under construction drew down a total of ¥3,433 million (\$30.6 million) and ¥267 million (\$2.4 million) under the senior financing agreements and under the VAT credit facility, respectively (2016: ¥4,710 and ¥299, respectively). At June 30, 2017, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥2,360 million (\$21.0 million) (2016: nil). At June 30, 2017, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at June 30, 2017, and December 31, 2016.

On March 24, 2017, Shizukuishi received a cash reimbursement of ¥501 million (\$4.5 million) from the Japanese tax authorities associated with VAT credits accumulated during the construction of its solar power plant. On June 30, 2017, the Company's subsidiary repaid ¥435 million (\$3.8 million) to the lender bank in relation to the associated VAT credit facility.

At June 30, 2017 and 2016, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

Chilean project

The non-recourse project loan obtained by the Group's Chilean subsidiary, Salvador, to finance Project Salvador matures in 2033. The repayment of this credit facility is secured principally by the proceeds from the sale of electricity in the spot market. The loan is accounted for using the amortized cost method based on the effective interest rate. At June 30, 2017, there were no undrawn amounts under the OPIC senior credit facility. The fair value of this credit facility equals its carrying amount, as the interest rates approximate the market rates.

On March 9, 2017, Etrion signed an amendment to the existing senior finance agreement with OPIC, Salvador's lender, whereby all scheduled interest and principal payments between May 31, 2017 and May 31, 2018 will be deferred and due at the end of the period, if the debt is not restructured or period extended. The deferred interest and principal payments will accrue additional interest at the level of the existing interest rate. All defaults resulting from financial covenants and ratios calculations during this period will be waived.

At June 30, 2017 and 2016, the Group was not in breach of any of the imposed operational and financial covenants associated with its Chilean project loans.

Corporate borrowings

At June 30, 2017, the Group had €40 million of corporate bonds outstanding. The bond was issued by the Company in April 2014 at 8.0% annual interest with a 5-year maturity. The carrying amount of the corporate bond as at June 30, 2017, including accrued interest net of transaction costs, was \$45.6 million (December 31, 2016: \$42.1 million)

At June 30, 2017, and December 31, 2016, the Group was not in breach of any of the operational and financial covenants associated with its corporate borrowings.

The corporate bond agreement includes a call option that allows the Company to redeem the bond early (in its entirety) at any time at a specified percentage over the par value. The Company can call the bonds after the second year at 4% above par value, after the third year at 2.5% above par value and after the fourth year at 1% above par value. At June 30, 2017 and December 31, 2016, no separate amount was recognized in relation to this call option.

Net debt reconciliation

The Group's adjusted net debt position on a cash basis, (excluding non-cash items and VAT facilities) is as follows:

USD thousands	June 30 2017	December 31 2016
Total borrowings as per IFRS	321,638	284,777
VAT facilities	(3,146)	(726)
Accrued interest	(4,025)	(1,548)
Transaction costs	4,292	4,371
Adjusted borrowings	318,759	286,874
Cash and cash equivalents	(61,952)	(61,174)
Adjusted consolidated net debt	256,807	225,700
Adjusted corporate net debt	4,773	(98)

The Group's consolidated net debt increased during the first half of 2017, in comparison with December 31, 2016, mainly due to the additional funds drawn from the SMTB credit facilities to fund the construction costs of Aomori and Komatsu.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (August 10, 2016: 334,094,324) and options to acquire 1,161,000 common shares of the Company (Aug 10, 2016: 3,202,000) issued and outstanding. The options expire at various dates between August 31, 2017 and April 28, 2018, with exercise prices ranging between Canadian dollar ("CAD\$") CAD\$0.24 and CAD\$1.59 per share.

In addition, the Company maintains a Restricted Share Unit ("RSU") Plan pursuant to which employees, consultants, directors and officers of the Group may be awarded RSUs that upon vesting may be settled in cash or shares. The RSUs have a contractual term of between three and four years and are subject to certain time-based conditions and in certain cases are also subject to performance-based vesting conditions. The Company had 28,998,331 RSUs outstanding as of August 4, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at June 30, 2017, and December 31, 2016.

CAPITAL INVESTMENTS

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status, the Company does not anticipate beginning construction of its Japanese backlog project until 2018.

The equity needs to build the Japanese backlog project are likely to be contributed throughout the construction period, rather than at start of construction.

The Group will finance the development and/or construction costs associated with its projects under development, as well as new projects, with a combination of cash and cash equivalents, additional corporate debt or equity financing and non-recourse project loans, as required.

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 June 30, 2017, the Group had a contractual obligation to acquire construction services in the amount of \$24.4 million related to the construction of the 9.5 MW Aomori and the 13.2 MW Komatsu solar power projects in Japan. This contractual obligation will be funded from existing cash available at the project company level or from future cash flows from operations with no additional capital investments to be made by the Group or additional funding from the Group's unrestricted cash balance.

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 stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2017, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2016.

During the three and six months ended June 30, 2017, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2017.

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 directly and through various investment trust approximately 24.3% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis.

The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the three months ended June 30, 2017, are summarized below.

RELATED PARTY TRANSACTIONS

Lundin Petroleum AB and subsidiaries

The Group receives professional services from Lundin Petroleum AB and from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB for market and investor relation activities in Sweden and general and administrative expenses, respectively. During Q2-17 and the first half of 2017, the Group incurred general and administrative expenses of \$9,000 and \$18,000 (2016: \$12,000 and \$22,000), respectively, from Lundin Petroleum AB and its subsidiary. At June 30, 2017, the Group had \$1,000 (December 31, 2016: \$1,000) outstanding in relation to these expenses.

Lundin family

During Q2-17 and first half of 2017, the Group recognized \$0.1 million and \$0.3 million (2016: \$0.2 million and \$0.4 million) of interest expense, and recognized \$12,000 and \$22,000 (2016: \$12,000 and \$23,000) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

Lundin SA

During Q2-17 and the first half of 2017, the Group recognized \$30,000 and \$60,000 (2016: \$29,000 and \$29,000) under the service agreement with Lundin SA to make available fully staffed and equipped premises to serve members of its Board of Directors. The contract is renewed automatically, unless terminated by either party.

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, Marco A. Northland and the Chief Financial Officer, Paul Rapisarda.

During Q2-17 and the first half of 2017, the Group recognized \$0.4 million and \$0.8 million (2016: \$0.1 million and \$0.6 million) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At June 30, 2017, the Group had \$ nil outstanding to key management personnel (December 31, 2016: \$0.5 million).

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations. These risks include market risk (including currency risk, interest rate risk and electricity price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign exchange rates and interest rates, and seek to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest rate risk exposures through interest rate swap contracts. However, the Group has not entered into any foreign exchange rate hedges as monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currencies.

The Company's management carries out risk management procedures with guidance from the Audit Committee and Board of Directors. Refer to the Company's audited consolidated financial statements for the year ended December 31, 2016, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

A summary of the Group's derivative financial instruments is as follows:

USD thousands	June 30 2017	December 31 2016
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	1,191	1,167
Non-current portion	9,459	8,347
Total derivative financial instruments	10,650	9,514

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 curve and an appropriate discount factor.

During the three and six months ended June 30, 2017, the Group recognized a net fair value loss of \$0.1 million and \$0.7 million, respectively (2016: \$0.2 million and \$2.2 million), net of tax, within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

At June 30, 2017, and December 31, 2016 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 transferred to finance income and costs.

RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. Certain of such risks are discussed below. For a more detailed discussion of risk factors applicable to the Group, see Etrion's Annual Information Form for the year ended December 31, 2016, which has been filed on SEDAR and is available under Etrion's profile at www.sedar.com. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

The Group's anticipated growth and development activities will depend on the Group's ability to secure additional financing (i.e., equity financing, corporate debt, and/or non-recourse project loans). The Group cannot be certain that financing will be available when needed, and, as a result, the Group may need to delay discretionary expenditures. In addition, the Group's level of indebtedness from time to time could impair its ability to obtain additional financing and to take advantage of business opportunities as they arise. Failure to comply with facility covenants and obligations could also expose the Group to the risk of seizure or forced sale of some or all of its assets.

CAPITAL REQUIREMENTS AND LIQUIDITY

Although the Group is currently generating significant cash flows from its operational projects, the construction and acquisition of additional projects will require significant external funding. Failure to obtain financing on a timely basis could cause the Group to miss certain business opportunities, reduce or terminate its operations or forfeit its direct or indirect interest in certain projects. There is no assurance that debt and/or equity financing, or cash generated from operations, will be available or sufficient to meet these requirements or for other corporate purposes, or, if debt and/or equity financing is available, that it will be available on terms acceptable to the Group. The inability of the Group to access sufficient capital for its operations could have a material impact on the Group's business model, financial position and performance.

MARKET RISKS

The Group is exposed to financial risks such as interest rate risk, foreign currency risk, electricity price risk and third-party credit risk. The Company's management seeks to minimize the effects of interest rate risk by using derivative financial instruments to hedge risk exposures.

COST UNCERTAINTY

The Group's current and future operations are exposed to cost fluctuations and other unanticipated expenditures that could have a material impact on the Group's financial performance.

NON-FINANCIAL RISKS

LICENSES AND PERMITS

The Group's operations require licenses and permits from various governmental authorities that are subject to changes in regulation and operating circumstances. There is no assurance that the Group will be able to obtain all the necessary licenses and permits required to develop future renewable energy projects. At the date of this MD&A, to the best of the Company's knowledge, all necessary licenses and permits have been obtained for projects already built and under construction, and the Group is complying in all material respects with the terms of such licenses and permits.

GOVERNMENTAL REGULATION

The renewable energy sector is subject to extensive government regulation. These regulations are subject to change based on current and future economic and political conditions. The implementation of new regulations or the modification of existing regulations affecting the industries in which the Group operates could lead to delays in the construction or development of additional solar power projects and/or adversely impair its ability to acquire and develop economic projects, generate adequate internal returns from operating projects and continue operating in current markets. Specifically, reductions in the FiT payable to the Group on its existing solar power projects in Japan as well as other legislative or regulatory changes could impact the profitability of the Group's solar power projects.

COMPETITION

The renewable energy industry is extremely competitive and many of the Group's competitors have greater financial and operational resources. There is no assurance that the Group will be able to acquire new renewable energy projects in order to grow in accordance with the Company's strategy. The Group also competes in securing the equipment necessary for the construction of solar energy projects. Equipment and other materials necessary to construct production and transmission facilities may be in short supply, causing project delays or cost fluctuations.

PRICES AND MARKETS FOR ELECTRICITY

Historically, the Group was not exposed to significant electricity market price risk as the majority of the revenues generated by its operating solar power projects in Japan were secured by long-term contracts based on a FiT. However, in Chile, the Company's subsidiary, Salvador, is exposed to market price risk associated with the electricity sold at the spot rate, which may fluctuate based on supply and demand and other conditions.

A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the wholesale price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the wholesale price of electricity. Broader regulatory changes to the electricity trading market (such as changes to integration of transmission allocation and changes to energy trading and transmission charging) could have an impact on electricity prices. A decline in the market price of electricity could materially adversely affect the price of electricity generated by renewable assets in Chile and thus the Company's business, financial position, results of operations and business prospects.

INTERNATIONAL OPERATIONS

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future FiTs/PPAs, a change in renewable energy pricing policies and a change in taxation policies or the regulatory environment in the jurisdictions in which the Group operates. These uncertainties, all of which are beyond the Group's control, could have a material adverse effect on the Group's financial

position and operating performance. In addition, if legal disputes arise relating to any of the Group's operations, the Group could be subject to legal claims and litigation within the jurisdiction in which it operates.

RELIANCE ON CONTRACTORS AND KEY EMPLOYEES

The ability of the Company to conduct its operations is highly dependent on the availability of skilled workers. The labor force in many parts of the world is unionized and politicized, and the Group's operations may be subject to strikes and other disruptions. In addition, the success of the Company is largely dependent upon the performance of its management and key employees. There is a risk that the departure of any member of management or any key employee could have a material adverse effect on the Group.

The Group's business model relies on qualified and experienced contractors to design, construct and operate its renewable energy projects. There is a risk that such contractors are not available or that the price for their services impairs the economic viability of the Group's projects.

ETRION OUTLOOK AND GUIDANCE

On March 13, 2017, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2017. The larger than anticipated decline in Chilean production as a result of high curtailments, as well as higher transmission costs, if they were to continue for the balance of 2017, may require the Company to revise down its estimates. Notwithstanding this uncertainty, the Group has reviewed the previously released guidance in light of the six months' performance and have concluded that at this stage there is no reason to modify the guidance for the full year. The Group will continue to reassess its guidance and will make any adjustments and disclosures as may be warranted.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 *Certification of Disclosures in Issuers Annual and Interim Filings*, the Company's Chief Executive Officer and Chief Financial Officer are required to:

- design or supervise the design and evaluate the effectiveness of the Group's disclosure controls and procedures ("DC&P"); and
- design or supervise the design and evaluate the effectiveness of the Group's internal controls over financial reporting ("ICFR").

The Company's Chief Executive Officer and Chief Financial Officer have not identified any material weakness in the Group's DC&P and ICFR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: the Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan); expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; expectations relating to grid parity; the expected key drivers for growth and expectations with respect to future growth in installed solar capacity in Japan and future mining growth in Chile. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: risks associated with operating exclusively in foreign jurisdictions; risks associated with the regulatory frameworks in the jurisdictions in which the Company operates, or expects to operate, including the possibility of changes thereto; uncertainties with respect to the identification and availability of suitable additional renewable energy projects on economic terms; uncertainties with respect to the Group's ability to negotiate PPAs with industrial energy users; uncertainties relating to the availability and costs of financing needed in the future; uncertainties with respect to the impact of the changes to the Japanese FiT regime that came into effect in 2015 and 2016; uncertainties with respect to the timing of the expansion of the SIC electricity grid and the interconnection of the SIC and SING networks in Chile; the risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected; the risk that the Company may not be able to renegotiate certain of its O&M contracts as anticipated; the risk that the construction or operating costs of the Company's projects may be higher than anticipated; uncertainties with respect to the receipt or timing of all applicable permits for the development of projects; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Group operates; risks inherent in the ability of the Group to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; and other factors, many of which are beyond the Group's control.

All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. In addition to the assumptions set out elsewhere in this MD&A, such assumptions include, but are not limited to: the ability of the Group to obtain the required permits in a timely fashion and project and debt financing on economic terms and/or in accordance with its expectations; the ability of the Group to identify and acquire additional solar power projects, and assumptions relating to management's assessment of the impact of the new Japanese FiT regime. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent Annual Information Form and other public disclosure available on SEDAR at www.sedar.com. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information regarding the Company, including its Annual Information Form, may be found on the SEDAR website at www.sedar.com or by visiting the Company's website at www.etrion.com.