

The logo for Etrion, featuring the word "etrion" in a lowercase, red, sans-serif font. The letter 'e' is stylized with a horizontal bar extending to the left. The background of the page consists of a white central area with grey and red geometric blocks.

Management's Discussion and Analysis
Three and Nine Months Ended September 30, 2021

At a Glance

Etrion Corporation

Etrion Corporation was created as a renewable energy development company. From our inception we have been committed to contributing to the diversification of the energy mix by leveraging the abundance of renewable resources to generate clean, reliable and cost-effective solar energy.

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. During the second and third quarters of 2021, Etrion completed the sale of all of its Japanese solar projects to two different Japanese consortiums.



For more information about our Company,
take a look on our website at: www.etrion.com

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Management's discussion and analysis

Management's discussion and analysis

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and a description of current and future business opportunities. This MD&A, prepared as of November 2, 2021, should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2021. Financial information is reported in both United States dollars ("\$" or "USD") and in Euros ("€") because the Company's previously outstanding corporate bonds were denominated in the latter currency. In addition, certain material financial information has also been reported in Japanese yen ("¥") because the Company has its main business activities in Japan. Exchange rates for the relevant currencies of the Group with respect to the \$ and the ¥ are as follows:

	€/¥	\$/¥	€/\$
Closing rate at September 30, 2021	129.84	111.88	1.1579
Closing rate at September 30, 2020	123.92	105.62	1.1708
Nine months average rate 2021	129.66	108.63	1.1967
Nine months average rate 2020	122.65	109.11	1.1237

Non-IFRS financial measures and forward-looking statements

The terms "adjusted net income (loss)", "earnings before interest, tax, depreciation and amortization" ("EBITDA"), "Adjusted EBITDA", "solar segments EBITDA" and "adjusted operating cash flow", used throughout this MD&A, are non-IFRS measures and therefore do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures disclosed by other companies. The basis for calculation has not changed and has been applied consistently by the Company over all periods presented. Adjusted net income (loss) is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income (loss) as reconciled on page 17). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 17). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance (the most comparable IFRS measure is cash flow used in operations as reconciled on page 17). This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information contained herein. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary statement regarding forward-looking information" on page 24.

THIRD QUARTER AND NINE-MONTHS 2021 HIGHLIGHTS

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Third quarter and Nine-Months 2021 highlights

Operational highlights

- On May 31, 2021, the Company completed the sale of its TK interests in the 45 MW Niigata solar project to a consortium led by Renewable Japan Co. Ltd for gross proceeds of JPY 6.3 billion (approximately \$57.7 million).
- On June 22, 2021, the Company completed the sale of its TK interests in the 13.2 MW Komatsu, 24.7 MW Shizuishi and 9.3 MW Mito, operating solar energy projects to companies established by Development Bank of Japan Inc., Kansai Electric Power Co., Inc. and Osaka Gas Co., Ltd. ("the Consortium") for gross proceeds of JPY 8.3 billion (approximately \$74.9 million).
- On July 28, 2021, the Company completed the sale of its TK interests in the 9.5 MW Misawa energy project to the Consortium, for gross proceeds of JPY 1.5 billion (approximately \$13.5 million).

Financial highlights

- On January 4, 2021, Etrion received a €4.0 million (approximately \$4.7 million) loan facility from the Lundin family in order to finance the repayment of the Company's outstanding corporate bonds. The loan bore a 3% interest rate and was repayable on December 21, 2021. On June 9, 2021, Etrion repaid in full the loan facility to the Lundin family.
- On January 7, 2021, Etrion redeemed the €40 million (approximately \$49.0 million) principal amount of outstanding corporate bonds, in full and at a redemption price of 100.725% of the face value plus accrued and unpaid interest.
- On August 24, 2021, the Company distributed \$0.327 per share to the shareholders as a return of capital for a total amount of \$109.2 million, and the share capital was reduced accordingly.
- On August 24, 2021, the Company settled its outstanding restricted share units ("RSUs") in cash and distributed \$0.327 per RSU to the holders of the RSUs for a total amount of \$5.0 million. The holders of the RSUs will be entitled to additional payments in the event that further distributions of net proceeds from the sale of the Company's assets and/or certain tax refunds are made to shareholders.
- As of September 30, 2021, Etrion recognized a Group gain on sale of subsidiaries of JPY 13.8 billion (\$127.8 million).
- Etrion closed the third quarter of 2021 with an unrestricted cash balance of \$21.9 million held at corporate level and positive working capital of \$20.4 million.

Third quarter and Nine-Months 2021 highlights

Continued

USD thousands (unless otherwise stated)	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Electricity production (MWh)¹	1,088	17,028	31,612	50,031
Financial results from discontinued operations				
Revenues	246	6,011	10,900	17,437
EBITDA	20	4,757	753	13,858
Net income (loss)	215	1,212	(2,521)	3,255
Gain on sale of subsidiaries	9,580	-	127,822	-
Accumulated hedging losses – disposed assets	(1,079)	-	(12,583)	-
Profit from discontinued operations	8,716	1,212	112,718	3,255
Financial results from continuing operations				
EBITDA	(2,069)	31,734	(8,785)	30,383
Adjusted EBITDA ²	(2,069)	(1,667)	(8,314)	(4,663)
Net (loss) income	(2,541)	26,818	(6,971)	23,808
			September 30 2021	December 31 2020
Balance sheet				
Total assets			24,140	381,625
Unrestricted cash at parent level			21,967	8,956
Restricted cash at parent level			-	37,008
Working capital			20,451	822
Consolidated net debt on a cash basis			-	(4,532)
Corporate net debt			-	(4,532)
Assets-held-for sale, net			-	20,610

¹MWh = Megawatt-hour

²Refers to adjusted EBITDA as reconciled on page 17

BUSINESS REVIEW

Business review

Business overview

Etrion Corporation was created as an independent renewable energy developer. The Company operated 57 MW of installed solar capacity and 45 MW of solar projects under construction, all in Japan. The Company is currently listed on the NASDAQ OMX Stockholm Stock Exchange ("Nasdaq") in Sweden under the same ticker symbol, "ETX". Etrion's largest shareholder is the Lundin family, which owns approximately 36% of the Company's shares directly and through various trusts. Etrion is based in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 5 employees.

The Company engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd in the summer of 2020 as financial advisor to assist with the sale of the Japanese solar assets. During the third quarter of 2020, the Company received several non-binding proposals from strategic and financial investors regarding the potential purchase of the solar projects and a short-listed group of interested parties were selected to engage in detailed due diligence of the subject assets. Following such due diligence, the Company received various binding offers and in the fourth quarter the Board of Directors selected two preferred bidders, one for the four operating solar projects and another one for Project Niigata. Following the selection of the preferred bidders, the Company entered into negotiation of formal transaction agreements.

On May 31, 2021, the Company completed the sale of its TK interests in the 45 MW Niigata solar project to a consortium led by Renewable Japan Co. Ltd for gross proceeds of JPY 6.3 billion (approximately \$57.7 million).

On June 22, 2021, the Company completed the sale of its TK interests in the 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito, operating solar energy projects to the Consortium, for gross proceeds of JPY 8.3 billion (approximately \$74.9 million).

On July 28, 2021, the Company completed the sale of its TK interests in the 9.5 MW Misawa energy project to the Consortium, for gross proceeds of JPY 1.5 billion (approximately \$13.5 million).

On August 5, 2021, the Company's board of directors declared an initial distribution to shareholders of US\$0.327 (CAD\$0.41) per common share. The distribution was affected as a return of capital to shareholders of record at the close of business on August 17, 2021, and the capital of the common shares was reduced accordingly. The distribution was paid on August 24, 2021, for a total amount of \$109.2 million.

Further to the sale of all of the Company's assets and the return of capital to shareholders, and in order to minimize the costs and management time associated with the listing of the Corporation's common shares on the Toronto Stock Exchange (the "TSX") and Nasdaq the Company applied to voluntarily delist the Common Shares from the TSX. Such delisting became effective after the close of trading on September 17, 2021. The Company also intends to apply to delist from Nasdaq. In accordance with good Swedish market practice, the formal application for delisting will be submitted to Nasdaq no earlier than three months after the delisting from the TSX. Such process is intended to provide shareholders with a reasonable time to trade their Common Shares or otherwise act on the basis of the information.

After the sale of the assets, the Company is required to provide certain transition services to the purchasers of its projects for a period of 90 days, which period shall expire end of October of this year. The Company plans to maintain the minimum resources required to effectively provide such transition services, continue to prosecute the pursuit of its claim for Italian tax credits and complete the windup of its subsidiaries, except as may be required to pursue such credits.

The Company plans to retain approximately CAD\$20 million in cash to address any potential warranty claims from the sale of its assets in Japan, corporate obligations, and potential claims as well as wind-up cost.

Subject to the possibility of the board of directors of identifying other potential business opportunities, the Company expects to complete its windup activities and proceed with the dissolution within approximately 36 months, although it is possible that the dissolution may be extended beyond that time. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders.

Business review

Continued

Operations review Three months ended September 30

USD thousands (unless otherwise stated)	Japan	
	Q3-21	Q3-20
Operational data		
Electricity production (MWh)	1,088	17,028
Operational performance		
Electricity revenue		
Feed-in-tariff ⁽¹⁾	246	6,011
Total revenues	246	6,011
EBITDA ⁽²⁾	20	4,757
EBITDA margin (%)	8%	79%
Net income	215	1,212

1. FiT scheme under PPA with utilities.

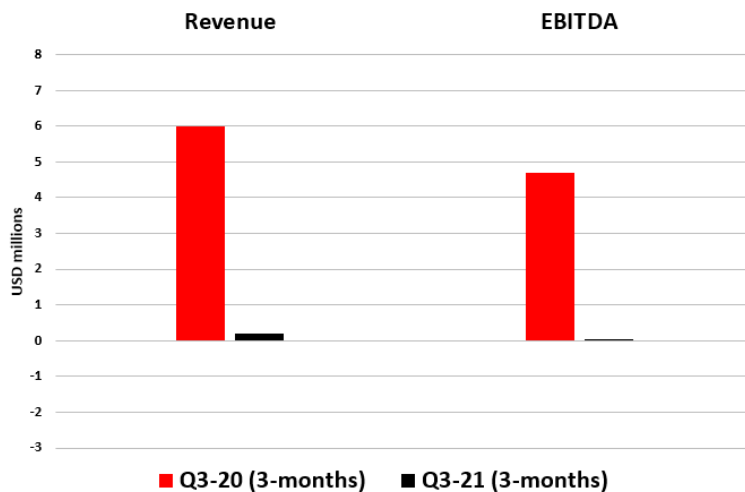
2. Refers to segment EBITDA as reconciled in the segment information section on page 15.

Operating performance in Japan (3 months)

During Q3-21, the Group produced 93.6% less electricity in Japan than in the same period in 2020. The three months ended September 30, included only twenty-eight days of production from the last owned solar project Misawa, which was sold on July 28, 2021. Following the completion of such sale, the Company had no more operating solar projects.

The Group received revenues denominated in Japanese yen from its operating solar projects. Revenues came from the FiT system, whereby, through 20-year PPA contracts with three Japanese public utilities, for each kWh of electricity produced a premium fixed price is received from Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc ("HOKURIKU") or Tohoku Electric Power Co., Inc. ("TOHOKU"), depending on the location of the solar project. During Q3-21, the FiT of ¥36 per kWh was applicable to the solar park sites of the Misawa project.

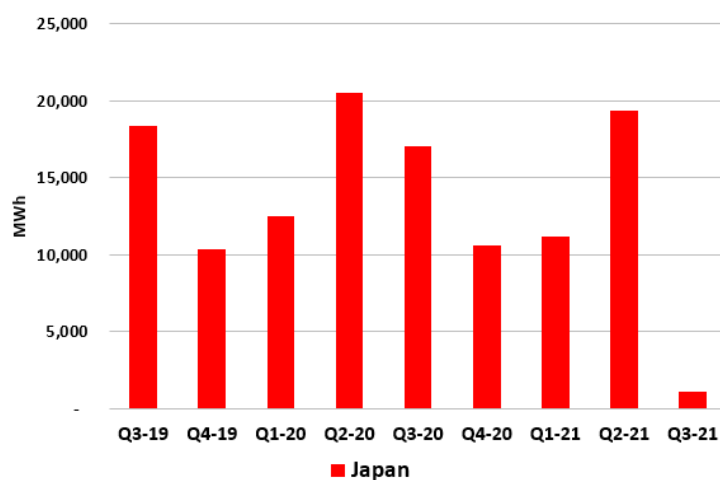
During Q3-21, the Group's revenue and project-level EBITDA decreased by approximately 95.9% and 99.6%, respectively, compared to the same period in 2020 for the reasons stated above.



Revenues from Japan were received in Japanese yen and have been translated to the Group's presentation currency \$ using the Q3-21 average rates. Accordingly, changes in the ¥/\$ exchange rate have an impact on the accounting conversion process of the income statement from ¥ to the Group's reported figures in \$.

Historical production

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



Business review

Continued

Nine months ended September 30

USD thousands (unless otherwise stated)	Japan	
	Q3-21	Q3-20
Operational data		
Electricity production (MWh)	31,612	50,031
Operational performance		
Electricity revenue		
Feed-in-tariff ⁽³⁾	10,900	17,437
Total revenues	10,900	17,437
EBITDA ⁽⁴⁾	753	13,858
EBITDA margin (%)	7%	79%
Net income	2,521	3,255

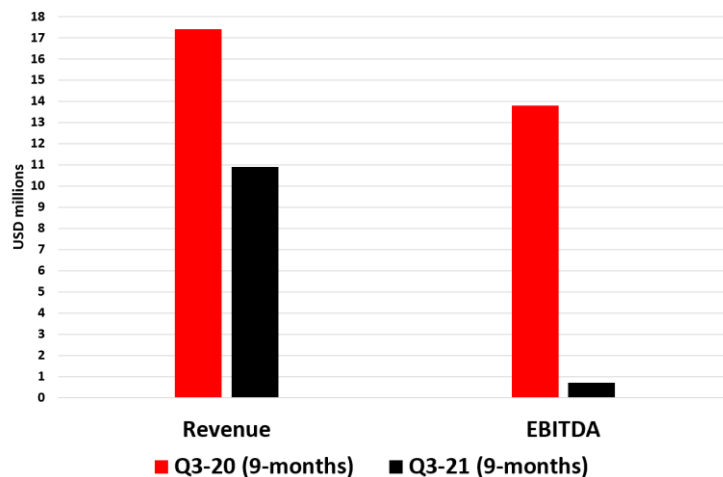
3. FIT scheme under PPA with utilities.

4. Refers to segment EBITDA as reconciled in the segment information section on page 16.

Operating performance in Japan (9 months)

During the nine months ended September 30, 2021, the Group produced 36.8% less electricity in Japan than in the same period in 2020. The Company sold three of its four operating solar projects on June 22, 2021, and the last operating project on July 28, 2021. Furthermore, the production was affected by historically high snowfall conditions experienced in Japan in Q1-21 and in addition, two of the four solar sites (sites 3 & 4) from Misawa were taken out of service because they were partially damaged due to these snowfall conditions. The sites were fully restored at the end of May 2021.

During the nine months ended September 30, 2021, the Group's revenue and project-level EBITDA decreased by approximately 37.5% and 94.6%, respectively, compared to the same period in 2020 for the reasons as stated above. Furthermore, project EBITDA was impacted by the classification of expenses associated with the sale process of the Japanese assets, in the General and administrative expenses, for an amount of \$6.8 million.



Revenues from Japan were received in Japanese yen and have been translated to the Group's presentation currency \$ using the Q3-21 average rates. Accordingly, changes in the ¥/\$ exchange rate have an impact on the accounting conversion process of the income statement from ¥ to the Group's reported figures in \$.

Business review

Continued

Discontinued operations

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan.

On May 31, 2021, the Company completed the sale of its TK interests in the 45 MW Niigata solar project under construction to Renewable Japan Co. Ltd and Daiichi Life Insurance Company Limited for gross proceeds of JPY 6.3 billion (approximately \$57.7 million).

On June 22, 2021, the Company completed the sale of its TK interests in the Company's 13.2 MW Komatsu, 24.7 MW Shizuikuishi and 9.3 MW Mito operating solar energy projects to the Consortium, for gross proceeds of JPY 8.3 billion (approximately \$74.9 million).

On July 28, 2021, the Company completed the sale of its TK interests in the 9.5 MW Misawa energy project to the Consortium, for gross proceeds of JPY 1.5 billion (approximately \$13.5 million).

The results of the Solar Japan discontinued operations for the period are presented below:

USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Revenue	246	6,011	10,900	17,437
Operating expenses	(35)	(1,134)	(2,192)	(3,326)
General and administrative expenses	(144)	(128)	(6,914)	(286)
Other (expense) income, net	(47)	8	(1,041)	33
EBITDA	20	4,757	753	13,858
Depreciation and amortization	-	(2,367)	-	(6,978)
Finance costs	(14)	(1,101)	(2,119)	(3,322)
Income (loss) before income tax	6	1,289	(1,366)	3,558
Income tax expense (recovery)	209	(77)	(1,155)	(303)
Net income (loss) discontinued operations	215	1,212	(2,521)	3,255
Gain on sale of subsidiaries	9,580	-	127,822	-
Accumulated hedging losses – disposed assets	(1,079)	-	(12,583)	-
Profit from discontinued operations	8,716	1,212	112,718	3,255

Details of the sale of the Japanese subsidiaries, are as follows:

	JPY'000	US\$
Total cash consideration at closing	16,105	149,521
Less (-) proceeds from shareholder loan	(131)	(1,219)
Sale proceeds for shares in Japanese subsidiaries	15,974	148,302
Carrying amount of net assets sold	(2,206)	(20,480)
Gain on sale of subsidiaries	13,768	127,822

Upon the closing of the sale and purchase agreements, the Company's 100% participation in the shares of the Japanese subsidiaries and the shareholder loan outstanding from these entities were both acquired by the two consortiums for JPY 16.0 billion (\$148.3 million) and JPY 131 million (\$1.2 million), respectively. Transaction costs directly attributable to the sale transaction of approximately \$6.8 million have been recognized and classified in the General and administrative expenses as part of the discontinued operations.

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Financial review

Financial results

Selected financial information

During the nine months ended September 30, 2021, the Group's performance and results were impacted by the sale of all the solar projects. Selected IFRS consolidated financial information, is as follows:

USD thousands (except per share data)	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Revenue	-	-	-	-
Gross profit	-	-	-	-
Net (loss) income for the period from continuing operations	(2,541)	26,818	(6,971)	23,808
Net income from discontinued operations	8,716	1,212	112,718	3,255
Net income for the period	6,175	28,030	105,747	27,063
Net income attributable to owners of Etrion	6,175	28,030	105,747	27,063
Basic and diluted (loss) earnings per share from continuing operations	\$(0.01)	\$0.08	\$(0.02)	\$0.08
Basic and diluted earnings per share for the period:	\$0.02	\$0.08	\$0.31	\$0.08
Net (loss) income for the period from continuing operations	(2,541)	26,818	(6,971)	23,808
Adjustments to net loss for:				
Net income tax expense (recovery)	27	3,173	(2,414)	3,121
Depreciation and amortization	40	36	105	104
Share-based payment (recovery) expense	(569)	50	1,676	144
Net finance costs	406	334	496	2,339
Other (income) expense, net	-	(505)	-	228
Income tax paid	-	(112)	-	(1,639)
Changes in working capital	(5,974)	(33,517)	2,362	(31,849)
Operating cash outflow from continuing operations	(8,611)	(3,723)	(4,746)	(3,744)

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

USD thousands	September 30 2021	December 31 2020
Non-current assets	1,152	1,299
Current assets	22,988	380,326
Total assets	24,140	381,625
Non-current liabilities	1,152	1,221
Current liabilities	2,537	358,892
Total liabilities	3,689	360,113
Net assets	20,451	21,512

Financial review

Continued

Segment information

As stated above, while the Company's only segment (Solar Japan) is now classified as discontinued operations, management continues to disclose the segment information together with the corporate activities as it believes that this information is useful for readers of the consolidated financial statements.

Segment information three months ended September 30

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

USD thousands	Three months ended					
	Q3-21			Q3-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	246	-	246	6,011	-	6,011
Operating expenses	(35)	-	(35)	(1,134)	-	(1,134)
General and administrative expenses	(144)	(2,064)	(2,208)	(128)	(1,316)	(1,444)
Gain on sale of solar project rights	-	-	-	-	33,401	33,401
Other (expense) income, net	(47)	(5)	(52)	8	(351)	(343)
EBITDA	20	(2,069)	(2,049)	4,757	31,734	36,491
Depreciation and amortization	-	(40)	(40)	(2,367)	(36)	(2,403)
Finance income	-	-	-	(1)	2	1
Finance costs	(14)	(405)	(419)	(1,100)	(1,709)	(2,809)
Income (loss) before income tax	6	(2,514)	(2,508)	1,289	29,991	31,280
Income tax recovery (expense)	209	(27)	182	(77)	(3,173)	(3,250)
Net income (loss) for the period	215	(2,541)	(2,326)	1,212	26,818	28,030

Solar Japan: During Q3-21, the Group's Japanese solar segment generated revenues of \$0.2 million and positive EBITDA of \$ 20 thousands, representing decreases of 95.9% and 99.6%, respectively, in comparison with the same period in 2020. Revenue and EBITDA decreased as production has been impacted by the sale of the last operating solar project Misawa on July 28, 2021. Therefore, only twenty-eight days of production is included in Q3-21.

Corporate: During Q3-21, the Group's corporate segment generated negative EBITDA of \$2.0 million and a net loss of \$2.5 million, compared to a positive EBITDA of \$31.7 million and a net income of \$26.8 million, respectively, in the same period in 2020. In Q3-20, EBITDA and net results were positively impacted by gain on the sale of Etrion's economic interest in the Mie 60 MW solar project.

Financial review

Continued

Segment information nine months ended September 30

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

USD thousands	Nine months ended					
	Q3-21			Q3-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	10,900	-	10,900	17,437	-	17,437
Operating expenses	(2,192)	-	(2,192)	(3,326)	-	(3,326)
General and administrative expenses	(6,914)	(8,243)	(15,157)	(286)	(4,502)	(4,788)
Gain on sale of solar project rights	-	-	-	-	33,401	33,401
Other (expense) income, net	(1,041)	(542)	(1,583)	33	1,484	1,517
EBITDA	753	(8,785)	(8,032)	13,858	30,383	44,241
Depreciation and amortization	-	(105)	(105)	(6,978)	(104)	(7,082)
Finance income	-	307	307	3	2	5
Finance costs	(2,119)	(802)	(2,921)	(3,325)	(3,352)	(6,677)
(Loss) income before income tax	(1,366)	(9,385)	(10,751)	3,558	26,929	30,487
Income tax (expense) recovery	(1,155)	2,414	1,259	(303)	(3,121)	(3,424)
Net (loss) income for the period	(2,521)	(6,971)	(9,492)	3,255	23,808	27,063

Solar Japan: During the nine months ended September 30, 2021, the Group's Japanese solar segment generated revenues of \$10.9 million and EBITDA of \$0.8 million, representing decreases of 37.5% and 94.6%, respectively, in comparison with the same period in 2020. Revenue and EBITDA decreased due to the sale of three out of four solar projects on June 22, 2021, and the last project on July 28, 2021. In addition, the production was affected by historically high snowfall conditions experienced in Japan in Q1-21 and, two of the four solar sites (sites 3 & 4) from Misawa were taken out of service following damage from snowfalls. The sites were restored at the end of May 2021. Furthermore, project EBITDA was impacted by the classification of expenses associated with the sale process of the Japanese assets, in the General and administrative expenses, for an amount of \$6.8 million.

Corporate: During the nine months ended September 30, 2021, the Group's corporate segment generated negative EBITDA of \$8.8 million and a net loss of \$7.0 million, compared to a positive EBITDA of \$30.4 million and a net income of \$23.8 million, respectively, in the same period in 2020. Net results were affected in 2021 by the expenses associated with the severance provisions and the accelerated expenses of RSUs fully vested and lower capitalization of development costs. In 2020, EBITDA and net results were positively impacted by gain on the sale of Etrion's economic interest in the Mie 60 MW solar project.

Financial review

Continued

Non-GAAP performance measures

Reconciliation of adjusted net loss to net (loss) income USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Net (loss) income from continuing operations	(2,541)	26,818	(6,971)	23,808
Adjustments for non-recurring and non-cash items:				
Professional fees and salaries	-	-	-	283
Tax reassessment from Italian municipalities	-	-	-	382
VAT write-off	-	-	133	-
Depreciation and amortization	40	36	105	104
Share-based payment (recovery) expense	(569)	50	1,676	144
Gain on sale of solar project rights	-	(33,401)	-	(33,401)
Unrecoverable withholding taxes	-	-	338	1,008
Other income	-	-	-	(3,318)
Adjusted net loss	(3,070)	(6,497)	(4,719)	(10,990)

Reconciliation of adjusted operating cash flows to operating cash flows USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Operating cash outflow from continuing operations	(8,611)	(3,723)	(4,746)	(3,744)
- Changes in working capital	5,974	33,517	(2,362)	31,849
- Income tax paid	-	112	-	1,639
Adjusted operating cash (outflow)/inflow from continuing operations	(2,637)	29,906	(7,108)	29,744

Reconciliation of continuing operations Adjusted EBITDA to EBITDA USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Net (loss) income from continuing operations	(2,541)	26,818	(6,971)	23,808
Adjustments for:				
Net income tax expense (recovery)	27	3,173	(2,414)	3,121
Net finance costs	405	1,707	495	3,350
Depreciation and amortization	40	36	105	104
EBITDA	(2,069)	31,734	(8,785)	30,383
Adjustment for non-recurring items:				
Gain on sale of solar project rights	-	(33,401)	-	(33,401)
Professional fees and salaries	-	-	-	283
Tax reassessment from Italian municipalities	-	-	-	382
VAT write-off	-	-	133	-
Unrecoverable withholding taxes	-	-	338	1,008
Other income	-	-	-	(3,318)
Adjusted EBITDA from continuing operations	(2,069)	(1,667)	(8,314)	(4,663)

Financial review

Continued

Quarterly selected financial information

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

USD thousands (except per share data)	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19
Revenue	246	6,710	3,944	3,932	6,011	7,130	4,296	3,599
Japan	246	6,710	3,944	3,932	6,011	7,130	4,296	3,599
Net income (loss)	6,175	101,102	(1,530)	(4,477)	28,030	1,611	(2,578)	(6,249)
Net (loss) income from continuing operations attributable to owners of Etrion	(2,541)	(1,977)	(2,453)	(4,263)	26,818	1,611	(2,578)	(6,110)
Net income (loss) attributable to owners of Etrion	6,175	101,102	(1,530)	(4,477)	28,030	1,611	(2,578)	(6,110)
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)	\$0.08	\$0.00	\$(0.00)	\$(0.02)

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

Financial review

Continued

Gain on sale of solar project rights

USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Gain on sale of project rights	-	30,882	--	30,882
Development fee	-	2,790		2,790
Compensation on deposit reimbursement	-	598	-	598
Write-off development costs	-	(869)	-	(869)
Income tax expense	-	33,401	-	33,401

In 2020, the Company sold the project rights over the Mie 60 MW solar project under development for a total of ¥3.4 billion (approximately \$31.0 million). As part of the agreement Etrion also received a development fee of ¥300 million (approximately \$2.8 million) and interest of ¥64 million (approximately \$0.6 million). The Company's capitalized development costs of US\$0.9 incurred in the Mie 60 MW solar project were written off.

General and administrative expenses

USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Salaries and benefits	2,057	443	4,004	1,797
Board of Directors' fees	7	50	72	156
Share-based payments	(569)	50	1,676	144
Professional fees	407	580	1,448	1,766
Listing and marketing	28	38	181	157
Depreciation and amortization	40	36	105	104
Office lease	53	78	164	228
Office, travel and other	81	77	698	254
Total G&A	2,104	1,352	8,348	4,606

During the three and nine months ended September 30, 2021, general and administrative expenses increased by \$0.7 million (55.5%) and \$ 3.7 million (81.2%), respectively, compared with the same period in 2020 due the recognition of expenses associated with the severance provisions, the accelerated expenses of RSUs fully vested and the net wealth tax provision for the Company's subsidiary Solar Resources Holding Sarl. Following the presentation of continuing / discontinued operations, the above table represents the continuing operations with restated comparatives as per IFRS 5 requirements.

Other (expense) income, net

USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Income from arranging the sale of PV Salvador SpA	-	-	-	2,977
AMS termination fee received	-	-	-	341
Unrecoverable withholding taxes	-	-	(338)	(1,008)
Municipality tax reassessment from disposed assets	-	-	-	(382)
Unrecoverable VAT and other	(5)	(351)	(204)	(444)
Total other (expense) income, net	(5)	(351)	(542)	1,484

During the nine months ended September 30, 2021, the Company recognized a \$0.2 million write-off of unrecoverable VAT from one of its Japanese subsidiaries and \$0.3 million of unrecoverable withholding taxes triggered by the cash distribution made under the TK-GK structure. In addition, in 2020, the Company recognized approximately \$1.0 million of unrecoverable withholding taxes triggered by an investment contribution to one of its Japanese subsidiaries and \$0.4 million of tax expense relating to tax reassessments received from the Italian municipalities where two of its previously owned solar parks operated. On May 14, 2020, Etrion recognized an income from arranging the sale of PV Salvador SpA in exchange for cash proceeds of \$3.0 million. Concurrent with this transaction, Etrion received a termination fee of \$0.3 million as compensation for the early termination of the asset's management service contract with PV Salvador SpA.

Financial review

Continued

Net finance costs

USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Interest expense on corporate bond	-	801	64	2,339
Loss on call option	-	-	117	-
Loss on debt extinguishment	-	-	435	-
Foreign exchange loss (gain)	370	900	(307)	968
Other finance costs, net	35	6	186	43
Net finance cost	405	1,707	495	3,350

During the three and nine months ended September 30, 2021, net finance costs decreased by \$1.3 million and by \$2.8 million, respectively, compared to the same period in 2020. Following the redemption and full repayment of the corporate bonds as of January 7, 2021, the interest expense significantly decreased in comparison with the same period in 2020. Following the presentation of continuing / discontinued operations, the above table represents the continuing operations with restated comparatives as per IFRS 5 requirements.

Income tax expense

USD thousands	Three months ended		Nine months ended	
	Q3-21	Q3-20	Q3-21	Q3-20
Corporate income tax (expense) recovery	(27)	(3,173)	2,414	(3,121)
Total income tax (expense) recovery	(27)	(3,173)	2,414	(3,121)

During the three and nine months ended September 30, 2021, the Group recognized an income tax expense of \$30 thousands and an income tax recovery of \$2.4 million, respectively (2020: \$3.2 million and \$3.1 million of tax expense) associated with its management services subsidiaries. The tax recovery was triggered by a change in the estimate tax impact in connection with the sale of the Japanese assets.

Financial position

Liquidity and financing

Cash position

USD thousands	September 30 2021	December 31 2020
Cash and cash equivalents:		
Unrestricted at parent level	21,967	8,956
Restricted at parent level (bond)	-	37,008
Total cash and cash equivalents	21,967	45,964

Unrestricted cash analysis

The Group's cash and cash equivalents at September 30, 2021, included unrestricted cash of \$21.9 million held at the corporate level.

The Company's management is confident that the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements.

Working capital

At the date of this MD&A, the Group had no more contractual obligations in regards of project loans and O&M contracts. The only obligations pertain to the trade payables amounting of \$2.5 million as of September 30, 2021 and due within one year.

All of the contractual obligations will be funded from existing cash available, with no additional capital investments to be made by the Group.

Net equity

During the nine months ended September 30, 2021, total equity attributable to owners of the Company decreased by \$1.1 million from a net asset position of \$21.5 million at December 31, 2020, to a net asset position of \$20.4 million at September 30, 2021. During the period the company recognized a net income of \$105.7 and distributed as a return of capital of \$109.2.

Financial review

Continued

Borrowings

Non-recourse project loans

At September 30, 2021, there are no longer non-recourse loans outstanding following the sale of the solar projects by the Group. All the Japanese interest rate swap contracts qualified for hedge accounting at September 30, 2021, and December 31, 2020. The non-recourse project loans were obtained by the Group's Japanese subsidiaries to finance the construction costs of the Group's Japanese solar power projects and bore annual interest rates of Tokyo Interbank Offered Rate ("TIBOR") plus a margin ranging from 1.1% to 1.4%. The Japanese non-recourse project loans were 90% hedged through interest rate swap contracts during the operational period at interest rates ranging from 1.72% to 3.13% all-in.

Corporate borrowings

On January 7, 2021, the Company repaid the outstanding corporate bonds, in full and at a redemption price of 100.725% of the face value plus accrued and unpaid interest. The bonds were issued by the Company in June 2018 at 7.25% annual interest with a three-year maturity.

Outstanding share data

At the date of this MD&A, the Company had 334,094,324 common shares (August 5, 2020: 334,094,324). The Company maintains the Restricted Share Unit Plan (the "Plan") pursuant to which employees, consultants, directors, and officers of the Group may be awarded RSUs. The outstanding RSUs have a contractual term of six years and are subject to certain market performance-based vesting conditions.

On June 22, 2021, following the completion of the sale of the majority of the Company's Japanese assets, the outstanding RSU grants met the accelerating vesting conditions. Therefore, as of June 22, 2021, all outstanding RSUs have been fully expensed. Consequently, the original treatment was modified from equity-settled to cash-settled, and the board of directors approved the fair value of \$0.327 per RSU at the date of modification. The fair value was measured by reference to the Company's share price at the date of the modification.

On August 24, 2021, the Company distributed \$0.327 per share to the shareholders as a return of capital for a total amount of \$109.2 million, and the share capital was reduced accordingly. The Company also distributed \$0.327 per RSU to the holders of the RSUs for a total amount of \$5.0 million. The holders of the RSUs will be entitled to additional payments in the event that further distributions of net proceeds from the sale of the Company's assets and/or certain tax refunds are made to shareholders.

Off-balance sheet arrangements

The Group had no off-balance sheet arrangements at September 30, 2021, and December 31, 2020.

Capital investments

Following the completion of the sale of its Japanese solar assets, the Group has no required capital investments.

Critical accounting policies and estimates

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

Financial review

Continued

IFRS 5 "Assets held for sale and discontinued operations" has been applicable since September 30, 2020 as the Company's management considers that the Solar Japan segment meet the criteria to be classified as held for sale.

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2021, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2020.

Contingencies

On August 10, 2015, the Group received a litigation notice from a former employee alleging unreconciled labor-related differences. The Company's Directors believe the claim is without merit, and the Group intends to vigorously defend itself. Given the current stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation.

Related parties

For the purposes of preparing the Company's condensed interim consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trusts approximately 36% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis. The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2021, are summarized below.

Related party transactions

Lundin Energy AB

The Group receives professional services from Lundin Energy AB, for market and investor relation activities in Sweden and general and administrative expenses, respectively. During the three and nine months ended September 30, 2021, the Group incurred general and administrative expenses of \$2 thousand and \$6 thousand, respectively (2020: \$3 thousand and \$9 thousand) from Lundin Energy AB. At September 30, 2021, the Group owed no (December 31, 2020: nil) amounts in relation to these expenses.

Lundin SA

During the three and nine months ended September 30, 2021, the Group recognized expenses of nil and \$30 thousand, respectively (2020: \$15 and \$45 thousand) under the service agreement with Lundin SA to make available fully staffed and equipped premises to serve members of its Board of Directors. The contract is renewed automatically, unless terminated by either party.

Lundin family

On January 4, 2021, Etrion received a €4.0 million (approximately \$4.7 million) loan facility from the Lundin family in order to re-finance the repayment of the corporate bonds. The loan bore a 3% interest rate and was repayable on December 21, 2021. This loan was repaid in full on June 9, 2021.

Key management personnel

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

During the three and nine months ended September 30, 2021, the Group recognized within general and administrative expenses, \$0.7 million and \$1.7 million (2020: \$0.3 million and \$0.9 million) associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At September 30, 2021, the Company recognised an amount of \$0.5 million payable to the entitled employees under the RSUs plan.

Derivative financial instruments

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

USD thousands	September 30 2021	December 31 2020
Derivative financial assets:		
Corporate bond call option	-	120
Total derivative financial assets	-	120

Corporate bond call option

During the first quarter 2021, the Group derecognized the call option on the redemption of the corporate bonds which were fully repaid on January 7, 2021.

Interest rate swap contracts

At September 30, 2021, the Group no longer has interest rate swap contracts following the sale of the solar projects. The hedging reserve has been fully reversed and netted with the gain on sale of the solar projects.

Historically, the Group entered into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Japan. The fair value of these interest rate swap contracts was calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR interest rate forward yield curves and an appropriate discount factor.

OTHER DISCLOSURES

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Other disclosures

Risks and uncertainties

Following the completion of the sale of its solar projects, the only material risks to which the Group is exposed are the risk of warranty claims and uncertainties with respect to the outcome of its litigation with a former employee. The Company plans to reserve approximately CAD\$20 million to cover for any liabilities that may result from potential warranty claims under the sale and purchase agreements pursuant to which its solar projects were sold, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs.

Disclosure controls and internal control over financial reporting

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

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

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

Cautionary statement regarding forward-looking information

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to the possibility that the Company may proceed to wind up its activities and dissolve following the completion of the sale of its solar assets and the anticipated distribution of funds to shareholders in connection with the dissolution of the Company. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: uncertainties with respect to the Company's ongoing activities following the completion of such sale; the risk that the Company may have insufficient funds to satisfy its future obligations, including without limitation warranty claims under the agreements pursuant to which its projects were sold and uncertainties with respect to the outcome of its current litigation; and uncertainties with respect to the timing of the dissolution of the Company and the amount of funds that will be available for distribution at the time of dissolution.. All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. In addition to the assumptions set out elsewhere in this MD&A, such assumptions include, but are not limited to assumptions as to the amount of funds that will be required to

satisfy potential warranty claims under the sale agreements, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or, if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

Additional information

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