



Condensed Consolidated Interim
Financial Statements
Three and Six Months Ended June 30, 2023
UNAUDITED

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. The Company continues to explore options to deploy the remaining capital into a new venture. However, if no attractive options are found, the Company will 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 accelerated or 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.



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

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The accompanying condensed consolidated unaudited interim financial statements of the Company for the three and six months ended June 30, 2023, have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements. Readers are cautioned that these condensed consolidated unaudited interim financial statements may not be appropriate for their purposes.

Condensed consolidated interim statement of net loss and comprehensive net loss

For the three and six months ended June 30, 2023 and 2022

UNAUDITED

Expressed in US\$'000

		Three months ended		Six months ended	
		Q2-23	Q2-22	Q2-23	Q2-22
General and administrative expenses	4	(411)	(812)	(786)	(1,602)
Other expense		(2)	(1)	(7)	(26)
Operating loss		(413)	(813)	(793)	(1,628)
Finance income	5	22	-	64	-
Finance costs	5	(9,355)	(3,328)	(10,275)	(7,314)
Net finance costs		(9,333)	(3,328)	(10,211)	(7,314)
Loss before income tax		(9,746)	(4,141)	(11,004)	(8,942)
Income tax expense	6	(49)	(51)	(65)	(87)
Net loss for the period		(9,795)	(4,192)	(11,069)	(9,029)
Other comprehensive income					
Gain on currency translation		7,070	2,289	7,812	5,428
Total other comprehensive income		7,070	2,289	7,812	5,428
Total comprehensive net loss for the period		(2,725)	(1,903)	(3,257)	(3,601)
Loss attributable to:					
Owners of the parent		(8,366)	(4,192)	(9,640)	(9,029)
Total		(8,366)	(4,192)	(9,640)	(9,029)
Total comprehensive loss attributable to:					
Owners of the parent		(1,296)	(1,903)	(1,827)	(3,601)
Total		(1,296)	(1,903)	(1,827)	(3,601)
Basic and diluted loss per share	7	\$(0.03)	\$(0.01)	\$(0.03)	\$(0.03)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim balance sheet

As at June 30, 2023

UNAUDITED

Expressed in US\$'000

	Note	June 30 2023	December 31 2022
Assets			
Current assets			
Other receivables	9	250	338
Cash and cash equivalents	8	12,236	14,198
Total current assets		12,486	14,536
Total assets		12,486	14,536
Equity			
Attributable to common shareholders			
Share capital	10	2,055	2,055
Contributed surplus		9,461	9,461
Other reserves		6,950	(862)
Accumulated (losses) earnings		(8,695)	2,374
Total equity		9,771	13,028
Liabilities			
Non-current liabilities			
Employment benefit obligations		275	512
Total non-current liabilities		275	512
Current liabilities			
Trade and other payables	11	2,329	916
Current tax liabilities	6	111	80
Total current liabilities		2,440	996
Total liabilities		2,715	1,508
Total equity and liabilities		12,486	14,536

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the three and six months ended June 30, 2023 and 2022

UNAUDITED

Expressed in US\$'000

	Share capital	Contributed surplus	Other reserves	Accumulated (losses) earnings	Total equity
Balance at January 1, 2022	2,055	9,461	(4,646)	10,587	17,457
Comprehensive loss:					
Loss for the period	-	-	-	(9,029)	(9,029)
Other comprehensive income:					
Currency translation	-	-	5,428	-	5,428
Total comprehensive (loss) income	-	-	5,428	(9,029)	(3,601)
Balance at June 30, 2022	2,055	9,461	782	1,558	13,856
Balance at January 1, 2023	2,055	9,461	(862)	2,374	13,028
Comprehensive loss:					
Loss for the period	-	-	-	(11,069)	(11,069)
Other comprehensive income:					
Currency translation	-	-	7,812	-	7,812
Total comprehensive (loss) income	-	-	7,812	(11,069)	(3,257)
Balance at June 30 2023	2,055	9,461	6,950	(8,695)	9,771

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flow

For the three and six months ended June 30, 2023 and 2022

UNAUDITED

Expressed in US\$'000

	Note	Three months ended		Six months ended	
		Q2-23	Q2-22	Q2-23	Q2-22
Operating activities:					
Net income for the period		(9,795)	(4,192)	(11,069)	(9,029)
Adjustments for:					
Income tax expense	6	49	51	65	87
Interest expense	5	1,429	-	1,429	-
Foreign exchange loss	5	7,913	3,363	8,811	7,314
Other expense		(5)	(1)	-	(26)
Sub-total		(409)	(779)	(764)	(1,654)
Changes in working capital:					
Trade and other receivables		26	361	88	294
Trade and other payables		10	(604)	(232)	(1,407)
Total cash flow (used in) generated from operating activities		(373)	(1,022)	(908)	(2,767)
Net decreased cash and cash equivalents		(373)	(1,022)	(908)	(2,767)
Effect of exchange rate changes on cash and cash equivalents		(860)	(919)	(1,054)	(1,656)
Cash and cash equivalents at the beginning of the period		13,469	18,096	14,198	20,578
Cash and cash equivalents at the end of the period	8	12,236	16,155	12,236	16,155

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2023 and 2022

UNAUDITED

Expressed in US\$'000 unless otherwise stated

1. General information

Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is incorporated under the laws of the Province of British Columbia, Canada. The address of its registered office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, Canada.

In 2021, Etrion sold all its operating and under construction solar parks in Japan to two different Japanese consortiums and therefore is no longer owning and operating any solar projects. On August 24, 2021, the Company distributed \$109.2 million to the shareholders as a return of capital, and the share capital was reduced accordingly.

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 Stockholm stock exchange (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 a cash reserve to address any potential warranty and damage claims from the sale of the Niigata asset in Japan, corporate obligations, and potential claims as well as wind-up cost. The only remaining warranties related to intentional breach expire in May 2024.

Subject to the possibility of the board of directors of identifying new 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 accelerated or 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.

These condensed consolidated interim financial statements are presented in United States ("US") Dollars ("\$"), which is the Group's presentation currency. The Company's Board of Directors approved these condensed consolidated interim financial statements on July 31, 2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

(a) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements have been prepared on the basis of accounting policies, methods of computation and presentation consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2022.

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022. 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.

3. Accounting estimates and assumptions

In connection with the preparation of the Company's condensed consolidated interim financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the condensed consolidated interim 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. 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 six months ended June 30, 2023, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2022.

4. General and administrative expenses

	Three months ended		Six months ended	
	Q2-23	Q2-22	Q2-23	Q2-22
Salaries and benefits	-	23	-	428
Board of Directors' fees	66	22	66	42
Professional fees	271	148	453	319
Listing and marketing	45	49	58	67
Office lease	3	14	5	44
Taxes other than income	-	498	124	424
Office, travel and other	26	58	80	278
Total general and administrative expenses	411	812	786	1,602

Taxes other than income refers to the net wealth tax expense for the Company's subsidiary Solar Resources Holding, Sarl.

5. Net finance costs

	Three months ended		Six months ended	
	Q2-23	Q2-22	Q2-23	Q2-22
Finance income:				
Other finance income	22	-	64	-
Total finance income	22	-	64	-
Finance costs:				
Foreign exchange loss	7,912	3,313	8,811	7,264
Interest expense	1,429	-	1,429	-
Other finance costs	14	15	35	50
Total finance costs	9,355	3,328	10,275	7,314
Net finance costs	9,333	3,328	10,211	7,314

During the three and six months ended June 30, 2023, the Group recognized an unrealized foreign exchange loss of \$7.9 million and of \$8.8 million associated with intercompany loans with the subsidiary in Luxembourg denominated in Euros (2022: foreign exchange loss of \$3.3 million and of \$7.3 million). During the three months ended June 30, 2023, the Company recognized \$1.4 million of interest expense associated with an outstanding tax payable that is expected to be fully offset in January 2024.

6. Income taxes

(a) Income tax expense

	Three months ended		Six months ended	
	Q2-23	Q2-22	Q2-23	Q2-22
Income tax expense:				
Corporate income tax (expense) recovery	(49)	(51)	(65)	(87)
Total income tax (expense) recovery	(49)	(51)	(65)	(87)

During the three and six months ended June 30, 2023, the Group recognized an income tax expense of \$49,000 thousand and \$65,000 thousand (2022: Income tax expense of \$51,000 thousand and \$87,000 thousand) associated with its management services subsidiaries.

(b) Current income tax liabilities

	June 30 2023	December 31 2022
Corporate income tax	111	80
Total current income tax liabilities	111	80

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2023 and 2022

UNAUDITED

Expressed in US\$'000 unless otherwise stated

7. Loss per share

Basic and diluted loss per share is calculated by dividing the net loss for the period attributable to owners of the Company by the weighted average number of shares outstanding during the period. The calculation of basic and diluted loss per share is as follows:

	Three months ended		Six months ended	
	Q2-23	Q2-22	Q2-23	Q2-22
Income attributable to common shareholders:				
Loss from the period	(9,795)	(4,192)	(11,069)	(9,029)
Total loss attributable to common shareholders	(4,192)	(4,192)	(9,640)	(9,029)
Weighted average number of thousand shares outstanding	334,094	334,094	334,094	334,094
Basic and diluted loss per share	\$(0.03)	\$(0.01)	\$(0.03)	\$(0.03)

8. Cash and cash equivalents

The Group's cash and cash equivalents are held in banks in Canada, Luxembourg, Switzerland, and Japan with high and medium grade credit ratings assigned by international credit agencies. The fair value of cash and cash equivalents approximates their carrying value owing to short maturities.

	June 30 2023	December 31 2022
Cash and cash equivalents	12,236	14,198
Total	12,236	14,198

9. Other receivables

	June 30 2023	December 31 2022
Current portion:		
VAT account receivables	104	108
Advances paid and prepaid expenses	57	138
Other current assets	89	92
Total other receivables	250	338

10. Share capital

The Company has authorized capital consisting of an unlimited number of common shares, of which 334,094,324 shares are issued and fully-paid and outstanding at June 30, 2023 (December 31, 2022: 334,094,324). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors.

11. Trade and other payables

	June 30 2023	December 31 2022
Financial liabilities		
Trade payables	55	73
Total financial liabilities	55	73
Accrued expenses	289	276
Interest payable	1,429	-
Other payables	556	567
Total trade and other payables	2,329	916

12. Related parties

For the purposes of preparing the Company's condensed consolidated interim 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 through various trusts approximately 36% of the Company's common shares (2022: 36%). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Details of transactions between the Group and other related parties are disclosed below.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2023 and 2022

UNAUDITED

Expressed in US\$'000 unless otherwise stated

(a) Related party transactions

During the three and six months ended June 30, 2023, the Group entered into the following transactions with related parties:

	Three months ended		Six months ended	
	Q2-23	Q2-22	Q2-23	Q2-22
General and administrative expenses:				
Orrön Energy AB	-	-	2	2
Luna Capital Holding LLC	45	-	45	-
Total transactions with related parties	45	-	47	2

There were no amounts outstanding to related parties at June 30, 2023 and December 31, 2022.

There were no amounts outstanding from related parties at June 30, 2023 and December 31, 2022.

Luna Capital Holding LLC

On June 1, 2023, Etrion terminated the employment agreement with Mr. Northland, who was acting as CEO and CFO of the Company, effective May 31, 2023. Instead of paying its severance, the Company signed a consulting agreement with Mr. Northland, through his wholly owned Company, Luna Capital Holdings, LLC, for Mr. Northland to continue to render the services of a Chief Executive Officer and Chief Operating Officer. The consulting agreement shall automatically end without prior notice on May 31, 2024. During the three months ended June 30, 2023, the Company paid \$45,000 thousand to Luna Capital Holdings, LLC for services rendered under the consulting agreement.

13. Financial assets and liabilities

	June 30, 2023			December 31, 2022		
	Financial assets at amortized cost	Fair value recognized in profit and loss	Total	Financial assets at amortized cost	Fair value recognized in profit and loss	Total
Financial assets						
Current						
Cash and cash equivalents	12,236	-	12,236	14,198	-	14,198
Total financial assets	12,236	-	12,236	14,198	-	14,198

	June 30, 2023			December 31, 2022		
	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total
Financial liabilities						
Current						
Trade payables	55	-	55	73	-	73
Total financial liabilities	55	-	55	73	-	73

The Group's assets that are measured at fair value are as follows:

	June 30 2023	December 31 2022
Financial assets		
Level 1: Cash and cash equivalents (including restricted cash)	12,236	14,198
Total financial assets	12,236	14,198

14. Contingencies

(a) Former employee claim

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 continues 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 and has not included a provision for liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in these consolidated financial statements.

(b) Tax reimbursement claim

The Company has been actively pursuing reimbursement of certain tax payments (Tremonti Ambiente) in Italy regarding years 2010-2013, 2014-2015 and 2016-2017 before the Italian Courts. On July 27th, 2022, the Regional Tax Court in Rome ruled partially in favour of the Company and recognized the right of refund of EUR 6 million (gross) for the 2010-2013 tax years. However, on November 2nd, 2022 the Italian Tax Authority appealed the ruling of the Regional Tax Court before the Supreme Court. The Counterclaim of the Company was timely filed within 40 days from the official notification of the claim of the Italian Tax Authority. In addition, it is worth noticing that the Company filed an additional Claim before the Supreme Court on February 27, 2023 for the part of the refund, related to 2010 - 2013 not recognized by the Regional Tax Court in Rome on July 27th, 2022. As already anticipated in the previous communication, this circumstance will delay the final resolution by some years. In addition, on July 13, 2022 a negative ruling was issued by the First Instance Tax Commission of Rome on the refund for the tax years 2016-2017, which the Company appealed with the Competent Tax Commission of second instance judgment. Overall, litigation for the 2014-2015 and 2016-2017 years continues at various stages before the Courts and the Company will inform should developments arise.