ANNUAL INFORMATION FORM

YEAR ENDED DECEMBER 31, 2012

Dated: March 11, 2013

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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, 2012;

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

"**Baripetrol**" means Baripetrol, S.A., a style of corporate entity known as a mixed company, created by the arrangement between Corporación Venezolana del Petróleo, Tecpetrol de Venezuela, S.A., Perenco Oil and Gas International Limited and PFC;

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

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

"FiT" means Feed-in-Tariff;

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

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

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

"**Loan Agreement**" means the loan agreement entered into in April 2010 between Etrion and Lundin Services;

"**Lundin family**" means Etrion's major shareholder. Investment companies associated with the Lundin family own 22.4% 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;

"**Lundin Services**" means Lundin Services BV, a subsidiary of Lundin Petroleum;

"**Mr. Northland**" means Marco Antonio Northland, the Chief Executive Officer and Director of the Company;

"**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;

"**Natixis Facility**" means the non-recourse project loan obtained by the Company from a syndicate of banks to finance the construction of the Helios ITA-3, Etrion Lazio and Sagittario solar power projects;

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

"**PetroCumarebo**" means PetroCumarebo, S.A., a style of corporate entity known as a mixed company, created by the arrangement between Corporación Venezolana del Petróleo and PFC;

"**PFC**" means PFC Oil & Gas, C.A. (formerly Vinccler Oil and Gas, C.A.), a wholly-owned subsidiary of Etrion incorporated pursuant to the laws of Venezuela;

“**PPA**” means power purchase agreement, an agreement providing for the sale of electricity, generally for a term of 15 years or more;

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

“**Shareholders Agreement**” means the former shareholders’ agreement entered into by Etrion and Mr. Northland on September 11, 2009 upon Etrion’s acquisition of a 90% interest in SRH, which agreement terminated in March 2012 upon the acquisition by Etrion from Mr. Northland of the remaining 10% interest in SRH it did not already own;

“**SRH**” means Solar Resources Holding Sarl, a wholly-owned subsidiary of Etrion incorporated pursuant to the laws of Luxembourg;

“**SunRay**” means SunRay Renewable Energy Ltd., a subsidiary of SunPower Corporation, the previous owner of the Cassiopea and Centauro solar power projects that were acquired by the Company in 2010;

“**TSX**” means the Toronto Stock Exchange in Canada;

“**US$**” means the United States dollar; and

“**Venezuela**” means the Bolivarian Republic of Venezuela.

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, 2012 which have been prepared in accordance with IFRS.

Financial information is reported in US$. However, as the Company's primary listing is on the TSX in Canada and the Company primarily operates in Italy, certain financial information has been presented in CAD$ and €.

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 "General Development of the Business" and "Risk Factors" beginning on pages 6 and 12, respectively, and include, but are not limited to, statements pertaining to the following:

- expectations and plans for future growth and development activities;
- expectations relating to the acquisition, construction, development and operation of new renewable energy projects and/or power facilities;
- entering into the proposed definitive PPA with Atacama Minerals and related development of the Aguas Blancas solar power project;
- the need for additional capital and the expected sources of such capital, including the anticipated equity and non-recourse project financing in connection with the Aguas Blancas solar power project;
- 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 manufactures, EPC contractors and finance providers for new renewable energy projects;
- expectations in relation to grid parity; and
- expectations regarding the ability of Etrion to dispose of its legacy oil and gas assets.

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 assumptions include the following:

- assumptions relating to the Company's business, the economy and the renewable energy industry in general
- risks associated with operating exclusively in foreign jurisdictions (i.e., Italy and Chile);
- risks associated with the regulatory frameworks in the jurisdictions in which the Company operates, or expects to operate, including the FiT regime in Italy;
- uncertainties with respect to the availability of suitable additional renewable energy projects;
- the inability of the Company to enter into a definitive PPA with Atacama Minerals entering and to satisfy the conditions thereunder;
- uncertainties and assumptions relating to the availability and costs of financing needed in the future;
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations;

- uncertainties with respect to certain information relating to solar electricity revenue that is dependent upon both the applicable FiT in Italy and the applicable spot market price;
- uncertainties with respect to the Company's ability to enter into PPAs;
- the reduction or loss of government subsidies, such as FiTs, for the sale of electricity;
- risks associated with the market price for electricity;
- assumptions relating to the regulatory frameworks in which the Company operates, or expects to operate including the applicability of the Italian FiT regime
- uncertainties with respect to the receipt and timing of required permits to secure and contract renewable energy projects and to begin selling electricity therefrom;
- changes in costs and availability of materials used in the construction of renewable energy projects;
- changes to existing legislation that could negatively impact the renewable energy sector as a whole;
- the impact of negative general economic and world-wide industry conditions in the jurisdictions and industries in which the Company operates;
- uncertainties regarding the ability of the Company to dispose of its oil and gas assets;
- stock market volatility;
- interest rate risk; and
- other factors, many of which are beyond Etrion's control.

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

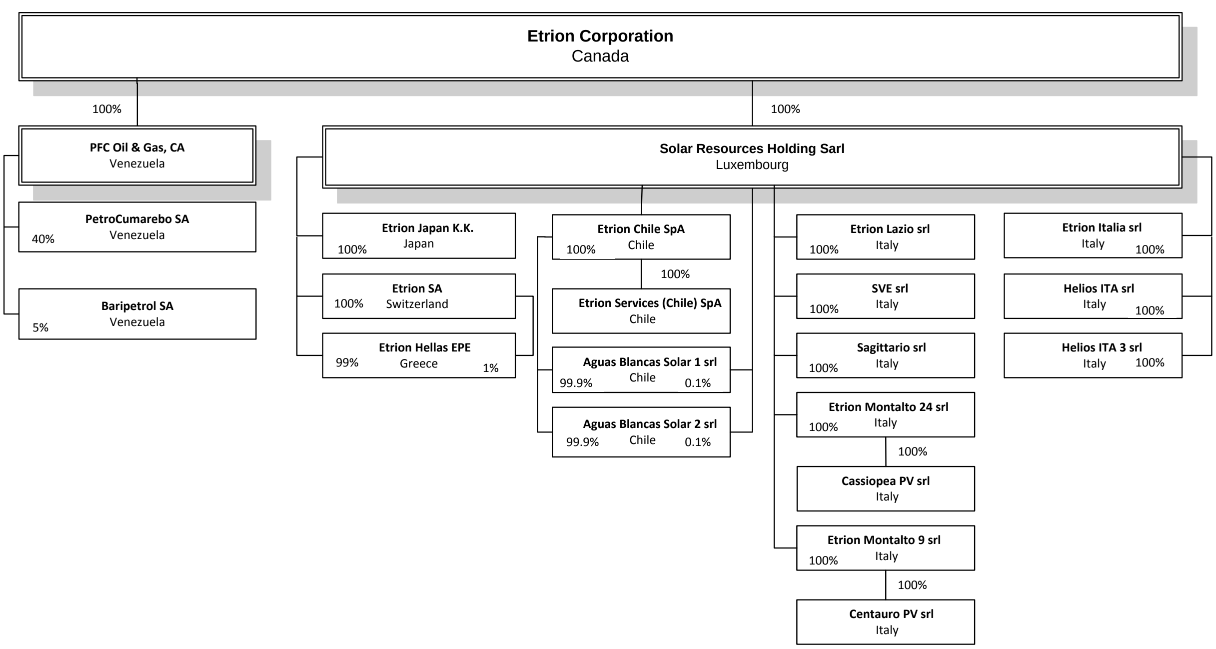
Etrion (formerly PetroFalcon Corporation) was incorporated pursuant to the laws of the Province of Ontario on July 27, 1993, under the name of Agents of Change Inc. Pursuant to Articles of Continuance dated February 28, 1996, the Company was continued under the *Business Corporations Act* (Alberta), 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 Rue du Stand 60-62, 1204 Geneva, Switzerland, 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:



GENERAL DEVELOPMENT OF THE BUSINESS

Business of the Company

Etrion Corporation is an independent power producer that owns and operates renewable assets. The Company is listed on the TSX in Canada and the NASDAQ OMX in Sweden.

The Company operates in the downstream sector of the renewable energy value chain, focusing on owning and operating renewable energy projects. The Company's business model focuses on six key drivers for success: (1) stable revenues; (2) abundant renewable resources; (3) high wholesale electricity prices; (4) low equipment cost and operating expenses; (5) available long-term financing; and (6) low cost of debt.

The Company has an operating platform in Europe consisting of approximately 60 MW of ground-based solar PV power plants all located in Italy. In addition, Etrion is pursuing opportunities to diversify in terms of geography (i.e., expansion into South America), contract regime (i.e., FiT revenues complemented by long-term PPAs) and technology (i.e., hydro).

Further, due to the accelerated cost reductions of renewable power facilities and certain markets evolving beyond the need for government incentives, Etrion is complementing its business by focusing on markets with abundant renewable resources (i.e., high solar irradiation) and large energy demand where it expects to enter into long-term PPAs with industrial clients or local utilities. In addition, Etrion continues to evaluate opportunities in markets with attractive government incentives (such as FiTs) and strong business fundamentals, where the Company believes it can develop and/or acquire additional renewable energy projects. Furthermore, Etrion is also reviewing and assessing other sources of renewable energy, such as hydro, and related technologies for future development.

Future growth will be driven by 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.

The Company has grown its renewable energy business significantly through the acquisition and internal development of seven solar power projects in Italy as follows:

- Acquisition of SRH, the Company's European subsidiary focusing on solar energy projects, in September 2009;
- Acquisition and development of the 3.0 MW SVE solar power project in October 2009;
- Acquisition of the 6.4 MW Helios ITA solar power project in June 2010;
- Acquisition of the 23.9 MW Cassiopea solar power project in August 2010;
- Acquisition of the 8.7 MW Centauro solar power project in October 2010;
- Development of the 5.2 MW Etrion Lazio solar power project in December 2010;
- Development of the 10 MW Helios ITA-3 solar power project in August 2011; and
- Development of the 2.6 MW Sagittario solar power project in August 2011.

The following is a summary of the Company's current operating solar power projects in Italy:

Project	Region	Sites	Capacity (MW)	Technology	Connection Date	FiT[1]
Cassiopea	Lazio	1	23.9	Single axis	Nov-09	€0.353
Helios ITA-3 (Brindisi, Mesagne)	Puglia	2	10.0	Single axis	Aug-11	€0.250
Centauro	Lazio	1	8.7	Single axis	Jul-10	€0.346
Helios ITA[2]	Puglia	7	6.4	Single axis	Dec-09	€0.353
Etrion Lazio (Borgo Piave, Rio Martino)[3]	Lazio	2	5.2	Fixed-tilt	Apr-11	€0.346
SVE (Oria, Matino, Ruffano)	Puglia	3	3.0	Single axis	Dec-10	€0.346
Sagittario (Nettuno)	Lazio	1	2.6	Fixed-tilt	Aug-11	€0.250
Total		**17**	**59.8**			

Notes:

(1) FiT per kWh, based on connection date. Revenues for the sale of electricity from the solar projects to the electricity grid are based on the applicable Italian FiT plus the spot market price for electricity.

(2) Six of the Helios ITA solar parks benefit from the 2009 FiT of €0.353 per kWh, and the last park built benefits from the 2010 FiT of €0.346 per kWh.

(3) Etrion Lazio was installed at the end of 2010. However, the project was not connected to the electricity grid until April 2011.

In addition, the Company owns, through PFC, 40% of PetroCumarebo and 5% of Baripetrol, two Venezuelan companies controlled by Petróleos de Venezuela, the Venezuelan national oil company. PetroCumarebo holds the operating rights to the East and West Falcon blocks in northwestern Venezuela and has current onshore production of oil and natural gas. Baripetrol holds the operating rights to the Colon Block in western Venezuela and has current onshore production of oil and natural gas. The Company does not currently seek to further its investments in the oil and gas sector. As such, Etrion considers the oil and gas assets to be passive investments, which the Company intends to divest from when the opportunity arises.

Three Year History

2013 Developments

- **Business Development:** In January 2013, the Company signed a letter of intent with Atacama Minerals, outlining the principal commercial terms of a long-term take-or-pay PPA to sell electricity to its Aguas Blancas mine located in the north of Chile. As a result, Etrion will develop, build and operate a solar power project with a capacity of up to 8.8 MW that is expected to be operational in the second quarter of 2014. The parties expect to sign a definitive PPA by the end of March 2013. The total project cost, including costs related to the licences, permits, development and construction, is estimated to be less than US$20 million, a portion of which is expected to be financed through non-recourse project financing, with the remaining equity portion to be funded by Etrion. Construction of Aguas Blancas is subject to a definitive PPA between the parties and Etrion arranging the necessary debt and equity financing as well as other conditions customary for transactions of this nature, including all necessary regulatory approvals.

2012

- **Management Change:** In December 2012, the Company appointed Cheryl Eversden as Chief Financial Officer of the Company. Mrs. Eversden has extensive experience overseeing and managing the financial and accounting activities for publicly traded companies in North America and Europe. Mrs. Eversden joined Etrion in January 2011 as Director of Finance and Accounting and in April 2012 was appointed interim Chief Financial Officer.
- **Appointment of New Director:** In October 2012, the Company increased the size of its Board to include six members and announced the appointment of Tom Dinwoodie to the Board. Mr. Dinwoodie is a world leading expert in solar power with over 25 years' experience in the renewable energy sector.
- **Management Change:** In July 2012, the Company announced the appointment of Giora Salita as Executive Vice President of Business Development and Mergers and Acquisitions. Mr. Salita has over 15 years of executive experience in the renewable energy, technology and private equity sectors,
- **Business Development:** During the second quarter of 2012, Etrion opened an office in Santiago, Chile to support its development plans to diversify into the Americas, with a specific focus on Chile.
- **Exchange under the Shareholders Agreement:** In March 2012, pursuant to the Shareholders Agreement, Mr. Northland converted his 10% equity interest in SRH for an equivalent value of shares in Etrion. As a result of the conversion, SRH became a wholly-owned subsidiary of the Company and the Shareholders Agreement terminated in accordance with its terms. As a result, the Company issued from treasury 18,210,299 shares to Mr. Northland. The value of SRH for the purpose of the conversion was based on the market capitalization of Etrion less the value of its legacy oil and gas investments and subject to certain other adjustments related to the Company's corporate debt and cash on hand.

2011

- **Business Development:** Etrion completed the construction of the 10 MW Helios ITA-3 and 2.6 MW Sagittario solar power projects, both connected to the electricity grid in August 2011. These solar power projects were financed under the Natixis Facility for approximately €60 million that also included the 5.2 MW Etrion Lazio solar power project. The addition of these two solar power projects increased Etrion's total installed capacity to approximately 60 MW.
- **Project Financing:** In August 2011, Etrion secured an additional tranche of project financing to include the 2.6 MW Sagittario solar power project within the existing Natixis Facility.
- In the fourth quarter of 2011, the Company completed the drawdown of US$51 million (€39.5 million) from the Natixis Facility in connection with the Helios ITA-3 and Sagittario solar power projects.
- **Corporate Financing:** In April 2011, the Company issued €60 million of corporate bonds in the Norwegian bond market at 9% annual interest with a 4-year maturity.

In May 2011, the Company repaid the outstanding principal and interest associated with the €60 million credit facility provided by Lundin Services that was obtained in April 2010.

In June 2011, investment companies associated with the Lundin family provided a €28 million bridge loan, in order to accelerate the construction of the Helios ITA-3 and Sagittario solar power projects that was fully repaid in November 2011. In consideration for the bridge loan, the Company issued 6,500,000 common shares to investment companies associated with the Lundin family.

2010

- **Business Development**: In June 2010, SRH acquired from Deutsche Bank a portfolio of solar power assets in Italy. As a result of the acquisition, Etrion acquired the operating 6.4 MW Helios ITA solar power project, the permits and licenses associated with the 10 MW Helios ITA-3 solar power project and a development pipeline in Italy. Etrion recognized its first revenues as a renewable energy company from the Helios ITA solar power project in the second quarter of 2010.

  In August 2010, SRH acquired from SunRay 100% of the outstanding shares of an Italian company that owned 100% of the 23.9 MW Cassiopea solar power project. The Cassiopea solar power project was connected to the electricity grid in November 2009. At the time of the acquisition, Cassiopea was the largest operating solar power park in Italy.

  In October 2010, SRH acquired from SunRay 100% of the outstanding shares of an Italian company that owned 100% of the 8.7 MW Centauro solar power project. The Centauro solar power project was connected to the electricity grid in July 2010.

  In December 2010, Etrion completed the construction of the SVE solar power project (Oria, Matino and Ruffano), with a total capacity of 3 MW. The SVE solar power project was connected to the electricity grid in December 2010.

  In December 2010, Etrion completed the construction of the Etrion Lazio solar power project (Borgo Piave and Rio Martino), with a total capacity of 5.2 MW. The Etrion Lazio solar power project was connected to the electricity grid in April 2011.

- **Project Financing**: In December 2010, Etrion secured €57.1 million under the Natixis Facility for the construction of the 10 MW Helios ITA-3 and 5.2 MW Etrion Lazio solar power projects. In August 2011, the Natixis Facility was increased to also include the Sagittario solar power project.

- **Closure of Legacy Oil and Gas office**: In November 2010, the Company closed its legacy oil and gas office in Venezuela to focus primarily on the sale of electricity from renewable sources.

- **Secondary Listing**: In November 2010, the Company obtained a secondary listing on the NASDAQ OMX in Sweden. At the same time, Lundin Petroleum, Etrion's former major shareholder, distributed its 40% ownership in Etrion to Lundin Petroleum shareholders. As a result of the distribution, the Company's largest shareholder became the Lundin family, which holds through various trusts approximately 25% of the Company's share capital.

  The secondary listing in Stockholm and the distribution of Lundin Petroleum's ownership in Etrion significantly expanded the Company's shareholder base and increased its visibility among European investors.

- **Share Capital Reduction**: At an extraordinary general meeting held in October 2010, the shareholders of the Company approved a resolution to reduce the Company's stated capital effective December 31, 2010, by an amount equal to the Company's consolidated accumulated deficit at December 31, 2010, to better reflect the Company's actual and expected capitalization and shareholder's equity. After giving effect to the share capital reduction, the Company's share capital was reduced by US$106.0 million to US$16.7 million at December 31, 2010. No amount was distributed to shareholders on the reduction of the Company's share capital.

- **Change to the Board of Directors**: In September 2010, Clarence Cottman, founder and former executive officer of the Company's predecessor, PetroFalcon Corporation, tendered his resignation as a Director of the Company, and the Board appointed Aksel Azrac as his replacement. Mr. Azrac is a senior partner and co-founder of 1875 Finance SA, an asset management and investment advisory firm based in Geneva, Switzerland.

- **Early Adoption of IFRS**: In June 2010, the Company early adopted IFRS for the preparation of its consolidated financial statements for financial periods beginning on or after January 1, 2010. For further information, refer to the Company's audited consolidated financial statements for the year ended December 31, 2010, for a complete summary of the differences between the Company's previous accounting framework, Canadian Generally Accepted Accounting Principles, and IFRS.

- **Corporate Financing**: In April 2010, in order to fund the Deutsche Bank acquisition and for other corporate purposes, Etrion entered into the Loan Agreement with Lundin Services for up to €20 million at Euribor plus 3% due on September 30, 2010. In June 2010, in order to fund the acquisition of the 23.9 MW Cassiopea and 8.7 MW Centauro solar power projects, the Loan Agreement was amended to increase the loan amount from €20 million to €60 million and in August 2010, to extend the maturity of the loan to October 31, 2011, provided that the proceeds of any equity financing completed by Etrion prior to the maturity date of the loan would be applied to the repayment of the loan and to increase the interest rate to Euribor plus 5% after March 31, 2011. The loan was further amended in October 2010 to provide that any amounts prepaid by the borrower would be available for subsequent draw-downs with prior consent of the lender and to extend the maturity date of the loan to November 15, 2011. The loan was fully repaid in May 2011.

- **Change of Listing Category and Related Financing**: In February 2010, the TSX announced a review of Etrion's listing status as a result of the Company's change of business focus from oil and gas to renewable energy. The TSX no longer considered the Company to be an oil and gas company and required it to demonstrate compliance with the TSX original listing requirements for an industrial issuer. The TSX review arose in connection with the Company's proposed application for a secondary listing on NASDAQ OMX.

  In May 2010, the TSX conditionally approved the listing of the Company's common shares in the industrial category subject to certain conditions, including the completion of an equity financing resulting in net proceeds to the Company of at least US$15 million. In August 2010, the Company completed the required financing by issuing 21,000,000 common shares through a private placement at a share price of CAD$0.75 to arm's length investors for aggregate gross proceeds of CAD$15.8 million and satisfied the remaining listing conditions.

Description of the Business

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

- Phase 1, site development, generally requires twelve to twenty-four months, during which time site surveys are carried out in order to identify the most favorable locations for planned solar power projects (considering solar irradiation levels and the price for electricity) and the necessary permits and grid connection authorizations are obtained;

- Phase 2, project financing, generally takes four to six months, during which the Company assesses and selects financing partners;

- Phase 3, construction, generally takes six to nine months, during which the Company closes the financial aspects of the project, engages a turn-key EPC contractor to build the solar power projects and ensures compliance with local regulations and contract regime requirements; and

- Phase 4, operations, lasts a minimum period of 20 years, during which the Company operates the solar power projects by engaging an operations and maintenance contractor, and the project company generates cash flow and repays the non-recourse debt facilities incurred in connection with the project.

Market Overview

The market for renewable energy sources, including solar, biomass, wind, hydro and bio fuels, is driven by variety of factors, such as legislative and policy support, technology, macroeconomic conditions 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, natural gas and nuclear energy. In order to achieve this, the conversion efficiency of solar modules needs to increase, and the cost of building solar PV power systems needs to decrease. The Company expects some countries to reach grid parity within the next five years.

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.

Italian Market

In 2005, the Italian government introduced a FiT system in order to encourage expansion of solar energy. This combined with the strong solar irradiation and high electricity prices, has led to a significant growth in the installed capacity of solar generating facilities since 2005. The Italian state-owned company, GSE, is responsible for managing the subsidy program, but the actual cost of the subsidy is paid by the ultimate consumer through a small tax on utility bills. The Italian FiT is a 20-year commitment from the government to purchase 100% of the solar electricity production at a premium constant rate based on the connection date. Since 2005, the Italian FiT for new projects has been revised to account for the decreasing cost to build solar power plants.

Chilean Market

The Chilean energy sector is largely privatized which enables energy producers to enter into bilateral agreements directly with industrial user (i.e., long-term PPAs). Unlike Italy, there is no government incentives provided to renewable energy producers, however, due to the accelerated cost reduction for solar generation, combined with the high solar irradiation and large energy demand in Chile, Etrion is able to provide competitive electricity solutions to industrial users, through PPAs denominated in US dollars, without the need for government subsidies. Chile is a country with abundant renewable resources (i.e., strong solar irradiation), high wholesale electricity prices and a large energy demand, making it an ideal country for Etrion to grow and diversify through new opportunities.

Other Markets

Incentive structures for solar power generation currently exist in many markets (including Europe, Japan and North America) and are a key driver for market growth. The aim of the incentives is to increase investment in renewable energy generation in order to deliver greater efficiency and cost reductions.

In addition, as the cost of renewable power generation continues to drop, Etrion will be able to compete with traditional sources of electricity in new markets with abundant renewable resources (i.e., strong solar irradiation) and high electricity prices. Specifically, the Group is currently evaluating opportunities to expand into other regions of South America, where it will enter into long-term PPAs with industrial users or the local utility.

Economic Dependence

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.

Pricing and Cost Environment

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 may be 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.

Environmental Regulation

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.

Competition

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.

Employees

At December 31, 2012, Etrion, and its subsidiaries, had twenty full-time employees, including nine employees residing in Switzerland, ten employees residing in Italy and one employee residing in Chile. At the date of this AIF, Etrion, and its subsidiaries, had twenty full-time employees, including ten employees residing in Switzerland, nine employees residing in Italy and one employee residing in Chile.

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.

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 Italy as 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, reductions to the FiT 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.

Specifically, in May 2011, the Italian government approved a decree establishing new tariffs for solar PV plants entering into operation from June 1, 2011, through December 31, 2016. The decree provides for tariffs to be granted to solar parks based on the type of solar plant installed and the date of grid connection, with annual caps on installed solar capacity. In addition, on March 3, 2011, the Italian government approved a decree that includes land restrictions for solar PV plants installed on agricultural land after March 29, 2012. The reduced FiT impacted the Company's development pipeline in Italy that was fully impaired in 2011. However, the Company's operating solar power projects were not affected by the new decrees.

Then in April 2012, the Italian industry ministry approved the fifth 'Conto Energia' renewable energy law to be implemented in the second half of 2012. The new scheme resulted in a reduction to the installation of ground-mounted solar PV projects, lower FiT for all PV systems installed and connected to the electricity grid after the implementation date and interim financial caps until the end of 2014 (i.e., half-year budgetary caps of €100 million). The new law also includes an additional administrative fee charged to all operating solar PV systems (approximately €0.0005 per kWh produced). This results in an additional expense to the Company of approximately €0.1 million per year. However, apart from the additional administrative fee, the Company's operating solar power projects are not affected by the fifth 'Conto Energia' renewable energy law.

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

Although the Company is currently generating significant cash flows from its operational projects, the construction and acquisition of additional projects will require significant external funding. Failure to obtain financing on a timely basis could cause the 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.

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 financing for the construction of its solar power projects, and at the corporate level. Further, 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 2011, the Company issued €60 million of corporate bonds in the Norwegian bond market at 9% annual interest with a 4-year maturity.

Etrion is exposed to interest rate risks associated with its non-recourse project loans as these are floating rate instruments. The Company is not exposed to interest rate risks associated with the corporate bond as this is a fixed rate instrument. 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 each of the underlying debt facilities. These interest rates swap contracts have the economic effect of converting borrowings from floating rates to fixed rates for the anticipated duration of the project loan. Under the interest rate swap contracts, the Company agrees to exchange, at specified intervals (i.e., semi-annually), the difference between the fixed contract rates and floating interest rates calculated by reference to the agreed notional amounts.

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, Swiss franc, United States dollar and Venezuelan bolivar. The Company's foreign currency exposure is due primarily to intercompany borrowings made in Euros and United States dollar to subsidiaries that have a different functional currency. The Company does not 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 as the effects of foreign exchange rate movements have an insignificant impact on the Company financial results, due to the fact that monetary assets and liabilities held by the Company's subsidiaries are primarily held in the functional currency of the individual subsidiary.

Etrion considers foreign currency risk limited due to the fact that monetary assets and liabilities held by the Company's subsidiaries are primarily held in the individual subsidiaries' functional currency. Further, monetary assets and liabilities held in currencies other than the functional currencies of the individual subsidiaries are considered insignificant.

Price Risk

Etrion is not exposed to significant commodity price risk as the majority of revenues generated by the Company's solar power projects are secured by long-term contracts based on a FiT. However, the Company is exposed to price risks associated with the electricity sold at the spot rate, which may be subject to change based on economic, political and other conditions.

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. In Italy, the sale of electricity is made to the state-owned utility companies, and therefore the credit risk associated with trade receivables is considered to be insignificant. In Chile, the sale of electricity will be made to the contracting party purchasing electricity (i.e., the PPA off-taker) under the PPA for each project.

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.

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 licences 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.

Etrion's operating solar power plants are all located in Italy, and the Company is proposing to expand its portfolio of solar power projects into Chile pursuant to the entering into of a long-term PPA with Atacama Minerals and the related development of the Aguas Blancas solar power project Therefore the Company is exposed to signficant country risk which is not yet balanced through the existence of a diversified portfolio of assets. The Company's expansion into Chile, its first expansion effort outside of Italy, is only just beginning and the Company then intends to further expand into South America.

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 2011 with a 4-year maturity, the Company is unable to distribute dividends to its shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

Etrion is authorized to issue an unlimited number of common shares, of which 205,746,419 are issued and outstanding at the date of this AIF, and an unlimited number of preferred shares, in series, of which none 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 the same ticker symbol "ETX". At the date of this AIF, Etrion's outstanding securities consisted of 205,746,419 common shares and 7,450,000 stock options to acquire 7,450,000 common shares.

The price ranges and the volumes traded on the TSX for the year ended December 31, 2012, were as follows:

	Price Range (CAD$)		
	High	**Low**	**Volume**
December	0.37	0.18	2,588,505
November	0.365	0.20	760,112
October	0.38	0.31	747,603
September	0.38	0.305	439,572
August	0.39	0.32	736,893
July	0.45	0.305	945,852
June	0.04	0.26	304,914
May	0.45	0.275	419,490
April	0.56	0.40	1,445,349
March	0.63	0.48	950,735
February	0.56	0.475	484,947
January	0.64	0.50	575,546

PRIOR SALES

During the financial year ended December 31, 2012, the following securities of Etrion that are not listed or quoted on a marketplace were issued as follows:

Date of Issue	Number and Type of Securities Issued
March 19, 2012	647,000 Options(1)
July 5, 2012	1,300,000 Options(2)
September 24, 2012	1,546,000 Options(3)
October 21, 2012	188,000 Options(4)

Notes:

(1) On March 19, 2012, Etrion granted, to the directors of the Company, options to purchase an aggregate of 647,000 common shares of Etrion. The options are exercisable at CAN$0.52 and expire on March 19, 2017.

(2) On July 5, 2012, Etrion granted, to an employee of the Company, options to purchase an aggregate of 1,300,000 common shares of Etrion. The options are exercisable at CAN$0.36 and expire on July 5, 2017.

(3) On September 24, 2012, Etrion granted, to employees and certain eligible persons of the Company options to purchase an aggregate of 1,546,000 common shares of Etrion. The options are exercisable at CAN$0.34 and expire on September 24, 2017.

(4) On October 21, 2012, Etrion granted, to a director of the Company, options to purchase an aggregate of 188,000 common shares of Etrion. The options are exercisable at CAN$0.34 and expire on October 21, 2017.

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) Coppet, Switzerland	Chairman since September 2009	Chairman of Lundin Petroleum, an oil and gas company, since 2002.
Marco A. Northland Cologny, Switzerland	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) Cologny, Switzerland	Director since February 2008	President and Chief Executive Officer of Lundin Petroleum since 2001.
John Hunter Craig(3) Toronto, Ontario, Canada	Director since February 2008	Partner (Barrister and Solicitor) at the law firm of Cassels Brock & Blackwell LLP since August 1994.
Tom Dinwoodie Berkeley, California	Director since October 2012	Chief Technology Officer of SunPower Corporation Systems from January 2007 to October 2012. Previously, Chief Executive Officer of Powerlight Corporation, from January 1995 to December 2006.
Cheryl Eversden Thonex, Switzerland	Chief Financial Officer since December 2012	Chief Financial Officer of Etrion since December 2012. Previously, interim Chief Financial Officer of Etrion from April 2012 to December 2012, Director of Finance and Accounting of Etrion from January 2011 to April 2012, Group Financial Controller of ShaMaran Petroleum Corp., from April 2010 to December 2011, Group Financial Controller of Cadogan Petroleum plc from April 2008 to March 2010 and Manager of Deloitte LLP from May 2003 to March 2008.
David Knight Toronto, Ontario, Canada	Corporate Secretary since April 2008	Barrister and Solicitor, and a Partner at the law firm of Norton Rose 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, beneficially owned, or controlled or directed, directly or indirectly, 22,230,211 common shares of Etrion, representing approximately 10.8% 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, held approximately 22.43% of the common shares of Etrion. In addition, the directors and executive officers of Etrion held 2,920,000 options to acquire an additional 2,920,000 common shares of the Company. 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

Except for Mr. Northland, who was the Chief Operating Officer of AT&T Latin America when it filed for bankruptcy protection in April 2003, 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 attached hereto as Appendix A.

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	Currently, President and Chief Executive Officer of Lundin Petroleum since 2001. 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.
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

Fees payable to PricewaterhouseCoopers SA and its affiliates, in 2012 and 2011, the nature of which are described below, were as follows:

Type of Service Provided	2012 US$	2011 US$
Audit fees(1)	328,474	356,422
Audit-related fees(2)	119,553	176,181
Tax fees(3)	101,681	53,823
All other fees(4)	152,848	171,683
Total	**702,555**	**758,109**

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.

During the year ended December 31, 2011, the Company changed its external auditor from PricewaterhouseCoopers LLP to PricewaterhouseCoopers SA.

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, 2012;

(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, 2012.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, 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.

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 and PricewaterhouseCoopers LLP.

Etrion's auditors are PricewaterhouseCoopers SA, who have prepared an independent auditors' report dated March 11, 2013 in respect of the Company's consolidated financial statements at December 31, 2012 and 2011, and for each of the years then ended. PricewaterhouseCoopers SA 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 PricewaterhouseCoopers 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 April 26, 2012, in respect of its June 14, 2012, 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, 2012.

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 Rue du Stand 60-62, 1204 Geneva, Switzerland (Telephone: +41 22 715 2090/Facsimile: +41 22 715 2099).

APPENDIX A
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, 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.

   (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 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 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 management discussion and analysis ("**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;

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

(ix) review insurance coverage including directors' and officers' liability coverage.

(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