



etrion

Management's Discussion and Analysis
Three and Nine Months Ended September 30, 2023

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 will complete its windup activities and proceed with the dissolution of all the Company's legal entities. 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 November 24, 2023, 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, 2023. 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. Exchange rates for the relevant currencies of the Group with respect to the \$ and the ¥ are as follows:

	€/¥	\$/¥	€/\$
Closing rate at September 30, 2023	157.80	148.77	1.06
Closing rate at September 30, 2022	141.90	143.08	0.97
Nine months average rate 2023	149.58	138.06	1.08
Nine months average rate 2022	141.88	143.08	0.99

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 11). 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 11). 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 11). 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 17.

THIRD QUARTER 2023 HIGHLIGHTS

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Third quarter 2023 highlights

USD thousands (unless otherwise stated)	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Financial results from continuing operations				
EBITDA	(806)	(237)	(1,570)	(1,866)
Net (loss) income	(1,262)	77	(12,331)	(8,952)
			September 30	December 31
			2023	2022
Balance sheet				
Total assets			11,607	14,536
Unrestricted cash			11,248	14,198
Working capital			8,482	13,540

Operational highlights

- The Company sold all the solar assets in 2021 and was not developing any new project during the nine-months of 2023.

Financial highlights

- Etrion closed the third quarter of 2023 with an unrestricted cash balance of \$11.2 million and positive working capital of \$8.5 million.

BUSINESS REVIEW

Business review

Business overview

Etrion Corporation was created as an independent renewable energy developer. 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 no employees.

In 2021, Etrion sold all its operating and under construction solar parks in Japan to two different Japanese consortiums and therefore it has disposed of all of its solar assets. 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 retained 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. On January 31, 2023, the warranty for damages given by the Company to the buyers of the Japanese Niigata solar park expired. The only remaining warranties related to intentional breach expire in May 2024.

The Company expects to complete its windup activities and proceed with the dissolution of all the Company's legal entities. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders.

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 favor of the Company and recognized the right of refund of EUR 6 million (gross) for the 2010-2013 tax years. However, the Rome tax authority has lodged an appeal with the Supreme Court. This means that the Company will have to postpone the windup's completion until the final ruling is delivered, which could potentially extend the process by an extra 3 to 5 years.

Other tax claims for later years have not received favourable rulings, and specific deadlines outlined in the Asset Purchase Agreement with the buyer have lapsed. As a result, the Company has chosen to forego any further legal action.

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Financial review

Financial results

Selected financial information

During the three and nine months ended September 30, 2023, the Group's performance and results affirm that the company is not currently involved in any active operations. Selected IFRS consolidated financial information, is as follows:

USD thousands (except per share data)	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Revenue	-	-	-	-
Gross profit	-	-	-	-
Net loss for the period	(1,262)	77	(12,331)	(8,952)
Net loss attributable to owners of Etrion	(1,262)	77	(12,331)	(8,952)
Basic and diluted loss per share for the period:	\$(0.00)	\$0.00	\$(0.04)	\$(0.03)
Net loss for the period from continuing operations	(1,262)	77	(12,331)	(8,952)
Adjustments to net loss for:				
Net income tax expense	10	-	75	86
Net finance costs	446	(314)	10,686	7,000
Other expense, net	-	(19)	-	(44)
Changes in working capital	(83)	(356)	(227)	(1,469)
Operating cash outflow from continuing operations	(889)	(612)	(1,797)	(3,379)

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

USD thousands	September 30 2023	December 31 2022
Non-current assets	-	-
Current assets	11,607	14,536
Total assets	11,607	14,536
Non-current liabilities	-	512
Current liabilities	3,126	996
Total liabilities	3,216	1,508
Net assets	8,481	13,028

Financial review

Continued

Non-GAAP performance measures

Reconciliation of adjusted net loss to net loss USD thousands	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Net loss income	(1,262)	77	(12,331)	(8,952)
Adjustments for non-recurring and non-cash items	-	-	-	-
Adjusted net loss	(1,262)	77	(12,331)	(8,952)

Reconciliation of adjusted operating cash flows to operating cash flows USD thousands	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Operating cash outflow	(889)	(612)	(1,797)	(3,379)
- Changes in working capital	83	356	227	1,469
Adjusted operating cash outflow	(806)	(256)	(1,570)	(1,910)

Reconciliation of Adjusted EBITDA to EBITDA USD thousands	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Net loss	(1,262)	77	(12,331)	(8,952)
Adjustments for:				
Net income tax expense	10	-	75	86
Net finance costs	446	(314)	10,686	7,000
EBITDA	(806)	(237)	(1,570)	(1,866)
Adjustment for non-recurring items	-	-	-	-
Adjusted EBITDA	(806)	(237)	(1,570)	(1,866)

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)	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
Revenue								
Net income (loss)	(1,262)	(9,795)	(1,274)	430	77	(4,192)	(4,837)	(2,485)
Net (loss) income from continuing operations attributable to owners of Etrion	(1,262)	(9,795)	(1,274)	430	77	(4,192)	(4,837)	(3,795)
Net income (loss) attributable to owners of Etrion	(1,262)	(9,795)	(1,274)	430	77	(4,192)	(4,837)	1,310
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	\$(0.00)	\$(0.03)	\$(0.00)	\$0.00	\$0.00	\$(0.01)	\$(0.01)	\$(0.01)

In 2023, the Company is no longer producing electricity and generating revenue, following the sale of all solar assets in 2021. 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

General and administrative expenses

USD thousands	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Salaries and benefits	70	15	70	443
Board of Directors' fees and expenses	33	33	92	70
Professional fees	225	60	685	379
Listing and marketing	14	37	72	104
Office lease	3	6	8	50
Office, travel and other	22	55	146	485
Taxes other than income	293	20	373	298
Total G&A	660	226	1,4446	1,829

During the three months and nine months ended September 30, 2023, general and administrative expenses increased by \$0.2 million and decreased by \$0.4 million, respectively, compared with the same period in 2022. The quarterly increase was mainly due to the services fees paid to Luna Holding LLC as in-lieu compensation that replaces Mr. Northland's severance, and the decrease during the nine months ended September 30, 2023 were due to the reduced activity of the corporation after the sale of Japanese assets.

Other expense, net

USD thousands	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Other	7	18	-	44
Total other expense, net	7	18	-	44

Net finance costs

USD thousands	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Other finance income	(20)	(7)	(84)	(7)
Interest expense	370	-	1,799	-
Foreign exchange loss	76	(332)	8,887	6,932
Other finance costs, net	173	18	208	68
Net finance cost	599	(321)	10,810	6,993

During the three and nine months ended September 30, 2023, the Group recognized an unrealized foreign exchange loss of \$76 thousand million and of \$8.9 million associated with intercompany loans with the subsidiary in Luxembourg denominated in Euros (2022: foreign exchange gain of \$0.3 million and foreign exchange loss of \$6.9 million). During the three months ended September 30, 2023, the Company recognized \$0.4 million and \$1.8 million of interest expense associated with an outstanding tax payable that is expected to be fully offset in January 2024.

Income tax expense

USD thousands	Three months ended		Nine months ended	
	Q3-23	Q3-22	Q3-23	Q3-22
Corporate income tax	10	-	75	(86)
Total income tax expense	10	-	75	(86)

During the three and nine months ended September 30, 2023, the Group recognized an income tax expense of \$10,000 thousand and \$75,000 thousand (2022: Income tax expense of \$nil and \$86,000 thousand) associated with its management services subsidiaries.

Financial review

Continued

Financial position

Liquidity and financing

Cash position

USD thousands	September 30 2023	December 31 2022
Cash and cash equivalents:		
Unrestricted at parent level	11,248	14,198
Total cash and cash equivalents	11,248	14,198

Unrestricted cash analysis

The Group's cash and cash equivalents at September 30, 2023, included unrestricted cash of \$11.2 million. 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 to project loans and O&M contracts. The only obligations pertain to the trade and other payables amounting to \$3.0 million as of September 30, 2023 and due within one year. The significant increase in trade and other payables as of September 30, 2023, in comparison with December 31, 2022, was mainly driven by the interest expense on the outstanding tax payable in Canada. The total cash impact from these interests due in Canada is approximately US\$ 2.4 million, and the entire liability is expected to be settled in January 2024.

Net equity

During the nine months ended September 30, 2023, total equity attributable to owners of the Company decreased by \$4.5 million from a net asset position of \$13.0 million at December 31, 2022, to a net asset position of \$8.5 million at September 30, 2023. During the period the company recognized a net comprehensive loss of \$4.5 million.

Outstanding share data

At the date of this MD&A, the Company had 334,094,324 common shares (November 10, 2022: 334,094,324).

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, 2023, and December 31, 2022.

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.

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 nine months ended September 30, 2023, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2021.

Financial review

Continued

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 three and nine months ended September 30, 2023, are summarized below.

Related party transactions

Orrön Energy AB

The Group receives professional services from Orrön 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, 2023, the Group incurred general and administrative expenses of \$nil and \$2 thousand (2022: \$nil and \$2 thousand) from Orrön Energy AB. At September 30, 2023, the Group owed no amounts in relation to these expenses. (December 31, 2022: nil)

Luna Capital Holding LLC

On May 31, 2023, Etrion terminated the employment agreement with Mr. Northland, who was acting as CEO and CFO of the Company. In addition, on June 1, 2023, 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 and the total amount under this contract of CHF 0.5 million is considered an in-lieu compensation that replaces Mr. Northland's severance. During the three and nine months ended September 30, 2023, the Company paid \$0.1 million and \$0.2 million, respectively, to Luna Capital Holdings, LLC for services rendered under the consulting agreement.

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 and Chief Operating Officer, Marco A. Northland.

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 maintain a cash reserve 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