etrion

Management's Discussion and Analysis

Year ended December 31, 2011

CONTENTS

- **Introduction** 1
- **2011 Highlights**
  - Operational 1
  - Financial 1
- **Business Review**
  - Results at a Glance 2
  - Solar Energy Projects 3
- **Market Overview**
  - Italian Market 7
  - Competition 8
  - Other Markets 8
- **Performance Drivers** 8
- **Financial Review**
  - Financial Results 9
  - Financial Position 15
  - Primary and Secondary Listing 19
- **Capital Investments** 20
- **Critical Accounting Policies and Estimates** 20
- **Related Parties**
  - Related Party Transactions 23
  - Key Management Personnel 24
- **Financial Instruments**
  - Financial Risk Management 24
  - Derivative Financial Instruments 25
- **Risk and Uncertainties**
  - Financial Risks 26
  - Non-Financial Risks 27
- **Disclosure Controls and Internal Control over Financial Reporting** 28

Cautionary Statement Regarding Forward-Looking Information 28

- **Additional Information** 28

INTRODUCTION

The following management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business environments. This MD&A, prepared as of March 29, 2012, should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2011. Financial information is reported in United States dollars ("$"). However, as the Group primarily operates in Europe, certain financial information has been reported in Euros ("€"). At December 31, 2011, the €/$ exchange rate was 1.29 (2010: 1.34), and the average exchange rate for the year was 1.39 (2010: 1.32).

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

This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information within. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 28.

2011 HIGHLIGHTS

OPERATIONAL

- Produced 88.3 million (2010: 20.9 million) kilowatt-hours ("kWh") of solar electricity from seven solar power projects (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Nettuno) during the year ended December 31, 2011.
- Completed construction of the 10 MW Helios ITA-3 and 2.6 MW Nettuno solar power projects, both connected to the electricity grid in August 2011.

FINANCIAL

- Generated solar electricity revenues of $51.9 million (2010: $11.6 million) during the year ended December 31, 2011.
- Recognized adjusted earnings before interest, taxation, depreciation and amortization ("EBITDA") for the renewable energy segment of $47.6 million (2010: $8.4 million) during the year ended December 31, 2011.
- Issued, in April 2011, $77.4 million (€60 million) of corporate bonds in the Norwegian bond market at 9% annual interest with a 4-year maturity.
- Repaid, in May 2011, the outstanding principal and interest associated with the $77.4 million (€60 million) credit facility provided by a subsidiary of Lundin Petroleum AB.
- Repaid, in November 2011, the $36.1 million (€28 million) bridge loan from investment companies associated with the Lundin family.
- Completed, in the fourth quarter of 2011, the drawdown of $51.0 million (€39.5 million) from the non-recourse loan facility with Natixis, WestLB and Mediocreval in connection with the Helios ITA-3 and Nettuno solar power projects.

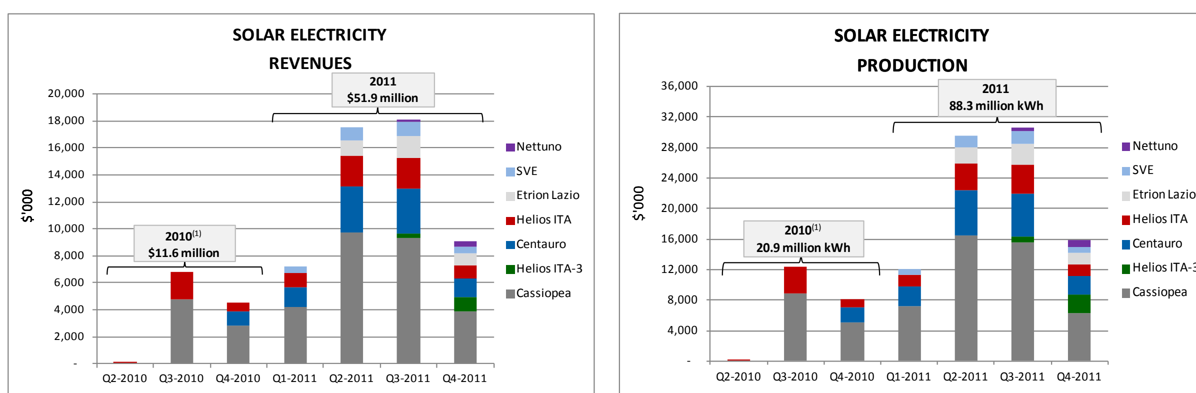
BUSINESS REVIEW

Etrion is an independent power producer focused on acquiring, developing, building, owning and operating solar power plants. The Group currently owns approximately 60 MW of operational, ground-based solar photovoltaic ("PV") power plants.

Etrion initially focused on countries with government incentives for solar power production, specifically Feed-in-Tariff ("FiT") environments like Italy. The Italian FiT is a 20-year commitment from the government to purchase 100% of a solar park's electricity production at a premium constant rate. However, as a result of the accelerated cost reductions of solar electricity and the market evolving beyond the need for government incentives, the Group's long-term growth is expected to be in markets with high irradiation and large energy demand where the Group would enter into power purchase agreements ("PPAs") with industrial clients. Future growth will be driven by the development and acquisition of additional renewable power facilities under long-term contracts in markets with high electricity prices and attractive solar irradiation.

RESULTS AT A GLANCE

During the year, the Group recognized revenues from seven solar power projects in Italy (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Nettuno). During 2010, the Group recognized revenue from three solar power projects (Cassiopea, Centauro and Helios ITA). Solar-related revenues experience seasonality over the year due to the variability of daily sun hours in the summer versus the winter months.



Note:

(1) The Group recognized its first revenues from the sale of solar electricity in June 2010.

Financial highlights for the year ended December 31, 2011 and 2010 for the Group's renewable energy segment are as follows:

Renewable energy segment	2011 $'000	2010 $'000
Revenue	**51,910**	**11,565**
Renewable segment EBITDA[1]	49,218	8,437
- Liquidation damages[2]	(3,107)	-
- EPC contract cancellation fee[3]	185	-
- Impairment[4]	1,315	-
Adjusted renewable segment EBITDA	**47,611**	**8,437**
Adjusted EBITDA margin (%)	**92%**	**73%**

Notes:

(1) Refer also to "Results from renewable energy segment" on page 10 for EBITDA generated from the Group's renewable energy segment.

(2) During the year ended December 31, 2011, the Group recognized a gain of $3.1 million from liquidation damages related to delays encountered by the engineering, procurement and construction ("EPC") contractors responsible for the construction of three of the Group's solar power projects (Helios ITA, Etrion Lazio and SVE).

(3) During the year ended December 31, 2011, the Group recognized an expense of $0.2 million for the EPC contract cancellation fee related to the Helios ITA-3 solar power project.

(4) During the year ended December 31, 2011, the Group recognized an impairment loss of $1.3 million (2010: $nil) in relation to the development pipeline in Italy due to recent changes in the solar FiT regime.

RESULTS AT A GLANCE (CONTINUED)

Production and pricing information for the year ended December 31, 2011 and 2010, are as follows:

	2011			2010		
	MWh[1]	Price[2] ($/kWh)	Revenue $'000	MWh[1]	Price[2] ($/kWh)	Revenue $'000
FiT revenues (based on actual production)[3]	88,288	0.48	42,378	20,939	0.46	9,632
Market Price revenues (based on evacuated production)[4]	86,654	0.11	9,532	19,330	0.10	1,933
Total revenue			**51,910**			**11,565**

Notes:

(1) Production is based on megawatt-hours ("MWh") of electricity produced.

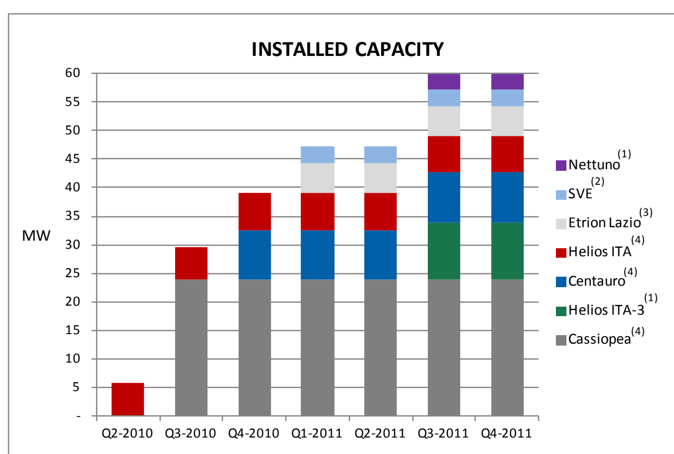
(2) Prices are received in Euros and have been translated at the average €/$ exchange rate for the year ended December 31, 2011, of 1.39 (2010: 1.32).

(3) The FiT is received on kWh of electricity produced. Production information is based on estimates until confirmed by the Italian government through the state-owned company, Gestore Servici Energetici ("GSE").

(4) The spot market price ("Market Price") is received in addition to the FiT. The Market Price is based on evacuated production (i.e., electricity produced less transmission losses). Production and pricing information is based on estimates until confirmed by the local utilities, Enel S.p.A. and Terna S.p.A.

SOLAR ENERGY PROJECTS

The following is a summary of the Group's total installed capacity of approximately 60 MW at December 31, 2011:



Notes:

(1) Nettuno and Helios ITA-3 were installed and connected to the electricity grid in August 2011.

(2) SVE was installed in 2010 with the first revenues being recognized in the first quarter of 2011.

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

(4) Revenues were recognized from Helios ITA, Cassiopea and Centauro as of the acquisition date: June 24, 2010, August 5, 2010, and October 1, 2010, respectively.

SOLAR ENERGY PROJECTS (CONTINUED)

The Group has grown its renewable energy segment significantly through the acquisition and internal development of several solar power projects in Italy as follows:

- Acquisition of Solar Resources Holding Sarl ("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 Nettuno solar power project in August 2011.

The Group'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 FiT for the sale of electricity to the electricity grid) and the necessary permits and grid connection authorizations are obtained;
- Phase 2, project financing, generally takes four to six months, during which the Group assesses and selects financing partners;
- Phase 3, construction, generally takes six to nine months, during which the Group 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 FiT requirements; and
- Phase 4, operations, lasts a minimum period of 20 years in Italy, during which the Group operates the solar power projects by engaging an operations and maintenance ("O&M") contractor, and the project company generates cash flow and repays the non-recourse debt facilities incurred in connection with the project.

The following is a summary of the Group's current operating solar power projects:

Project	Region	Sites	Capacity (MW)	Technology	Contractor	Panels	Inverters	Connection date	FiT[1]
Cassiopea	Lazio	1	23.9	Single axis	SunPower	SunPower	SMA	Nov-09	€0.353
Helios ITA-3 (Brindisi, Mesagne)	Puglia	2	10.0	Single axis	ABB	Yingli	Bonfiglioli	Aug-11	€0.250
Centauro	Lazio	1	8.7	Single axis	SunPower	SunPower	SMA	Jul-10	€0.346
Helios ITA[2]	Puglia	7	6.4	Single axis	Solon	Solon	Santerno	Dec-09	€0.353
Etrion Lazio (Borgo Piave, Rio Martino)[3]	Lazio	2	5.2	Fixed-tilt	Phoenix	Trina	SMA	Apr-11	€0.346
SVE (Oria, Matino, Ruffano)	Puglia	3	3.0	Single axis	SunPower	SunPower	Siemens	Dec-10	€0.346
Nettuno	Lazio	1	2.6	Fixed-tilt	Phoenix	Trina	SMA	Aug-11	€0.250
Total		**17**	**59.8**						

Notes:

(1) FiT per kWh, based on connection date. Revenues are based on FiT plus Market Price.

(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.

SOLAR ENERGY PROJECTS (CONTINUED)

The following map details the location of the Group's solar power projects in Italy:

Cassiopea

The Cassiopea project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 23.9 MW. The solar park was connected to the electricity grid in November 2009. The Cassiopea solar park was built by SunPower Corporation ("SunPower"), a US-based solar panel manufacturer and installer, using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through SMA inverters. Cassiopea has an O&M contract with SunPower, including preventive and corrective maintenance.

The solar park benefits from the 2009 FiT of $0.455 (€0.353) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh.

Helios ITA-3

The Helios ITA-3 project in Puglia, Italy, consists of two ground-mounted solar PV parks: Brindisi (5.0 MW) and Mesagne (5.0 MW). Both parks were completed and connected to the electricity grid in August 2011. The Helios ITA-3 solar parks were built by ABB S.p.A. ("ABB"), the Swiss power and automation technology group, using Yingli poly-crystalline PV modules mounted on SunPower single axis trackers with power conversion completed through Bonfiglioli inverters. Helios ITA-3 has an O&M contract with ABB, including preventive and corrective maintenance.

Both solar parks benefit from the August 2011 FiT of $0.323 (€0.250) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh.

SOLAR ENERGY PROJECTS (CONTINUED)

Centauro

The Centauro project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 8.7 MW. The solar park was connected to the electricity grid in July 2010. The Centauro solar park was built by SunPower using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through SMA inverters. Centauro has an O&M contract with SunPower, including preventive and corrective maintenance.

The solar park benefits from the 2010 FiT of $0.446 (€0.346) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh.

Helios ITA

The Helios ITA project in Puglia, Italy, consists of seven ground-mounted solar PV parks with a total capacity of 6.4 MW. Six of the solar parks were connected to the electricity grid in December 2009 and the last park built was connected in December 2010. The Helios ITA solar parks were built by Solon S.p.A. ("Solon"), a German solar panel manufacturer and installer, using single axis trackers with Solon poly-crystalline modules and Santerno inverters. Helios ITA has an O&M contract with Solon, including preventive and corrective maintenance.

Six of the Helios ITA solar parks, just under 1.0 MW each for a total of 5.9 MW, benefit from the 2009 FiT of $0.455 (€0.353) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh. The last park built (0.5 MW) benefits from the 2010 FiT of $0.446 (€0.346) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh.

Etrion Lazio

The Etrion Lazio project in Lazio, Italy, consists of two ground-mounted solar PV parks: Borgo Piave (3.5 MW) and Rio Martino (1.7 MW). Both solar parks were completed in December 2010 and were connected to the electricity grid in April 2011. The Etrion Lazio solar parks were built by Phoenix Solar ("Phoenix"), a German PV system integrator, using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion completed through SMA inverters. Etrion Lazio has an O&M contract with Phoenix, including preventive and corrective maintenance.

Both solar parks benefit from the 2010 FiT of $0.446 (€0.346) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh.

SVE

The SVE project in Puglia, Italy, consists of three ground-mounted solar PV parks: Oria (1.0 MW), Matino (1.0 MW) and Ruffano (1.0 MW). All three solar parks were connected to the electricity grid in December 2010. The SVE solar parks were built by SunPower using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through Siemens inverters. SVE has an O&M contract with SunPower, including preventive and corrective maintenance.

All three solar parks benefit from the 2010 FiT of $0.446 (€0.346) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh.

Nettuno

The Nettuno project in Lazio, Italy, consists of one ground-mounted solar PV park with a total capacity of 2.6 MW. The solar park was completed and connected to the electricity grid in August 2011. The Nettuno solar park was built by Phoenix using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion completed through SMA inverters. Nettuno has an O&M contract with Phoenix, including preventive and corrective maintenance.

The solar park benefits from the August 2011 FiT of $0.323 (€0.250) per kWh plus the Market Price of approximately $0.10 (€0.08) per kWh.

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 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's management expects some countries to reach grid parity within the next five years.

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 global, national and regional levels to support the development and use of renewable energy sources; and
- attractive government incentives, such as FiT, capital subsidies and tax incentives.

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 (i.e., PV energy) and energy generated from solar collectors (i.e., thermal energy or heat).

ITALIAN MARKET

In 2005, the Italian government introduced a FiT system in order to encourage expansion of solar energy. The strong growth of solar installed capacity since 2005 is largely attributable to the attractive FiT program, strong irradiation and high electricity prices. 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 program results in a premium price for renewable electricity that is guaranteed by the Italian government for a period of 20 years at a set price 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 generation.

In addition to the FiT, solar power generators receive the spot market rate on a per kWh basis. The Market Price in 2010 and 2011 was approximately $0.10 (€0.08) per kWh of energy produced.

A summary of the actual FiT received by the Group for its ground-mounted solar PV power projects connected in 2009, 2010 and 2011 is as follows:

	2011	2010	2009
FiT (per kWh)(1)	$0.323 (€0.250)	$0.446 (€0.346)	$0.455 (€0.353)
Duration	20 years	20 years	20 years

Note:

(1) Prices are quoted in Euros and have been translated at the closing €/$ exchange rate of 1.29 at December 31, 2011.

On May 5, 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.

MARKET OVERVIEW (CONTINUED)

ITALIAN MARKET (CONTINUED)

The reduced FiT impacted the Group's development pipeline in Italy. However, the Group's operational solar power projects were not affected by the new decree.

COMPETITION

The solar energy industry is intensely competitive and the Group competes with a substantial number of developers, power producers and financial investors, many of which have greater financial and operational resources. Due to the oversupply and declining prices in the upstream solar market value chain (i.e., companies sourcing raw materials and manufacturing parts and modules), the current trend is that companies are moving downstream for better margins, creating more competition for Etrion. Depending on the financial climate, the Group may also face competition when seeking to raise equity or external debt for its planned development. However, once the Group has acquired the necessary land for a solar power project, secured financing and fulfilled the requirements for the FiT, the Group is able to sell 100% of electricity produced to the grid at the FiT and spot market rates, similarly to its competitors.

OTHER MARKETS

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

The Group is currently contemplating whether to expand into the Americas, seeking to diversify through new opportunities. The Group believes that the cost of solar generation has dropped sufficiently to enable the Group to actively pursue opportunities outside FiT subsidy structures (i.e., PPAs).

PERFORMANCE DRIVERS

The Company's management has identified the following key drivers of success for its solar energy operations:

- Stable revenue:
  - Premium price for solar electricity generation under long-term contracts (i.e., PPAs or FiT);
  - Solar irradiation varies less than 10% annually; and
  - Economic growth increases power demand and wholesale electricity prices.
- Minimal variable operating costs:
  - Cost reduction through increased supply, competition and technological improvements in the upstream solar sector; and
  - Fixed price O&M contracts, including preventive and corrective maintenance.
- Financing and gearing of projects:
  - Project financing of 80% to 85% using non-recourse project loans;
  - Vendor financing from solar power project contractors of up to 70% of construction costs; and
  - Long-term hedging arrangements to minimize interest rate risk.

FINANCIAL REVIEW

FINANCIAL RESULTS

2011 Results

The Company's selected consolidated financial information for the year ended December 31, 2011 and 2010, prepared in accordance with International Financial Reporting Standards ("IFRS"), is as follows:

	2011 $'000	2010 $'000	2009 $'000
Revenue	**51,910**	**11,565**	**-**
Gross profit	**31,138**	**5,064**	**-**
Net loss	**(26,289)**	**(18,121)**	**(58,980)**
Adjustments for non-recurring items:			
- Liquidation damages	(3,107)	-	-
- Impairment for oil and gas investments	7,940	-	44,047
- Impairment for development pipeline in Italy	1,732	-	-
- Equity-based financing fee	3,246	-	-
- EPC contract cancellation fee	185	-	-
- Exchange right (non-cash compensation expense)	437	4,778	892
- Guaranteed floor associated with exchange right	-	-	5,464
- Termination and severance payments	211	730	150
- Non-recurring professional fees	-	1,817	-
Adjusted net loss	**(15,645)**	**(10,796)**	**(8,427)**
Basic and diluted loss per share (net loss)	$(0.14)	$(0.11)	(0.37)
Basic and diluted loss per share (adjusted net loss)	$(0.08)	$(0.06)	(0.05)
Net loss	**(26,289)**	**(18,121)**	**(58,980)**
Items not affecting operating cash flow:			
- Net income tax expense/(recovery)	5,508	(587)	92
- Impairment loss	9,672	-	44,047
- Disposal of fixed assets	-	35	-
- Depreciation and amortization	18,992	5,990	234
- Share-based payment expense	1,105	5,644	1,567
- Net finance costs	29,424	4,344	426
- Income tax paid	(4,934)	-	-
- Changes in working capital	(35,361)	3,548	12,395
Operating cash flow	**(2,153)**	**853**	**(219)**
Total assets	467,576	446,216	42,250
Total non-current liabilities	425,696	279,745	2,753
Dividends declared	-	-	-

During the year ended December 31, 2011, the Group recognized revenue of $51.9 million (2010: $11.6 million) from seven solar power projects (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Nettuno) compared to three in the prior year (Cassiopea, Centauro and Helios ITA). This resulted in a positive gross profit from operations of $31.1 million (2010: $5.1 million) during the year.

During the year ended December 31, 2011, the Group reported a net loss of $26.3 million (2010: $18.1 million). The net results for the year ended December 31, 2011, were impacted by the following items:

- gain of $3.1 million from liquidation damages related to delays encountered by the EPC contractors responsible for the construction of three of the Group's solar power projects (Helios ITA, Etrion Lazio and SVE);
- impairment loss of $9.7 million related to the Group's oil and gas investments ($7.9 million) and development pipeline of solar power projects in Italy ($1.7 million);
- expense of $3.2 million for the equity-based financing fee associated with the bridge loan obtained from investment companies associated with the Lundin family;
- non-cash compensation expense of $0.4 million related to the 10% equity interest in the Company's subsidiary, SRH held by Marco A. Northland, the Chief Executive Officer and Director of the Company ("Mr. Northland");

FINANCIAL RESULTS (CONTINUED)

2011 Results (continued)

- expense of $0.2 million for the EPC contract cancellation fee related to the Helios ITA-3 solar power project; and
- termination and severance payments of $0.2 million related to an employee who left the company during the year.

The net results for the year ended December 31, 2010, were impacted by the following items:

- non-cash compensation expense of $4.8 million related to Mr. Northland's 10% equity interest in the Company's subsidiary, SRH;
- termination and severance payments of $0.7 million related to the closure of the Group's legacy oil and gas office and termination payments made in Italy to a former general manager; and
- professional fees of $1.8 million related to acquisition costs directly attributable to the Group's business combinations made during the year, the Company's secondary listing on the NASDAQ OMX Exchange in Sweden ("NASDAQ OMX") and the change in the Company's listing category on the Toronto Stock Exchange in Canada ("TSX").

Results from renewable energy segment

The following is an analysis of the Group's renewable energy segment revenues, EBITDA and results for the year ended December 31, 2011:

	Renewable energy $'000	Corporate $'000	Total $'000
Revenue	51,910	-	51,910
Operating expenses (excluding depreciation and amortization)	(2,115)	-	(2,115)
General and administrative expenses (excluding depreciation and amortization)	(2,309)	(12,499)	(14,808)
Impairment	(1,315)	(8,357)	(9,672)
Other income/expenses	3,047	140	3,187
Segment EBITDA	**49,218**	**(20,716)**	**28,502**
Depreciation and amortization	(18,658)	(334)	(18,992)
Finance income	1,745	60	1,805
Finance costs	(22,575)	(9,521)	(32,096)
Income/(loss) before income tax	**9,730**	**(30,511)**	**(20,781)**
Income tax expense	(5,344)	(164)	(5,508)
Income/(loss) for the year	**4,386**	**(30,675)**	**(26,289)**

The following is an analysis of the Group's renewable energy segment revenues, EBITDA and results for the year ended December 31, 2010:

	Renewable energy $'000	Corporate $'000	Total $'000
Revenue	11,565	-	11,565
Operating expenses (excluding depreciation and amortization)	(751)	-	(751)
General and administrative expenses (excluding depreciation and amortization)	(2,377)	(16,496)	(18,873)
Segment EBITDA	**8,437**	**(16,496)**	**(8,059)**
Depreciation and amortization	(5,749)	(241)	(5,990)
Finance income	3,826	1,635	5,461
Finance costs	(5,315)	(4,805)	(10,120)
Income/(loss) before income tax	**1,199**	**(19,907)**	**(18,708)**
Income tax recovery	513	74	587
Income/(loss) for the year	**1,712**	**(19,833)**	**(18,121)**

FINANCIAL RESULTS (CONTINUED)

2011 Results (continued)

Results from renewable energy segment (continued)

Assets related to the Group's renewable energy segment included within property, plant and equipment and intangible assets at December 31, 2011, and December 31, 2010, were as follows:

	2011 $'000	2010 $'000
Property, plant and equipment	363,790	340,883
Intangible assets	10,740	11,630
Total assets	**374,530**	**352,513**

Revenue

	2011 $'000	2010 $'000
FiT revenue	42,378	9,632
Market Price revenue	9,532	1,933
Total revenue	**51,910**	**11,565**

The Group recognized revenues during the year ended December 31, 2011, from seven solar power projects compared to three in the prior year. Revenues are generated from the FiT and Market Price, both paid by Italian state-owned companies. Refer to "Market Overview" on pages 7 and 8.

Operating expenses

	2011 $'000	2010 $'000
Operating and maintenance expenses	496	111
Depreciation and amortization	18,658	5,749
Insurance	635	305
Land lease expenses	224	146
Other operating expenses	759	190
Total operating expenses	**20,772**	**6,501**

O&M expenses of $0.5 million (2010: $0.1 million) relate to fees paid in connection with the operation and maintenance of the Group's solar power projects in Italy. The Group outsources O&M services to third parties.

Depreciation and amortization of $18.7 million (2010: $5.7 million) was recognized during the year ended December 31, 2011, related to the Group's operating solar power projects producing electricity during the year.

General and administrative expenses

	2011 $'000	2010 $'000
Salaries and benefits	6,485	4,292
Pension costs	239	186
Board of Directors fees	240	240
Share-based payment expense (non-cash item)	1,105	5,644
Corporate and professional fees	3,116	4,024
Listing, filing and marketing expenses	499	373
Depreciation and amortization	334	241
Office lease expenses	466	433
Office, travel and other general and administrative expenses	2,659	3,680
Total general and administrative expenses	**15,143**	**19,113**

FINANCIAL RESULTS (CONTINUED)

2011 Results (continued)

General and administrative expenses (continued)

During the year ended December 31, 2011, the Group recognized $1.1 million (2010: $5.6 million) of expenses related to the Company's equity-settled, share-based compensation plan. At December 31, 2011, the Group had approximately 4,367,200 (2010: 8,052,200) stock options outstanding, of which approximately 2,482,399 (2010: 4,671,668) were exercisable. The share-based payment expense also includes $0.4 million (2010: $4.8 million) related to Mr. Northland's 10% equity interest in the Company's subsidiary, SRH. Refer to "Related Party Transactions" on page 24.

Corporate and professional fees of $3.1 million (2010: $4.0 million) incurred during the year ended December 31, 2011, related to legal and accounting fees paid in relation to the Group's statutory reporting obligations, the Company's listing requirements on the TSX and the NASDAQ OMX and business development activities that took place during the year.

During the year ended December 31, 2011, $0.4 million (2010: $0.9 million) of salaries and benefits were capitalized within property, plant and equipment in connection with construction services provided to the Helios ITA-3 and Nettuno solar power projects (2010: Helios ITA-3 and Etrion Lazio).

Depreciation and amortization of $0.3 million (2010: $0.2 million) was recognized during the year ended December 31, 2011, related to depreciation and amortization of the Group's corporate assets. Depreciation and amortization associated with the Group's operating solar power projects is included within operating expenses.

Impairment

	2011 $'000	2010 $'000
Oil and gas investments	7,940	-
Development pipeline in Italy	1,732	-
Total impairment	**9,672**	**-**

Oil and gas investments

The Group's wholly-owned subsidiary, PFC Oil & Gas, CA ("PFC"), holds investments in two oil and gas companies, PetroCumarebo SA and Baripetrol SA. At December 31, 2010, these investments were accounted for at cost less impairment as the fair value of the investments could not be measured reliably. Given the uncertainties associated with the political environment in Venezuela and the increased passage of time with no dividends being declared and paid to the Group by its oil and gas investments, during the year ended December 31, 2011, the Group recognized a further impairment loss of $7.9 million (2010: $nil) because the carrying value of the investments exceeded the expected recoverable amount. The recoverable amount is based on management's best estimate of the selling price less costs to sell.

Development pipeline in Italy

In March 2011, the Italian government approved a decree that included land restrictions for solar PV plants installed on agricultural land after March 2012. Specifically, the decree, applicable to PV plants authorized after March 29, 2011 and to previously connected plants if not connected by March 29, 2012, included: (a) a 1 MW cap for ground-mounted PV plants installed on agricultural land; and (b) a ground coverage restriction up to 10% for PV plants installed on agricultural land (i.e., the PV plant can only cover up to 10% of the relevant land area). These restrictions impacted the Group's development pipeline in Italy and, as a result, during the year ended December 31, 2011, the Group assessed its non-operating assets for impairment and recognized an impairment loss of $1.7 million (2010: $nil) reducing the carrying value of property, plant and equipment, intangible assets and available for sale investments.

FINANCIAL RESULTS (CONTINUED)

2011 Results (continued)

Other income/expenses

	2011 $'000	2010 $'000
Liquidation damages	3,107	-
EPC contract cancellation fee	(185)	-
Right of use	48	-
Other income	217	-
Total other income	**3,187**	**-**

During the year ended December 31, 2011, the Group recognized a gain of $3.1 million (2010: $nil) from liquidation damages related to delays encountered by the EPC contractors responsible for the construction of three of the Group's solar power projects (Helios ITA, Etrion Lazio and SVE).

During the year ended December 31, 2011, the Group recognized an expense of $0.2 million for the EPC contract cancellation fee related to the Helios ITA-3 solar power project.

Net finance costs

	2011 $'000	2010 $'000
Finance income:		
- Fair value movements on interest rate swap contracts and warrants	1,116	5,367
- Other finance income	689	94
Total finance costs	**1,805**	**5,461**
Finance costs:		
- Interest expense associated with non recourse project loans	18,244	7,059
- Interest expense and early redemption fee associated with corporate borrowings	12,071	1,569
- Transaction costs	914	531
- Fair value movements on interest rate swap contracts	1,355	660
- Foreign exchange loss	391	298
- Other finance costs	1,294	357
- Finance costs capitalized	(2,173)	(354)
Total finance income	**32,096**	**10,120**
Net finance costs	**30,291**	**4,659**

During the year ended December 31, 2011, the Group recognized interest expense of $18.2 million (2010: $7.1 million) related to five non-recourse project loans (2010: three non-recourse project loans) associated with its solar power projects in Italy. The loan agreements bear interest at 6-month Euribor plus a variable margin, payable semi-annually until maturity and are hedged through interest rate swap contracts. Refer to "Non-recourse project loans" on pages 17 and 18.

In addition, during the year ended December 31, 2011, the Group recognized interest expense of $12.1 million (2010: $1.6 million) related to its corporate borrowings. Refer to "Corporate borrowings" on page 18.

During the year ended December 31, 2011, the Group recognized a net fair value loss of $0.2 million (2010: $4.7 million) related to fair value movements associated with the Group's interest rate swap contracts. At December 31, 2011, all of the Group's interest rate swap contracts qualified for hedge accounting, with changes in fair value recognized within other comprehensive income.

FINANCIAL RESULTS (CONTINUED)

2011 Results (continued)

Income tax expense

	2011 $'000	2010 $'000
Current income tax expense/(recovery):		
Corporate income tax	5,411	406
Municipal income tax	1,846	279
Tax recovery on warrants	-	(256)
Total income tax expense:	**7,257**	**429**
Deferred income tax expense/(recovery)		
Current year	1,238	688
Tax benefits	(2,987)	(1,704)
Total deferred income tax recovery	**(1,749)**	**(1,016)**
Total income tax expense/(recovery)	**5,508**	**(587)**

During the year ended December 31, 2011, the Group recognized an income tax expense of $7.2 million (2010: $0.6 million) associated with its Italian solar power projects and an income tax expense of $0.1 million (2010: $0.1 million) associated with its Swiss subsidiary. In addition, during the year ended December 31, 2010, the Group recognized a tax recovery of $0.3 million on warrants that expired during the year.

During the year ended December 31, 2011, the Group recognized a deferred income tax expense of $1.2 million (2010: $0.7 million) related to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts and a deferred income tax credit of $2.9 million (2010: $1.7 million) associated with unutilized tax losses related to non-deductible interest carried forward in Italy (i.e., 30% of EBITDA).

Quarterly results

The following is a summary of the Company's selected consolidated financial information, prepared in accordance with IFRS, for the last eight quarters (presented in $'000, except for per share data, which is presented in $):

	2011				2010			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	8,585	18,219	17,829	7,277	4,605	6,833	127	-
Net loss[1]	(19,795)	(2,849)	(2,124)	(1,521)	(4,019)	(6,376)	(4,191)	(3,535)
Basic and diluted loss per share	(0.11)	(0.02)	(0.01)	(0.01)	(0.02)	(0.04)	(0.03)	(0.02)

Note:

(1) Net loss for the period includes both the net loss from continuing operations and the net loss attributable to owners of the parent company.

The quarterly results for 2011 are not comparable to 2010 as the Group recognized its first revenues from the sale of solar electricity in June 2010 and during the year ended December 31, 2011 the Group commenced producing solar electricity from four additional solar power projects (Helios ITA-3, Etrion Lazio, SVE and Nettuno). In addition, solar-related revenues experience seasonality over the year due to the variability of daily sun hours in the summer versus the winter months.

The effect of exchange rate movements had an insignificant impact on the Group's quarterly results, due to the fact that monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currency. Furthermore, the Group recognized a foreign exchange loss of $0.3 million (2010: $0.6 million) during the fourth quarter of 2011.

FINANCIAL RESULTS (CONTINUED)

Quarterly results (continued)

Fourth quarter 2011

The Group recognized a net loss of $19.8 million during the fourth quarter of 2011 compared to a net loss of $4.0 million in the comparable period of 2010, primarily attributable to the impairment loss recognized in 2011 of $9.7 million (2010: $nil) associated with the Group’s oil and gas investments and development pipeline in Italy (refer to “Impairment” on page 12).

During the three months ended December 31, 2011, the Group recognized revenues of $8.6 million compared to $4.6 million in the comparable period of 2010, due to seven projects being operational in the fourth quarter of 2011 compared to three projects in the fourth quarter of 2010.

During the fourth quarter of 2011, the Group completed the drawdown of $51.0 million (€39.5 million) from the non-recourse project loan with Natixis, WestLB and Mediocreval in connection with the Helios ITA-3 and Nettuno solar power projects. In November 2011, the proceeds were used to repay the $36.1 million (€28 million) bridge loan obtained from investment companies associated with the Lundin family.

FINANCIAL POSITION

During the year ended December 31, 2011, the Group’s net assets decreased by $32.2 million from $34.8 million at December 31, 2010, to $2.6 million at December 31, 2011. The decrease in net assets was primarily due to the net loss incurred during the year of $26.3 million (2010: $18.1 million) and net fair value losses of $13.3 million (2010: gain of $3.0 million) associated with the Group’s interest rate swap contracts accounted for within other reserves offset by a $5.6 million equity-based financing fee associated with the bridge loan obtained from investment companies associated with the Lundin family.

Liquidity and financing

At December 31, 2011, the Group had cash and cash equivalents of $39.7 million (December 31, 2010: $45.0 million) and positive working capital (i.e., current assets less current liabilities) of $20.1 million (December 31, 2010: negative $73.3 million). Refer to “Going Concern” on pages 18 and 19.

The Group is well positioned to generate significant operating cash flows in 2012 and 2013 from its solar power projects to meet its obligations and expects to finance the construction of future projects and the acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity or debt financing, vendor financing and non-recourse project loans, as required.

At December 31, 2011, the Group’s contractual obligations included only its borrowings entered into at the project level (i.e., non-recourse project loans) and corporate level (i.e., corporate bond). Refer to “Borrowings” on pages 16, 17 and 18. At December 31, 2010, in addition to contractual obligations for its borrowings, the Group had capital commitments related to the construction of the Helios ITA-3 solar power project. Refer to “Capital Investments” on page 20.

FINANCIAL POSITION (CONTINUED)

Liquidity and financing (continued)

The following is a summary of the Group's committed capital expenditure and financing at December 31, 2011 and 2010, translated at the €/$ exchange rate of 1.29 at December 31, 2011, and 1.34 at December 31, 2010:

	At December 31, 2010		At December 31, 2011			Variance		
	Total capital expenditure[1] $'000	Expected financing $'000	Total capital expenditure[1] $'000	Actual financing $'000	Expected financing[2] $'000	Total capital expenditure[3] $'000	Financing[4] $'000	Total variance $'000
Helios ITA-3	56,936	47,696	52,869	42,053	1,988	(4,067)	(3,656)	(411)
Nettuno	-	-	8,948	8,855	180	8,948	9,035	(87)
Total	**56,936**	**47,696**	**61,817**	**50,908**	**2,168**	**4,881**	**5,379**	**(498)**

Notes:

(1) Total capital expenditure represents the total costs expected to be incurred in relation to the construction of these solar power projects. At December 31, 2011 and 2010, this amount reflected all capitalized costs (included within property, plant and equipment and intangible assets), plus the capital commitment associated with the EPC contract of $45.6 million (€34 million) at December 31, 2010. No additional amounts are expected to be incurred in 2012 associated with these solar power projects that were both connected to the electricity grid in August 2011.

(2) Financing of $2.2 million was drawn in the first quarter of 2012.

(3) The total cost to construct the Helios ITA-3 solar power project was reduced in 2011 due to the accelerated reduction in the cost for solar modules enabling the Group to renegotiate the EPC contract at a reduced price, and, as a result, the Group entered into a new EPC contract with ABB. The Group entered into an EPC contract with Phoenix in June 2011 for the Nettuno solar power project.

(4) In August 2011, an amendment was made to the non-recourse project loan with Natixis, WestLB and Mediocreval, adjusting the financing to be obtained for the Helios ITA-3 solar power project and to include an additional tranche of financing for the construction of the Nettuno solar power project.

The changes that took place during 2011, to the Group's committed capital expenditure and associated financing positively impacted the Group's financial position by $0.5 million, of which $0.4 million related to the effect of foreign exchange movements (i.e., a change in the €/$ exchange rate of 1.34 at December 31, 2010 to 1.29 at December 31, 2011).

Borrowings

All of the Group's borrowings are denominated in Euros and the minimum principal repayment obligations are as follows:

	2011 $'000	2011 $'000
Less than 1 year	16,030	88,089
Between 1 and 5 years	152,722	39,758
After 5 years	238,103	221,110
Total borrowings	**406,855**	**348,957**

FINANCIAL POSITION (CONTINUED)

Liquidity and financing (continued)

Borrowings (continued)

The Group's adjusted net debt position, excluding non-cash items at December 31, 2011 and 2010 is as follows:

	2011 $'000	2010 $'000
Total borrowings (per consolidated financial statements)	**406,855**	**348,957**
Value added tax ("VAT") facilities[1]	(26,201)	(24,259)
Accrued interest[2]	(3,436)	(3,562)
Transaction costs[2]	11,586	11,049
Total borrowings (excluding non-cash items)	**388,804**	**332,185**
Cash and cash equivalents (including restricted cash)	(39,656)	(45,024)
Adjusted net debt	**349,148**	**287,161**

Notes:

(1) VAT facilities are excluded from total borrowings as these facilities are to be repaid using the proceeds from input VAT received from the Italian tax authorities.

(2) In accordance with IFRS, total borrowings include accrued interest and are shown net of transaction costs. These non-cash items are excluded from total borrowings.

At December 31, 2011, the Group was not in breach of any of the imposed operational and financial covenants associated with its non-recourse project loans and corporate borrowings.

Non-recourse project loans

The non-recourse project loans (i.e., facilities to which the lending bank is only entitled to the assets from the associated project) held by the Group's Italian subsidiaries, obtained to finance the construction of the Group's solar power projects, mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin, ranging from 1.35% to 2.75%. At December 31, 2011 and 2010, all non-recourse projects loans were hedged through interest rate swap contracts. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

The following is a summary of the Group's non-recourse project loans denominated in Euros, translated at the closing €/$ exchange rate of 1.29 at December 31, 2011, and 1.34 at December 31, 2010:

				Balance outstanding[1]	
	Capacity (MW)	Financial institution	Maturity	2011 $'000	2010 $'000
Cassiopea	23.9	BIIS[2], Societe Generale and WestLB	March 31, 2024	142,638	152,030
Helios ITA-3[3][4]	10	Natixis, WestLB and Mediocreval	June 30, 2027	44,525	-
Centauro	8.7	Barclays	September 30, 2028	52,402	55,227
Helios ITA	6.4	Societe Generale and Dexia	June 30, 2027	41,216	46,728
Etrion Lazio	5.2	Natixis, WestLB and Mediocreval	June 30, 2027	22,169	6,320
SVE	3.0	Centrobanca	June 30, 2028	16,374	13,428
Nettuno[3][4]	2.6	Natixis, WestLB and Mediocreval	June 30, 2027	9,139	-
Total	**59.8**			**328,463**	**273,733**

Notes:

(1) Balances outstanding include the VAT facilities associated with the loans and accrued interest net of transaction costs. According to the facility agreements, the VAT facilities are to be repaid within forty-eight months from the amounts collected from the Italian tax authorities for input VAT on the Group's construction activities.

(2) Banca Infrastrutture Innovazione e Sviluppo (Intesa Sanpaolo Group).

(3) On August 5, 2011, the Group closed an additional tranche of project financing to include the 2.6 MW Nettuno solar power project within the non-recourse project loan facility from Natixis, WestLB and Mediocreval.

(4) At December 31, 2011, the Group had $2.2 million (€1.7 million) undrawn on the facility with Natixis, WestLB and Mediocreval relating to the Helios ITA-3 and Nettuno solar power projects. These amounts were drawn in the first quarter of 2012.

FINANCIAL POSITION (CONTINUED)

Liquidity and financing (continued)

Borrowings (continued)

Non-recourse project loans (continued)

In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets (i.e., solar power projects and land) associated with the solar power projects financed by these facilities (i.e., Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Nettuno). The value of the Group's fixed assets held as collateral at December 31, 2011 was $364.0 million (2010: $334 million). Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with GSE and local utilities (Enel S.p.A. and Terna S.p.A.) and the proceeds from the collection of input VAT accumulated for construction costs.

Corporate borrowings

Lundin Services BV loan

In April 2010, the Company entered into a loan facility agreement with Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB, for up to $77.4 million (€60.0 million) in order to finance capital and operating expenditures of the Group. The loan carried an annual interest rate of Euribor plus a margin of 3% until March 31, 2011, with a margin of 5% thereafter. In May 2011, the net proceeds from the Company's bond issue were used to repay the loan facility in full. Refer to "Corporate bond" below.

Corporate bond

In April 2011, the Company issued $77.4 million (€60.0 million) of corporate bonds in the Norwegian bond market at 9% annual interest with a 4-year maturity. At December 31, 2011, the amount outstanding, including accrued interest and net of transaction costs was $78.4 million (December 31, 2010: $nil). Refer to "Lundin Services BV loan" above.

The corporate bond agreement includes a call option that allows the Company to redeem the bond early (in full or in part), after the first, second and third year at a specified percentage over par value (i.e., a fixed premium) of 5%, 3% and 1%, respectively. At December 31, 2011, no amount was recognized in relation to this option. In addition, the corporate bond has a minimum unrestricted cash balance requirement of €3 million.

Lundin family bridge loan

In order to accelerate construction of the Helios ITA-3 and Nettuno solar power projects, in June 2011, the Company received a $36.1 million (€28 million) bridge loan from investment companies associated with the Lundin family that matured in June 2012. In consideration for the bridge loan, the Company issued 6,500,000 common shares to investment companies associated with the Lundin family. Refer to "Related Party Transactions" on page 23.

In November 2011, the Company repaid the bridge loan primarily using proceeds from the non-recourse loan facility with Natixis, WestLB and Mediocreval for the Helios ITA-3 and Nettuno solar power projects.

Going concern

The Company's consolidated financial statements for the year ended December 31, 2011, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

At December 31, 2011, the Group had cash and cash equivalents of $39.7 million (December 31, 2010: $4.7 million) and positive working capital (i.e., current assets less current liabilities) of $20.1 million (December 31, 2010: negative $73.3 million). During the year ended December 31, 2011, the Group incurred a net loss before and after non-recurring items of $26.3 million (2010: net loss $18.1 million) and $15.6 million (2010: $10.8 million), respectively. The Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of this MD&A.

FINANCIAL POSITION (CONTINUED)

Going concern (continued)

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

The Company's consolidated financial statements for the year ended December 31, 2011 do not include the adjustments that would result if the Group was unable to continue as a going concern.

Outstanding share data

At the date of this MD&A, the Company had 187,536,120 common shares (March 8, 2010: 180,706,120) and 5,014,200 options (March 8, 2010: 7,497,200) to purchase common shares issued and outstanding.

During the year ended December 31, 2011, the Company issued 6,500,000 common shares to investment companies associated with the Lundin family as an equity-based financing fee (refer to "Lundin family bridge loan" on page 18) and issued 1,270,000 common shares as a result of stock options being exercised during the year.

In addition, Mr. Northland has the right until September 11, 2014 to exchange his 10% equity interest in the Company's subsidiary, SRH, for an equivalent value of shares in Etrion. However, shortly following the publication of the Company's year-end financial results, it is expected that Mr. Northland will exercise his right to exchange his 10% equity interest in the Company's subsidiary, SRH, for an equivalent value of shares in Etrion. As a result of this exchange, approximately 18.2 million shares of the Company are expected to be issued to Mr. Northland and the Company will own 100% of SRH. Refer to "Related Party Transactions" on page 24.

The stock options outstanding expire at various dates between August 12, 2013, and April 28, 2018, with exercise prices in Canadian dollars ("CAD$") ranging between CAD$0.25 and CAD$1.59 per share.

Off-balance sheet arrangements

The Group had no off-balance sheet arrangements in 2011 and 2010.

PRIMARY AND SECONDARY LISTING

Etrion's shares trade on the TSX and NASDAQ OMX under the same ticker symbol, "ETX". The Company's shares trade on the TSX in CAD$ and on the NASDAQ OMX in Swedish krona.

Primary listing (TSX)

The Company's primary listing is on the TSX. 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 $15 million. The Company completed the required financing on August 23, 2010, and satisfied the remaining listing conditions.

FINANCIAL REVIEW (CONTINUED)

PRIMARY AND SECONDARY LISTING (CONTINUED)

Secondary listing (NASDAQ OMX)

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

The secondary listing in Stockholm and the distribution of Lundin Petroleum BV's ownership in Etrion significantly expanded the Company's shareholder base and increased its visibility among European investors. The Company's management believes that the NASDAQ OMX listing has enhanced the trading liquidity of the Company's shares and improved the Company's access to the European capital markets.

CAPITAL INVESTMENTS

The Group is evaluating opportunities to make significant capital investments in the future in order to acquire and/or build ground-mounted solar PV power plants. Etrion plans to finance the acquisition and construction of its projects under development with a combination of cash and cash equivalents, additional corporate debt or equity financing, vendor financing and non-recourse project loans, as required. There is no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be available on terms acceptable to the Group. For those projects with financing already secured through non-recourse project loans, no additional capital contributions are expected.

At December 31, 2011, the Group had no committed capital expenditure outstanding. At December 31, 2010, the Group had $6.8 million of committed capital expenditure outstanding related to the Helios ITA-3 solar power project (which represented the expected remaining equity contribution at December 31, 2010 to be paid in 2011 associated with the EPC contract). Refer to "Liquidity and financing" on page 16 for a summary of the Group's committed capital expenditure and financing at December 31, 2011 and 2010.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In connection with the preparation of the Company's consolidated financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material. The Company's management believes the critical accounting policies outlined on pages 21 and 22 affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

IMPAIRMENT OF GOODWILL

The Group assesses goodwill for impairment on an annual basis. Determining whether goodwill is impaired requires the Company's management to estimate the recoverable amount of the cash generating units ("CGUs") to which goodwill has been allocated using value-in-use calculations. The value-in-use calculations require the Company's management to estimate the future cash flows expected to arise from the CGUs and to select a suitable discount rate in order to calculate the present value. The value-in-use calculations are based on the forecasted EBITDA over the expected life (i.e., up to 20 years, representing the term of the electricity sale agreements) derived from the business models developed by the Company's management to value the projects. The assumptions used are consistent with external sources of information and reflect past experience. These business models include various assumptions such as future market prices for solar energy, the fixed rate of inflation to estimate future operating costs and operating variables such as irradiation, degradation and transfer losses estimated by the Group's internal engineers based on historical atmospheric conditions in the area where the projects are located. For the purposes of the Group's impairment assessment performed at December 31, 2011, the discount rate used was 8.1% (representing the Group's pre-tax weighted average cost of capital) and no growth rate was applied (as the Group's operating solar power projects are operating at full capacity). A 2% increase to the Group's discount rate (to 10.1%) would not have resulted in an impairment loss being recognized during the year ended December 31, 2011. The value-in-use calculations used to value the Group's solar power projects are complex and include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. At December 31, 2011, no impairment was provided in relation to the Group's previously recognized goodwill.

ACQUISITIONS

The acquisition of subsidiaries is accounted for using the acquisition method of accounting in accordance with *IFRS 3, Business Combinations*, which requires measuring the assets acquired and liabilities assumed at their fair values at the date of acquisition. The Company's management estimates the fair value of the assets acquired and liabilities assumed using business models developed by the Company's management used to value the solar power projects which include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary (refer to "Impairment of Goodwill" above). These changes could affect the fair value of the assets acquired and liabilities assumed and the amount of goodwill or negative goodwill recognized in the financial statements. During the year ended December 31, 2011, the Group adjusted the fair values assigned to the assets and liabilities on the acquisition of the Cassiopea and Centauro solar power projects that occurred in 2010, resulting in a reduction of $0.4 million to property, plant and equipment, $0.1 million to goodwill included within intangible assets and $0.1 million to deferred income tax liabilities.

NON-CONTROLLING INTERESTS

The Group's solar power projects are held through its 90%-owned subsidiary, SRH. The remaining 10% equity interest is held by Mr. Northland. The non-controlling interest is recognized as a financial liability which is measured as the higher between Mr. Northland's participation in SRH's net assets and the Company's minimum commitment of €4.0 million (i.e., guaranteed floor to be settled in cash if certain conditions are met). If Mr. Northland's 10% participation in the net equity of SRH surpasses the €4.0 million guaranteed floor, the excess will be recognized and disclosed as a non-controlling interest. At December 31, 2011, the Group recognized a financial liability of $5.2 million (2010: $5.3 million) associated with this arrangement.

FAIR VALUE OF FINANCIAL AND DERIVATIVE FINANCIAL INSTRUMENTS

In determining the fair value of the Group's financial instruments, the Company's management uses judgement to select a variety of methods and verifies assumptions that are mainly based on market conditions existing at the balance sheet date. Where possible, the Company's management also obtains fair value measurements from third parties. For financial instruments carried at amortized cost, with a stated maturity, for which a quoted market price is not available, the estimated fair value is based on the expected future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of floating rate instruments normally approximates their carrying value. At December 31, 2011, the Group recognized financial liabilities of $30.7 million (2010: $13.6 million) associated with its derivative financial instruments.

DEFERRED INCOME TAX ASSETS

The Group accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with *IAS 12, Income Taxes*, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. The Company's management estimates future taxable profits based on the business models used to value the solar power projects. Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized by the Group. At December 31, 2011, the Group recognized $3.7 million (2010: $nil) of deferred income tax assets.

PENSION OBLIGATIONS

In order to determine the value of the Group's pension obligations and related plan assets associated with its Swiss pension plan, the Group relies on information provided from Swiss Life Pensions Services AG, an accredited pension actuary in Switzerland. The valuations are based on a series of assumptions regarding future developments including demographic (i.e., mortality rates, disability rates, turnover rates and early retirement age) and economic assumptions (i.e., discount rate, price inflation, rate of expected return on plan assets and salary and pension increases). These assumptions could change over time and could have a significant impact on the net liability position recognized by the Group. At December 31, 2011, the Group recognized a net liability of $1.0 million (2010: $nil) associated with its Swiss pension plan.

SHARE-BASED PAYMENTS

The Group maintains an equity-settled, share-based compensation plan, under which the entity receives services from employees, consultants, directors and officers as consideration for equity instruments of the Group. In accordance with *IFRS 2, Share-based Payments*, the fair value of the share-based compensation is calculated using the Black-Scholes option-pricing model, which requires the Company's management to estimate the expected volatility of the grant, the risk-free interest rate and the dividend yield. The risk free interest rate is based on the information issued by the Central Bank of Canada (which represents the interest rate on bonds with a due date similar to the life of the option), the expected volatility is estimated based on the historic volatility of the stock for a period similar to the vesting period of the grants and the dividend yield rate is based on the annual dividends per share divided by the price per share. These variables are subject to change together with market and economic conditions, which may have a significant impact on the fair value of the stock options at the grant date to which the share-based payment expense, amortized over the vesting period, is based. During the year ended December 31, 2011, the Group recognized an expense of $1.1 million (2010: $5.6 million) related to share-based payments.

RELATED PARTIES

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related, if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions as defined by *IAS 24, Related Party Disclosures*. The Company's major shareholder is the Lundin family, held through various trusts, which collectively own approximately 25% of the Company's share capital. Prior to November 2010, when the Company obtained a secondary listing on the NASDAQ OMX, the largest shareholder of the Company was Lundin Petroleum BV, which held approximately 40% of the outstanding shares of the Company.

All related party transactions are made on terms equivalent to those made on an arm's length basis.

The related party transactions disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2011 are summarized below and on page 24.

RELATED PARTY TRANSACTIONS

Lundin Services BV

The Group receives professional services (i.e., technical and legal) from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. The Chief Executive Officer of Lundin Petroleum AB is a Director of the Company. During the year ended December 31, 2011, the Group incurred general and administrative expenses of $48,000 (2010: $85,000) from Lundin Services BV and at December 31, 2011, had $3,000 (2010: $32,000) outstanding related to these expenses.

In addition, in April 2010, the Company entered into a loan agreement with Lundin Services BV to draw up to $77.4 million (€60.0 million). This loan was fully repaid in May 2011. During the year ended December 31, 2011, the Group recognized $1.5 million (2010: $1.6 million) of interest expense and $0.1 million (2010: $0.3 million) of transaction costs associated with this loan.

In April 2011, Lundin Services BV subscribed for $11.5 million (€8.9) million of the corporate bonds issued by the Company that bear an annual interest rate of 9%. In April and May of 2011, Lundin Services BV sold $1.7 million (€1.3 million) of the corporate bonds, reducing their position to $9.8 million (€7.6 million) at December 31, 2011. During the year ended December 31, 2011, the Group recognized $0.7 million (2010: $nil) of interest expense and $15,000 (2010: $nil) of transaction costs associated with the portion of the corporate bonds held by Lundin Services BV (2010: $6,000).

Lundin Petroleum SA

The Group receives professional services (i.e., administrative support) from Lundin Petroleum SA, a wholly-owned subsidiary of Lundin Petroleum AB. During the year ended December 31, 2011, the Group incurred general and administrative expenses of $37,000 (2010: $94,000) from Lundin Petroleum SA and at December 31, 2011, had no amounts outstanding related to these expenses (2010: $6,000).

Lundin family

In order to accelerate construction of the Helios ITA-3 and Nettuno solar power projects, in June 2011, the Company obtained a $36.1 million (€28.0 million) bridge loan from investment companies associated with the Lundin family that matured in June 2012. In consideration for the bridge loan, the Company issued 6,500,000 common shares of the Company to investment companies associated with the Lundin family. The fair value of the shares issued of $5.3 million was accounted for as prepaid interest and an early redemption fee amortized over the life of the bridge loan. In November 2011, the bridge loan was fully repaid. During the year ended December 31, 2011, $5.3 million (2010: $nil) was expensed within finance costs as interest expense and an early redemption fee of which $2.1 million (2010: $nil) was capitalized within property, plant and equipment, up to the date the solar power projects were connected to the electricity grid.

In addition, in April 2011, the Lundin family subscribed for $19.2 million (€15.0 million) of the corporate bonds issued by the Company that bear an annual interest rate of 9%.

RELATED PARTIES (CONTINUED)

KEY MANAGEMENT PERSONNEL

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

Upon the acquisition of SRH in September 2009, the Company entered into a shareholders' agreement with Mr. Northland, who holds the remaining 10% equity interest in SRH. The agreement provides Mr. Northland with the right to exchange his 10% equity interest in SRH for an equivalent fair value of shares in the Company. During the year ended December 31, 2011, the Group recognized a share-based payment expense of $0.4 million (2010: $4.8 million) and at December 31, 2011, the Group recognized a financial liability of $5.3 million (2010: $5.2 million) associated with this arrangement. However, shortly following the publication of the Company's year-end financial results, it is expected that Mr. Northland will exercise his right to exchange his 10% equity interest in the Company's subsidiary, SRH, for an equivalent value of shares in Etrion. As a result of this exchange, approximately 18.2 million shares of the Company are expected to be issued to Mr. Northland and the Company will own 100% of SRH.

In addition, during the year ended December 31, 2011, the Group recognized $1.8 million (2010: $2.5 million) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and benefits of $1.1 million (2010: 1.4 million), pension costs of $0.2 million (2010: $0.1 million), fees paid to the Board of Directors of $0.2 million (2010: $0.2 million) and share-based payment expenses of $0.3 million (2010: $0.4 million). During the year ended December 31, 2010, the Group also recognized termination benefits $0.4 million paid to a former director of the Company. At December 31, 2011, the Group had $0.3 million outstanding to key management personnel, related to 2011 bonus compensation of $0.2 million (2010: $0.7 million) and fees payable to the Board of Directors of $0.1 million (2010: $0.1 million).

FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations in Italy. These risks include market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign currency exchange rates and interest rates, and seek to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest risk exposures.

The Company's management carries out risk management procedures with guidance from the Audit Committee. The Board of Directors also provides regular guidance on the Group's overall risk management procedures.

Refer to the notes to the Company's consolidated financial statements for the year ended December 31, 2011, for further details in relation to the Group's financial risk management.

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT (CONTINUED)

The following is a summary of the Group's derivative financial instruments at December 31, 2011 and 2010:

	2011 $'000	2010 $'000
Derivative financial assets:		
Interest rate swap contracts (cash flow hedges)		
- Non-current portion	-	1,247
Total derivative financial assets	**-**	**1,247**
Derivative financial liabilities:		
Interest rate swap contracts (cash flow hedge)		
- Current portion	5,462	3,217
- Non-current portion	25,213	6,764
Interest rate swap contracts (fair value through profit or loss)		
- Current portion	-	1,590
- Non-current portion	-	2,066
Total derivative financial liabilities	**30,675**	**13,637**

The Group has entered into five credit facilities that are hedged using interest rate swap contracts in order to hedge the risk of variations in the Group's cash flows as a result of floating interest rates on the Group's non-recourse project loans.

DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2011, the notional amount of the Group's interest rate swap contracts was $307.3 million (2010: $308.0 million). All interest rate swap contracts are denominated in Euros. The fair market value of the instruments at December 31, 2011, resulted in a net liability position of $30.7 million (2010: $12.4 million) due to a lower Euribor forecasted curve in comparison with projections in the interest rate swap contracts.

The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, calculated using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor interest rate forward yield curve and an appropriate discount factor.

Interest rate swap contracts classified as cash flow hedges

At December 31, 2011, all of the Group's derivative financial instruments were classified as cash flow hedges, qualifying for hedge accounting (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Nettuno), in accordance with *IAS 39, Financial Instruments: Recognition and Measurement* ("IAS 39"). In the prior year, the Group had three derivative financial instruments that qualified for hedge accounting (Cassiopea, Centauro and Etrion Lazio). As a result, any gain or loss associated with changes to the fair value of these financial instruments is recognized within other comprehensive income. If any portion of the hedge is ineffective, this portion is transferred from the hedging reserve in equity to the profit or loss within finance income/costs.

During the year ended December 31, 2011, the Group recognized a fair value loss of $0.6 million (2010: gain of $0.6 million) related to the ineffective portion of two cash flow hedges reclassified from other comprehensive income (Cassiopea, Helios ITA-3, Etrion Lazio, SVE and Nettuno). In addition, a fair value loss of $13.3 million (2010: gain of $3.0 million), net of tax and after the reclassification of the ineffective portion, was recognized in other comprehensive income, related to the effective portion of the Group's interest rate swap contracts (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Nettuno).

FINANCIAL INSTRUMENTS (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate swap contracts classified as fair value through profit or loss

At December 31, 2011, the Group had no derivative financial instruments classified as fair value through profit or loss. In the prior year, the Group had two derivative financial instruments classified as fair value through profit or loss (Helios ITA and SVE) as the criteria for hedge accounting, as outlined in IAS 39, was not met. As a result, any gain or loss associated with changes to the fair value of these financial instruments was recognized in the consolidated statement of comprehensive income within finance income/costs.

During the year ended December 31, 2011, the Group recognized a fair value gain of $1.1 million (2010: $4.8 million) associated with two interest rate swap contracts (Helios ITA and SVE) before they were re-designated for hedge accounting during the year. In addition, during the year ended December 31, 2011, the Group recognized a fair value loss of $0.7 million (2010: $0.7 million) associated with two interest rate swap contracts (Helios ITA-3 and Nettuno) before they were designated for hedge accounting during the year.

RISKS AND UNCERTAINTIES

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

FINANCIAL RISKS

Debt and equity financing

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

Capital requirements and liquidity

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

Market risks

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

Cost uncertainty

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

NON-FINANCIAL RISKS

Licenses and permits

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

Governmental regulation

The renewable energy sector is subject to extensive government regulation. These regulations are subject to change based on 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 to the FiT could impact the profitability of the Group's future solar power projects. Refer to "Market Overview" on pages 7 and 8.

Competition

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

Prices and markets for electricity

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

International operations

Etrion acquires, develops, builds, owns and operates renewable energy projects, with a current focus in Italy. Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future PPAs, a change in renewable energy pricing policies and a change in taxation policies or the regulatory environment in the jurisdictions in which the Group operates. These uncertainties, all of which are beyond the Group's control, could have a material adverse effect on the Group's financial position and operating performance. In addition, if legal disputes arise relating to any of the Group's operations, the Group could be subject to legal claims and litigations within the jurisdiction in which it operates.

Reliance on contractors and key employees

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

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

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 *Certification of Disclosures in Issuers Annual and Interim Filings*, the Chief Executive Officer and Chief Financial Officer are required to carry out an evaluation of the following:

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: Etrion's plans for future growth and development activities, expectations relating to cash flow in 2012 and 2013, the need for additional capital to fund the construction or acquisition of new projects and the expected sources of such capital and expectations relating to grid parity. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and assumptions, including, without limitation: risks associated with operating exclusively in foreign jurisdictions; uncertainties with respect to the availability of suitable additional renewable energy projects; uncertainties and assumptions relating to the availability and costs of financing needed in the future; assumptions related to the applicability of the Italian FiT regime until December 31, 2016; uncertainties with respect to certain information relating to solar electricity revenue that is subject to confirmation of both the applicable FiT to which the Company is entitled by the state-owned company, GSE, and the applicable spot market price by local utilities for electricity sales to the national grid; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Company operates; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; opportunities available to or pursued by the Company; and other factors, many of which are beyond the Company's control.

All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent Annual Information Form and other public disclosure available on SEDAR at www.sedar.com. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

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