etrion

Management's Discussion and Analysis
Year Ended December 31, 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 2021, Etrion sold all its operating and under construction solar parks in Japan to two different Japanese consortiums. Subject to the possibility of the Board identifying other potential business opportunities, the Company may deploy the remaining capital into a new venture or complete its windup activities and proceed with the dissolution within approximately 36 months after the sale of the Japanese assets. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders.

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 March 11, 2022, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 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 had its main business activities in Japan during the year ended December 31, 2021. Exchange rates for the relevant currencies of the Group with respect to the $ and the ¥ are as follows:

	€/¥	**$/¥**	**€/$**
Closing rate at December 31, 2021	130.29	115.12	1.13
Closing rate at December 31, 2020	126.75	103.33	1.23
Average rate 2021	129.75	109.89	1.18
Average rate 2020	121.81	106.78	1.14

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 16). 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 16). 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 23.

2021 HIGHLIGHTS

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 JPY6.3 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 companies established by Development Bank of Japan Inc., Kansai Electric Power Co., Inc. and Osaka Gas Co., Ltd. ("the Consortium") for gross proceeds of JPY8.3 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 JPY1.5 billion (approximately $13.5 million).
- As of the date of this MD&A, there are no more operating assets or under construction or under development.
- The common shares of the Company were voluntarily delisted from the Toronto Stock Exchange (the "TSX") after the close of trading on September 17, 2021, and from the Nasdaq Stockholm stock exchange (the "Nasdaq") on January 4, 2022.

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 $6.0 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.
- In 2021, Etrion recognized a Group gain on sale of subsidiaries of JPY13.8 billion ($127.8 million).
- Etrion closed the fourth quarter of 2021 with an unrestricted cash balance of $20.6 million held at corporate level and positive working capital of $18.8 million.

2021 highlights

Continued

	Three months ended		Twelve months ended	
USD thousands (unless otherwise stated)	Q4-21	Q4-20	Q4-21	Q4-20
Electricity production (MWh)[1]	**-**	**10,619**	**31,612**	**60,650**
Financial results from discontinued operations				
Revenues	-	3,932	10,900	21,369
EBITDA	1,310	2,777	2,063	16,635
Net income (loss)	1,310	(214)	(1,211)	3,041
Gain on sale of subsidiaries	-	-	127,822	-
Accumulated hedging losses – disposed assets	-	-	(12,583)	-
Profit (loss) from discontinued operations	1,310	(214)	114,028	3,041
Financial results from continuing operations				
EBITDA	(3,618)	(3,560)	(12,403)	26,823
Adjusted EBITDA[2]	(2,200)	(3,482)	(10,514)	(7,802)
Net (loss) income	(3,795)	(4,263)	(10,766)	19,545

	December 31 2021	December 31 2020
Balance sheet		
Total assets	21,163	381,625
Unrestricted cash at parent level	20,578	8,956
Restricted cash at parent level	-	37,008
Working capital	18,835	822
Corporate net debt	-	(4,532)
Assets-held-for sale, net	-	20,610

[1]MWh = Megawatt-hour

[2]Refers 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. 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. 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 JPY6.3 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 JPY8.3 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 JPY1.5 billion (approximately $13.5 million). This concluded the sale of all solar assets.

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 TSX and the Nasdaq, the Company applied to voluntarily delist the common shares. Such delisting from the TSX became effective after the close of trading on September 17, 2021 and from the Nasdaq after the close of trading on January 4, 2022.

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 of the Company 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 December 31

USD thousands (unless otherwise stated)	Japan Q4-21	Japan Q4-20
Operational data		
Electricity production (MWh)	-	10,619
Operational performance		
Electricity revenue		
Feed-in-tariff [(1)]	-	3,932
Total revenues	**-**	**3,932**
EBITDA [(2)]	1,310	2,777
EBITDA margin (%)	-	71%
Net income (loss)	1,310	(214)

1. FiT scheme under PPA with utilities.
2. Refers to segment EBITDA as reconciled in the segment information section on page 14.

Operating performance in Japan (3 months)

Following the completion in Q3-21 of the sale of all the Japanese solar projects, the Group is no longer producing electricity and therefore, during Q4-21, the Group received no revenues.

During Q4-21, the Group's project-level EBITDA of $1.3 million related to the refund received from the insurance to cover the damage costs of Misawa, borne by the Group.

Twelve months ended December 31

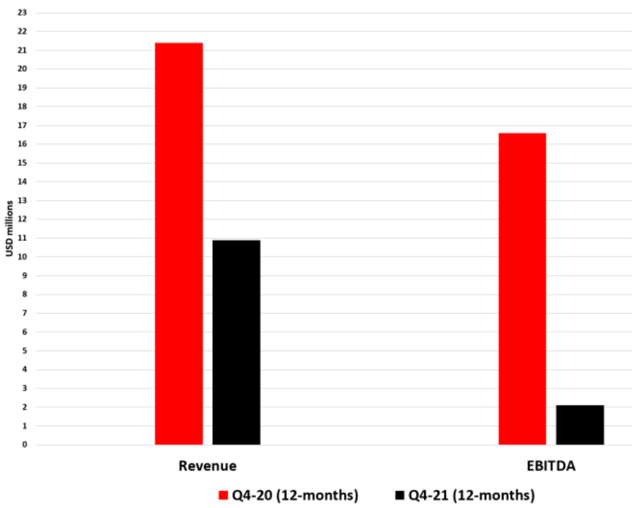
USD thousands (unless otherwise stated)	Japan 2021	Japan 2020
Operational data		
Electricity production (MWh)	31,612	60,650
Operational performance		
Electricity revenue		
Feed-in-tariff [(3)]	10,900	21,369
Total revenues	**10,900**	**21,369**
EBITDA [(4)]	2,063	16,635
EBITDA margin (%)	19%	78%
Net (loss) income	(1,211)	3,041

3. FiT scheme under PPA with utilities.
4. Refers to segment EBITDA as reconciled in the segment information section on page 15.

Operating performance in Japan (12 months)

During 2021, the Group produced 47.9% 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 2021, the Group's revenue and project-level EBITDA decreased by approximately 49.0% and 87.6%, 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 2020 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 JPY6.3 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 Shizukuishi and 9.3 MW Mito operating solar energy projects to the Consortium, for gross proceeds of JPY8.3 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 JPY1.5 billion (approximately $13.5 million).

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

	Three months ended		Twelve months ended	
USD thousands	**Q4-21**	**Q4-20**		**Q4-20**
Revenue	**-**	**3,932**	**10,900**	**21,369**
Operating expenses	-	(1,092)	(2,192)	(4,418)
General and administrative expenses	(3)	(65)	(6,917)	(351)
Other income, net	1,313	2	272	35
EBITDA	**1,310**	**2,777**	**2,063**	**16,635**
Depreciation and amortization	-	(75)	-	(7,053)
Finance costs	-	(2,766)	(2,119)	(6,088)
Income (loss) before income tax	**1,310**	**(64)**	**(56)**	**3,494**
Income tax expense	-	(150)	(1,155)	(453)
Net income (loss) discontinued operations	**1,310**	**(214)**	**(1,211)**	**3,041**
Gain on sale of subsidiaries	-	-	127,822	-
Accumulated hedging losses – disposed assets	-	-	(12,583)	-
Profit (loss) from discontinued operations	**1,310**	**(214)**	**114,028**	**3,041**

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**

The Company's 100% participation in the shares of the Japanese subsidiaries and the shareholder loan outstanding from these entities were both acquired by two consortiums for JPY16.0 billion ($148.3 million) and JPY131 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.

FINANCIAL REVIEW

Financial review

Financial results

Selected financial information

During 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:

	Three months ended		Twelve months ended		
USD thousands (except per share data)	**Q4-21**	**Q4-20**	**2021**	**2020**	**2019**
Revenue	-	-		-	-
Gross profit	-	-		-	-
Net (loss) income for the period from continuing operations	(3,795)	(4,263)	(10,766)	19,545	(6,820)
Net income (loss) from discontinued operations	1,310	(214)	114,028	3,041	2,132
Net (loss) income for the period	**(2,485)**	**(4,477)**	**103,262**	**22,586**	**(4,688)**
Net (loss) income attributable to owners of Etrion	(2,485)	(4,477)	103,262	22,586	(4,883)
Basic and diluted (loss) earnings per share from continuing operations	**$(0.01)**	**$(0.01)**	**$(0.03)**	**$0.06**	**$(0.02)**
Basic and diluted (loss) earnings per share for the period:	**$(0.01)**	**$(0.01)**	**$0.31**	**$0.07**	**$(0.01)**
Net (loss) income for the period from continuing operations	**(3,795)**	**(4,263)**	**(10,766)**	**19,545**	**(6,820)**
Adjustments to net loss for:					
Net income tax (recovery) expense	(190)	(308)	(2,603)	2,814	1,858
Depreciation and amortization	25	35	130	138	142
Gain on sale of project rights	-	(33,401)	-	(33,401)	-
Share-based payment expense	-	54	1,676	198	225
Net finance costs	339	1,057	836	4,364	3,573
Other expense, net	1,223	170	1,223	398	158
Income tax (paid) recovered	(64)	31	(64)	(1,608)	(845)
Changes in working capital	2,376	45,020	4,741	13,171	19,753
Operating cash (outflow)/inflow from continuing operations	**(86)**	**8,395**	**(4,827)**	**5,619**	**18,044**

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

USD thousands	**December 31 2021**	**December 31 2020**	**December 31 2019**
Non-current assets	44	1,299	213,339
Current assets	21,119	380,326	133,622
Total assets	**21,163**	**381,625**	**346,961**
Non-current liabilities	1,422	1,221	326,094
Current liabilities	2,284	358,892	23,967
Total liabilities	**3,706**	**360,113**	**350,061**
Net assets	**17,457**	**21,512**	**(3,100)**

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 December 31

Segment consolidated financial information for the three months ended December 31, prepared in accordance with IFRS, is as follows:

	Three months ended					
USD thousands	Q4-21			Q4-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**-**	**-**	**-**	**3,932**	**-**	**3,932**
Operating expenses	-	-	-	(1,092)	-	(1,092)
General and administrative expenses	(3)	(2,055)	(2,058)	(65)	(3,527)	(3,592)
Other income	1,313	-	1,313	2	-	2
Other expense	-	(1,563)	(1,563)	-	(33)	(33)
EBITDA	**1,310**	**(3,618)**	**(2,308)**	**2,777**	**(3,560)**	**(783)**
Depreciation and amortization	-	(25)	(25)	(75)	(34)	(109)
Finance income	-	-	-	-	116	116
Finance costs	-	(341)	(341)	(2,766)	(1,092)	(3,858)
Income (loss) before income tax	**1,310**	**(3,984)**	**(2,674)**	**(64)**	**(4,570)**	**(4,634)**
Income tax recovery (expense)	-	189	189	(150)	307	157
Net income (loss) for the period	**1,310**	**(3,795)**	**(2,485)**	**(214)**	**(4,263)**	**(4,477)**

Solar Japan: During Q4-21, the Group's solar Japan segment generated no revenues as the Group is not anymore owning and operating solar plants. The Group's project-level EBITDA of $1.3 million, related to the refund received from the insurance to cover the damage costs of Misawa, borne by the Group.

Corporate: During Q4-21, the Group's corporate segment generated negative EBITDA of $3.6 million and a net loss of $3.8 million, compared to a negative EBITDA of $3.6 million and a net loss of $4.3 million, respectively, in the same period in 2020.

Financial review

Continued

Segment information twelve months ended December 31

Segment consolidated financial information for the twelve months ended December 31, prepared in accordance with IFRS, is as follows:

USD thousands	Twelve months ended 2021			Twelve months ended 2020		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**10,900**	**-**	**10,900**	**21,369**	**-**	**21,369**
Operating expenses	(2,192)	-	(2,192)	(4,418)	-	(4,418)
General and administrative expenses	(6,917)	(10,298)	(17,215)	(351)	(8,029)	(8,380)
Gain on sale of solar project rights	-	-	-	-	33,401	33,401
Other income	272	-	272	35	3,318	3,353
Other expense	-	(2,105)	(2,105)	-	(1,867)	(1,867)
EBITDA	**2,063**	**(12,403)**	**(10,340)**	**16,635**	**26,823**	**43,458**
Depreciation and amortization	-	(130)	(130)	(7,053)	(138)	(7,191)
Finance income	-	-	-	3	118	121
Finance costs	(2,119)	(836)	(2,955)	(6,091)	(4,444)	(10,535)
(Loss) income before income tax	**(56)**	**(13,369)**	**(13,425)**	**3,494**	**22,359**	**25,853**
Income tax (expense) recovery	(1,155)	2,603	1,448	(453)	(2,814)	(3,267)
Net (loss) income for the period	**(1,211)**	**(10,766)**	**(11,977)**	**3,041**	**19,545**	**22,586**

Solar Japan: During 2021, the Group's Japanese solar segment generated revenues of $10.9 million and EBITDA of $2.1 million, representing decreases of 49.0% and 87.6%, 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 2021, the Group's corporate segment generated negative EBITDA of $12.4 million and a net loss of $10.8 million, compared to a positive EBITDA of $26.8 million and a net income of $19.6 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. In 2020, EBITDA and net results were positively impacted by the gain on 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	Three months ended		Twelve months ended	
USD thousands	Q4-21	Q4-20	Q4-21	Q4-20
Net (loss) income from continuing operations	(3,795)	(4,263)	(10,766)	19,545
Adjustments for non-recurring and non-cash items:				
Impairment wind project	-	-	-	343
Professional fees and salaries	-	-	-	283
Tax reassessment from Italian municipalities	-	78	-	460
VAT write-off	-	-	133	-
Depreciation and amortization	25	35	130	138
Share-based payment expense	-	54	1,676	198
Gain on sale of solar project rights	-	-	-	(33,401)
Unrecoverable withholding taxes	269	-	607	1,008
Yokkaichi settlement fees	202	-	202	-
Impairment trademark	947	-	947	-
Other income	-	-	-	(3,318)
Adjusted net loss	(2,352)	(4,096)	(7,071)	(14,744)

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended		Twelve months ended	
USD thousands	Q4-21	Q4-20	Q4-21	Q4-20
Operating cash (outflow)/inflow from continuing operations	(86)	8,395	(4,827)	5,619
- Changes in working capital	(2,376)	(45,020)	(4,741)	(13,171)
- Income tax paid	64	(31)	64	1,608
Adjusted operating cash outflow from continuing operations	(2,398)	(36,656)	(9,504)	(5,944)

Financial review

Continued

Reconciliation of continuing operations Adjusted EBITDA to EBITDA	Three months ended		Twelve months ended	
USD thousands	Q4-21	Q4-20	Q4-21	Q4-20
Net (loss) income from continuing operations	**(3,795)**	**(4,263)**	**(10,766)**	**19,545**
Adjustments for:				
Net income tax (recovery) expense	(189)	(307)	(2,603)	2,814
Net finance costs	341	976	836	4,326
Depreciation and amortization	25	34	130	138
EBITDA	**(3,618)**	**(3,560)**	**(12,403)**	**26,823**
Adjustment for non-recurring items:				
Gain on sale of solar project rights	-	-	-	(33,401)
Impairment wind project	-	-	-	343
Professional fees and salaries	-	-	-	283
Tax reassessment from Italian municipalities	-	78	-	460
VAT write-off	-	-	133	-
Unrecoverable withholding taxes	269	-	607	1,008
Yokkaichi settlement fees	202	-	202	-
Impairment trademark	947	-	947	-
Other income	-	-	-	(3,318)
Adjusted EBITDA from continuing operations	**(2,200)**	**(3,482)**	**(10,514)**	**(7,802)**

Quarterly selected financial information

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

USD thousands (except per share data)	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Revenue	**-**	**246**	**6,710**	**3,944**	**3,932**	**6,011**	**7,130**	**4,296**
Japan	-	246	6,710	3,944	3,932	6,011	7,130	4,296
Net (loss) income	**(2,485)**	**6,175**	**101,102**	**(1,530)**	**(4,477)**	**28,030**	**1,611**	**(2,578)**
Net (loss) income from continuing operations attributable to owners of Etrion	(3,795)	(2,541)	(1,977)	(2,453)	(4,263)	26,818	1,611	(2,578)
Net income (loss) attributable to owners of Etrion	1,310	6,175	101,102	(1,530)	(4,477)	28,030	1,611	(2,578)
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	$(0.01)	$(0.01)	$(0.00)	$(0.00)	$(0.01)	$0.08	$0.00	$(0.00)

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 consolidated financial statements are presented in $, which is the Group's presentation currency. The Company's functional currency is the ¥. The consolidated financial statements have been prepared in accordance with IFRS.

Financial review

Continued

Gain on sale of solar project rights

	Three months ended		Twelve months ended	
USD thousands	Q4-21	Q4-20	Q4-21	Q4-20
Gain on sale of project rights	-	-	-	30,882
Development fee	-	-	-	2,790
Compensation on deposit reimbursement	-	-	-	598
Write-off development costs	-	-	-	(869)
Income tax expense	**-**	**-**	**-**	**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

	Three months ended		Twelve months ended	
USD thousands	Q4-21	Q4-20	Q4-21	Q4-20
Salaries and benefits	1,760	2,082	5,764	3,790
Pension (recovery) costs	(650)	113	(649)	202
Board of Directors' fees	5	53	77	209
Share-based payments	-	54	1,676	198
Professional fees	503	524	1,952	2,290
Disposal expenses assets-held for sale	-	512	-	512
Listing and marketing	68	40	249	197
Depreciation and amortization	25	34	130	138
Office lease	40	59	204	287
Office, travel and other	328	90	1,025	344
Total G&A	**2,079**	**3,561**	**10,428**	**8,167**

During the three and twelve months ended December 31, 2021, general and administrative expenses decreased by $1.5 million (41.6%) and increased by $ 2.3 million (27.7%), 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

	Three months ended		Twelve months ended	
USD thousands	Q4-21	Q4-20	Q4-21	Q4-20
Income from arranging the sale of PV Salvador SpA	-	-	-	2,977
AMS termination fee received	-	-	-	341
Unrecoverable withholding taxes	(269)	-	(607)	(1,008)
Municipality tax reassessment from disposed assets	-	(78)	-	(460)
Unrecoverable VAT and other	(145)	45	(349)	(399)
Impairment Etrion trademark	(947)	-	(947)	-
Yokkaichi settlement expense	(202)	-	(202)	-
Total other (expense) income, net	**(1,563)**	**(33)**	**(2,105)**	**1,451**

During the year ended 2021, the Company recognized a $0.2 million write-off of unrecoverable VAT from one of its Japanese subsidiaries, $0.6 million of unrecoverable withholding taxes triggered by a cash distribution from Japanese subsidiaries. In addition, the Company fully impaired the value of Etrion's trademark in light of the reduced business activities. Finally, the Company recognized a settlement fee of $0.2 million to the Yokkaichi project developer to close an ongoing litigation.
In 2020, the Company recognized approximately $1.0 million of unrecoverable withholding taxes and $0.5 million of tax expense relating to tax reassessments for two owned solar parks in Italy. Lastly in 2020, the Company recognized a full impairment of $0.3 million on its wind project.

Financial review

Continued

Net finance costs

USD thousands	Three months ended Q4-21	Three months ended Q4-20	Twelve months ended Q4-21	Twelve months ended Q4-20
Interest expense on corporate bond	-	875	64	3,214
Corporate bond call option	-	(116)	-	(116)
Loss on call option	-	-	117	-
Loss on debt extinguishment	-	-	435	-
Foreign exchange loss (gain)	306	182	(1)	1,150
Other finance costs, net	35	35	221	78
Net finance cost	**341**	**976**	**836**	**4,326**

During the three and twelve months ended December 31, 2021, net finance costs decreased by $0.6 million and by $3.5 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 Q4-21	Three months ended Q4-20	Twelve months ended Q4-21	Twelve months ended Q4-20
Corporate income tax (recovery) expense	(190)	(307)	(2,603)	2,814
Total income tax (recovery) expense	**(190)**	**(307)**	**(2,351)**	**2,814**

During the three and twelve months ended December 31, 2021, the Group recognized an income tax recovery of $0.2 million and $2.3 million, respectively (2020: $0.3 million of tax recovery and $2.8 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	December 31 2021	December 31 2020
Cash and cash equivalents:		
Unrestricted at parent level	20,578	8,956
Restricted at parent level (bond)	-	37,008
Total cash and cash equivalents	**20,578**	**45,964**

Unrestricted cash analysis

The Group's cash and cash equivalents at December 31, 2021, included unrestricted cash of $20.6 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 $2.2 million as of December 31, 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 2021, total equity attributable to owners of the Company decreased by $4.0 million from a net asset position of $21.5 million at December 31, 2020, to a net asset position of $17.5 million at December 31, 2021. During the period the company recognized a net income of $103.3 and distributed as a return of capital of $109.2.

Financial review

Continued

Borrowings

Non-recourse project loans

At December 31, 2021, there are no longer non-recourse loans outstanding following the sale of the solar projects by the Group. 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 (March 12, 2021: 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.

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. As of December 31, 2021, the number of Company's outstanding RSUs is 15,300,000.

Off-balance sheet arrangements

The Group had no off-balance sheet arrangements at December 31, 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 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.

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.
During the year ended December 31, 2021, the Group applied the amended accounting standards, interpretations and annual improvement points that are effective as of January 1, 2021. The application of the amendments did not have a material impact on the consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. There are no other IFRS or interpretations that are not yet effective and that would be expected to have a material impact on the Group.

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.

Financial review

Continued

Related parties

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, 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 consolidated financial statements for the year ended December 31, 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 2021, the Group incurred general and administrative expenses of $10 thousand (2020: $13 thousand) from Lundin Energy AB. At December 31, 2021, the Group owed no (December 31, 2020: nil) amounts in relation to these expenses.

Lundin SA

During the 2021, the Group recognized expenses of $30 thousand (2020: $60 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 2021, the Group recognized within general and administrative expenses, $3.8 million (2020: $3.0 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 December 31, 2021, the Company recognised an amount of $0.6 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	December 31 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 December 31, 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

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 pursue an alternative business venture or proceed to wind up its activities and dissolve following the completion of the sale of its solar assets and the anticipated distribution of remaining available 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; uncertainties with respect to the determination of whether the Company will pursue an alternative business venture or proceed with dissolution and winding-up; uncertainties with respect to the timing of any such determination; in the case of a determination to proceed with an alternative business, the nature of such business; and, in the case of a the dissolution and winding-up of the Company, 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