ANNUAL INFORMATION FORM

YEAR ENDED DECEMBER 31, 2019

Dated: March 9, 2020

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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;

"**¥**" means the Japanese Yen;

"**AIF**" means the Company's Annual Information Form for the year ended December 31, 2019;

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

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

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

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

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

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

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

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

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

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

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

"**Lorito Holdings**" means Lorito Holdings S.à.r.l., an investment company owned by a trust, the settler of which was the late Adolf H. Lundin;

"**Lundin family**" means Etrion's major shareholder. Investment companies associated with the Lundin family, including Lorito Guernsey, Lorito Holdings, Zebra Holdings and Ian H. Lundin, a director of the Company, collectively own 36.1% of the Company;

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

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

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

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

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

"**Project Komatsu**" means the 13.2 MW solar plant operating in the Ishikawa prefecture of the Honsu region in Japan;

"**Project Misawa**" means the 9.5 MW solar plan operating in the Aomori prefecture of the Tohoku region in Japan;

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

"**Project Niigata**" means the 45MW solar power plant under construction in the Niigata region of Japan;

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

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

“**PPA**” means power purchase agreement, an agreement providing for the sale of electricity, generally at a stipulated price and for a term of 15 years or more. Specifically, for Japan, it refers to a 20-year fixed price agreement between a solar SPV and a local utility;

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

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

“**SEK**” means the Swedish krona;

“**Tamagawa**” means Tamagawa Holdings Co., Ltd.;

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

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

“**Zebra Holdings**” means Zebra Holdings and Investments S. à.r.l., an investment company owned by a trust, the settler of which was the late Adolf H. Lundin.

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, 2019, which have been prepared in accordance with IFRS.

Financial information is reported in US$. However, as the Group operates in Europe, the Americas and Asia, certain financial information has also been reported in Euros, Canadian dollars and Japanese yen.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information and statements contained in this AIF constitute forward-looking information within the meaning of applicable Canadian securities legislation. These statements relate to future events or Etrion's future performance. All statements other than statements of historical fact may constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking information and statements are included throughout this AIF, specifically within "Business of the Company" and "Risk Factors" beginning on pages 6 and 12, respectively, and include, but are not limited to, statements pertaining to the following:

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

All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. In addition to the assumptions set out elsewhere in this AIF, such assumptions include, but are not limited to: the ability of the Company to obtain the required permits in a timely fashion and project and debt financing on economic terms and/or in accordance with its expectations; the ability of the Company to identify and acquire additional solar power projects .

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

- risks associated with operating exclusively in foreign jurisdictions (i.e., Japan);
- risks associated with the regulatory frameworks in the jurisdictions in which the Company operates and the possibility of changes thereto;
- uncertainties with respect to the availability of suitable additional renewable energy projects on attractive economic terms;

- uncertainties relating to the availability and costs of financing needed in the future and risks associated with the ability of the Company to comply with the covenants and obligations of its current financing arrangements;
- the risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected;
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations;
- market risks associated with interest rate risks, foreign currency risks, credit risks and electricity market price risks;
- risks associated with the introduction of new or modified tax laws or regulations in any of the countries in which the Company operates or will operate;
- uncertainties with respect to the receipt and timing of required permits to secure and contract renewable energy projects and to begin selling electricity therefrom;
- the risk that the construction or operating costs of the Company's projects may be higher than anticipated or take longer to build than anticipated;
- changes to existing legislation that could negatively impact the renewable energy sector in the relevant jurisdictions as a whole, including potential changes to the Japanese FiT regime or more generally any law that would apply to all energy producers in Japan;
- the impact of negative general economic and world-wide industry conditions in the jurisdictions and industries in which the Company operates;
- stock market volatility;
- force majeure events including natural disasters that may impact the operating projects; and
- other factors, many of which are beyond Etrion's control.

Readers should also refer to the section entitled "Risk Factors" in this document and the section entitled "Risks and Uncertainties" in our 2019 management's discussion and analysis as filed on SEDAR at www.sedar.com.

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

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

CORPORATE STRUCTURE

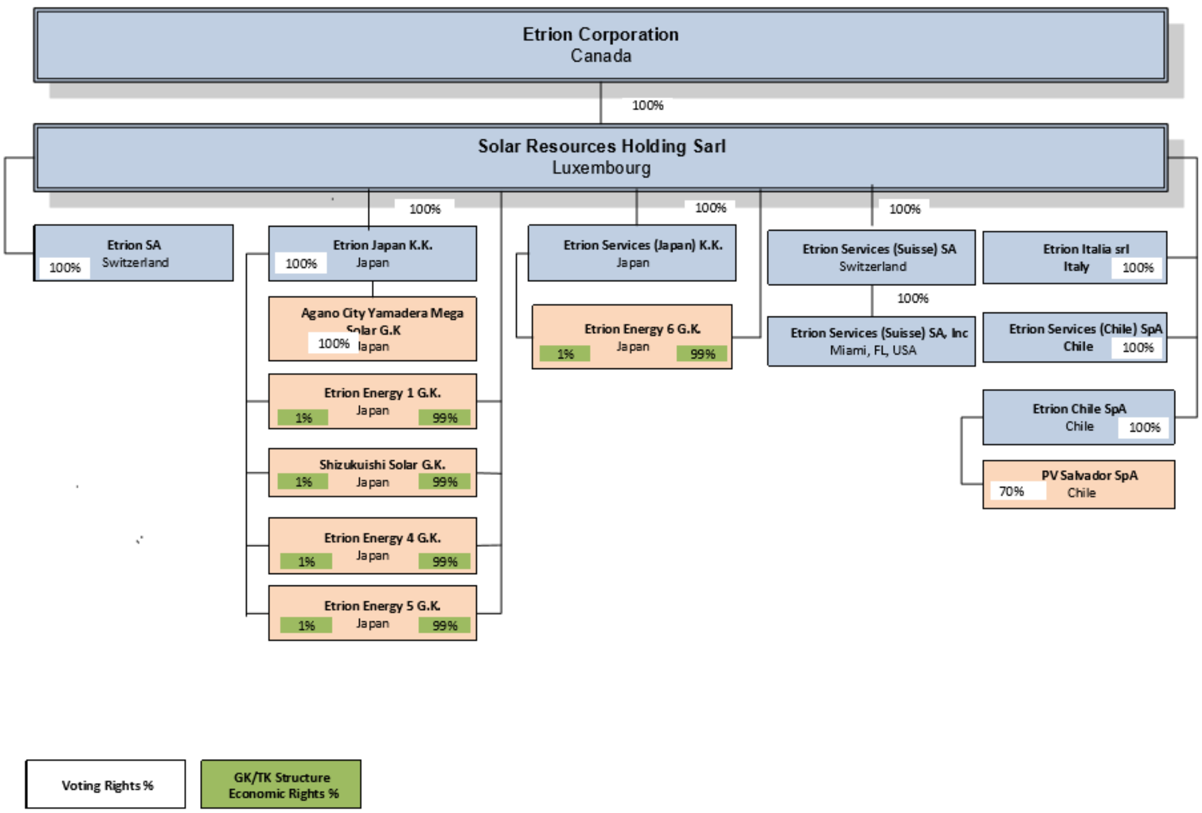
Name and Incorporation

Etrion Corporation 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. 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's head office is located at c/o Regus, Rue du Commerce 4, 1204 Genève, Switzerland, and its registered office is located at 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

Inter-Corporate Relationships

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



BUSINESS OF THE COMPANY

General

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants. Adjusted for the deconsolidation of PV Salvador, SpA ("**Salvador**"), which holds Project Salvador (as discussed below under "*Three Year History – 2017*"), the Company currently has four solar projects in operation with a net installed capacity of 57 MW and a 45 MW solar park under construction in Japan. It also has a "backlog" brownfield project with an estimated capacity of 60 MW and several projects under evaluation, which may become part of its backlog pipeline in the months to come. In Japan, all the Company's revenues are derived from 20-year fixed-priced contracts with local utilities, also referred to as PPAs.

Etrion's strategy is focused on:

- **Low-Risk Jurisdiction** – The Company's primary focus is to develop and expand its business in Japan. This market presents a low-risk environment with attractive economics. Such jurisdiction provides an ideal investment environment to enter and eventually exit if desired.
- **Revenue Stability** – Japan implemented a FiT program that offers 20-year fixed-price PPAs for all energy produced by solar generators. The Company believes that such PPA structure provides ideal conditions to secure low-cost financing, predictable revenues and cash flows.
- **Growth** – Japan is among the top three largest energy consumers in the world. A material percentage of their capacity is imported making it an ideal environment for alternative sources of energy. Renewable energy remains an important source of diversification for the government with policy supporting additional growth.

The Company's business model focuses on seven key drivers for success: (1) long-term contracts with stable revenues; (2) low-risk jurisdictions; (3) strategic partnerships; (4) low equipment cost and operating expenses; (5) available long-term project financing; (6) low cost of debt; and (7) an attractive liquid market. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX in Sweden. Etrion has corporate bonds listed on the Frankfurt Stock Exchange Open Market in Germany and the Oslo Stock Exchange in Norway. Etrion is based Geneva, Switzerland with an office in Tokyo, Japan.

The Company has grown its renewable energy business significantly through co-development partnerships and internal development of several solar power projects located in Japan. The following is a summary of the Company's operating solar power projects, as of December 31, 2019:

Project(1)	Region	Sites	Capacity (MW)	Technology	Connection Date	Price per kWh
Mito (Ibaraki Prefecture, Kantō)(2)	Honshu, Japan	5	9.3	Fixed-tilt	May-15 to Aug-15	¥40(2)
Shizukuishi (Iwate Prefecture, Tohoku)(3)	Iwate, Japan	1	24.7	Fixed-tilt	Oct-16	¥40(3)
Misawa (Aomori Prefecture, Tohoku)(4)	Aomori, Japan	4	9.5	Fixed-tilt	Feb-17 to Jul-2017	¥36(4)
Komatsu (Ishikawa Prefecture, Honsu)(5)	Honsu, Japan	1	13.2	Fixed-Tilt	May-18	¥32(5)
Total		**11**	**56.7**			

Notes:

(1) On September 30, 2017 the Group concluded that in accordance with IFRS it no longer has control of Salvador, the 70%-owned subsidiary that owns the licenses and rights to Project Salvador (having a 70 MW capacity) a single-axis solar plant in Atacama, Chile, which has been in operation since November 2014. As a result of the deemed loss of control the Group no longer consolidates the financial position and performance and Project Salvador has not been included in the table above. See "*Three Year History – 2017*" below for more information regarding the deconsolidation of Salvador.

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

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

(4) Power generated by Project Misawa is sold to the Tohoku Electric Power Co., Inc. under a 20-year power purchase agreement under which the project receives 36 yen/kWh of electricity produced under Japan's feed-in tariff.

(5) Power generated by Project Komatsu is sold to the Hokuriku Electric Power Co., Inc. under a 20-year power purchase agreement under which the project receives 32 yen/kWh of electricity produced under Japan's feed-in tariff.

The first project, Project Mito, was fully developed by the Company and has been operating for more than four years. Project Shizukuishi achieved its commercial operation date on October 20, 2016, became 100% operational and started collecting revenues from its electricity production. Project Misawa achieved its commercial operation date in 2017 (with partial connections in February 2017 and full connection in July 2017), became 100% operational and started collecting revenues from its electricity production. Finally, Project Komatsu, a 13.2 MW solar project in the

Ishikawa prefecture of the Honsu region in Japan, achieved its commercial operation date in 2018, became 100% operational on May 17, 2018 and started collecting revenues from its electricity production.

The Company currently has one project under construction, the Niigata project (previously disclosed as Greenfield Tk-2) ("**Project Niigata**"). This project is a 45 MW ground-mounted, fixed-tilt solar park project developed on one site in the Niigata prefecture. Construction-related work started in the summer 2019, and the solar project is expected to be fully operational by the fourth quarter of 2021. The solar power plant is being built on 75.7 hectares of land owned by Etrion and will connect to TOHOKU utility. The project company entered into an effective twenty-year PPA with TOHOKU and will receive ¥36 per kWh of electricity produced (approximately US$0.33 per kWh). Once operational, Niigata is expected to produce approximately 47 GWh of solar electricity per year, enough to supply more than 13,000 Japanese households. Etrion owns 100% of Project Niigata. The total project cost is expected to be approximately ¥16.7 billion (US$ 154.2 million) including VAT and has been financed 95% via a non-recourse green project bond. The remaining 5% of total project cost has been fully funded by Etrion during the development period. On July 1, 2019, Etrion charged Project Niigata with a net development fee of approximately ¥400 million ($3.7 million) and anticipated land lease for ¥459 million ($4.2 million).

In addition, the Company has one "backlog" solar project under development in Japan. This project, located in the Mie prefecture, is designed as a 60 MW facility. The project has secured the FiT of ¥36/kWh. It entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility before July 31, 2016. The project has secured the environmental impact assessment and recently obtained its forest development permit. The Company entered into a development service agreement ("**DSA**") with a local developer in 2015, which outlines all its development responsibilities and deliverables. The Company believes that the developer is in breach of the DSA and filed in December 2018 a lawsuit against the local developer to enforce full compliance with the DSA. The Company remains optimistic the court will issue a decision favourable to the Company enforcing the developer to comply with all its obligations. Etrion remains cautiously hopeful to taking control of this project during the first half of 2020.

Three Year History

<u>2019</u>

- **Niigata Project:** On April 10, 2019, the Company announced that it had secured all the necessary permits to develop, own and operate the 45 MW Project Niigata in the Niigata prefecture in northern Japan. On July 2, 2019, the Company announced that it had commenced construction-related work on the project. To finance the construction, the Company issued a BBB rated green project bond for approximately JPY 16 billion ($146 million) (the "**Etrion Green Project Bond**"). The arranger of the Etrion Green Project Bond was Goldman Sachs Japan Co. LTD.

- **Sale of the Rights of Brownfield Tk-1:** As of September 11, 2019, the Group collected an aggregate of ¥300 million ($2.8 million) as final payment for the sale of the rights of the Brownfield Tk-1 backlog project. This project, located in the Kumamoto prefecture, was designed as a 45 MW solar park project. Due to a high degree of execution risk related to certain unresolved land matters and construction permits, the Company decided to sell its project rights back to the developer. In 2018, Etrion reached an agreement with the developer and sold the project rights. In accordance with the agreement the developer agreed to pay an aggregate of ¥610 million ($5.5 million) for the project rights.

- **Minority Shareholder Buy Out and Solar Portfolio Optimization:** In December 2019, the Company closed a multi-step transaction which resulted in significant value creation across its Japanese solar portfolio. Etrion acquired the minority interests of HHT and Tamagawa, optimized the related Japanese corporate structure and renegotiated the operations and maintenance ("**O&M**") contracts for Etrion's 56.8 MW solar portfolio in Japan. Etrion purchased HHT's minority ownership in all four of its solar projects, as well as Tamagawa's share in the Misawa 9.5 MW project, for a total of $4.3 million. As a result, Etrion's net solar capacity increased from 47.0 MW to 56.8 MW. In addition, the O&M contracts originally provided by HHT were re-negotiated on better terms and transferred to other companies within the Hitachi group. Etrion also took over two asset management contracts from HHT as of January 2020, effectively taking full control of providing asset management services across all projects in Japan. Finally, the entire Etrion solar portfolio was transferred into a so-called "TK-GK" structure, which is currently the Japanese market standard that results in enhanced cash flow distributions and other benefits. As part of the transaction, the project debt in the Mito 9.3 MW project was increased by 295 million JPY ($2.7 million) to pay for the transaction costs and fees, to be repaid with the remainder of the existing loan within the original tenor.

2018

- **Corporate update:** Effective December 31, 2018, Ashley Heppenstall resigned as a director and Chairman of the Board to conform with industry corporate governance recommendations regarding the maximum number of non-executive director appointments per individual. The Board nominated and elected Henrika Frykman as a new director of the Company and appointed Aksel Azrac as Chairman of the Board, both effective January 1, 2019; Garrett Soden replaced Ashley Heppenstall as Chairman of the Audit committee.
- **Refinancing of corporate bonds:** On June 15, 2018, the Company issued €40 million of bonds ("**New Bonds**") in the Nordic bond market. The New Bonds have an annual interest rate of 7.25% and a bullet maturity in May 2021. The Company has listed the New Bonds on the Frankfurt Stock Exchange Open Market and the Oslo Stock Exchange. The Company's holding of €6.3 million in the Company's previously outstanding 8% senior secured bonds (the "**Old Bonds**") were rolled-over into the New Bonds, which is included in the issued amount, and can be sold at a later date if additional funding is required. In addition, on June 15, 2018, Etrion cancelled €2.8 million of the Old Bonds held by bondholders that agreed to roll such bonds over into the New Bonds. The net proceeds from the New Bonds were used to refinance the Company's existing €40 million of Old Bonds that paid 8.0% annual interest and mature in April 2019. On July 17, 2018, Etrion completed the redemption of the remaining €40 million nominal amount of Old Bonds. The Old Bonds were redeemed at 101% of par plus accrued interest for a total net amount of €31.8 million using the net proceeds from the New Bonds.
- **Project Komatsu operational:** On May 17, 2018, Project Komatsu (14.2 MW) was connected to the grid and is now 100% operational and is collecting revenues from its electricity production. Project Komatsu is located on 30.5 hectares of leased land and the facilities are connected through Hokuriku Electric Power Co., Inc. ("**Hokuriku Electric Power utility**"). The total project cost of approximately ¥4,285 billion (approximately $38 million) is was financed 83% with non-recourse project debt from SMTB with the remaining approximately 17% equity portion already funded by the Group and HHT based on their respective ownership interests of 85.1% and 14.9%, respectively.

2017

- **Corporate update:** In November 2017, the Company announced the appointment of Christian Lacueva as Chief Financial Officer, effective January 1, 2018. Mr. Lacueva replaced Paul Rapisarda, who resigned to pursue other interests. Mr. Rapisarda had been the Chief Financial officer of the Company since November 2015. Mr. Lacueva had been Etrion's Vice President of Asset Management Services and Corporate Treasurer since 2014 and held other finance positions within the Company since 2010.
- **Repurchase of corporate bonds:** On October 23, 2017, the Company announced the successful repurchase of a nominal amount of approximately €6.3 million of its outstanding Old Bonds at par value from certain existing bondholders. Such Old Bonds are being held by the Company as an investment and will not be cancelled.
- **Deconsolidation of subsidiary:** Due to the signing of the forbearance agreement with the OPIC in March 2017, the capitalization of the shareholder loan in January 2017, the unlikelihood to obtain any positive returns from Salvador (due to negative long-term outlook of the spot market prices in the Chilean market) and the impact of potential debt restructurings, all unfavorable developments, management concluded that it was necessary to perform a reassessment of control in accordance with IFRS. After considering all current material facts and circumstances and the results of the control reassessment exercise, management concluded that the Group meets only one (power) of the three conditions that are necessary to demonstrate control in accordance with IFRS. The Group no longer meets the second and third condition (exposure to variable returns and link between power and variable returns) to continue to demonstrate control. Even though Etrion has all the contractual rights and instruments to lead the decision making process of the Company, any of the actions it could take would have no impact or affect returns to Etrion. As a result of the deemed loss of control, as of September 30, 2017, the Group no longer consolidates the financial position and performance of Salvador. During the three and nine months ended September 30, 2017, the Group derecognized its share in the net liabilities of Salvador, resulting in a non-cash extraordinary gain of $41.0, and the derecognition of the equity value attributable to non-controlling interests in Salvador of $17.6 million. As of September 30, 2017, the retained investment in Salvador has been accounted for as an equity investment and recorded at a fair value of zero value. The net present value of Etrion's share in the forecasted shortfall is negative and Etrion does not have any legal obligation to fund Salvador's deficit and has no current commitment or intentions to provide additional financial support to Salvador.

- **Project Misawa operational:** In February 2017, the first two sites of Project Misawa (totalling 5.3 MW) were connected to the grid and, in July 2017, the remaining two sites of Project Misawa (totalling 4.2 MW) were connected to the grid and Project Misawa is now 100% operational and is collecting revenues from its electricity production. Project Misawa is located on 16.3 hectares of owned land and the facilities are connected through the Tohoku Electric Power utility. The total project cost was financed through approximately 85% project debt from SuMi Trust with a tenor equal to construction period and 19 years of operations. The remaining approximate 15% equity portion was funded pro-rata based on the respective ownerships, with Etrion 60%, Tamagawa 30% and HHT 10%.

Business Process and Market Overview

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

- Phase 1 represents the period in which a project secures all permitting risks, authorizations and utility interconnection agreements to build a solar power plant. Depending on the jurisdiction, this process may vary in length between 24 to 60 months. Where projects are developed from their infancy ("greenfield" projects), and no environmental impact assessment is required, the development time will generally be close to two years. However, Etrion often enters into co-development agreements with local development companies to reduce development time and risk. The Company may also acquire permits at advanced stages from local developers to further reduce the time to market. In all cases, whether the projects in the pipeline are greenfield, co-development or acquired, they go through a rigorous development process to de-risk the projects before any material investments are made. In addition to evaluating all development risks, Etrion works extensively with engineering, procurement and construction ("**EPC**") contractors and civil works companies to optimize the design and reduce construction costs to further improve each project's economics.
- Phase 2 generally takes 4 to 6 months, during which the Company assesses and selects various contractors and lenders, including EPC contractors responsible for the construction of the solar power plant. The Company analyzes the financial aspects of the project, assessing tenor, debt/equity structuring, cost, the selection of lenders and negotiation of the finance agreement. Furthermore, in phase 2, the Company evaluates potential legal structure of the special purpose vehicle that will function as the local operating subsidiary.
- Phase 3 generally requires 18 to 36 months of work. During this phase, the Company enters into an EPC contract, and the projects are built with a view to ensuring that the local operating subsidiary complies with the FiT or PPA requirements. Under an EPC contract, the contractor is generally hired on a turn-key fixed-price basis and is required to, at its own risk, design the installation for the project, procure the necessary materials and construct the project by a certain date. As a result, the contractor generally bears a portion of the risk for scheduling as well as budgeting in return for a guaranteed fixed price.
- Phase 4 solar projects are designed to operate with a minimum life time of 30 years. The Company has in-country resources engaged in the operation of the solar power plants. Activities include, managing day to day project level accounting, administration, tax reporting and overall administration of all project related compliance with regulations. In this phase, the Company usually retains the EPC contractor to also provide operations and maintenance services based on fixed price contracts.

Solar Market Overview

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

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

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

- Increasing global demand for energy due to population and economic growth combined with finite oil and gas reserves;
- Improving technologies and accelerated cost reductions for renewable energy;
- Increased concern about long-term climate change and focus on reducing carbon emissions from energy generation using fossil fuels;
- Political commitment at national and regional levels to support the development and use of renewable energy sources; and
- Attractive government incentives, such as FiTs, capital subsidies and tax incentives in markets that have not yet reached grid parity.

JAPANESE MARKET

Japan is among the top five largest solar markets in the world. The use of solar power in Japan has accelerated since the Japanese FiT scheme for renewable energy was introduced in July 2012 to help offset the loss of nuclear power caused by the Fukushima disaster. As of December 2018, solar represented about 5.7% of the total energy generated in Japan. METI forecasts that it will represent over 7% by 2030, which will translate into an incremental annual growth of 4-5 GW in terms of new capacity between 2020 and 2027.

On December 13, 2016, METI announced its intention to initiate a utility-scale solar auction scheme in 2017 for solar projects above 2 MW. The first auction for 500 MW was held in November 2017. The bid ceiling was set at ¥21 per kWh.

Japan has implemented an attractive 20-year FiT program of ¥40 per kWh for projects secured by March 21, 2013, ¥36 per kWh for projects secured by March 31, 2014 and ¥32 for projects secured by March 31, 2015. The FiT program was changed to ¥29 for projects secured from April 2015, and ¥27 from July 2015 and changed to ¥24 from April 2016.

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

The rules addressed various aspects of the FiT and utility operations. The most important rules outlined the process for:

- **FiT application** – The timing when the FiT is determined has changed from "when interconnection request is made" to "when interconnection agreement is executed." If an interconnection agreement has not been reached due to the utility's delay, there is a backstop date for the solar developer whereby the FiT level from 270 days following the connection request is used.
- **Change in power output or in PV module specifications prior to start of operations – These** changes must now be submitted for METI approval, and an increase in power output or a change in PV module manufacturer prior to start of operations will be subject to a revision of the FiT. Exceptions will be made where change in output is related to interconnection evaluation by the utility. Changes to PV module manufacturer, type or conversion efficiency (excluding increase in efficiency) will also be subject to a change in the FiT. Exceptions will be made if objective proof is provided related to discontinued module type and in cases of PV power plants less than 10 kW.
- **Curtailment** – The new curtailment system has been changed from the "30-day rule per annum" to an hourly basis per annum. Uncompensated curtailment up to 30 days, annually based on one-day units, was changed to up to 360 hours annually. The hourly basis for curtailment expands the amount available for interconnection. Furthermore, an unlimited curtailment without compensation by certain utilities, as

designated by METI, was introduced under the new curtailment system. Also, utilities may impose installation of remote curtailment systems on PV plants**.**

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

- to require certain categories of projects to commence operations within 3 years from 1 April 2017 (i.e. by 31 March 2020);
- to allow such projects to change their modules without triggering changes in the FIT rate; and
- to allow such projects to also reduce their project size by more than 20% without triggering a FIT rate reduction. The changes follow a public comment period conducted by the Agency of Natural Resources and Energy ("**ANRE**") of the METI.

On October 15, 2018, METI held a meeting of its Significant Development of Renewable Energy and Next Generation Electric Grid Network Committee (Saisei Kanou Enerugi Tairyou Dounyu /Jisedai Denryoku Network Sho Iinkai). A number of proposals were made to introduce strict new deadlines and other measures that could impact solar projects under development, which, if not met, would result in project FiT rates being reduced significantly. According to METI, more than 20 GW of solar power projects which have FiT of ¥40, ¥36 and, ¥32/kWh have not reached commercial operations and are unreasonably taking up grid capacity, preventing new players from developing alternate renewable energy projects in the affected grid areas.

On December 5, 2018, METI announced additional details on the approved measures concerning procurement of electricity from renewable energy sources by electricity utilities (the "**FiT Amendment Act Ordinance**"). The FiT Amendment Act Ordinance sets out new rules to address solar projects under development that hold FiT of 40¥, 36¥ and 32¥/kWh. More specifically, the new rules include (a) exceptions for projects already close to construction, (b) new grid connection work application submission and acceptance deadlines, (c) requirements for land rights and specific permits to be obtained before a grid connection work application can be submitted, (d) FiT rate reduction penalties if grid connection work applications are submitted without the required land rights and permits, (e) new scheduled grid connection deadlines to be set by the utility (although there will now be no FiT rate reduction if such deadlines are not met), (f) new commercial operation deadlines (which if not met, will result in the power purchase agreement period shortening on a month by month basis but not in an FiT rate reduction), and (g) relaxation of the module change rules for projects that are subject to the new measures.

Economic Dependence

Etrion's future growth is dependent on the development and/or acquisition of additional renewable energy projects under long-term contracts in Japan. The Company is currently dependent on the continued performance of the power purchase agreements signed with utilities by Project Mito, Project Shizukuishi, Project Misawa and Project Komatsu. Its growth is dependent on the Company's ability to complete the construction of its 45MW Project Niigata and the development of its backlog project located in the Mie prefecture. 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 secure new projects or obtain the required financing when needed could impact the Company's financial performance.

Project economics for the backlog are also dependent on EPC prices and financing terms.

Pricing and Cost Environment

The Group focuses on acquiring, developing, building, owning and operating renewable energy projects in jurisdictions that provide a long-term FiT.

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. The Company enters into fixed price EPC agreements with companies that provide turnkey construction, engineering and procurement. All components including solar panels, electric gear, metal structure and other components are included as turnkey contract for EPC companies. The Company follows a rigorous bidding process to award an EPC contract which is selected based on price, quality, schedule and terms and condition. The Company uses off the shelf systems provided by EPC contractors.

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.

The main environmental permits required in Japan to develop a project greatly depend on the location of the prefecture where the site is located, the size of the project being developed and the modifications to the terrain. The Company hires local consultants, including civil work and engineering companies, to assist in the consultation process with the authorities to determine the type of environmental permit required. Once all permits are obtained the Company will proceed with the construction of projects. The cost to implement all the work prescribed in the environmental permits (including the Environmental Impact Assessment and Forest Development permit) are included as part of the total capital cost to build a project. All these costs are part of the fixed price EPC contracts the Company negotiates for the construction of the projects. These costs are known up front (prior to commence construction) hence the Company can assess the economic feasibility of these projects, including the incorporation of environmental compliance, prior to making the decision to proceed with the investment.

Competition

The renewable energy industry is very 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. The Company benefits from its existing partnership with HHT, which has a very strong Japanese presence and competitive EPC services, enhancing its competitive position in the market. In addition, the Company has a strong proven development track record which enables it to effectively assess opportunities in the market for future development.

Cycles & Seasonality

The Company's solar power generation plants are impacted by seasonal fluctuations and year to year variability in the solar radiance. For instance, there are more daylight hours in the summer than there are in the winter resulting in higher production in the summer months. The ability of these facilities to generate income may be impacted by naturally occurring changes in solar radiance.

Employees

At December 31, 2019, Etrion and its subsidiaries had 19 full-time employees, of whom 11 employees reside in Japan and who are mainly responsible for project development, construction management and operations. The remaining employees, located at the Company's headquarters, are responsible for the Company's corporate management, business strategy, corporate finance and financial reporting.

Specialized Skill and Knowledge

The Company's employees have extensive experience and contacts in the solar power industry in Japan. The project development lifecycle aspect of the business of the Company requires specialized knowledge of regulations, real estate development, utility, interface with local communities, civil works optimization and solar layout. This specialized knowledge is available to Etrion in-house complemented with outsourced resources in Japan and abroad.

RISK FACTORS

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

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

Licenses and Permits

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

International Operations

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

All of Etrion's operating solar power plants are located in Japan (with the exception of Project Salvador located in Chile, which is held by Salvador, a subsidiary that was deconsolidated as of September 30, 2017). In addition, the Company is further expanding its portfolio of solar power projects into Japan and the development of other "backlog" brownfield and greenfield projects (currently designed for an aggregate of 105 MW). Therefore, the Company is exposed to significant country risk which is not yet balanced through the existence of a diversified portfolio of assets.

Government Regulation

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

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

Market Risks

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

<u>Interest Rate Risk</u>

The Company is highly leveraged through corporate and project financing for the construction of its solar power projects. The Company enters into non-recourse project loans issued at variable interest rates with financial institutions that provide financing for up to 85% of the total project cost. In addition, in April 2014, the Company completed an €80 million Old Bond issue in the Norwegian market, with an annual interest rate of 8.0% and a bullet maturity in April 2019. A portion of the net proceeds from the Old Bond issue was used by Etrion to complete, in May 2014, the redemption of its €60 million of corporate bonds issued in 2011 that paid 9.0% annual interest and were to mature in April 2015. In December 2016, the Company completed the repurchase of €40 million of Old Bonds at a price of 100.0% of par value plus accrued unpaid interest. These Old Bonds were cancelled. In October 2017, the Company completed the repurchase of approximately €6.3 million of Old Bonds at par value, from certain existing bondholders. On June 15, 2018, the Company completed an issue of €40 million of New Bonds in the Nordic bond market. The New Bonds have an annual interest rate of 7.25% and a bullet maturity in May 2021. The Company's holding of €6.3 million in the Company's previously outstanding Old Bonds were rolled-over into the New Bonds, which is included in the issued amount, and can be sold at a later date if additional funding is required. In addition, on June 15, 2018, Etrion cancelled €2.8 million of the Old Bonds held by bondholders that agreed to roll such bonds over into the New Bonds. The net proceeds from the New Bonds were used to refinance the Company's existing €40 million of Old Bonds that paid 8.0% annual interest and mature in April 2019. On July 17, 2018, Etrion completed the redemption of the remaining €40 million nominal amount of Old Bonds. The Old Bonds were redeemed at 101% of par plus accrued interest for a total net amount of €31.8 million ($37.2 million) using the net proceeds from the New Bonds. Following completion of the issuance of the New Bonds and the the cancellation of Old Bonds, the Group has approximately €33.7 million (net of the Company's holdings of €6.3 million) of New Bonds outstanding, and its annual interest cost is reduced by approximately 9.4% from the previous amount. Finally, to finance the construction of Project Niigata, the Company issued the Etrion Green Project Bond for approximately JPY 16 billion ($146 million).

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

Foreign Currency Risk

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

Electricity Market Price Risk

Etrion is not exposed to electricity market price risk in Japan as all of its current revenues generated by the Company's solar power projects are secured by long-term fixed-price contracts based on PPA agreements with local utilities.

A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the wholesale price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the wholesale price of electricity. Broader regulatory changes to the electricity trading market (such as changes to integration of transmission allocation and changes to energy trading and transmission charging) could have an impact on electricity prices.

Debt and Equity Financing

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

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

Capital Requirements and Liquidity

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

Cost Uncertainty

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

Taxes

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

Execution Risk

The Company's anticipated development and growth may require it to acquire complementary or strategic businesses. The process of integrating any future acquired business, technology, services or products, 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 New Bonds issued in June 2018 with a three-year maturity, the Company cannot distribute dividends to its shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

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

Common Shares

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

Preferred Shares

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

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

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

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

MARKET FOR SECURITIES

The common shares of Etrion are listed for trading on the TSX and the NASDAQ OMX under ticker symbol "ETX". At the date of this AIF, Etrion's outstanding securities consisted of 334,094,324 common shares and 11,666,667 performance-based Restricted Share Units.

The monthly price ranges and the aggregate monthly volume traded on the TSX and the NASDAQ OMX for the year ended December 31, 2019, were as follows:

TSX

	Price Range (CAD$)		
	High	**Low**	**Volume**
December 2019	0.23	0.185	194,148
November 2019	0.23	0.19	290,117
October 2019	0.23	0.18	74,665
September 2019	0.255	0.22	57,684
August 2019	0.265	0.185	168,277
July 2019	0.215	0.17	82,439
June 2019	0.205	0.195	14,141
May 2019	0.23	0.195	113,317
April 2019	0.25	0.20	104,565
March 2019	0.26	0.20	650,702
February 2019	0.225	0.20	180,310
January 2019	0.24	0.215	74,690

NASDAQ OMX

	Price Range (SEK)		
	High	**Low**	**Volume**
December 2019	1.578	1.35	5,868,485
November 2019	1.64	1.392	6.356,946
October 2019	1.598	1.452	3,130,526
September 2019	1.768	1.56	3,231,720
August 2019	1.85	1.43	13,044,559
July 2019	1.59	1.348	7,127,534
June 2019	1.58	1.47	2,760,219
May 2019	1.594	1.48	2,675,876
April 2019	1.61	1.498	2,398,292
March 2019	1.648	1.46	5,142,001
February 2019	1.61	1.4	3,411,056
January 2019	1.65	1.50	1,876,162

PRIOR SALES

The Company maintains the Restricted Share Unit Plan pursuant to which employees, consultants, directors and officers of the Group may be awarded Restricted Share Units. The Restricted Share Units have a contractual term of six years and are subject to certain time-based conditions and in certain cases are also subject to performance-based vesting conditions. During the financial year ended December 31, 2019, 11,666,667 Restricted Share Units were granted. The Company had 11,666,667 Restricted Share Units outstanding as of December 31, 2019.

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 the Group 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(4) Coppet, Switzerland	Director since September 2009	Chairman of Lundin Petroleum AB, an oil and gas company, since 2002.
Marco A. Northland Cologny, GE, Switzerland	Director since September 2009 Chief Executive Officer since September 2009	Chief Executive Officer of Etrion since September 2009.
Aksel Azrac(2)(3)(4)(5) Bernex-Lully, Switzerland	Director since September 2010 Chairman since January 2019	Senior Partner of 1875 Finance SA, an asset management and advisory firm based in Geneva, Switzerland, since 2006.
Garrett Soden(2)(3) Madrid, Spain	Director since November 2013	President, Chief Executive Officer and Director of Africa Energy Corp. since 2017. Senior executive with the Lundin Group for over a decade. Previously CFO of Etrion.
Henrika Frykman(2)(3)(4)(6) Anières, Switzerland	Director since January 2019	Legal Counsel with Lundin Petroleum since 2008 and VP Legal of Lundin Petroleum since 2017.
Christian Lacueva Grandvaux, Switzerland	Chief Financial Officer since January 2018	Vice President, Asset Management Services of Etrion since 2014. Previously, he held the position of Director of Controlling and Administration.
German Salita Miami, FL, United States	Executive Vice-president Business Development & M&A since July 2012	Executive Vice-president Business Development & M&A since July 2012.
Martin Oravec Bratislava, Slovak Republic	Chief Investment Officer since January 2018	VP Structured Finance since 2014.
David Knight Oakville, Ontario, Canada	Corporate Secretary since April 2008	Barrister and Solicitor, and a Partner at the law firm of WeirFoulds LLP since November 2018, and at the law firm of Norton Rose Fulbright Canada LLP from February 1998 to November 2018.

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.

(4) Member of the Nominating Committee.

(5) Mr. Azrac was appointed as the Chairman of the Board effective January 1, 2019 upon the resignation of Ashley Heppenstall as Chairman and a director of the Company on December 31, 2018. Mr. Heppenstall served as the Chairman of the Board since March 2016 and as a director since February 2008. Mr. Heppenstall is a private Investor and sits on the boards of directors of Lundin Petroleum AB (since 2011), International Petroleum Corp. (since 2017), Filo Mining Corporation (since 2016), Lundin Gold Inc. (since 2015), Africa Energy Corp. (since 2015) and ShaMaran Petroleum Corp. (since 2015). Mr. Heppenstall was the President and Chief Executive Officer of Lundin Petroleum from 2001 to 2015.

(6) Ms. Frykman was appointed to the Board effective January 1, 2019 upon the resignation of Ashley Heppenstall as Chairman and a director of the Company on December 31, 2018.

At the date of this AIF, the directors and executive officers of the Company as a group, including Mr. Lundin, beneficially owned or controlled or directed, directly or indirectly, 23,370,176 common shares of Etrion, representing approximately 7% of the issued and outstanding common shares of the Company. In addition, investment companies associated with the Lundin family, of which Mr. Lundin, a Director of the Company, is one of the beneficiaries, hold common shares of Etrion that when aggregated with the shares held by Mr. Lundin personally represent approximately 36.1% of the outstanding common shares. In addition, the directors and officers above of Etrion held 8,800,000 Restricted Share Units. Information concerning common shares beneficially owned, or controlled or directed, directly or indirectly, is based on information provided to Etrion by the directors and officers of the Company.

Corporate Cease Trade Orders

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

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

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

Penalties or Sanctions

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

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

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

Bankruptcies

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

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

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

CONFLICTS OF INTEREST

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

AUDIT COMMITTEE

Audit Committee Charter

The Company's Audit Committee Mandate is included herewith.

Composition of the Audit Committee

The Audit Committee is comprised of Garrett Soden (Chairman), Aksel Azrac and Henrika Frykman.

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
Garrett Soden	Mr. Soden has extensive experience overseeing financial and accounting matters for public companies. He has held various senior executive and board roles within the Lundin Group and has also served on several external boards and audit committees of listed natural resource companies. Mr. Soden holds a BSc honours degree from the London School of Economics and an MBA from Columbia Business School.
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.
Henrika Frykman	Mrs. Frykman is currently Vice President Legal of Lundin Petroleum and before joining the company in 2008, she worked with Loyens & Loeff in Geneva focusing on Swiss and international corporate tax matters. Prior to that, Mrs. Frykman practiced general corporate and commercial law with a Swedish law firm in Stockholm. Mrs. Frykman holds a Master of Laws LL.M. from the University of Stockholm. Mrs. Frykman has extensive experience overseeing public companies and legal matters.

Audit Committee Pre-Approval Policies for Non-Audit Services

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

Fees Paid to External Auditor

In 2019 and 2018, fees payable to PricewaterhouseCoopers SA and Ernst and Young LLP and their affiliates were as follows:

Type of Service Provided	2019(5) US$	2018(5) US$
Audit fees(1)	**279,000**	**275,000**
Audit-related fees(2)	**35,000**	**37,000**
Tax fees(3)	**25,500**	**25,000**
All other fees	**12,000**	**-**
Total	**351,500**	**337,500**

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

(5) On June 28, 2019 the shareholders of the Company appointed PricewaterhouseCoppers SA as auditor of the Corporation. Ernst & Young LLP was auditor of the Corporation in 2018 and until June 28, 2019.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are 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, 2019;

(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, 2019.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company is not aware of any material interest, direct or indirect, of any director, officer, any shareholder that beneficially owns, or controls or directs, directly or indirectly more than 10% of the voting securities of Etrion or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year, that has materially affected, or is reasonably expected to materially affect the Company.

REGISTRAR AND TRANSFER AGENT

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

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

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

Etrion's auditors are PricewaterhouseCoopers SA, who have prepared an independent auditors' report dated March 9, 2020 in respect of the Company's consolidated financial statements at December 31, 2019. 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 (and would be independent within the Rules of Professional Conduct of the Institute of Charted Accountants of Ontario) as well as PwC Global Independence Policy which is 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 or any associate or affiliate of Etrion.

ADDITIONAL INFORMATION

Additional information, including information regarding directors' and officers' remuneration and indebtedness, principal holders of Etrion's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Etrion's most recent Management Information Circular dated May 14, 2019, in respect of its June 28, 2019, 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, 2019.

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 c/o Regus Rue du Commerce 4, 1204 Genève, Switzerland.

AUDIT COMMITTEE MANDATE

Purpose

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

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

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

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

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

Composition and Process

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Duties and Responsibilities

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

    (a) Financial Reporting Control Systems

    The Audit Committee shall:

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

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

    (iii) annually review the Audit Committee Mandate;

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

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

    (b) Interim Financial Statements

    The Audit Committee shall:

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

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

    (c) Annual Financial Statements and Other Financial Information

    The Audit Committee shall:

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

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

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

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

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

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

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

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

(d) Public Disclosure of Financial Information

The Audit Committee shall:

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

(ii) periodically assess the adequacy of such procedures.

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

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

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

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

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

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

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

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

(1) any proposed changes in major accounting policies;

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

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

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

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

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

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

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

The Audit Committee shall:

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

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

Reporting and Authority

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

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

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

Governance

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

Advisors

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

Audit Committee Timetable

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

Audit Committee Timetable:

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