ANNUAL INFORMATION FORM

YEAR ENDED DECEMBER 31, 2016

Dated: MARCH 10, 2017

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GLOSSARY

In this Annual Information Form, the following terms and abbreviations have the meanings set forth below.

"**€**" means the Euro or Euros, as the context requires, the official currency of the European Union;

"**AIF**" means the Company's Annual Information Form for the year ended December 31, 2016;

"**Atacama Minerals**" means Atacama Minerals Chile S.C.M., a wholly-owned subsidiary of RB Energy Inc.;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), S.B.C. 2002 Chapter 57, as amended, including all regulations promulgated thereunder;

"**Board**" means the Company's Board of Directors;

"**CAD$**" means the Canadian dollar;

"**Company**", "**Etrion**" or "**Group**" means Etrion Corporation, a corporation continued under the laws of British Columbia and unless the context otherwise requires, references herein to the Company, Etrion or Group include Etrion Corporation and its subsidiaries on a consolidated basis;

"**EF Solare Italia**" means the joint-venture owned equally by Enel Green Power S.p.A. ("**EGP**") and Fondo Italiano per le Infrastrutture "**F2i**";

"**EPC**" means engineering, procurement and construction contracts entered into by the Company for the construction of its solar power projects;

"**Etrion Chile**" means Etrion Chile S.p.A., a wholly-owned subsidiary of the Company, incorporated under the laws of Chile;

"FiT" means Feed-in-Tariff, a policy mechanism designed to accelerate investment in renewable energy technologies through long-term government contracts for the purchase of renewable electricity at a fixed price;

"**GSE**" means Gestore Servizi Energetici, the Italian state-owned company, promoting and supporting renewable energy sources in Italy;

"**Hitachi**" means Hitachi High-Technologies Corporation, a subsidiary of Hitachi, Ltd., incorporated under the laws of Japan;

"**IFRS**" means the International Financial Reporting Standards as issued by the International Accounting Standards Board and IFRS Interpretations Committee;

"**Italian refinancing**" means the debt refinancing transaction completed by the Group on December 1, 2015;

"**JPY**" means the Japanese Yen;

"**kW**" means kilowatt(s), a unit of measuring the capacity of a power generating facility;

"**kWh**" means kilowatt-hour(s), a unit of measuring electricity produced by a power generating facility;

"**Lorito Guernsey**" means Lorito Holdings (Guernsey) Limited, a company affiliated with the Lundin family, incorporated under the laws of Guernsey;

"**Lundin family**" means Etrion's major shareholder. Investment companies associated with the Lundin family, including Lorito Guernsey, and Ian H. Lundin, a director of the Company, collectively own 24.3% of the Company;

"**Lundin Petroleum**" means Lundin Petroleum AB, the Swedish independent oil and gas exploration and production company that was indirectly the major shareholder of Etrion until November 12, 2010;

"METI" means the Japanese Ministry of Economy, Trade and Industry;

"**MW**" means megawatt(s), a unit of measuring the capacity of a power generating facility. The capacity of power plants in the AIF is described in approximate MW on a direct current basis, also referred to as megawatt-peak (MWp);

"**NASDAQ OMX**" means the NASDAQ OMX Stockholm Exchange in Sweden;

"**OPIC**" means the Overseas Private Investment Corporation, the U.S. Government's development finance institution;

"**Options**" means the stock options to purchase common shares of the Company issuable under the Company's 2005 and 2011 stock option plan;

"**Project Mito**" means the 9.3 MW solar power plant operating in the Kanto region of Japan;

"**Project Shizukuishi**" means the 24.7 MW solar power plant operating in the Tohoku region of Japan;

"**Japanese backlog**" means the 40-50 MW solar power advanced pipeline in the Kyushu region of Japan;

"**Project Salvador**" means the 70 MW solar power plant operating in the Atacama region of Chile;

"**PPA**" means power purchase agreement, an agreement providing for the sale of electricity, generally at a stipulated price and for a term of 15 years or more;

"**PV**" means photovoltaic, a method of generating electrical power by converting solar irradiation into electricity;

"Restricted Share Units" means restricted share units granted to an eligible recipient under the Company's 2014 Restricted Share Unit Plan that represent the right of such recipient to receive a payout amount in cash and/or common shares of the Company as determined in accordance with the terms of such plan;

"**SEK**" means the Swedish krona;

"**SIC**" means Sistema Interconectado Central, the central electricity network in Chile;

"**SING**" means Sistema Interconectado del Norte Grande, the northern electricity network in Chile;

"**Solventus**" means Holding Solventus Salvador S.p.A., a subsidiary of Solventus Energías Renovables, incorporated under the laws of Chile;

"**Tamagawa**" means Tamagawa Holdings Co., Ltd.;

"**Total**" means Total Nuevas Energías Chile S.p.A., a subsidiary of Total S.A., incorporated under the laws of Chile;

"**TSX**" means the Toronto Stock Exchange in Canada; and

"**US$**" means the United States dollar.

PRESENTATION OF FINANCIAL INFORMATION

The financial information in this AIF is derived from the consolidated financial statements of the Company for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

Financial information is reported in US$. However, certain financial information has also been reported in Euros, and Japanese yen because the Company has its main business activities in Japan, remains with an asset in Chile and had operations in Italy, which were fully divested in December 2016.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information and statements contained in this AIF constitute forward-looking information within the meaning of applicable Canadian securities legislation. These statements relate to future events or Etrion's future performance. All statements other than statements of historical fact may constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking information and statements are included throughout this AIF, specifically within "Business of the Company" and "Risk Factors" beginning on pages 6 and 15, respectively, and include, but are not limited to, statements pertaining to the following:

- expectations and plans for future growth and development activities, including future expansion efforts in Japan and elsewhere, and the key drivers for such growth;
- expectations relating to the acquisition, construction, development and operation of new renewable energy projects and/or power facilities;
- expectations relating to the performance of Project Salvador and the development, completion and performance of other Chilean solar power projects;
- expectations with respect to future mining growth in Chile;
- expectations relating to the development, completion and performance of solar power plants in Japan;
- expectations with respect to future FiT payments in Japan;
- the need for additional capital and the expected sources of such capital;
- possible changes in the regulatory regimes of the jurisdictions in which Etrion operates or intends to operate;
- expectations in relation to government regulation and taxation regimes;
- expectations in relation to the availability of manufacturers, EPC contractors and finance providers for new renewable energy projects;
- expectations relating to the Company's ability to pay future dividends; and
- expectations related to retaining key employees.

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 AIF, such assumptions include, but are not limited to: the ability of the Company 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 Company to identify and acquire additional solar power projects and assumptions relating to management's assessment of the impact of the new Japanese FiT regime.

These statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Etrion believes that the expectations reflected in forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this AIF should not be unduly relied upon. Etrion's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking information and statements, and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information and statements will transpire or occur, or if any of them do so, what benefits will be derived as a result. These risks, uncertainties and other factors include the following:

- risks associated with operating exclusively in foreign jurisdictions (i.e., Japan and Chile);

- risks associated with the regulatory frameworks in the jurisdictions in which the Company operates, or expects to operate, and the possibility of changes thereto;
- uncertainties with respect to the availability of suitable additional renewable energy projects on economic terms;
- uncertainties relating to the availability and costs of financing needed in the future and risks associated with the ability of the Company to comply with the covenants and obligations of its current financing arrangements;
- the risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected;
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations;
- uncertainties with respect to the impact of the changes to the Japanese FiT regime that came into effect in 2015;
- uncertainties with respect to the Company's ability to enter into additional PPAs with industrial energy users;
- the risk of reduction or loss of government subsidies, such as FiTs, for the sale of electricity;
- market risks associated with interest rate risks, foreign currency risks, credit risks and electricity market price risks;
- risks associated with the introduction of new or modified tax laws or regulations in any of the countries in which the Company operates or will operate;
- uncertainties with respect to the receipt and timing of required permits to secure and contract renewable energy projects and to begin selling electricity therefrom;
- the risk that the construction or operating costs of the Company's projects may be higher than anticipated;
- changes to existing legislation that could negatively impact the renewable energy sector in the relevant jurisdictions as a whole;
- the impact of negative general economic and world-wide industry conditions in the jurisdictions and industries in which the Company operates;
- stock market volatility; and
- other factors, many of which are beyond Etrion's control.

Readers should also refer to the section entitled "Risk Factors" in this document and the section entitled "Risks and Uncertainties" in our 2016 management's discussion and analysis as filed on SEDAR at www.sedar.com.

The forward-looking statements and information contained herein speak only as of the date of this AIF. Except as required by law, Etrion does not intend, and does not assume any obligation, to update forward-looking information or statements contained herein. In the event subsequent events prove past statements about current trends to be materially different, Etrion may issue a news release explaining the key reasons for the difference but are under no obligation to do so.

The forward-looking information and statements contained in this AIF are expressly qualified by this cautionary statement.

CORPORATE STRUCTURE

Name and Incorporation

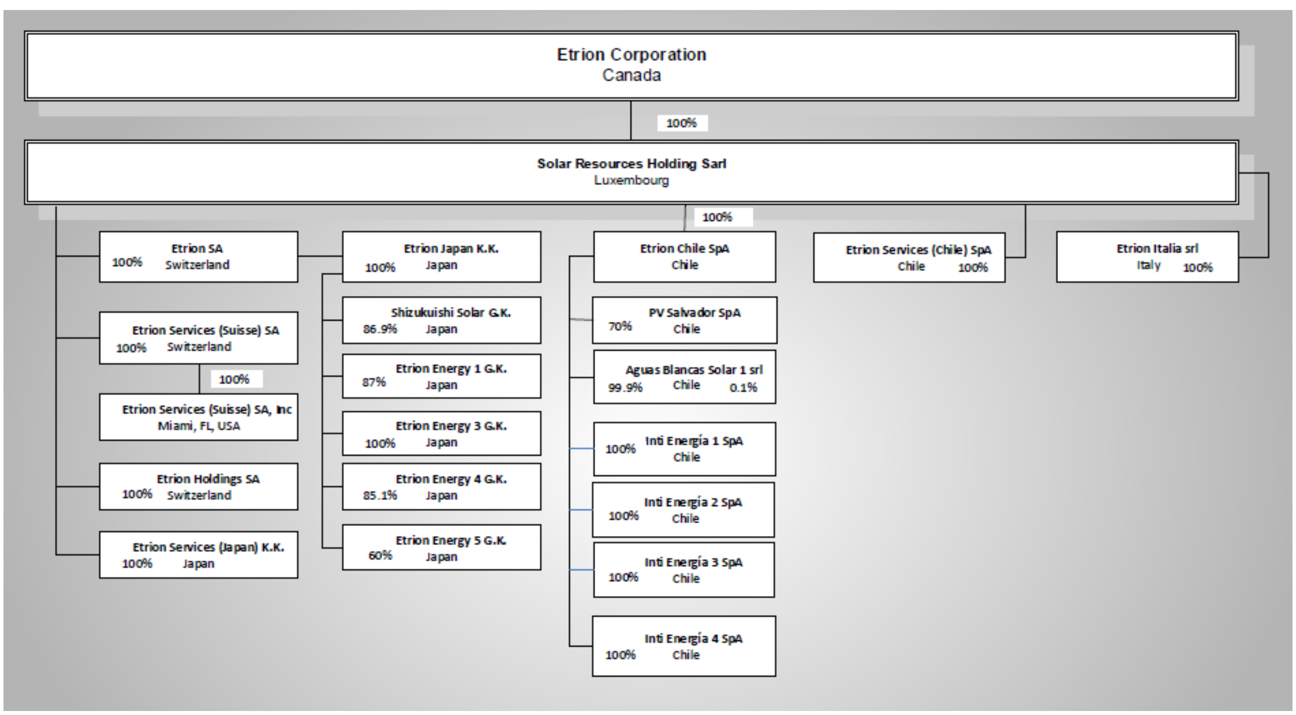
Etrion Corporation (originally PetroFalcon Corporation) was incorporated pursuant to the laws of the Province of Ontario on July 27, 1993, under the name of Agents of Change Inc. Pursuant to Articles of Continuance dated February 28, 1996, the Company was continued under the *Business Corporations Act* (Alberta), its name was changed to VisuaLabs Inc., and it effected a stock split issuing 90,141 common shares for each 100 common shares outstanding as of that date. On November 28, 2002, the name of the Company was changed to Pretium Industries Inc., and on June 24, 2003, the name of the Company was changed to PetroFalcon Corporation. Effective October 30, 2007, the Company and its wholly-owned Canadian subsidiary, Vinccler Oil and Gas Corporation, completed a vertical amalgamation and continued as one corporation under the name PetroFalcon Corporation. On September 10, 2009, the Company was continued from the province of Alberta into the province of British Columbia under the BCBCA. Effective September 11, 2009, the Company changed its name to Etrion Corporation.

Etrion is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. In connection with the continuance of the Company into British Columbia on September 10, 2009, Notice of Articles and Articles were adopted in substitution for the then existing Articles of Incorporation and By-laws of Etrion, as amended, and on September 11, 2009, Etrion filed a Notice of Alteration to change its name from PetroFalcon Corporation to Etrion Corporation, all of which were approved by the shareholders of Etrion at the annual and special meeting of shareholders held on September 10, 2009. A copy of each of the Notice of Articles and Articles is available online on SEDAR at www.sedar.com.

Etrion's head office is located at 40 SW 13 Street, Suite PH-1 Miami, FL 33130 United States of America, and its registered office is located at 1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2, Canada.

Inter-Corporate Relationships

At the date of this AIF, Etrion had the following subsidiaries as shown in the chart below:



BUSINESS OF THE COMPANY

General

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants. Adjusted for the sale of its Italian solar portfolio (as discussed below), the Company currently owns 104 MW of installed solar capacity in Japan and Chile. Etrion has 23 MW of solar projects under construction in Japan and several projects at different stages of development in Japan and Chile.

The Company has 3 projects in operations and 2 projects under construction in Japan and one operational project in Chile. In Japan, all its revenues are derived from 20 year fixed priced contracts with local utilities. The project in Chile benefits from a combination of long-term PPAs and spot market/merchant sale. Etrion's strategy is focused on:

- **Low Risk Jurisdiction** – The Company's primary focus is to develop and expand its business in Japan. This market presents a low risk environment with attractive economics. Such jurisdiction provides ideal investment environments to enter and eventually exit if desired.
- **Revenue Stability** – Japan implemented a Feed-in-Tariff program which offers 20 year fixed price contracts for all energy produced by solar generators. The Company believes that such PPA structure provides ideal conditions to secure low cost financing, predictable revenues and cash flows.
- **Growth** – Building a large pipeline of renewable energy development projects through key partnerships. Japan is among the top three largest energy consumers in the world. A material percentage of their capacity is imported making it an ideal environment for alternative sources of energy.

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 in Sweden. Etrion has corporate bonds listed on the Oslo stock exchange in Norway. Etrion is based in Miami, USA with offices in Geneva, Switzerland; Tokyo, Japan and Santiago, Chile.

The Company has grown its renewable energy business significantly through co-development partnerships and internal development of several solar power projects located in Japan. The following is a summary of the Company's operating solar power projects, as of December 31, 2016:

Project	Region	Sites	Capacity (MW)	Technology	Connection Date	Price per kWh
Salvador (Diego de Almagro)[1]	Atacama, Chile	1	70.0	Single-axis	Nov-14	Spot/PPA[1]
Mito (Ibaraki Prefecture, Kantō)[2]	Honshu, Japan	5	9.3	Fixed tilt	Aug-15	¥40[2]
Shizukuishi (Iwate Prefecture, Tohoku)[3]	Iwate, Japan	1	24.7	Fixed tilt	Sept-16	¥40[3]
Total		**7**	**104**			

Notes:

(1) Project Salvador was completed on November 3, 2014. Electricity is sold on a merchant basis and delivered to the SIC electricity network. In May 2015, Etrion executed a PPA with Empresa Eléctrica ERNC-1 for approximately 35% of Project Salvador's production. As of January 1, 2016, the price of electricity for the production sold to EE-ERNC-1 is governed by the PPA.

(2) Power generated by Project Mito is sold to the Tokyo Electric Power Company under a 20-year power purchase agreement, under which the project receives 40 yen/kWh of electricity produced under Japan's feed-in tariff.

(3) Power generated by Project Shizukuishi is sold to the Tohoku Electric Power Co., Inc. under a 20-year power purchase agreement, under which the project receives 40 yen/kWh of electricity produced under Japan's feed-in tariff.

The Company is active in Japan. Its first project, Mito, fully developed by the Company has been operating for more than one year. Additionally, the Company is currently proceeding with the construction of Project Aomori, a 9.5 MW utility-scale power plant, expected to be fully operational by the third quarter of 2017 and with the construction of Project Komatsu, a 13.2 MW solar project, expected to be fully operational in the second quarter of 2018. Furthermore, Project Shizukuishi, achieved its commercial operation date on October 20, 2016, became 100% operational and started collecting revenues from its electricity production. In addition to Project Mito and Project Shizukuishi, the Company is also proceeding with several other projects in Japan, the most advanced of which is Project Kumamoto, with a total capacity of approximately 45 MW, which is expected to be shovel-ready in the second half of 2017. While the Company believes that the projects in development are likely to reach shovel-ready status, they may be replaced by other projects within the next twelve months in order to accelerate construction or improve project economics.

The Company completed the sale of its Italian solar portfolio to EF Solare Italia in mid-December. EF Solare Italia is a joint-venture owned equally by Enel Green Power S.p.A. ("EGP") and Fondo Italiano per le Infrastrutture "F2i". EF Solare Italia has purchased Etrion S.p.A., which owns 53.4 MW of the Company's total portfolio in Italy, for cash consideration of Euro 73.1 million and the assumption of related project-level debt of Euro 198 million. The Company then completed the balance of the sale at the end of December, when EF Solare Italia purchased Helios Ita S.r.l., which owns 6.4 MW of the Company's total portfolio in Italy, for cash consideration of Euro 5.3 million and the assumption of related project-level debt of Euro 23 million. The Company's intent is to use the sale proceeds to advance its solar development activities in Japan and to repurchase a portion of its outstanding corporate bond, as described in the following paragraphs.

The Company will continue to hold its asset in Chile however it does not plan to expand its activities in Chile since Japan presents much better project economics and lower risk than Chile. The Company has decided to stop and abandoned its 72 MW shovel-ready Aguas Blancas projects in the north of Chile.

On December 19, 2016, the Company successfully repurchased for cash a nominal amount of approximately EUR 40 million of its 8% Senior Secured Bonds due 2019 (the "**Bonds**") via buy-back offer for offers up to and including a price of 100% of par value plus accrued unpaid interest. These Bonds were cancelled.

Three Year History

2016

- **Repurchase of coporate bonds:** On December 19, 2016, the Company announced the successful repurchase of EUR 40 million of its corporate bonds, pursuant to its previous announcement on December 12, 2016 of an offer (the "**Buy-Back Offer**") to repurchase for cash a portion of the Company's Bonds. It has decided to purchase a nominal amount of approximately EUR 40 million of Bonds via the Buy-Back Offer for offers up to and including a price of 100% of par value (the "**Repurchase Price**") plus accrued unpaid interest. These Bonds were cancelled. Settlement of purchases pursuant to the Buy-Back Offer took place on December 21, 2016. All purchases were made at the Repurchase Price plus accrued and unpaid interest.
- **Sale of Italian solar portfolio to EF Solare Italia:** On December 12, 2016, the Company completed phase one of the previously disclosed sale of its Italian solar portfolio to EF Solare Italia, who has purchased Etrion S.p.A., which owns 53.4 MW of Etrion's total portfolio in Italy, for cash consideration of Euro 72.8 million and the assumption of related project-level debt of Euro 198 million. On December 19, 2016, the Company then completed the balance of the sale, when EF Solare Italia purchased Helios Ita S.r.l., which owns 6.4 MW of the Company's total portfolio in Italy, for cash consideration of Euro 5.3 million and the assumption of related project-level debt of Euro 23 million. In addition to the initial cash consideration of Euro 78 million and the assumption of related project-level debt of Euro 221 million, there are potential additional cash earn-out payments of up to Euro 24 million depending on the outcome of certain legal and regulatory proceedings.
- **Project finance agreement to build 13.2 MW Komatsu solar project in Japan**: On November 21, 2016, the Company announced the signing of a project finance agreement with Sumitomo Mitsui Trust Bank, Limited ("**SuMi Trust**") for the construction of the 13.2 MW Komatsu solar project. Komatsu is a 13.2 MW solar PV power plant to be built on one site in the Ishikawa Prefecture of Japan. Construction-related works are expected to begin in February 2017, and the solar project is expected to be fully operational by the second quarter of 2018. The solar power plant will be built on 30.5 hectares of leased land and will connect through the Hokuriku Electric Power Co., Inc. ("**Hokuriku Electric Power utility**"). It is expected that the project company will enter into a twenty-year PPA with the Hokuriku Electric Power utility and will receive ¥32 per kWh of electricity produced (approximately US$0.32 per kWh). Once operational, Komatsu is expected to produce approximately 14.2 GWh of solar electricity per year, enough to supply 4,000 households. Etrion will own 85.1% of the Komatsu project, and Hitachi High-Technologies will own the remaining 14.9%. The total project cost will be financed approximately 83% through project debt from SuMi Trust in Japanese Yen with a tenor equal to the construction period plus 19 years of operations. The remaining 17% of total project cost will be funded pro-rata by Etrion and Hitachi High-Technologies Corporation ("**HHT**") according to their respective equity interests.
- **Shizukuishi site operational:** On November 1, 2016, the Company announced that it has commenced full commercial operation of the 24.7 MW Shizukuishi solar power plant located on one site in the Iwate Prefecture of northern Japan. Etrion's partner and EPC contractor, HHT, delivered the project on-time and on-budget. The Shizukuishi solar project is selling electricity to Tohoku Electric Power Co. Ltd. under a 20-year fixed-price take-or-pay power purchase agreement at ¥40 per kWh (approximately US$0.37 per kWh). The solar park is expected to produce approximately 25.6 GWh of solar electricity per year, enough to supply electricity to approximately 7,300 households. Etrion owns 87% of the project, and HHT owns the remaining equity interest. Sumitomo Mitsui Trust Bank Limited ("**SMTB**") provided both construction financing and an attractive 18-year term loan facility similar to traditional project finance. Shizukuishi is the second solar project successfully developed, built, financed, owned and operated by Etrion in cooperation with HHT and SMTB.

- **Aomori Solar Project:** On July 11, 2016, the Company announced the signing of project financing and planned construction of the Aomori solar power project located in Misawa city in the Aomori prefecture of the Tohoku region in Japan. Tamagawa Holdings Co., Ltd., was the initial developer and retains an interest in the project. Financing was arranged by SuMi Trust. Aomori is a 9.5 MW utility-scale solar PV power plant. The project consists of four sites. Construction-related works began in July 2016 and the solar project is expected to be fully operational by the third quarter of 2017. The solar power plants will be built on 16.3 hectares of owned land and the facilities will connect through the Tohoku Electric Power utility. Each project will enter into a twenty year PPA with the Tohoku Electric Power utility and will receive ¥36 per kWh produced (approximately US$0.35 per kWh). Once operational, Aomori is expected to produce approximately 10.7 GWh of solar electricity per year. It is expected that the total project cost will be financed approximately 85% through project debt from SuMi Trust with a tenor equal to construction period and 19 years of operations. The remaining approximate 15% equity portion will be funded pro-rata based on the respective ownerships, with Etrion 60%, Tamagawa Holdings 30% and Hitachi High-Tech 10%.

<u>2015</u>

- **Italian refinancing:** In December 2015, the Company completed a refinancing of a majority of its Italian solar parks with a Euro 222 million portfolio financing. The refinancing included six of the seven Italian solar projects (10 out of 17 solar plants) for a total of 53.6 MW. The refinaning included a project bond listed on ExtraMOTPro managed by Borsa Italiana (Euro 35 million), a project finance loan (Euro 177 million) and a debt service reserve facility (Euro 10 million). The Company's previous outstanding project debt and associated interest rate swap contracts were repaid and the Company entered into new contracts to hedge 90% of its interest payments for both the project bond and the project finance loan for the entirety of the new term.
- **Renegotiation of O&M Contracts:** The Company renegotiated the operating and maintenance ("**O&M**") agreements for all of the Group's Italian and Chilean operating subsidiaries, representing an aggregate capacity of 130 MW, reducing costs by approximately 35% on average.
- **Corporate Update:** In November, 2015, Paul Rapisarda was appointed as Chief Financial Officer to replace Garrett Soden, who remained on the Board, and Tom Dinwoodie resigned from the Board.
- **VAT reimbursement:** On October 13, 2015, the Group's subsidiary PV Salvador SpA, received a cash reimbursement in Chilean pesos equivalent to $24.3 million from the Chilean tax authorities associated with VAT credits accumulated during the construction of Project Salvador. Following receipt of the VAT reimbursement, Project Salvador fully repaid the Rabobank VAT credit facility of $24.1 million, including accrued interest.
- **OPIC Tranche B:** On September 23, 2015, Project Salvador drew an additional $13.8 million under the secondary tranche of the senior credit facility with OPIC in order to serve as a liquidity reserve to cover for potential decreases in spot electricity prices. The new loan under the secondary tranche matures on June 1, 2033 and bears an all-in variable interest rate of 3.5%, which is re-set every week depending on the rate paid on short terms US bonds.
- **Mito Site Operational:** In August 2015, the Company's Mito Project in Japan, a 9.3 MW utility-scale solar photovoltaic power project, was fully connected to the electricity grid and became fully operational.
- **Business Development:** In May 2015, Etrion entered into a long-term PPA with Emprasa Eléctrica ERNC-1, a power trading company, for Project Salvador. The agreement is for approximately 35 percent of Project Salvador's production for 15 years commencing on January 1, 2016. The electricity price is denominated in US dollars and adjusted according to the US Consumer Price Index.
- **Elimination of "Robin Hood" Tax:** On February 11, 2015, the Italian Constitutional Court published a ruling that declared the so-called "Robin Hood" tax unconstitutional and eliminated it from February 2015 onwards. The removal of the Robin Hood tax reduces the ordinary income tax rate applicable to most energy companies in Italy from 34% to 27.5%. The Robin Hood tax was a surtax introduced in 2008 that increased the overall corporate income tax rate applicable to large Italian energy companies from 27.5% to 38%. In December 31, 2015, the Italian parliament announced a further reduction of the ordinary income tax from 27.5% to 24% effective from January 1, 2017.
- **Evolution of Japanese FiT Regime:** On January 22, 2015, METI announced new rules with respect to the Japanese FiT regime.

See "Business of the Company-Business Process and Market Overview-Japanese Market" for additional information on the regulatory environment for Japanese renewable energy companies.

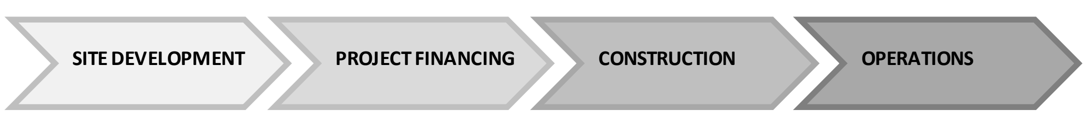
2014

- **Completion of Construction in Chile:** In November 2014, the Company completed the construction of Project Salvador, a 70 MW solar PV power plant located in the Atacama region of Chile. Project Salvador was connected to the electricity grid on November 3, 2014, and produced approximately 6.7 million kWh of electricity for the year ended December 31, 2014. Project Salvador initially operates on a merchant basis where the electricity produced is sold on the spot market, with the ability to secure future PPAs. The solar power plant was built using SunPower's high-efficiency, single-axis tracker technology on 133 hectares leased from the Chilean government through a long-term concession, and the park became fully operational in January 2015. Project Salvador is capable of producing approximately 200 million kWh of solar electricity per year. Etrion's initial ownership interest in the project is 70%, with Total and Solventus holding a 20% and 10% interest, respectively. Following initial payback of Etrion's equity investment in the project, Etrion's ownership interest will decrease from 70% to 50.01%. After 20 years of operations, Etrion's ownership will decrease to zero.
- **Change in Italian Tax Depreciation Methodology:** In December 2013, the Italian tax authorities introduced a new mandatory method for the calculation of depreciation of solar plants in Italy. Etrion's management challenged the new mandatory method through a legal recourse "Interpello" with the tax authorities that was finally rejected in November 2014. Accordingly, Etrion will follow the new mechanism for the calculation of depreciation for tax purposes in Italy. The new mandatory method is based on 4% annual depreciation instead of the previous 5% annual depreciation of the historical cost of the solar plants. In practice, this change introduced by the Italian government increases the useful life of the solar plants for tax purposes from 20 years to approximately 24 years. The effective date of the application of the new method for tax purposes was January 1, 2013. From that date, the operating entities in Italy have deducted a lower amount of depreciation when calculating taxable income for corporate and provincial taxes, resulting in a higher tax bill and reducing cash flows available for distribution. Since the application of the new law was retroactive for tax purposes, the Company's Italian operating subsidiaries have recalculated and paid additional taxes in 2014 December 31, 2013**.**
- **Corporate Financing:** In April 2014, Etrion completed an €80 million senior secured bond issue in the Norwegian market, with an annual interest rate of 8.0% and a bullet maturity in April 2019. A portion of the net proceeds from the bond issue was used by Etrion to complete, in May 2014, the redemption of its €60 million of corporate bonds issued in 2011 that paid 9.0% annual interest and were to mature in April 2015.

  In January 2014, Etrion completed a US$80 million private placement. The Company issued an aggregate of 124,633,571 common shares at a price of SEK 4.15 (approximately CAD$0.70) per share for gross proceeds of SEK 517,229,320. Certain of the proceeds from the private placement were used to fund initial project development in Chile and repay the approximately US$18 million shareholder loan outstanding to Lorito Guernsey.
- **Business Development:** In January 2014, Etrion announced a strategic partnership with Hitachi for the development, finance, construction, ownership and operation of utility-scale solar power plants in Japan, one of the largest and fastest-growing solar PV markets in the world. Etrion and Hitachi are developing a pipeline that is expected to reach at least 190 MW of solar generation facilities under construction or shovel-ready in Japan in 2017**.** In the third quarter of 2014, the Company began construction of its first two solar projects in Japan, Project Mito and Shizukuishi, with a combined total capacity of 34 MW. In connection therewith, the Company secured long-term, non-recourse project financing for 80% of the associated construction costs from Sumitomo Mitsui Trust Bank, a Japanese financial institution. The projects are owned 87% by the Company and 13% by Hitachi and are being built by Hitachi. Both Project Mito and Project Shizukuishi are currently operational. In addition to Project Mito and Shizukuishi, the Etrion-Hitachi joint development team is reviewing a large pipeline of opportunities in different stages of development and at different stages of negotiation with third parties.

Business Process and Market Overview

The Company's business process can be described as going through four key phases:



- Phase 1 represents the period in which a project secures all required permits, authorizations and utility interconnection agreements to build a solar power plant. Depending on the jurisdiction, this process may vary in length between 12 to 24 months. Where projects are developed from their infancy ("greenfield" projects), the development time will generally be close to 2 years. However, Etrion often enters into co-development agreements with local development companies to reduce development time and risk. The Company may also acquire permits at advanced stages from local developers to further reduce the time to market. In all cases, whether the projects in the pipeline are greenfield, co-development or acquired, they go through a rigorous development process to de-risk the projects before any investments are made. In addition to evaluating permitting risk, Etrion continues to work extensively to optimize the design and reduce construction costs to further improve each project's economics.

- Phase 2, which generally takes 4 to 6 months, during which the Company assesses and selects various contractors and lenders, including EPCs contractors responsible for the engineering, procurement and construction ("EPC") of the solar power plant. The Company analyses the financial aspects of the project, assessing tenor, debt/equity structuring, cost and the selection of lenders. Furthermore, in Phase 2, the Company evaluates potential legal structure of the special purpose vehicle that will function as the local operating subsidiary. This process may be shortened when the projects are financed directly by the Company and then refinanced once construction and grid connection is complete.

- Phase 3 generally requires 12 to 36 months of work. During this phase, the Company enters into an EPC contract, and the projects are built with a view to ensuring that the local operating subsidiary complies with the FiT or PPA requirements. Under an EPC contract, the contractor is generally hired on a turn-key fixed-price basis and is required to, at its own risk, design the installation for the project, procure the necessary materials and construct the project by a certain date. As a result, the contractor generally bears a portion of the risk for scheduling as well as budgeting in return for a guaranteed fixed price.

- Phase 4, which typically lasts for a minimum period of 30 years, involves the Company's local operating subsidiary being engaged in the operation of the solar power plant and the repayment of existing debt facilities established in connection with the project. In this phase, the Company usually retains the EPC contractor to also provide operations and maintenance services based on a 20-year fixed price contract that usually includes all preventive and corrective maintenance.

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 (e.g., Chile). 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 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, which has 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 2016, Japan had installed more than 31 GW of solar capacity.

On December 13, 2016, METI announced its intention to inititate a utility-scale solar auction scheme in 2017 for solar projects above 2MW. The first auction for 500 MW is to be held in October 2017. The bid ceiling price is expected to be set at JPY 21/kWh.

Japan has implemented an attractive 20-year FiT program of ¥40 per kWh for projects secured by March 31, 2013, ¥36 per kWh for projects secured by March 31, 2014, and ¥32 per kWh for projects secured by March 31, 2015. The FiT program was recently changed to ¥29 for projects secured from April 2015, and ¥27 from July 2015 and recently changed to ¥24 from April 2016.

On January 22, 2015, METI officially announced new rules with respect to the Japanese FiT regime. The rules apply to new projects and were designed to streamline the process between developers, METI and utilities. Projects with existing grid connection acceptance 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 new rules addressed various aspects of the FiT and utility operations. The most important rules outlined the process for:

- **FiT application** – The timing when the FiT is determined has changed from "when interconnection request is made" to "when interconnection agreement is executed." If an interconnection agreement has not been reached due to the utility's delay, there is a backstop date for the solar developer whereby the FiT level from 270 days following the connection request is used.
- **Change in power output or in PV module specifications prior to start of operations** – These changes must now be submitted for METI approval, and an increase in power output or a change in PV module manufacturer prior to start of operations will be subject to a revision of the FiT. Exceptions will be made where change in output is related to interconnection evaluation by the utility. Changes to PV module manufacturer, type or conversion efficiency (excluding increase in efficiency) will also be subject to a change in the FiT. Exceptions will be made if objective proof is provided related to discontinued module type and in cases of PV power plants less than 10 kW.
- **Curtailment** – The new curtailment system has been changed from the "30 day rule per annum" to an hourly basis per annum. Uncompensated curtailment up to 30 days, annually based on one-day units, will be changed to up to 360 hours annually. The hourly basis for curtailment expands the amount available for interconnection. Furthermore, utilities may impose installation of remote curtailment systems on PV plants**.**

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 3 years from 1 April 2017 (i.e. by 31 March 2020);
- 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. The changes follow a public comment period conducted by the Agency of Natural Resources and Energy ("**ANRE**") of the METI.

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 2 years resulting in a dramatic drop in energy prices.

Despite the current drop in energy prices and reduced investments in the mining sector, the market fundamentals in the medium to long- term are expected to recover and remain attractive for solar due to its anticipated continued cost reduction history. Growth is expected to pick up once the mining sector rebounds, especially in the northern part of the country where more than 90% of the electricity consumption arises from industrial users.

<u>Economic Dependence</u>

Etrion's future growth is dependent on the development and/or acquisition of additional renewable energy projects under long-term contracts in markets with: (a) high electricity prices and abundant renewable resources; or (b) attractive government incentives (such as FiTs, capital subsidies or tax incentives). Etrion's anticipated growth and development activities will also depend on the Company's ability to secure additional financing (i.e., corporate debt and equity financing, vendor financing or non-recourse project loans). The inability of the Company to obtain the required financing when needed could impact Etrion's financial performance.

<u>Pricing and Cost Environment</u>

Although the Group focuses on acquiring, developing, building, owning and operating renewable energy projects in jurisdictions that provide a long-term FiT or PPA, a portion of the Group's revenues is derived from the spot market rate for electricity. Pricing for the sale of electricity, in the spot market, is subject to change based on economic and political conditions.

The cost to construct renewable energy projects is constantly decreasing as a result of further improvements in the supply chain, an increase in manufacturing capacity of raw materials, cells and modules and further improvement in construction methods.

<u>Environmental Regulation</u>

The renewable energy sector is subject to extensive government regulation, which requires the Company to obtain the necessary operating licenses and permits and imposes certain standards and controls on activities relating to the development, construction and operation of solar power projects. These regulations are subject to change based on the current and future economic or political conditions. To ensure compliance, the Company works closely with local and regional authorities to address all environmental matters and to comply with licensing and permitting requirements.

<u>Competition</u>

The renewable energy industry is extremely competitive, and the Company competes with a substantial number of developers, power producers and financial investors, many of which have greater financial and operational resources.

<u>Employees</u>

At December 31, 2016, Etrion and its subsidiaries had 35 full-time employees, including 5 employees residing in Switzerland, 7 employees residing in Italy, 6 employees residing in Miami, Florida, 3 employees residing in Chile, and 14 employees residing in Japan.

RISK FACTORS

The Company's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Company's long-term performance and could cause actual results to differ materially from expected and historical results. Risk management is carried out by the Company with guidance from the Audit Committee under policies approved by the Board. The Board also oversees and provides assistance with the Company's overall risk management strategy and mitigation plan.

The following provides a summary of the potential risks and uncertainties faced by Etrion, which could adversely affect the Company's operations and financial performance.

Licenses and Permits

The Company'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 Company will be able to obtain all the necessary licenses and permits required to develop future renewable energy projects. At the date of this AIF, to the best of the Company's knowledge, all necessary licenses and permits have been obtained, and the Company is complying in all material respects with the terms of such licenses and permits.

International Operations

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Company's performance. Uncertainties include, but are not limited to, the possibility of expropriation and/or nationalization; invalidation or cancellation of, or delays in obtaining or the failure to obtain, governmental licenses and/or permits; corruption; changes in energy policies; local currency fluctuations and/or devaluations; changes in taxation policies; inadequate infrastructure; uncertainty of the political and economic environments; civil disruptions; and changes in law and policies governing operations of foreign-based companies. The occurrence of one or more of these risks that are beyond the Company's control could have a material and adverse effect on the Company's business. In addition, if legal disputes arise relating to any of the Company's operations, it could be subject to legal claims and litigations within the jurisdiction in which it operates.

All of Etrion's operating solar power plants are located in Japan with the exception of Project Salvador located in Chile, which became operational in November 2014, the Project Mito which became operational in May 2015, the Project Shizukuishi which became operational in November 2016. In addition, the Company is further expanding its portfolio of solar power projects into Japan where the Company is currently proceeding with the construction of Project Aomori, expected to be fully operational by the third quarter of 2017, with the construction of Project Kumamoto, with a total capacity of approximately 45 MW, which is expected to be shovel-ready in the second half of 2017 and with the construction of Project Komatsu, expected to be fully operational in the second quarter of 2018. Therefore the Company is exposed to significant country risk which is not yet balanced through the existence of a diversified portfolio of assets.

Government Regulation

The renewable energy sector is subject to extensive government regulation. These regulations are subject to change based on the current and future economic or 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 to continue operating in current markets. Specifically, reductions in the FiT payable to the Group on its existing solar power projects in Japan well as other legislative or regulatory changes could impact the profitability of the Group's future solar power projects.

Uncertainties include, but are not limited to, future reductions to the FiT, or otherwise, if any, or other change in renewable energy policies, changes in taxation policies and/or the regulatory environment. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Etrion's operations and financial performance. In addition, if legal disputes arise related to any of the Company's operations, Etrion could be subject to the legal framework existing in the relevant jurisdiction.

Market Risks

The Company is exposed to financial risks such as interest rate risk, foreign currency risk, price risk and credit risk as follows:

Interest Rate Risk

The Company is highly leveraged through corporate and project financing for the construction of its solar power projects. The Company enters into non-recourse project loans issued at variable interest rates with financial institutions that provide financing for up to 85% of the total project cost. In addition, in April 2014, the Company completed an €80 million senior secured bond issue in the Norwegian market, with an annual interest rate of 8.0% and a bullet maturity in April 2019. A portion of the net proceeds from the bond issue was used by Etrion to complete, in May 2014, the redemption of its €60 million of corporate bonds issued in 2011 that paid 9.0% annual interest and were to mature in April 2015. Finally, in December 2016, the Company completed the repurchase of €40 million of its 8.0% senior secured bonds due 2019, at a price of 100.0% of par value plus accrued unpaid interest. These bonds were cancelled. Following the completion of the repurchase of these bonds, the Company has outstanding approximately €40 million in nominal amount of bonds and its annual interest cost is reduced by 50.0%.

Etrion is exposed to interest rate risks associated with its non-recourse project loans in Japan as these are floating rate instruments. These risks are mitigated through the Company's hedging strategy. The Group is not exposed to interest rate risks associated with the corporate bond and non-recourse loans in Chile as these are fixed-rate instruments. The Company manages its cash flow and interest rate risks by using floating-to-fixed interest rate swap contracts, primarily entered into with the same financial institutions providing the underlying debt facility. These interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swap contracts, the Group agrees to exchange at specified intervals the difference between the fixed contract rates and floating interest rates calculated by reference to the agreed notional amounts. The fair value of the interest rate swap contracts at the end of each reporting period is determined by discounting the future cash flows using forward interest rate curves at the balance sheet date.

Foreign Currency Risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, United States dollar, Chilean peso and Japanese Yen. The Company's foreign currency exposure is due primarily to intercompany borrowings made in Japanese Yen from subsidiaries that have a different functional currency. The Company does not currently undertake hedging arrangements to mitigate the foreign currency exposure on its net investments in foreign operations or on income in foreign operations in order to hedge the risk of foreign currency variations. In addition, the Group does not enter into forward contracts on project cash distributions to hedge against changes in the exchange rate of the Japanese yen because the Group is not expecting to repatriate funds in the near term from Japan. Instead, expected cash distributions will be reinvested in the same country to further increase the operating assets in Japan.

Electricity Market Price Risk

Etrion is not exposed to electricity market price risk in Japan as all of its current revenues generated by the Company's solar power projects are secured by long-term contracts based on FiT agreements. In Chile, a percentage of the power sold generated by Project Salvador is exposed to electricity market price risks associated with the electricity sold at the spot rate, which may be subject to change based on competition, economic, political 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.

Credit Risk

Credit risk mainly arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high and medium rated institutions operating in local markets are accepted. The sale of electricity is made to public utilities in Japan, and in the open electricity market in Chile, and therefore the Company's management considers, based on its collective experience, the credit risk associated with trade receivables to be minor. In addition, in Chile, the sale of electricity can be made to the contracting party purchasing electricity (i.e., the PPA off-taker) under the PPA for each project, such as the sale of electricity from Project Salvador.

Debt and Equity Financing

Etrion's anticipated growth and development activities will depend on the Company's ability to secure additional financing (i.e., corporate debt, equity financing, vendor financing or non-recourse project loans). The Company cannot be certain that financing will be available when needed, and, as a result, the Company may need to delay discretionary expenditure. In addition, Etrion'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 Company to the risk of seizure or forced sale of some or all of its assets.

In addition, in the event of a bankruptcy, liquidation or reorganization of the Company, creditors will generally be entitled to payment of their claims from the assets of the Company before any assets are made available for distribution to the holders of common shares. Therefore the holders of common shares will be effectively subordinated to most of the other indebtedness and liabilities of the Company. Moreover, the holders of common shares will only be entitled to receive the remaining property of the Company on dissolution after the holders of preferred shares, if any.

Capital Requirements and Liquidity

The construction and acquisition of additional projects by the Company will require significant external funding. Failure to obtain financing on a timely basis could cause the Company 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 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 or equity financing is available, that it will be available on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material impact on the Company's business model, financial position and performance.

Cost Uncertainty

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

Taxes

The introduction of new tax laws or regulations, or changes to, or differing interpretation of, or application of, existing tax laws or regulations in any of the countries in which the Company operates or will operate, could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws or regulations will not be enacted or that existing tax laws or regulations will not be changed, interpreted or applied in a manner which could have a material adverse effect on the Company.

Execution Risk

The Company's anticipated development and growth may require it to acquire complementary or strategic businesses. The process of integrating any future acquired business, technology, service or product, may result in unforeseen operating difficulties and expenditures. To the extent that the Company miscalculates its ability to integrate and properly manage acquired businesses, or it depends on the continued service of acquired personnel who choose to leave, the Company may have difficulty in achieving its operating and strategic objectives. In addition, the Company may not be able to realize the anticipated benefits from the acquisition, identify suitable acquisition opportunities or to negotiate and complete acquisitions on favorable terms. Any future acquisition may require substantial capital resources and the Company may need to obtain additional equity or debt financing.

Dependence on Key Personnel and Management

Etrion's business model is largely dependent on certain key management personnel. The loss of services from such key management personnel could have a material adverse effect on the Company. The contributions of the existing management team to the immediate and near-term operations of the company are likely to continue to be of central importance for the foreseeable future. In addition, the competition for qualified personnel in the renewable energy sector is intense, and there can be no assurance that Etrion will be able to attract and retain all personnel necessary for the development and operation of the Company's business.

Talent and Recruitment

The successful operation of Etrion's business and its ability to expand operations will depend upon the availability of, and competition for, skilled labor. There is a risk that Etrion may have difficulty sourcing the required labor for current and future operations. This risk could manifest itself primarily through an inability to recruit new staff without a dilution of talent, to train, develop and retain high quality and experienced staff without unacceptably high attrition, and to satisfy an employee's work/life balance and desire for competitive compensation. Etrion's ability to operate safely and effectively and to compete in the renewable energy sector may be impacted by these risks.

Failure to Meet International Regulatory Requirements

The Company's operations are subject to numerous health, safety and environmental requirements under the laws and regulations in the various jurisdictions in which the Company operates. Many such laws and regulations are becoming increasingly stringent (and may contain "strict liability") and the cost of compliance with these regulations is expected to increase over time. Failure by the Company to comply with such health, safety and environmental laws and regulations could result in the Company incurring costs and/or liabilities, as a result of regulatory enforcement, including personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Company's results of operation and financial position.

Competition

The renewable energy industry is intensely competitive, and the Company competes with a substantial number of other companies, many of which have greater financial and operational resources. There is no assurance that the Company will be able to acquire or develop future solar power projects or that the Company will be successful against its competitors.

Dilution

The Company has the authority to issue an unlimited number of common shares and preferred shares. The Company may undertake additional offerings or issuances of securities in the future. The increase in the number of shares outstanding and the possibility of sales or issuances of such shares may have a negative impact on Etrion's market capitalization. In addition, in the event of an issuance of additional shares, the voting power of the existing shareholders would be diluted.

Dividend Distribution

There can be no guarantees that dividends will be paid to shareholders, as such dividends are dependent on the Company's financial position, results of operations, cash flows, the need for funds to finance ongoing operations, debt covenants and other business considerations as the Board considers relevant. To date, the Company has never paid a dividend to its shareholders and there can be no assurance that it will be able to pay dividends in the future.

DIVIDENDS AND DISTRIBUTIONS

Since incorporation, Etrion has not paid any cash dividends or made any distributions on its securities. Dividends and/or distributions on its securities will be paid solely at the discretion of the Board after taking into account the Company's financial position, results of operations, cash flows, the need for funds to finance ongoing operations, debt covenants and other business considerations. Under the terms of the agreement governing the Company's corporate bonds issued in April 2014 with a 5-year maturity, the Company cannot distribute dividends to its shareholders unless it meets an incurrence test.

DESCRIPTION OF CAPITAL STRUCTURE

Etrion is authorized to issue an unlimited number of common shares, of which 334,094,324 are issued and outstanding at the date of this AIF, and an unlimited number of preferred shares, in series, none of which have been issued at the date of this AIF. The following is a general description of the material rights, privileges, restrictions and conditions attached to each class of shares.

Common Shares

The holders of common shares are entitled to receive notice of, to attend and vote at any meetings of the shareholders, to receive such dividends declared by the Board and to receive the remaining property of Etrion on dissolution after creditors and holders of the preferred shares, outstanding at the time, have been satisfied.

Preferred Shares

Etrion is authorized to issue an unlimited number of preferred shares issuable in one or more series. The directors of Etrion may fix from time to time, and before issue of a particular series of preferred shares, the number of shares which are to comprise the series (which may be a limited or unlimited number) and the designation, special rights and restrictions and conditions to be attached to such series of preferred shares, including, without limitation, the rate or amount of dividends or the method of calculating dividends, the date of payment for dividends, the redemption, purchase and/or conversion prices, and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provision.

The preferred shares of each series, shall with respect to the payment of dividends, and the distribution of assets or return of capital in the event of liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets of Etrion among its shareholders for the purpose of winding up its affairs, rank on a parity with the preferred shares of every other series and be entitled to preference over the common shares and over any other shares of Etrion ranking junior to the preferred shares. The preferred shares of any series may also be given other preferences, not inconsistent with the Articles of the Company, over the common shares and any other shares of Etrion ranking junior to the preferred shares.

Unless otherwise provided by the provisions of the BCBCA, the holders of each series of preferred shares will not, as such, be entitled to receive notice of or vote at any meeting of the Company's shareholders.

There are no constraints imposed on the ownership of Etrion's securities. To the best of the Company's knowledge, no ratings have been received from any rating organization regarding the Company's securities.

MARKET FOR SECURITIES

The common shares of Etrion are listed for trading on the TSX and the NASDAQ OMX under ticker symbol "ETX". At the date of this AIF, Etrion's outstanding securities consisted of 334,094,324 common shares, 3,202,000 stock options to acquire 3,202,000 common shares and 29,962,627 Restricted Share Units.

The monthly price ranges and the aggregate monthly volume traded on the TSX and the NASDAQ OMX for the year ended December 31, 2016, were as follows:

TSX

	Price Range (CAD$)		
	High	**Low**	**Volume**
December 2016	0.320	0.270	243,153
November 2016	0.370	0.290	357,428
October 2016	0.360	0.300	73,687
September 2016	0.360	0.310	107,200
August 2016	0.405	0.295	167,767
July 2016	0.350	0.270	61,492
June 2016	0.325	0.250	112,722
May 2016	0.360	0.280	89,114
April 2016	0.370	0.260	69,434
March 2016	0.335	0.240	200,099
February 2016	0.340	0.280	138,160
January 2016	0.355	0.300	34,610

NASDAQ OMX

	Price Range (SEK)		
	High	Low	Volume
December 2016	2.14	1.84	7,400,369
November 2016	2.42	2.00	9,499,012
October 2016	2.39	2.15	6,391,512
September 2016	2.48	2.21	9,227,190
August 2016	2.88	1.97	32,914,333
July 2016	2.10	1.73	5,279,438
June 2016	1.83	1.61	5,321,649
May 2016	1.98	1.72	7,523,057
April 2016	2.06	1.86	2,933,280
March 2016	2.10	1.80	4,304,931
February 2016	2.05	1.80	2,954,562
January 2016	2.09	1.80	4,960,191

PRIOR SALES

The Company maintains the 2014 restricted share unit plan pursuant to which employees, consultants, directors and officers of the Group may be awarded Restricted Share Units. The Restricted Share Units have a contractual term of 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 29,962,627 Restricted Share Units outstanding as of December 31, 2016.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

At the date of this AIF, no securities of Etrion were subject to escrow or contractual restrictions on transfer.

DIRECTORS AND OFFICERS

The following table summarizes certain information about the directors and officers of Etrion at the date of this AIF.

Name and Residence(1)	Office Held and Period Served	Principal Occupation (during the last five years)
Ian H. Lundin(2)(3) Coppet, Switzerland	Director since September 2009	Chairman of Lundin Petroleum AB, an oil and gas company, since 2002.
Marco A. Northland Miami Beach, FL, United States	Director since September 2009 Chief Executive Officer since September 2009	Chief Executive Officer of Etrion since September 2009. Previously, Chief Executive Officer and Vice Chairman of Etrion SA, a private renewable energy company, from October 2008 to September 2009 and General Manager (Europe Systems) of SunPower Systems SA, a solar energy company, from September 2005 to September 2008.
Aksel Azrac(2)(3) Bernex-Lully, Switzerland	Director since September 2010	Senior Partner of 1875 Finance SA, an asset management and advisory firm based in Geneva, Switzerland, since 2006.
C. Ashley Heppenstall(2)(3) Hong Kong	Director since February 2008 Chairman since March 2016	Currently a private Investor and sits on the boards of directors of Lundin Petroleum AB (since 2011), Lundin Gold Inc. (since 2015), Africa Energy Corp. (since 2015) and ShaMaran Petroleum Corp. (since 2015). President and Chief Executive Officer of Lundin Petroleum from 2001 to 2015. Also member of Filomining.
Garrett Soden Madrid, Spain	Director since November 2013	Director of Gulfkeystone Petroleum Ltd. since October 2016, Director of Panoro Energy ASA since May 2015. Interim Chief Financial Officer of Etrion from October 2014 until November 2015 and previously from November 2013 until May 2014. Chairman of RusForest AB from July 2013 until May 2015. Before that, Chief Executive Officer of RusForest AB from August 2012 until July 2013 and Chief Financial Officer of Etrion from December 2006 until March 2012.
Paul Rapisarda Boston, MA, USA	Chief Financial Officer since November 2015	Executive Vice President, Commercial Development at Atlantic Power Corporation from 2013 to 2014. Previously Managing Director, Acquisitions and Asset Management at Atlantic Power Corporation from 2008 to 2013.
David Knight Oakville, Ontario, Canada	Corporate Secretary since April 2008	Barrister and Solicitor, and a Partner at the law firm of Norton Rose Fulbright Canada LLP since February 1998.

Notes:

(1) The term of office of each director expires at the next annual meeting of shareholders.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

At the date of this AIF, the directors and executive officers of the Company as a group, including Mr. Lundin, beneficially owned or controlled or directed, directly or indirectly, 26,705,205 common shares of Etrion, representing approximately 8% of the issued and outstanding common shares of the Company. In addition, investment companies associated with the Lundin family, of which Mr. Lundin, a Director of the Company, is one of the beneficiaries, hold common shares of Etrion that when aggregated with the shares held by Mr. Lundin personally represent approximately 24.3% of the outstanding common shares. In addition, the directors and executive officers of Etrion held 1,254,000 options to acquire an additional 1,254,000 common shares of the Company and 14,282,322 Restricted Share Units. Information concerning common shares beneficially owned, or controlled or directed, directly or indirectly, is based on information provided to Etrion by the directors and officers of the Company.

Corporate Cease Trade Orders

At the date of this AIF, no director or executive officer of the Company is, or was within 10 years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Etrion) that:

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or

(ii) was subject to a cease trade order, an order or similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Penalties or Sanctions

At the date of this AIF, no director or executive officer of the Company or any shareholder holding a significant number of securities of Etrion to affect materially the control of Etrion, is or has been, within 10 years prior to the date of this AIF, subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Bankruptcies

No director or executive officer of Etrion, or a shareholder holding a sufficient number of securities to affect materially the control of Etrion:

(i) is, at the date of this AIF, or has been within 10 years prior to the date of this AIF, a director or officer of any company (including Etrion) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or

(ii) has, within 10 years prior to the date of the AIF become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of the Company will be subject in connection with the operations of Etrion. In particular, certain of the directors and officers of Etrion are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct competition with those of Etrion or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Etrion. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA.

AUDIT COMMITTEE

Audit Committee Charter

The Company's Audit Committee Mandate is included herewith.

Composition of the Audit Committee

The Audit Committee is comprised of C. Ashley Heppenstall (Chairman), Aksel Azrac and Ian H. Lundin.

Relevant Education and Experience

The following is a summary of the education and experience of each Audit Committee member that is relevant to their performance, including such education and experience that provides the member with an understanding of the accounting principles used by Etrion to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements and an understanding of internal controls and procedures for financial reporting.

The Audit Committee members are all independent, financially literate and possess an understanding of the accounting principles, internal controls and procedures for financial reporting used by Etrion.

Name of Audit Committee Member	Relevant Education and Experience
C. Ashley Heppenstall	Mr. Heppenstall is a graduate of the University of Durham where he obtained a Bachelor of Science degree in Mathematics. From his various roles at Lundin Petroleum, including his position as Chief Financial Officer, Mr. Heppenstall has extensive experience overseeing financial and accounting matters. Mr. Heppenstall was President and Chief Executive Officer of Lundin Petroleum from 2001 to 2015.
Aksel Azrac	Currently, senior partner and co-founder of 1875 Finance SA since 2006, an asset management and investment advisory firm based in Geneva, Switzerland. Prior to 2006, Mr. Azrac was involved with a private banking firm in Switzerland. Mr. Azrac has extensive capital markets experience and related experience in all aspects of financial matters.
Ian H. Lundin	Currently, Chairman of Lundin Petroleum since 2002. Mr. Lundin graduated from the University of Tulsa with a Bachelor of Science degree in Petroleum Engineering. From his various positions, including Chief Executive Officer of Lundin Oil and its successor, Lundin Petroleum, Mr. Lundin has extensive experience overseeing financial and accounting matters.

Audit Committee Pre-Approval Policies for Non-Audit Services

The Audit Committee reviews and pre-approves any material engagement for non-audit services to be provided by the Company's external auditors or its affiliates, together with estimated fees and considers the effect on the independence of the external auditor.

Fees Paid to External Auditor

In 2016 and 2015, fees payable to PricewaterhouseCoopers SA and Ernst and Young LLP and their affiliates were as follows:

Type of Service Provided	2016 US$	2015 US$
Audit fees(1)	382,750	393,785
Audit-related fees(2)	50,000	107,183
Tax fees(3)	-	92,392
All other fees(4)	394,320	178,200
Total	**827,070**	**771,559**

Notes:

(1) Audit fees relate to professional services rendered by the auditors for the audit of Etrion's annual consolidated financial statements and the statutory audits required for the Company's subsidiaries.

(2) Audit-related fees relate to professional services rendered by the auditors for the review of Etrion's interim consolidated financial statements.

(3) Tax fees relate to professional services rendered by the auditors for corporate tax compliance and general tax planning.

(4) All other fees relate to professional services rendered by the auditors for non-audit services relating to business development activities. Other fees also include all professional services rendered to Etrion's Italian subsidiaries by PricewaterhouseCoopers SA in connection with the Italian sale transaction.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There were no legal proceedings, to which the Company is aware of or of which any of the Company's property was the subject, since the beginning of the most recently completed financial year, nor were there any proceedings known by the Company to be contemplated, that involve a claim for damages exceeding 10% of the Company's current assets. In addition, to the best of the Company's knowledge, there were no:

(i) penalties or sanctions imposed against Etrion by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2016;

(ii) penalties or sanctions imposed by a court or regulatory body against Etrion that would likely be considered important to a reasonable investor in making an investment decision; or

(iii) settlement agreements entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2016.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company is not aware of any material interest, direct or indirect, of any director, officer, any shareholder that beneficially owns, or controls or directs, directly or indirectly more than 10% of the voting securities of Etrion or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year, that has materially affected, or is reasonably expected to materially affect the Company, except as otherwise disclosed herein in connection with the transactions contemplated by the loan agreement dated as of September 24, 2013 entered into between the Company and Lorito Guernsey. A copy of the material change report relating to the transactions contemplated by the loan agreement is available for review online on SEDAR at www.sedar.com.

REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar of the Company's common shares is Computershare Trust Corporation of Canada at its principal office located at 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9.

MATERIAL CONTRACTS

At the date of this AIF, the Company is not party to any material contract, other than any contract entered into in the ordinary course of business, that was entered into during the Company's most recently completed financial year, or before the most recently completed financial year that is still in effect.

INTERESTS OF EXPERTS

There is no person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations,* by the Company during, or related to, its most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company, other than PricewaterhouseCoopers SA.

Etrion's auditors are Ernst & Young LLP, who have prepared an independent auditors' report dated March 10, 2017 in respect of the Company's consolidated financial statements at December 31, 2016 and 2015, and for each of the years then ended. Ernst & Young LLP has advised that they are independent with respect to Etrion within the meaning of the independence rules as set-out by the Swiss professional body as well as Ernst & Young LLP Global Independence Policies which are compliant with the Code of the International Federation of Accountants.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Etrion.

ADDITIONAL INFORMATION

Additional information, including information regarding directors' and officers' remuneration and indebtedness, principal holders of Etrion's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Etrion's most recent Management Information Circular dated May 2, 2016, in respect of its June 9, 2016, annual shareholders' meeting. Additional financial information is provided in Etrion's audited consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2016.

Additional information concerning the Company and all such documents mentioned herein can be obtained online on SEDAR at www.sedar.com or by contacting Etrion's offices at 40 SW 13 Street, Suite PH-1 Miami, FL 33130 United States of America.

AUDIT COMMITTEE MANDATE

Purpose

1. The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to shareholders of the Company and others, the systems of corporate financial controls that management and the Board have established and the audit process. More specifically, the purpose of the Audit Committee is to satisfy itself that:

   (a) the Company's annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to the Board whether the annual financial statements should be approved;

   (b) the information contained in the Company's quarterly financial statements, annual report to shareholders and other financial publications, such as management's discussion and analysis (MD&A), is complete and accurate in all material respects and to approve these materials;

   (c) the Company has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements; and

   (d) the internal and external audit functions have been effectively carried out and that any matter that the internal or the independent auditors wish to bring to the attention of the Board has been addressed. The Audit Committee will also recommend to the Board the re-appointment or appointment of auditors and their remuneration.

Composition and Process

2. Following each annual meeting of shareholders of the Company, the Board shall appoint not less than three directors to serve on the Audit Committee, each of whom shall:

   (a) be independent as that term is defined in then current laws applicable to the Company; and

   (b) be financially literate as such term is defined in then current laws applicable to the Company.

3. The Chairman of the Audit Committee shall be appointed by the Board and shall be independent as that term is defined in the then current laws applicable to the Company.

4. Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Company. Each member of the Audit Committee shall hold office until the close of the next annual meeting of shareholders of the Company or until the member resigns or is replaced, whichever first occurs.

5. The Audit Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements. Additional meetings may be held as deemed necessary by the Chairman of the Audit Committee or as requested by any member of the Audit Committee or by the internal or external auditors.

6. If all members consent, and proper notice has been given or waived, a member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

7. The Chairman of the Audit Committee appointed by the Board will, in consultation with management, the members of the Audit Committee and the internal and external auditors, determine the schedule, time and place of meetings, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members and other attendees with sufficient time for study prior to the meeting.

8. A quorum for the transaction of business at all meetings of the Audit Committee shall be a majority of the members of the Audit Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Audit Committee present.

9. The Audit Committee may invite such individuals including directors, officers and employees of the Company as it may see fit from time to time to attend meetings of the Audit Committee and assist in the discussion and consideration of the business of the Audit Committee, but without voting rights.

10. The Audit Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.

11. Supporting schedules and information reviewed by the Audit Committee will be available for examination by any director upon request to the Secretary of the Company.

12. The Audit Committee shall choose as its secretary such person as it deems appropriate.

13. The internal and external auditors shall be given notice of, and have the right to appear before and to be heard at, every regularly scheduled meeting of the Audit Committee, and shall appear before the Audit Committee when requested to do so by the Audit Committee.

Duties and Responsibilities

14. Subject to the powers and duties of the Board, the Board hereby delegates to the Audit Committee the following powers and duties to be performed by the Audit Committee on behalf of and for the Board:

    (a) Financial Reporting Control Systems

    The Audit Committee shall:

    (i) review reports from senior officers of the Company outlining any significant changes in financial risks facing the Company;

    (ii) review any letters from the external auditors to management with respect to internal controls and the Company's responses thereto;

    (iii) annually review the Audit Committee Mandate;

    (iv) review any new appointments to senior positions of the Company with financial reporting responsibilities; and

    (v) discuss with the external auditors the overall control environment and the adequacy of accounting system controls.

    (b) Interim Financial Statements

    The Audit Committee shall:

    (i) review the Company's interim financial statements and related MD&A and provide to the Board a recommendation as to whether the interim financial statements and MD&A should be approved; and

    (ii) review any interim earnings press release before it is publicly disclosed.

    (c) Annual Financial Statements and Other Financial Information

    The Audit Committee shall:

    (i) review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;

    (ii) obtain summaries of significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration;

(iii) obtain draft annual financial statements in advance of the Audit Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers of the Company;

(iv) review a summary provided by the Company's legal counsel of the status of any material pending or threatened litigation, claims and assessments;

(v) discuss the annual financial statements and the auditors' report thereon in detail with officers of the Company and the auditors;

(vi) review the Company's annual MD&A;

(vii) provide to the Board a recommendation as to whether the annual financial statements and MD&A should be approved; and

(viii) review any annual earnings press release before it is publicly disclosed.

(d) Public Disclosure of Financial Information

The Audit Committee shall:

(i) ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in sections 14(b) and 14(c) above; and

(ii) periodically assess the adequacy of such procedures.

(e) External Audit Terms of Reference, Reports, Planning and Appointment

To preserve the independence of the external auditor responsible for issuing an auditor's report or performing other audit review or attest services for the Company, the Audit Committee shall:

(i) review the audit plan with the external auditors;

(ii) discuss with the external auditors, without management present, matters affecting the conduct of their audit and other corporate matters;

(iii) recommend to the Board each year the retention or replacement of the external auditors; if there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition; and evaluate the external auditor's qualifications, performance and independence;

(iv) review the experience and qualifications of the senior members of the external auditors, ensure that the lead audit partner is replaced periodically in accordance with applicable law or audit practices, and that the audit firm continues to be independent;

(v) review and pre-approve any engagements for non-audit services to be provided by the external auditor and its affiliates in light of the estimated fees and impact on the external auditor's independence, subject to any *de minimus* exception allowed by applicable law, provided that the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve non-audit services and provided further that any non-audit services that have been pre-approved by any such delegate of the Audit Committee must be presented to the Audit Committee at its first scheduled meeting following such pre-approval;

(vi) review with management and with the external auditor:

(1) any proposed changes in major accounting policies;

(2) the presentation and impact of significant risks and uncertainties; and

(3) key estimates and judgments of management that may be material to financial reporting;

(vii) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company in compliance with the requirements set out in section 2.4 of National Instrument 52-110;

(viii) ensure that the external auditor reports directly to the Audit Committee;

(ix) be directly responsible for overseeing the work of the external auditor engaged for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; and

(x) annually review and recommend for approval to the Board the terms of engagement and the remuneration of the external auditor.

(f) Procedure for Complaints regarding Accounting, Internal Controls or Auditing Matters

The Audit Committee shall:

(i) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters; and

(ii) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Reporting and Authority

15. The Audit Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.

16. The Audit Committee is empowered to investigate any activity of the Company and all employees are to co-operate as requested by the Audit Committee. The Audit Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.

17. The Audit Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external auditors, senior management, internal audit, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Audit Committee, including directors, officers and employees of the Company.

Governance

18. The Audit Committee is responsible to review on a regular basis and at its discretion make recommendations to the Board regarding confirmation of or changes to be made to its Mandate and the position description of its Chairman.

Advisors

19. The Audit Committee has the power, at the expense of the Company, to retain, instruct, compensate and terminate independent advisors to assist the Audit Committee in the discharge of its duties.

Audit Committee Timetable

20. The timetable on the following page outlines the Audit Committee's schedule of activities during the year.

Audit Committee Timetable:

Meeting Timing	March	May	August	November
Agenda Item				
A. Financial Reporting Control Systems:				
(1) Review reports from senior officers outlining changes in financial risks.	X	X	X	X
(2) Review management letter of external auditors and Company's responses to suggestions made.	X			
(3) Review the Audit Committee Mandate.	X			
(4) Review any new appointments to senior positions with financial reporting responsibilities.	X	X	X	X
(5) Obtain assurance from both internal and external auditors regarding the overall control environment and the adequacy of account system controls.	X	X	X	X
B. Interim Financial Statements:				
(1) Review Interim financial statements with officers of the Company and approve prior to their release.		X	X	X
(2) Review narrative comment accompanying interim financial statements.		X	X	X
(3) Review interim earnings press release, if any.		X	X	X
C. Annual Financial Statements and Other Financial Information:				
(1) Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements.	X	X	X	X
(2) Obtain summaries of significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration.	X	X	X	X
(3) Obtain draft annual financial statements in advance of the Audit Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers of the Company.	X			
(4) Review a summary of the status of any material pending or threatened litigation, claims and assessments.	X	X	X	X
(5) Discuss the annual financial statements and the external auditors' report thereon in detail with officers of the Company and the external auditors.	X			
(6) Review the annual report and other annual financial reporting documents.	X			
(7) Provide to the Board a recommendation as to whether the annual financial statements should be approved.	X			
(8) Review annual earnings press release, if any.	X			
(9) Review insurance coverage.				X
D. External Audit Terms of Reference, Reports, Planning and Appointment				
(1) Review the audit plan with the external auditors.				X
(2) Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.	X			
(3) Recommend to the Board the retention or replacement of the external auditors. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition.	X			X
(4) Review and recommend for approval to the Board the terms of engagement and the remuneration of the external auditor.	X	X	X	X