etrion

PRESS RELEASE

Etrion Releases First Quarter 2019 Results

May 8, 2019, Geneva, Switzerland – Etrion Corporation ("Etrion" or the "Company") (TSX: ETX) (OMX: ETX), a solar independent power producer, released today its condensed consolidated interim financial statements and related management's discussion and analysis ("MD&A") for the three months ended March 31, 2019.

Etrion Corporation delivered strong project-level results in the first quarter of 2019 from its Japanese assets. Higher installed capacity and electricity production resulted in a significant increase in revenue and consolidated EBITDA compared to the same period in 2018.

Q1-19 HIGHLIGHTS

- Strong performance in Japan with production and revenues up by 52% and 45%, respectively, compared to 2018.
- Consolidated adjusted EBITDA increased significantly compared to 2018, driven by performance in Japan and corporate overhead reduction.
- Etrion secured all permits for the 45 MW Niigata solar project in Japan and have reached 'Ready-to-build' stage.

Management Comments

Marco A. Northland, the Company's Chief Executive Officer, commented, "I am pleased to announce a strong quarterly performance compared to the same period of last year, driven by the additional installed capacity and higher performance of existing assets in Japan. The performance was seen across all major performance metrics. Revenue up by 45%, gross profit was up five times and consolidated EBITDA improved by 160%. We also continued to reduce our general expenses while increasing installed base.

We also made excellent progress on our Niigata 45 MW project. This project has now had all the necessary permits and we are in final stages to secure the financing to begin construction. We are very excited about this project which, once connected, will double our installed capacity in Japan.

Work continues on the development side to bring additional projects to our platform in Japan and remain optimistic of the growth potential this market continues to offer in the near future to us."

FINANCIAL SUMMARY

US$ thousands (unless otherwise stated)	Three months ended Q1-19	Q1-18
Electricity production (MWh) [1]	**12,301**	**8,086**
Japan	12,301	8,086
Financial performance		
Revenues		
Japan	4,216	2,910
Consolidated EBITDA	**1,734**	**658**
Japan	2,570	1,730
Corporate (General and administrative items)	(836)	(1,072)
Net loss	**(2,227)**	**(3,853)**
Project cash distributions	**-**	**611**
Cash flow from (used) in operations	**783**	**(2,795)**
Adjusted operating cash flow	**2,004**	**829**

Financial position	**Mar 19**	**Dec 18**
Unrestricted cash at parent level	6,946	9,328
Restricted cash at project level	16,285	15,399
Working capital	20,291	22,835
Consolidated net debt on a cash basis	150,848	151,918
Corporate net debt	30,796	29,476

1 MWh-Megawatt-hour

Operations and Finance Update call

A conference call webcast to present the Company's first quarter 2019 Operations and Finance update will be held on Wednesday, May 8, 2019, at 8:00 a.m. Eastern Daylight Time (EDT) / 2:00 p.m. Central European Time (CET).

Dial-in details:
North America: +1-647-788-4991 / Toll Free: +1-877-291-4570 / Sweden Toll Free: 02-079-4343

Webcast:
A webcast will be available at https://www.webcaster4.com/Webcast/Page/1297/29698

The Operations and Finance update call presentation and the Company's condensed consolidated interim financial statements for the three months ended March 31, 2019, as well as the related documents, will be available on the Company's website (www.etrion.com)

A replay of the telephone conference will be available until May 29, 2019

Replay dial-in details:
North America: +1-416-621-4642 / Toll Free: +1-800-585-8367
Pass code for replay: 5391308

About Etrion

Etrion Corporation is an independent power producer that develops, builds, owns and operates utility-scale solar power generation plants. The Company owns and operates 57 MW of solar capacity in Japan. Etrion also has several projects in the backlog and pipeline at different stages of development in Japan. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden under ticker symbol "ETX". Etrion's largest shareholder is the Lundin family, which owns approximately 36% of the Company's shares directly and through various trusts.

For additional information, please visit the Company's website at www.etrion.com or contact:

Christian Lacueva – Chief Financial Officer
Telephone: +41 (22) 715 20 90

Note: The capacity of power plants in this release is described in approximate megawatts on a direct current ("DC") basis, also referred to as megawatt-peak ("MWp").

Etrion discloses the information provided herein pursuant to the Swedish Securities Market Act. The information was submitted for publication at 8:05 a.m. CET on May 8, 2019.

Non-IFRS Measures:

This press release includes non-IFRS measures not defined under IFRS, specifically EBITDA and Adjusted operating cash flow. Non-IFRS measures have no standardized meaning prescribed under IFRS and therefore such measures may not be comparable with those used by other companies. EBITDA 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. In addition, EBITDA is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting policy decisions. The most comparable IFRS measure to EBITDA is net income (loss). 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 to adjusted operating cash flow is cash flow used in operations. Refer to Etrion's MD&A for the three months ended March 31, 2019, for a reconciliation of EBITDA and adjusted operating cash flow reported during the period.

Forward-Looking Information:

This press release contains certain "forward-looking information". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to the Company's development projects in Japan) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company as well as certain assumptions including, without limitation, the ability of the Company to execute on its development projects in Japan on economic terms and in a timely manner. Forward-looking information is subject to a number of significant risks and uncertainties and other factors that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the risk that the Company may not be able to obtain all applicable permits for the development of projects in Japan and the associated project financing required for the development of such projects on economic terms and the risk of unforeseen delays in the development and construction of its projects. Reference is also made to the risk factors disclosed under the heading "Risk factors" in the Company's AIF for the year ended December 31, 2018 which has been filed on SEDAR and is available under the Company's profile at www.sedar.com.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Q1

etrion

Etrion Corporation

Management's discussion and analysis

Three months ended March 31, 2019

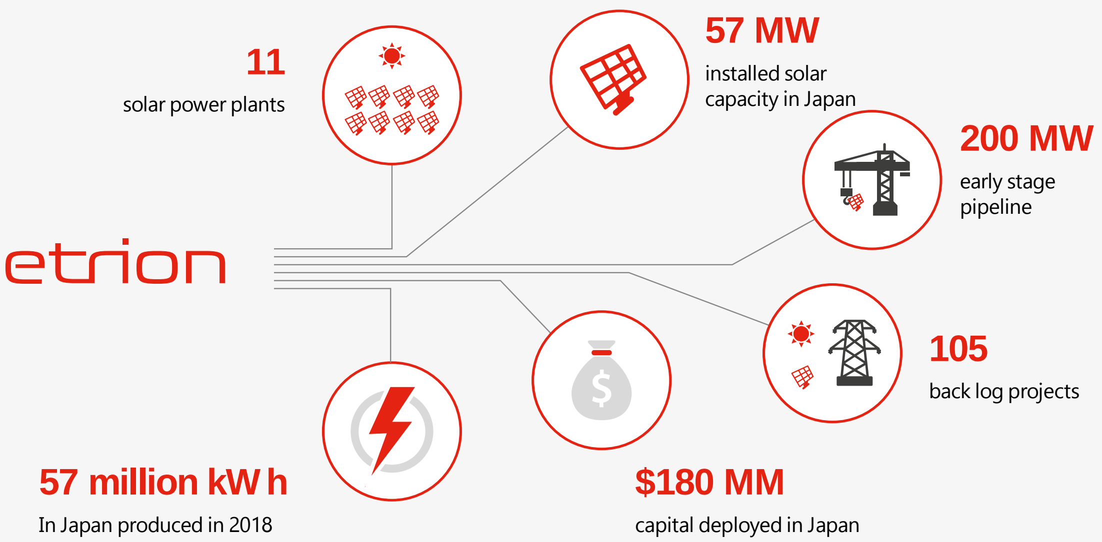
Mito solar power project in Japan

Etrion at a glance

Etrion Corporation is a solar energy development company. We are 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.

Active in Japan since 2012, we have built a strong local team, secured invaluable partnerships with industrial players, financial institutions and local developers. All our operating solar assets in Japan are secured by the 20-year Power Purchase Agreements with the Japanese power utilities.

ETRION FACTS



Contents

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” and, together with its subsidiaries, the “Group”) is intended to provide an overview of the Group’s operations, financial performance and current and future business opportunities. This MD&A, prepared as of May 7, 2019, should be read in conjunction with the Company’s condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2019. Financial information is reported in both United States dollars (“$” or “USD”) and in Euros (“€”) because the Company’s outstanding corporate bonds are denominated in the later currency. In addition, certain material financial information has also been reported in Japanese yen (“¥”) because the Company has its main business activities in Japan. Exchange rates for the relevant currencies of the Group with respect to the $ and the ¥ are as follows:

	€/¥	$/¥	€/$
Closing rate at March 31, 2019	124.38	110.75	1.12
Closing rate at March 31, 2018	130.86	106.19	1.23
Q1-19 average rate	125.16	110.18	1.14
Q1-18 average rate	133.18	108.22	1.22

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 18). 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 measures for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 19). 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 18). 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 30.

01

FIRST QUARTER 2019 HIGHLIGHTS

First Quarter 2019 Highlights

OPERATIONAL HIGHLIGHTS

- Etrion produced 12.3 million kilowatt-hours ("kWh") of electricity from the Company's 57 MW portfolio comprising 11 solar power plant sites in Japan.
- Etrion continues to advance on the development of the backlog solar power projects in Japan with aggregate capacity of 105 MW on a gross basis. As with any development, these projects remain at risk for delays or abandonment if the Company encounters issues that cannot be resolved. The Company is also evaluating several other early stage projects, defined as pipeline, with an aggregate capacity of 200 MW on a gross basis.
- Etrion made significant progress on the Niigata 45 MW project. The Company obtained approval of the forest development permit in March 2019, being the last critical permit required to enable the Company to commence construction. With this project secured, Etrion is now proceeding to finalize all activities required to secure the financing for the project.

FINANCIAL HIGHLIGHTS

- Generated revenues and solar segments EBITDA of $4.2 million and $2.6 million, respectively.
- Closed the first quarter of Q1-19 with a cash balance of $23.2 million, $6.9 million of which was unrestricted and held at corporate level and working capital of $20.3 million. Etrion has sufficient liquidity to fund the backlog projects.

First Quarter 2019 Highlights

Continued

USD thousands (unless otherwise stated)	Three months ended Q1-19	Q1-18
Electricity production (MWh)[1]	**12,301**	**8,086**
Financial results		
Revenues	4,216	2,910
Gross profit	641	116
EBITDA	1,734	658
Adjusted EBITDA	1,734	658
Net loss	(2,227)	(3,853)
Adjusted net income (loss)	162	(1,866)
Cash flow		
Project cash distributions	-	611
Cash flow from (used in) operations	783	(2,795)
Adjusted operating cash flow	2,004	829

	March 31 2019	December 31 2018
Balance sheet		
Total assets	208,224	203,226
Operational assets	135,362	138,842
Unrestricted cash at parent level	6,946	9,328
Restricted cash at project level	16,285	15,399
Working capital	20,291	22,835
Consolidated net debt on a cash basis	150,848	151,918
Corporate net debt	30,796	29,476

[1] MWh=Megawatt-hour

02

BUSINESS REVIEW

Business Review

BUSINESS OVERVIEW

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants in Japan. The Company owns and operates 57 MW of installed solar capacity in Japan. Etrion has several projects at different stages of development in Japan. The Company has four operational projects (11 solar park sites). All operational projects in Japan benefit from revenues generated from 20-year FiT power purchase agreements ("PPAs") that are fixed price contracts with local utilities for all the electricity generated.

Etrion's current strategy is to focus exclusively on continuing to develop, to grow its installed capacity and operate solar power projects in Japan.

The Company's business model focuses on seven key drivers for success: (1) long term contracts with stable revenues; (2) low risk jurisdictions; (3) strategic partnerships; (4) low equipment cost and operating expenses; (5) available long-term project financing; (6) low cost of debt, and (7) attractive liquid market for future divesture.

The Company's common shares are listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden. Etrion has corporate bonds listed on the Frankfurt Stock Exchange Open Market and the Oslo Stock Exchange in Norway. Etrion is based in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 22 employees.

OPERATIONS REVIEW
THREE MONTHS ENDED MARCH 31

	JAPAN	
USD thousands (unless otherwise stated)	**Q1-19**	**Q1-18**
Operational data (1)		
Electricity production (MWh)	12,301	8,086
Operational performance (1)		
Electricity revenue		
Feed-in-Tariff (2)	4,216	2,910
Total revenues	**4,216**	**2,910**
EBITDA (3)	**2,570**	**1,730**
EBITDA margin (%)	**61%**	**59%**
Net loss	**(1,104)**	**(993)**

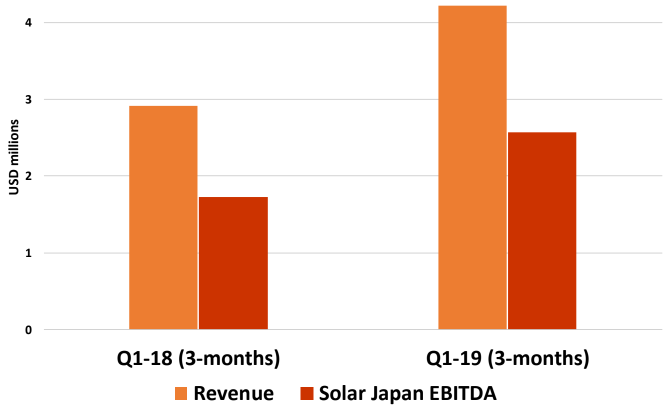
1. Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries.
2. FiT scheme under PPA with utilities.
3. Refers to segment EBITDA as reconciled in the segment information section on page 19.

OPERATING PERFORMANCE IN JAPAN (3-months)

During Q1-19, the Group produced 52% more electricity in Japan compared to the same period in 2018, due primarily to the incremental production from the Komatsu solar power project that started operations in May 2018 and higher performance of the solar power plants.

The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues come from the FiT system, whereby a premium fixed price is received for each kWh of electricity produced through a 20-year PPA contract with the Japanese public utility, Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc ("HOKURIKU") or Tohoku Electric Power Co., Inc. ("TOHOKU"), as applicable. During Q1-19, the Group received the FiT of ¥40 per kWh applicable to the Mito and Shizukuishi solar park sites, the FiT of ¥36 per kWh applicable to the solar park sites of the Misawa project and the FiT of ¥32 per kWh applicable to the solar park site of the Komatsu project.

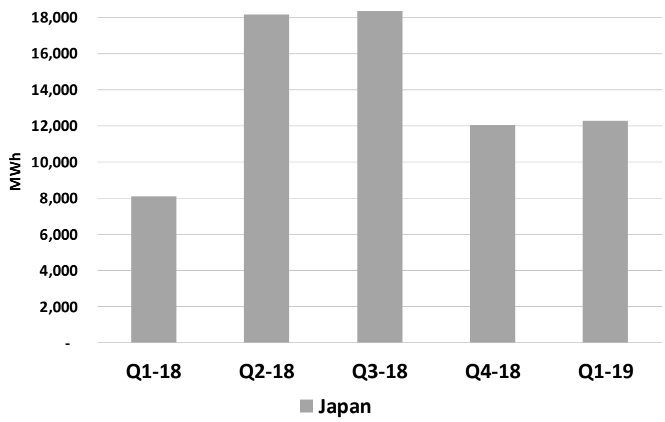
During Q1-19, the Group's revenue and project-level EBITDA increased by 45% and 49%, respectively, compared to the same period in 2018, primarily due to the incremental installed capacity in Japan and higher performance of the solar power plants.



Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency ($) using the corresponding implied Q1-19 average rates. Accordingly, changes in the ¥/$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group's reported figures in USD.

HISTORICAL PRODUCTION

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

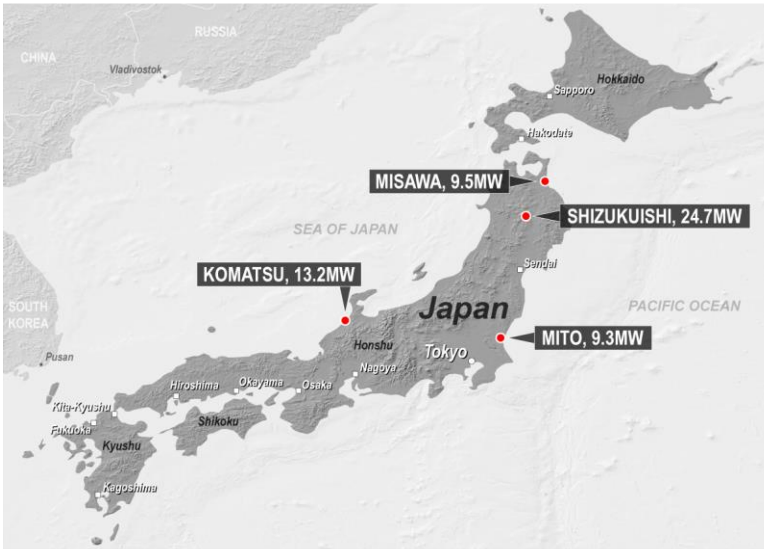


Business Review

Continued

OPERATING PROJECTS

The following map shows the locations of the Company's operating solar plants in Japan.



Mito

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 16 years. Details of the Group's 87%-owned operating solar power project in Japan are shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Mito-site 1	Ibaraki	1	1.3	Fixed-tilt	Jun-2015
Mito-site 2	Ibaraki	1	1.3	Fixed-tilt	Aug-2015
Mito-site 3	Ibaraki	1	1.3	Fixed-tilt	Jul-2015
Mito-site 4	Ibaraki	1	2.7	Fixed-tilt	May-2015
Mito-site 5	Ibaraki	1	2.7	Fixed-tilt	Jun-2015
Total		**5**	**9.3**		

Mito's solar power sites in Japan are capable of producing more than 10.3 million kWh of electricity on an annual basis.

Shizukuishi

As of the date of this MD&A, the remaining PPA contract life of Shizukuishi is approximately 17 years. Details of the Group's 87%-owned operating solar power project in Japan are shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Shizukuishi	Iwate	1	24.7	Fixed-tilt	Oct-2016
Total		**1**	**24.7**		

Shizukuishi' s solar power plant in Japan is capable of producing approximately 26.1 million kWh of electricity per year.

Misawa

As of the date of this MD&A, the remaining PPA contract life of Misawa is approximately 18 years. Details of the Group's 60%-owned operating solar power project are shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Misawa	Tohoku	3-4	5.3	Fixed-tilt	Feb-2017
Misawa	Tohoku	1-2	4.2	Fixed-tilt	Jul-2017
Total		**4**	**9.5**		

Misawa's solar power sites are capable of producing approximately 10.7 million kWh of solar electricity per year.

Komatsu

As of the date of this MD&A, the remaining PPA contract life of Komatsu is approximately 19 years. Details of the Group's 85%-owned operating solar power project are shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Komatsu	Honsu	1	13.2	Fixed-tilt	May-2018
Total		**1**	**13.2**		

Komatsu's solar power plant is capable of producing approximately 14.2 million kWh of solar electricity per year.

DEVELOPMENT ACTIVITIES

PROJECTS UNDER DEVELOPMENT – JAPAN

Etrion continues to advance several projects that are at different stages of development and /or negotiation with third parties. Etrion also continues to actively work towards reaching Notice to Proceed ("NTP") for the Japanese backlog. Management generally refers to NTP status when a project has obtained all permits and authorizations, secured land and secured the interconnection agreement, selected an engineering, procurement and construction ("EPC") contractor and financing has been secured. As explained further below, any project under development remains with a high degree of risk which may result in (a) delays to commence construction, (b) changes in the economics, (c) changes in capacity or (d) abandonment of the project. Changes (if any) to previously disclosed project size and details are due to optimizations during the development process. Final size and economics are only confirmed when financial close is reached. The Company classifies backlog projects as Brownfield or Greenfield. Brownfield projects are those originally developed by a third party and still in the development stage, with respect to which the Company has secured certain rights. Greenfield projects are those originally developed by the Company. The following table lists the current backlog projects.

Project	Prefecture	Sites	MW Gross	Target NTP
Greenfield Tk-2	Niigata	1	45	H1-19
Brownfield Tk-3	Mie	1	60	H1-20
Total backlog		**2**	**105**	
Total early stage			**200**	
Total pipeline			**305**	

JAPANESE BACKLOG

Greenfield Tk-2. This project, located in the Niigata prefecture, is configured as a 45 MW solar park project. The project has secured the FiT of ¥36/kWh. As per the new the Japanese Ministry of Economy, Trade and Industry ("METI") rules discussed in the Solar Market Overview section, the FiT for this project is not at risk. The project entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility after July 31, 2016 but before March 2017. This means that this project is subject to a three-year limit for development from March 31, 2017. In other words, if this project starts operation one year late (i.e. by March 31, 2021) it will have its FiT period shortened to 19 years. The project does not require an environmental impact assessment. The Company completed the purchase of all the land required for the project, secured agreements with all members of the local community and has also obtained the forest development permit.

The Company is finalizing civil works and engineering, procurement and construction contract negotiations and expects to reach the shovel ready stage and financial close by the end of the first half of 2019.

Brownfield Tk-3. This project, located in the Mie prefecture, is currently designed as a 60 MW facility. The project has secured the FiT of ¥36/kWh. It entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility before July 31, 2016. The project has secured the environmental impact assessment and recently obtained its forest development permit. The Company entered into a development service agreement ("DSA") with a local developer in 2015, which outlines all its development responsibilities and deliverables. The Company believes that the developer is in breach of the DSA and filed in December 2018 a lawsuit against the local developer to enforce full compliance with the DSA. The Company remains optimistic the court will issue a decision favourable to the Company enforcing the developer to comply with all its obligations. This project is likely to be minimally affected by the new METI rules since all the necessary permits have already been obtained. Etrion remains cautiously optimistic to take control over this project by early 2020.

As of March 31, 2019, the Company has incurred approximately $14.6 million of project advances and development costs associated with the Japanese backlog as follows:

Project	Advance to third parties	Development costs	TOTAL
Greenfield Tk-2	-	8.0	8.0
Brownfield Tk-3	5.6	1.0	6.6
Total USD million	**5.6**	**9.0**	**14.6**

Project advances and incurred development costs will be fully credited from the "net to Etrion" equity contribution shown in the last column of the table below, upon financial close.

Project	Project Costs	Gross Debt	Net Equity Contribution(1)	Net to Etrion(2)
Greenfield Tk-2	140	132	6	6
Brownfield Tk-3	200	170	13	7
Total USD million	**340**	**302**	**19**	**13**

1. Net of development fee
2. Net of development fee and net to Etrion economic interest.

The equity needed to build these Japanese backlog projects is likely to be contributed throughout the construction period, typically two years, rather than at the start of construction. The net to Etrion equity contribution shown on the table above is net of development fees the Company charges to the project companies for securing financing and developing the project at NTP. For Greenfield Tk-2 project, the net equity required has already been contributed during the development period and therefore Etrion will not be required to inject additional cash at financial close.

EARLY STAGE JAPANESE PIPELINE

METI reported as of June 2018 total solar projects with valid FiT agreements but not yet under construction in the aggregate capacity of about 20 GW. Many of these projects are still in different stages of development and seeking development partners and investors to carry these projects to completion.

Given the early stage nature of these projects the Company will not provide timing status until the projects reach backlog stage. The estimated aggregate capacity disclosed for the pipeline is management's best estimates, however, final capacity may be adjusted based on permit restrictions, land availability and economics.

SOLAR MARKET OVERVIEW

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

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

JAPANESE MARKET

Japan is the world's third largest energy consumer and today is among the top five largest solar markets in the world. The use of solar power in Japan has accelerated since the Japanese FiT scheme for renewable energy was introduced in July 2012 to help offset the loss of nuclear power caused by the Fukushima disaster. This in turn led to most of the nation's 52 reactors being idled due to safety concerns. While current renewable energy usage remains low (currently 15% of total primary energy), Japan is planning to accelerate further renewable energy development. By the end of 2019, Japan is projected to have more than 52 GW of solar capacity.

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

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

- to require certain categories of projects to commence operations within three years from 1 April Q1-18 (i.e. by 31 March 2020); this will likely result in reduced FiT payment periods after such three years period,
- to allow such projects to change their modules without triggering changes in the FIT rate; and
- to allow such projects to also reduce their project size by more than 20% without triggering a FIT rate reduction.

In Japan, the new curtailment system was changed from the "30-day rule per annum" to an hourly basis per annum. Uncompensated curtailment up to 30 days, annually based on one-day units, was changed to up to 360 hours annually. The hourly basis for curtailment expands the amount available for interconnection. Furthermore, utilities may impose installation of remote curtailment systems on PV plants.

On October 15, 2018, METI held a meeting of its Significant Development of Renewable Energy and Next Generation Electric Grid Network Committee (Saisei Kanou Energi Tairyou Dounyu /Jisedai Denryoku Network Sho Iinkai). According to METI, more than 20 GW of solar power projects which have FiTs of ¥40, ¥36 and, ¥32/kWh have not reached commercial operations and are unreasonably taking up grid capacity, preventing new players from developing alternate renewable energy projects in the affected grid areas. The new measures proposed by METI would apply to the holders of projects with FiT of ¥40, ¥36 and, ¥32/kWh which obtained their grid connection agreements by July 31, 2016, and so are not subject to the 3-year rule ("Early High FIT Holders").

On December 5, 2018, METI announced the details of the measures concerning procurement of electricity from renewable energy sources by electricity utilities (the "FiT Amendment Act Ordinance"). The FiT Amendment Act

Ordinance sets out new rules to address solar projects under development that hold FiT of ¥40, ¥36 and ¥32/kWh.

More specifically, the new rules include (a) exceptions for projects already close to construction, (b) new grid connection work application submission and acceptance deadlines, (c) requirements for land rights and specific permits to be obtained before a grid connection work application can be submitted, (d) FiT rate reduction penalties if grid connection work applications are submitted without the required land rights and permits, (e) new scheduled grid connection deadlines to be set by the utility (although there will now be no FiT rate reduction if such deadlines are not met), (f) new commercial operation deadlines (which if not met, will result in the power purchase agreement period shortening on a month by month basis but not in an FiT rate reduction), and (g) relaxation of the module change rules for projects that are subject to the new measures.

Etrion's management considers that the new solar rules announced in Japan are less stringent than expected. For Etrion's backlog, the new legislation has not affected the Greenfield Tk-2 (45 MW) project located in the Niigata prefecture and Etrion will continue with the development program as planned. The Brownfield Tk-3, (60 MW) project located in the Mie prefecture is likely to be minimally affected with potential loss of six to twelve months of the 20-year PPA, depending on when the project is connected to the grid, since most of the permits have already been obtained.

In general, the new METI rules have created opportunities for Etrion in Japan. Many developers will need help to accelerate their solar projects in order to avoid potential FiT changes under the new rules. Etrion is actively screening the market to identify affected projects that can benefit from Etrion's market position and local expertise.

03

FINANCIAL REVIEW

Financial Review

FINANCIAL RESULTS

SELECTED FINANCIAL INFORMATION

During Q1-19, the Group's performance and results were positively impacted by the incremental production of electricity in Japan. Revenue, gross profit and EBITDA on a consolidated basis increased in comparison with the same period in 2018, due to the good performance of the existing solar parks and the addition of the Komatsu project in May 2018. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

	Three-months ended	
USD thousands (except per share data)	**Q1-19**	**Q1-18**
Revenue	**4,216**	**2,910**
Gross profit	**641**	**116**
Net (loss) income from continuing operations attributable to owners of Etrion	(1,970)	(3,663)
Net (loss) income attributable to owners of Etrion	(1,970)	(3,663)
Basic and diluted (loss) earnings per share:	**$(0.01)**	**$(0.01)**

Net loss	**(2,227)**	**(3,853)**
Adjustments to net loss income for:		
Net income tax expense	500	295
Depreciation and amortization	2,293	1,718
Share-based payment expense	24	188
Net finance costs	1,169	2,443
Other expense (income)	245	38
Income tax paid	(778)	(404)
Changes in working capital	(443)	(3,220)
Operating cash flow	**783**	**(2,795)**

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

USD thousands	**March 31 2018**	**December 31 2019**
Non-current assets	171,759	163,576
Current assets	36,465	39,650
Total assets	**208,224**	**203,226**
Non-current liabilities	191,963	183,482
Current liabilities	16,174	16,815
Total liabilities	**208,137**	**200,297**

Net assets	**87**	**2,929**
Working capital	20,291	22,835
Dividends declared	-	-

Financial Review

Continued

SEGMENT INFORMATION

Management considers reportable segments from a geographical perspective and measures performance based on EBITDA and reviews and monitors performance of the Group on this basis. The Company has identified one reportable segment which is solar energy Japan. While the Company has determined it has only one reportable segment, the Company has decided to disclose additional information about its corporate activities as it believes that this information is useful for readers of the condensed consolidated interim financial statements.

SEGMENT INFORMATION THREE MONTHS ENDED MARCH 31

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

USD thousands	Q1-19			Q1-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**4,216**	**-**	**4,216**	**2,910**	**-**	**2,910**
Operating expenses	(1,314)	-	(1,314)	(1,116)	-	(1,116)
General and administrative	(72)	(851)	(923)	(52)	(1,046)	(1,098)
Other income (expenses)	(260)	15	(245)	(12)	(26)	(38)
EBITDA	**2,570**	**(836)**	**1,734**	**1,730**	**(1,072)**	**658**
Depreciation and amortization	(2,261)	(32)	(2,293)	(1,678)	(40)	(1,718)
Finance income	-	683	683	-	-	-
Finance costs	(1,046)	(805)	(1,851)	(892)	(1,606)	(2,498))
Loss before income tax	**(737)**	**(990)**	**(1,727)**	**(840)**	**(2,718)**	**(3,558)**
Income tax recovery (expense)	(367)	(133)	(500)	(153)	(142)	(295)
Net income (loss) for the period	**(1,104)**	**(1,123)**	**(2,227)**	**(993)**	**(2,860)**	**(3,853)**

Solar Japan: During Q1-19, the Group's Japanese solar segment generated revenues of $4.2 million and EBITDA of $2.6 million, representing an increase of 45% and 49%, respectively, in comparison with the same period in 2018. Revenue and EBITDA increased driven by the additional production from the Komatsu project and higher performance of the existing solar power plants. In addition, the Group's Japanese segment generated a net loss of $1.1 million, in comparison with net loss of $1.0 million for the same period in 2018.The first quarter of every year is highly impacted by the winter season in the northern hemisphere.

Corporate: During Q1-19, the Group's corporate segment generated negative EBITDA of $0.8 million and a net loss of $1.1 million, respectively. In comparison with the same period in 2018, lower negative EBITDA reflects the impact of streamline operations. Finance costs at corporate level also decrease in comparison with the same period in 2018 due to the corporate bond refinancing transaction completed in June 2018 and the recognition of foreign exchange gains during the period.

Financial Review

Continued

Non-GAAP Performance Measures

Reconciliation of adjusted net income (loss) to net income (loss)	**Three months ended**	
USD thousands	**Q1-19**	**Q1-18**
Net loss income	**(2,227)**	**(3,853)**
Adjustments for non-cash items:		
Depreciation and amortization	2,293	1,718
Fair value movements (derivative financial instruments)	72	81
Share-based payment expense	24	188
Adjusted net income (loss)	**162**	**(1,866)**

Reconciliation of adjusted operating cash flows to operating cash flows	**Three months ended**	
USD thousands	**Q1-19**	**Q1-18**
Operating cash flow	**783**	**(2,795)**
- Changes in working capital	443	3,220
- Income tax paid	778	404
Adjusted operating cash flow	**2,004**	**829**

Financial Review

Continued

Non-GAAP Performance Measures

Reconciliation of Solar segments Adjusted EBITDA to EBITDA	**Three months ended**	
USD thousands	**Q1-19**	**Q1-18**
Net (loss) income	**(2,227)**	**(3,853)**
Adjustments for:		
Net income tax expense	500	295
Net finance costs	1,168	2,498
Depreciation and amortization	2,293	1,718
EBITDA	**1,734**	**658**
Adjusted EBITDA	**1,734**	**658**
Plus: Corporate G&A expenses	836	1,072
Solar Japan Adjusted EBITDA	**2,570**	**1,730**

QUARTERLY SELECTED FINANCIAL INFORMATION

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

USD thousands (except per share data)	**Q1-19**	**Q4-18**	**Q3-18**	**Q2-18**	**Q1-18**	**Q4-17**	**Q3-17**	**Q2-17**
Revenue	**4,216**	**4,048**	**6,185**	**6,357**	**2,910**	**2,603**	**7,005**	**7,042**
Japan	4,216	4,048	6,185	6,357	2,910	2,603	4,867	5,256
Chile	-	-	-	-	-	-	2,138	1,786
Net (loss) income	**(2,227)**	**(2,566)**	**(1,453)**	**(746)**	**(3,853)**	**(4,225)**	**35,161**	**(6,865)**
Net (loss) income from continuing operations attributable to owners of Etrion	(1,970)	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080	(5,865)
Net (loss) income attributable to owners of Etrion	(1,970)	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080	(5,865)
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$0.11	\$(0.02)
From total results attributable to owners of Etrion	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$0.11	\$(0.02)

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

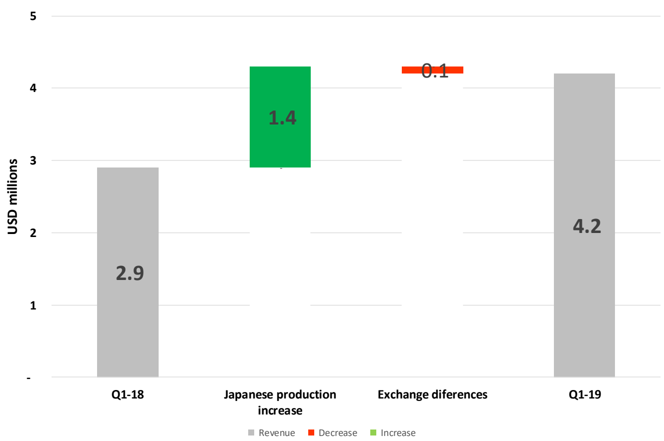
Financial Review

Continued

REVENUE

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
FiT	4,216	2,910
Total Revenue	**4,216**	**2,910**

During Q1-19 consolidated revenues increased by $1.3 million compared to the same period of 2018.The 13.2 MW Komatsu solar project connected in May 2018 contributed significantly to the revenue increase in 2019 as well as higher performance of the existing solar power plants. The reconciliation of total revenue in Q1-19 versus Q1-18 is as follows:



ADJUSTED CONSOLIDATED EBITDA

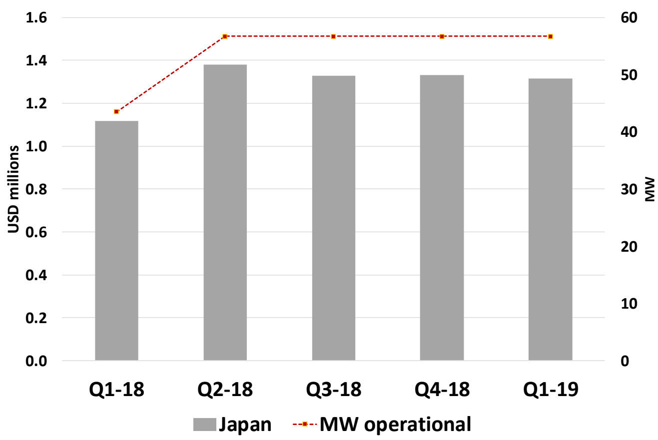
During the three months ended March 31, 2019, adjusted consolidated EBITDA increased by $1.1 million compared to the same period of 2018, mainly as a result of EBITDA being contributed by the Group's Japanese solar segment and reduction of corporate overhead.

OPERATING EXPENSES

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
O&M costs	355	207
Personnel costs	295	243
D&A	2,291	1,678
Property tax	385	294
Insurance	98	62
Land lease	-	235
Other expenses	181	75
Total operating expenses	**3,575**	**2,794**

During the three months ended March 31, 2019, operating expenses increased by $0.8 million (28%) compared to the same period in 2018. Operating expenses increased due to additional operations and maintenance ("O&M") and other operating costs associated with the Komatsu solar project. The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019. The Group applies the simplified transition approach and has not restated comparative amounts for the year prior to first adoption.

The chart below shows the historical operating expenses before depreciation and amortization over the last five quarters including the effect of the recently added projects in Japan.



Financial Review

Continued

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Salaries and benefits	306	468
Board of directors' fees	68	69
Share-based payments	24	188
Professional fees	280	136
Listing and marketing	60	73
D&A	32	40
Office lease	72	80
Office, travel and other	113	84
Total general and administrative	**955**	**1,138**

During the three months ended March 31, 2019, general and administrative expenses decreased by $0.2 million (16%) compared to the same period in 2018, primarily due to a decrease of salary and benefit expenses.

NET FINANCE COSTS

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Project loans	957	870
Corporate bonds	762	862
Fair value movements	72	81
Foreign exchange (gain) loss	(682)	629
Other finance costs	59	56
Net finance cost	**1,168**	**2,498**

During the three months ended March 31, 2019, net finance costs decreased by $1.3 million (53%) compared to the same period in 2018, mainly due the refinancing of the corporate bonds and foreign exchange gains.

INCOME TAX EXPENSE

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Corporate income tax	169	230
Deferred tax expense	331	65
Income tax expense	**500**	**295**

During the three months ended March 31, 2019, the Group recognized a current income tax expense of $0.1 million (2018: $0.1 million) associated with its solar power projects in Japan, and an income tax expense of $0.1 million (2018: $0.1 million) associated with its holding and management services subsidiaries.

In addition, the Group recognized a deferred income tax expense of $0.3 million (2018: $0.1 million) due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Financial Review

Continued

FINANCIAL POSITION

LIQUIDITY AND FINANCING

CASH POSITION

USD thousands	March 31 2019	December 31 2018
Cash and cash equivalents:		
Unrestricted at parent level	6,946	9,328
Restricted at project level	16,285	15,399
Total cash and cash equivalents	**23,231**	**24,727**

UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at March 31, 2019, included unrestricted cash of $6.9 million (December 31, 2018: $9.3 million) held at the corporate level. Unrestricted cash decreased by $2.4 million mainly as a result of corporate G&A and development costs incurred.

The Group has a fully-funded portfolio of operational projects. In addition, the Group expects to generate sufficient operating cash flows in 2019 and beyond from its operating solar power projects to meet its obligations and expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity, assets sale or debt financing and non-recourse project loans, as required.

RESTRICTED CASH ANALYSIS

USD thousands	March 31 2019	December 31 2018
Japan	16,285	15,399
Total restricted cash	**16,285**	**15,399**

The Group's cash and cash equivalents at March 31, 2019, included restricted cash held at the project level in Japan that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions. Restricted cash increased by $0.9 million (6%) mainly due to operating cash flow from the Japanese solar power projects.

WORKING CAPITAL

At March 31, 2019, the Group had working capital of $20.3 million (December 31, 2018: $22.8 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS, but which are not expected to be settled in cash in the next 12 months without replacement. Excluding these derivative financial liabilities that are not expected to be settled in the near-term, the Group's working capital would have been $21.8 million. (December 31, 2018: $24.3 million).

At March 31, 2019, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2019	2020	2021	2022	2023	After 5 years	Total
Project loans	11,642	9,154	8,745	8,934	9,512	112,527	160,514
Corporate bond	2,836	2,844	39,760	-	-	-	45,440
O&M contracts	918	1,021	1,248	1,190	762	14,554	19,693
Operating leases	1,270	1,013	1,013	1,013	1,013	13,023	18,346
Trade payables	2,671	-	-	-	-	-	2,671
Total	**19,337**	**14,032**	**50,766**	**11,137**	**11,287**	**140,104**	**246,664**

All of the contractual obligations will be funded from existing cash available, future cash flows from operations and/or debt refinancing with no additional capital investments to be made by the Group.

NET EQUITY

During the first quarter of 2019, total equity attributable to owners of the Company decreased by $2.5 million from a net asset position of $1.8 million at December 31, 2018, to a net liability position of $0.7 million at March 31, 2019. This change was primarily due to the recognition of $1.9 million of net loss during the period, the cumulative foreign exchange translation adjustment, and unrealized fair value losses recognized within other reserves associated with the Group's derivative financial instruments. Total equity attributable to owners of the Company at March 31, 2019, was negatively impacted by the cumulative fair value losses of $13.0 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at March 31, 2019, would have resulted in a net asset position of $12.3 million.

Financial Review

Continued

BORROWINGS

NON-RECOURSE PROJECT LOANS

The following is a summary of the Group's non-recourse project loans and bond balances:

USD thousands	MW	Maturity	March 31 2019	December 31 2018
Shizukuishi	25	December 30, 2034	57,291	57,708
Mito	9	June 30, 2034	21,097	21,250
Misawa	10	June 30, 2036	25,435	25,635
Komatsu	13	December 30, 2036	33,612	33,872
Total			**137,435**	**138,465**

JAPANESE PROJECTS

The non-recourse project loans obtained by the Group's Japanese subsidiaries to finance the construction costs of the Group's Japanese solar power projects, mature between 2034 and 2036 and bear 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 are 90% hedged through interest rate swap contracts during the operational period at an interest rate ranging from 1.72% to 3.13% all-in. At March 31, 2019, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at March 31, 2019, and December 31, 2018.

At March 31, 2019 and December 31, 2018, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

CORPORATE BORROWINGS

At March 31, 2019, the Group had €33.7 million (net of the Company's holdings of €6.3 million) of the corporate bonds outstanding. The bonds were issued by the Company in June 2018 at 7.25% annual interest with a 3-year maturity. The carrying amount of bonds as at March 31, 2019, including accrued interest net of transaction costs, was $37.9 million (December 31, 2018: $38.1 million).

NET DEBT RECONCILIATION

The Group's adjusted net debt position on a cash basis, (excluding non-cash items and VAT facilities) is as follows:

USD thousands	March 31 2019	December 31 2018
Total borrowings as per IFRS	**175,290**	**176,607**
VAT facilities	(2,795)	(2,804)
Accrued interest	(1,263)	(120)
Transaction costs	2,847	2,961
Adjusted borrowings	**174,078**	**176,645**
Cash and cash equivalents	(23,231)	(24,727)
Adjusted consolidated net debt	**150,848**	**151,918**
Adjusted corporate net debt	**30,796**	**29,476**

The Group's consolidated net debt decreased during the first quarter of 2019, in comparison with December 31, 2018, mainly due a decrease in cash and cash equivalents and foreign exchange movements.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (May 4, 2018: 334,094,324) and nil options to acquire common shares of the Company (May 4, 2018: 150,000) issued and outstanding.

In addition, the Company maintains the 2014 Restricted Share Unit Plan pursuant to which employees, consultants, directors and officers of the Group may be awarded RSUs. The RSUs have a contractual term of four years and are subject to certain time-based conditions and in certain cases are also subject to performance-based vesting conditions. At the date of this MD&A, the Company had 13,250,000 RSUs outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at March 31, 2019, and December 31, 2018.

CAPITAL INVESTMENTS

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status, the Company does not anticipate beginning construction of its Japanese backlog project until the second quarter of 2019.

The equity needs to build the Japanese backlog project are likely to be contributed throughout the construction period, rather than at start of construction.

The Group will finance the development and/or construction costs associated with its projects under development, as well as new projects, with a combination of cash and cash equivalents, additional corporate debt or equity financing and non-recourse project loans, as required.

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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. 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 three months ended March 31, 2019, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January1, 2019, as follows:

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has reviewed all the Group's leasing arrangements considering the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the existing commitments under the solar projects land lease contracts. As at January 1, 2019, the Group had non-cancellable operating lease commitments of $ 18.3 million. Of these commitments, approximately $0.3 million related to short-term and low value office leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group recognised right-of-use assets and lease liabilities of approximately $10.7 million on January 1, 2019, (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net current assets were approximately $1.0 million lower due to the presentation of a portion of the liability as a current liability. Net results after tax are expected to increase by approximately $0.4 million in 2019 because of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $1.0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows are expected to increase, and financing cash flows to decrease by approximately $1.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019. The Group applies the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets are measured on transition as if the new rules had always been applied.

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.

Financial Review

Continued

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, under ordinary control, 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 trust 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 months ended March 31, 2019, are summarized below.

RELATED PARTY TRANSACTIONS

LUNDIN PETROLEUM AB AND SUBSIDIARIES

The Group receives professional services from Lundin Petroleum AB and from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB for market and investor relation activities in Sweden and general and administrative expenses, respectively. During Q1-19, the Group incurred general and administrative expenses of $7 thousand (2018: $7 thousand), from Lundin Petroleum AB and its subsidiary. At March 31, 2019, the Group had $nil (December 31, 2018: $nil) outstanding in relation to these expenses.

LUNDIN FAMILY

Investment companies associated with the Lundin family subscribed for €3 million ($3.5 million) of the corporate bonds issue completed in June 2018. As at March 31, 2019, the total corporate bonds held by the Lundin family amounted to €3.0 million ($3.5 million). During Q1-19, the Group recognized $0.1 million (2018: $10 thousand) of interest expense and recognized $7 thousand (2018: $1 thousand) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

LUNDIN SA

During 2019, the Group recognized $30 thousand (2018: $30 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.

ASSET MANAGEMENT SERVICES

During Q1-19, the Group invoiced asset management services of $0.1 million (2018: $0.1 million) to Salvador, associated with operating and engineering services of the 70 MW solar power project in Chile. These asset management services are not eliminated on consolidation since September 30, 2017, the date when Salvador was deconsolidated and are presented as a reduction of corporate G&A.

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 includes members of the Board of Directors, the Chief Executive Officer, Marco A. Northland and the Chief Financial Officer, Christian Lacueva.

During Q1-19, the Group recognized $0.3 million (2018: $0.3 million) within general and administrative expenses 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 March 31, 2019, the Group had $nil outstanding to key management personnel (December 31, 2018: $0.3 million).

Financial Review

Continued

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations. These risks include market risk (including currency risk, interest rate risk and electricity price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign exchange rates and interest rates, and seek to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest rate risk exposures through interest rate swap contracts. However, the Group has not entered into any foreign exchange rate hedges as monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currencies. In addition, the Group is directly exposed to inflation in Japan, as the FiT contracts are not inflation-adjusted, but some of the operating costs will be impacted by inflation, if it increases or decreases in the future. The Company's management carries out risk management procedures with guidance from the Audit Committee and Board of Directors. Refer to the Company's audited condensed consolidated interim financial statements for the year ended March 31, 2019, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

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

USD thousands	March 31 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	1,532	1,452
Non-current portion	9,705	8,706
Total derivative financial instruments	**11,237**	**10,158**

The Group enters 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 is 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.

The fair market value of the interest rate swap contracts at March 31, 2019, increased to a liability position of $11.2 million (December 31, 2018: $10.2 million) due to a decrease in the forecasted TIBOR curve. At March 31, 2019, and December 31, 2018, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in to finance income/costs.

04

RISKS AND UNCERTAINTIES

Risks and Uncertainties

RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. Certain of such risks are discussed below. For a more detailed discussion of risk factors applicable to the Group, see Etrion's Annual Information Form for the year ended December 31, 2018, which has been filed on SEDAR and is available under Etrion's profile at www.sedar.com. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

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

CAPITAL REQUIREMENTS AND LIQUIDITY

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

MARKET RISKS

The Group is exposed to financial risks such as interest rate risk, foreign currency risk, electricity price risk and third-party credit risk. The Company's management seeks to minimize the effects of interest rate risk by using derivative financial instruments to hedge risk exposures.

COST UNCERTAINTY

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

NON-FINANCIAL RISKS

LICENCES AND PERMITS

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

GOVERNMENTAL REGULATION

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

COMPETITION

The renewable energy industry is extremely competitive and many of the Group's competitors have greater financial and operational resources. There is no assurance that the Group will be able to acquire new renewable energy projects in order to grow in accordance with the Company's strategy. The Group also competes in securing the equipment necessary for the construction of solar energy projects. Equipment and other materials necessary to construct production and transmission facilities may be in short supply, causing project delays or cost fluctuations.

PRICES AND MARKETS FOR ELECTRICITY

The Group is not exposed to significant electricity market price risk as the revenues generated by its operating solar power projects in Japan were secured by long-term contracts based on a FiT.

Risks and Uncertainties

Continued

INTERNATIONAL OPERATIONS

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future FiTs/PPAs, a change in renewable energy pricing policies and a change in taxation policies or the regulatory environment in the jurisdictions in which the Group operates. These uncertainties, all of which are beyond the Group's control, could have a material adverse effect on the Group's financial position and operating performance. In addition, if legal disputes arise relating to any of the Group's operations, the Group could be subject to legal claims and litigation within the jurisdiction in which it operates.

RELIANCE ON CONTRACTORS AND KEY EMPLOYEES

The ability of the Company to conduct its operations is highly dependent on the availability of skilled workers. The labor force in many parts of the world is unionized and politicized, and the Group's operations may be subject to strikes and other disruptions. In addition, the success of the Company is largely dependent upon the performance of its management and key employees. There is a risk that the departure of any member of management or any key employee could have a material adverse effect on the Group. The Group's business model relies on qualified and experienced contractors to design, construct and operate its renewable energy projects. There is a risk that such contractors are not available or that the price for their services impairs the economic viability of the Group's projects.

05

OTHER DISCLOSURES

Other Disclosures

ETRION OUTLOOK AND GUIDANCE

On March 13, 2019, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2019. The Group has reviewed the previously released guidance in light of the performance for the first quarter of 2019 and has concluded that at this stage there is no basis to modify the guidance for the full year. The Group will continue to reassess its guidance and will make any adjustments and disclosures as may be warranted.

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 Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan); expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; expectations relating to grid parity; and expectations with respect to the outcome of its litigation against the developer of the Brownfield Tk-3 project. 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: risks associated with operating exclusively in foreign jurisdictions; risks associated with the regulatory frameworks in the jurisdictions in which the Company operates, or expects to operate, including the possibility of changes thereto; uncertainties with respect to the identification and availability of suitable additional renewable energy projects on economic terms; uncertainties with respect to the Group's ability to negotiate PPAs with industrial energy users; uncertainties relating to the availability and costs of financing needed in the future; the risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected; the risk that the construction or operating costs of the Company's projects may be higher than anticipated; uncertainties with respect to the receipt or timing of all applicable permits for the development of projects; the risk that the outcome of the Company's litigation against the developer of the Brownfield Tk-3 project will not be as expected; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Group operates; risks inherent in the ability of the Group to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; and other factors, many of which are beyond the Group's control.

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: the ability of the Group to obtain the required permits in a timely fashion and project and debt financing on economic terms and/or in accordance with its expectations; the ability of the Group to identify and acquire additional solar power projects, and assumptions relating to management's assessment of the impact of the new Japanese FiT regime. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent Annual Information Form and other public disclosure available on SEDAR at www.sedar.com. 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

etrion

Q1

Etrion Corporation

Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2019

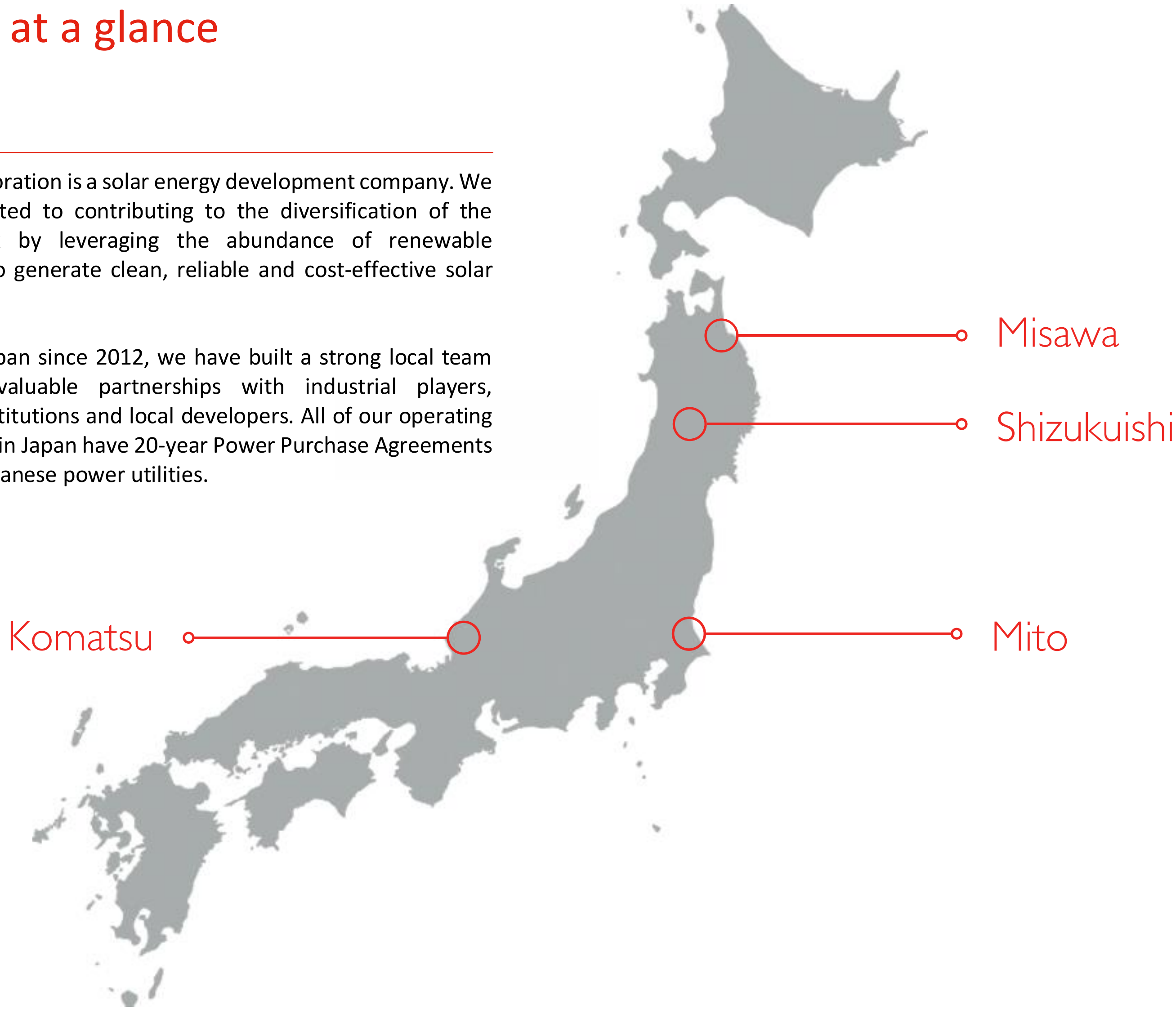
UNAUDITED

Mito solar power project in Japan

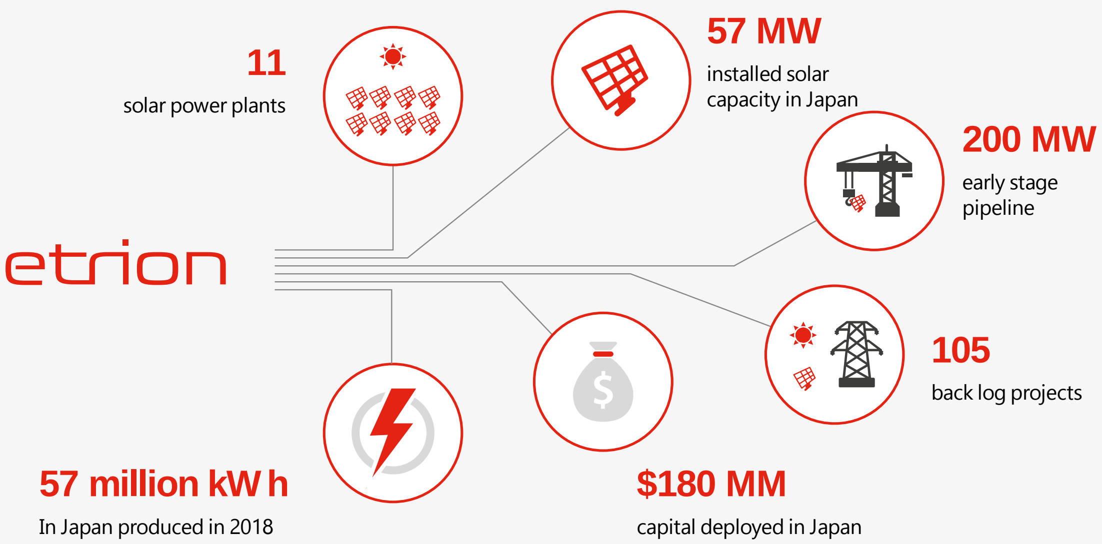
Etrion at a glance

Etrion Corporation is a solar energy development company. We are 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.

Active in Japan since 2012, we have built a strong local team secured invaluable partnerships with industrial players, financial institutions and local developers. All of our operating solar assets in Japan have 20-year Power Purchase Agreements with the Japanese power utilities.



ETRION FACTS



Contents

01 Financial Statements

02 Notes to the Consolidated financial statements

01 FINANCIAL STATEMENTS

The accompanying condensed consolidated unaudited interim financial statements of the Company for the three months ended March 31, 2019, 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 loss

For the three months ended March 31, 2019 and 2018

UNAUDITED

Expressed in US$'000

	Note	Three months ended Q1-19	Three months ended Q1-18
Revenue	5	4,216	2,910
Operating expenses	6	(3,575)	(2,794)
Gross profit		**641**	**116**
General and administrative expenses	7	(955)	(1,138)
Other expenses		(245)	(38)
Operating loss		**(559)**	**(1,060)**
Finance income	8	683	-
Finance costs	8	(1,851)	(2,498)
Net finance costs		**(1,168)**	**(2,498)**
Loss before income tax		**(1,727)**	**(3,558)**
Income tax expense	9	(500)	(295)
Net loss for the period		**(2,227)**	**(3,853)**
Other comprehensive (loss) income			
Items that may be reclassified to profit and loss:			
(Loss) gain on currency translation		(58)	1,628
(Loss) gain on cash flow hedges, net of tax		(543)	113
Total other comprehensive (loss) income		**(601)**	**1,741**
Total comprehensive loss for the period		**(2,828)**	**(2,112)**
Loss attributable to:			
Owners of the parent		(1,970)	(3,663)
Non-controlling interest	11	(257)	(190)
Total		**(2,227)**	**(3,853)**
Total comprehensive loss attributable to:			
Owners of the parent		(2,473)	(1,982)
Non-controlling interest	11	(355)	(130)
Total		**(2,828)**	**(2,112)**
Basic and diluted loss per share from loss for the period	10	**$(0.01)**	**$(0.01)**

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

Condensed consolidated interim balance sheet

As at March 31, 2019
UNAUDITED

Expressed in US$'000

	Note	March 31 2019	December 31 2018
Assets			
Non-current assets			
Property, plant and equipment	12	153,622	146,594
Intangible assets	13	14,614	13,318
Deferred income tax assets		2,926	3,076
Trade and other receivables		597	588
Total non-current assets		**171,759**	**163,576**
Current assets			
Trade and other receivables	20	13,234	14,923
Cash and cash equivalents (including restricted cash)	14	23,231	24,727
Total current assets		**36,465**	**39,650**
Total assets		**208,224**	**203,226**
Equity			
Attributable to common shareholders			
Share capital	15	111,304	111,304
Contributed surplus		13,267	13,281
Other reserves		(13,443)	(12,940)
Accumulated deficit		(111,818)	(109,848)
Total attributable to common shareholders		**(690)**	**1,797**
Non-controlling interest	11	**777**	**1,132**
Total equity		**87**	**2,929**
Liabilities			
Non-current liabilities			
Borrowings	17	164,404	166,760
Derivative financial instruments	18	9,705	8,706
Provisions		15,203	5,631
Other liabilities		2,651	2,385
Total non-current liabilities		**191,963**	**183,482**
Current liabilities			
Trade and other payables		2,761	3,997
Current tax liabilities	9	183	795
Borrowings	17	10,886	9,847
Derivative financial instruments	18	1,532	1,452
Provisions		334	-
Other liabilities		478	724
Total current liabilities		**16,174**	**16,815**
Total liabilities		**208,137**	**200,297**
Total equity and liabilities		**208,224**	**203,226**

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

Condensed consolidated interim statement of changes in equity

For the three months ended March 31, 2019 and 2018

UNAUDITED

Expressed in US$'000

	Attributable to owners of the parent						
	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at January 1, 2018	**111,304**	**12,538**	**(13,766)**	**(101,047)**	**9,029**	**818**	**9,847**
Comprehensive income (loss):							
Income (loss) for the period	-	-	-	(3,663)	(3,663)	(190)	(3,853)
Other comprehensive (loss) income:							
Cash flow hedges (net of tax)	-	-	99	-	99	14	113
Currency translation	-	-	1,582	-	1,582	46	1,628
Total comprehensive income (loss)	**-**	**-**	**1,681**	**(3,663)**	**(1,982)**	**(130)**	**(2,112)**
Transactions with owners in their capacity as owners:							
Share-based payments	-	188	-	-	188	-	188
Balance at March 31, 2018	**111,304**	**12,726**	**(12,085)**	**(104,710)**	**7,235**	**688**	**7,923**
Balance at January 1, 2019	**111,304**	**13,281**	**(12,940)**	**(109,848)**	**1,797**	**1,132**	**2,929**
Comprehensive income (loss):							
(Loss) income for the period	-	-	-	(1,970)	(1,970)	(257)	(2,227)
Other comprehensive income (loss):							
Cash flow hedges (net of tax)	-	-	(445)	-	(445)	(98)	(543)
Currency translation	-	-	(58)	-	(58)	-	(58)
Total comprehensive income (loss)	**-**	**-**	**(503)**	**(1,970)**	**(2,473)**	**(355)**	**(2,828)**
Transactions with owners in their capacity as owners:							
Share-based payments	-	(14)	-	-	(14)	-	(14)
Balance at March 31, 2019	**111,304**	**13,267**	**(13,443)**	**(111,818)**	**(690)**	**777**	**87**

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

Condensed consolidated interim statement of cash flow

For the three months ended March 31, 2019 and 2018

UNAUDITED

Expressed in US$'000

	Note	Three months ended Q1-19	Q1-18
Operating activities:			
Net loss for the period		**(2,227)**	**(3,853)**
Adjustments for the following non-cash items:			
Depreciation and amortization	6/7	2,293	1,718
Current income tax expense	9	169	230
Deferred income tax expense	9	331	65
Share-based payment expense	7/16	24	188
Interest expense	8	1,296	1,287
Interest expense relating to interest rate swap contracts	8	376	342
Amortization of transaction costs	8	107	104
Foreign exchange (gain) loss	8	(682)	629
Fair value changes associated with derivative financial instruments	8	72	81
Other expenses (income)		245	38
Sub-total		**2,004**	**829**
Changes in working capital:			
Trade and other receivables		1,681	(2,180)
Trade and other payables		(2,124)	(1,040)
Income tax paid		(778)	(404)
Total cash flow from (used in) operating activities		**783**	**(2,795)**
Investing activities:			
Purchases of property, plant and equipment		(86)	(8,723)
Purchases of intangible assets	13	(1,657)	(270)
Total cash flow used in investing activities		**(1,743)**	**(8,993)**
Financing activities:			
Proceeds from borrowings		-	4,853
Contributions from non-controlling interest		-	119
Total cash flow from financing activities		**-**	**4,972**
Net decrease in cash and cash equivalents		**(960)**	**(6,816)**
Effect of exchange rate changes on cash and cash equivalents		(536)	1,672
Cash and cash equivalents (including restricted cash) at the beginning of the period		**24,727**	**43,203**
Cash and cash equivalents (including restricted cash) at the end of the period	14	**23,231**	**38,059**

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

02

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019 and 2018
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. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden under the same ticker symbol, "ETX".

Etrion is an independent power producer that develops, builds, owns and operates solar power generation plants. The Company owns 57 megawatts ("MW") of installed solar capacity in Japan.

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 May 7, 2019.

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, 2018. 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, 2018, except for those relating to the application of the new standards applicable from January 1, 2019, as indicated in these condensed consolidated interim financial statements. Certain reclassifications have been made to conform to the current presentation.

(b) GOING CONCERN

The Company's condensed consolidated financial statements for the three months ended March 31, 2019, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future. At March 31, 2019, the Group had cash and cash equivalents of $23.2 million, $6.9 million of which was unrestricted and held at the parent level (December 31, 2018: $24.7 million and $9.3 million, respectively) and working capital of $20.3 million (December 31, 2018: $22.8 million). During the three months ended March 31, 2019, the Group recognized a net loss of $2.2 million (2018 net loss: $3.6 million). The Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of these consolidated financial statements. These condensed consolidated interim financial statements for the three months ended March 31, 2019, do not include the adjustments that would result if the Group were unable to continue as a going concern.

(c) 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, 2018, except for the adoption of new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has reviewed all the Group's leasing arrangements considering the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the existing commitments under the solar projects land lease contracts. As at January 1, 2019, the Group had non-cancellable operating lease commitments of US$ 18.3 million. Of these commitments, approximately US$0.3 million related to short-term and low value office leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group recognised right-of-use assets and lease liabilities of approximately $10.7 million on January 1, 2019, (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net current assets were approximately $1.0 million lower due to the presentation of a portion of the liability as a current liability. Net results after tax are expected to increase by approximately $0.4 million in 2019 because of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $1.0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows are expected to increase, and financing cash flows to decrease by approximately $1.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019. The Group applies the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets are measured on transition as if the new rules had always been applied.

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 amounts 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 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 financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results may differ from the 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 months ended March 31, 2019, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2018.

Expressed in US$'000 unless otherwise stated

4. SEGMENT REPORTING

The Board of Directors considers reportable segments from a geographical perspective and measures performance based on EBITDA and reviews and monitors performance of the Group on this basis. While the Company's management has determined that the Company has only two reportable segments, the Company has decided to disclose additional information about its corporate activities as it believes that this information is useful for readers of the consolidated financial statements.

The Group's country of domicile is Canada. However, all consolidated revenues from external customers are derived from Japan. The Group's electricity production in Japan is sold to the Japanese public utilities, Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc ("HOKURIKU"), and Tohoku Electric Power Co.,Inc. ("TOHOKU"). The Company's revenue breakdown by major customers in Japan is shown below:

	Three months ended	
	Q1-19	**Q1-18**
TEPCO	982	1,051
HOKURIKU	2,442	1,859
TOHOKU	793	-
TOTAL	**4,216**	**2,910**

The Group's revenues, EBITDA and results from continuing operations are presented as follows:

	Q1-19			**Q1-18**		
	Solar Japan	**Corporate**	**Total**	**Solar Japan**	**Corporate**	**Total**
Revenue	**4,216**	**-**	**4,216**	**2,910**	**-**	**2,910**
Operating expenses	(1,314)	-	(1,314)	(1,116)	-	(1,116)
General and administrative	(72)	(851)	(923)	(52)	(1,046)	(1,098)
Other income (expense)	(260)	15	(245)	(12)	(26)	(38)
EBITDA	**2,570**	**(836)**	**1,734**	**1,730**	**(1072)**	**658**
Depreciation and amortization	(2,261)	(32)	(2,293)	(1,678)	(40)	(1,718)
Finance income	-	683	683	-	-	-
Finance costs	(1,046)	(805)	(1,851)	(892)	(1,606)	(2,498)
Loss before income tax	**(737)**	**(990)**	**(1,727)**	**(840)**	**(2,718)**	**(3,558)**
Income tax expense	(367)	(133)	(500)	(153)	(142)	(295)
Net loss for the period	**(1,104)**	**(1,123)**	**(2,227)**	**(993)**	**(2,860)**	**(3,853)**

The Group's assets and liabilities can be presented as follows:

	March 31, 2019			**December 31, 2018**		
	Solar Japan	**Corporate**	**Total**	**Solar Japan**	**Corporate**	**Total**
Property, plant and equipment	153,562	60	153,622	146,529	65	146,594
Intangible assets	10,420	4,194	14,614	8,411	4,907	13,318
Cash and cash equivalents	16,285	6,946	23,231	15,399	9,328	24,727
Other assets	9,429	7,328	16,757	8,504	10,083	18,587
Total assets	**189,696**	**18,528**	**208,224**	**178,843**	**24,383**	**203,226**
Borrowings	137,435	37,855	175,290	138,465	38,142	176,607
Trade and other payables	1,978	783	2,761	1,244	2,753	3,997
Other liabilities	29,145	941	30,086	18,653	1,040	19,693
Total liabilities	**168,558**	**39,579**	**208,137**	**158,362**	**41,935**	**200,297**

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019 and 2018

UNAUDITED

Expressed in US$'000 unless otherwise stated

5. REVENUE

	Three months ended	
	Q1-19	**Q1-18**
Feed-in Tariff ("FiT")	4,216	2,910
Total Revenue	**4,216**	**2,910**

Solar-related production is subject to seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months.

6. OPERATING EXPENSES

	Three months ended	
	Q1-19	**Q1-18**
Operating and maintenance ("O&M")	355	207
Personnel costs	295	243
Depreciation and amortization ("D&A")	2,261	1,678
Property tax	385	294
Insurance	98	62
Land lease	-	235
Other operating expenses	181	75
Total Operating expenses	**3,575**	**2,794**

O&M costs relate to fees paid in connection with the operation and maintenance activities of the Group's operating solar power projects in Japan. Depreciation and amortization relate to the Group's operating solar power projects producing electricity during the period.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	Q1-19	**Q1-18**
Salaries and benefits	306	468
Board of directors' fees	68	69
Share-based payments	24	188
Professional fees	280	136
Listing and marketing	60	73
D&A	32	40
Office lease	72	80
Office, travel and other	113	84
Total General and administrative expenses	**955**	**1,138**

8. FINANCE INCOME AND COSTS

	Three months ended	
	Q1-19	**Q1-18**
Finance income:		
Foreign exchange gain	682	-
Other finance income	1	-
Total finance income	**683**	**-**
Finance costs:		
Credit facilities and non-recourse loans	474	519
Interest rate swap contracts	376	342
Corporate bond	705	806
Credit facility with non-controlling interest	57	56
Amortization of transaction costs	107	114
Corporate bond call option	-	81
Ineffective portion cash flow hedges	72	-
Foreign exchange loss	-	629
Other finance costs	60	56
Total finance costs before deducting amounts capitalized	**1,851**	**2,603**
Amounts capitalized on qualifying assets	-	(105)
Total finance costs	**1,851**	**2,498**
Net finance costs	**1,168**	**2,498**

The Group has four floating-rate credit facilities outstanding associated with its operating solar power projects in Japan. These credit facilities are hedged using interest rate swap contracts. Refer to Note 17 and Note 18 for further details on the Group's credit facilities and derivative financial instruments. Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment.

Expressed in US$'000 unless otherwise stated

9. INCOME TAXES

(a) INCOME TAX EXPENSE

	Three months ended	
	Q1-19	**Q1-18**
Current Income tax expense:		
Corporate income tax	(169)	(230)
Total current income tax expense	(169)	(230)
Deferred income tax expense:		
Temporary differences	(331)	(65)
Total deferred Income tax expense	(331)	(65)
Total income tax expense	**(500)**	**(295)**

The Group recognized a current income tax expense of $0.1 million (2018: $0.1 million) associated with its solar power projects in Japan, and an income tax expense of $0.1 million (2018: $0.1 million) associated with its holding and management services subsidiaries. In addition, the Group recognized a deferred income tax expense of $0.3 million (2018 deferred income tax expense: $0.1 million) due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

(b) CURRENT INCOME TAX LIABILITIES

	March 31 2019	December 31 2018
Corporate income tax	183	795
Total current income tax liabilities	**183**	**795**

10. 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	
	Q1-19	**Q1-18**
Total loss attributable to common shareholders	(1,970)	(3,663)
Weighted average number of thousand shares outstanding	334,094	334,094
Total basic and diluted (loss) earnings per share	**$(0.006)**	**$(0.011)**

Diluted loss per share equals basic loss per share, as there is no dilutive effect from the existing RSUs, since the performance conditions have not been satisfied and are out-of-the-money.

11. NON-CONTROLLING INTERESTS

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Shizukuishi Solar GK ("Shizukuishi"), Etrion Energy 1 GK ("Mito"), Etrion Energy 4 GK ("Komatsu"), Etrion Energy 5 GK ("Misawa"), all together the "Japanese entities." Shizukuishi, Mito, Komatsu and Misawa are Japanese entities that own the licenses, permits and facilities to build and operate solar parks in Japan totalling 57 MW. Mito and Shizukuishi are owned 87% by Etrion and 13% by Hitachi High-Tech ("HHT"). Komatsu is owned 85.1% by Etrion, 14.9% by HHT. Misawa is owned 60% by Etrion, 10% by HHT and 30% by Tamagawa Holdings, a Japanese real state and solar power developer. The non-controlling interest at March 31, 2019, of $0.8 million (December 31, 2018: $1.1 million), represents the value attributable to non-controlling interests in the Japanese project companies. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Japanese project companies, other than those imposed by the lending banks related to cash distributions.

Expressed in US$'000 unless otherwise stated

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	March 31, 2019			December 31, 2018		
	Current assets (liabilities)	**Non-current assets (liabilities)**	**Net assets (Liabilities)**	**Current assets (liabilities)**	**Non-current assets (liabilities)**	**Net assets (Liabilities)**
Shizukuishi	3,335	(5,255)	(1,920)	3,091	(3,856)	(765)
Mito	1,503	940	2,443	1,036	1,321	2,357
Misawa	1,143	282	1,425	866	903	1,769
Komatsu	2,284	(1,336)	948	2,121	(654)	1,467
Total net assets (liabilities)	**8,265**	**(5,369)**	**2,896**	**7,114**	**(2,286)**	**4,828**

Changes in the net assets (liabilities) position over time of the subsidiaries above are mainly driven by, the ability of accumulating positive operating results and, changes in the fair value of derivatives instruments (i.e. interest rate swaps). The summarized income statement for the Japanese entities including the portion allocated to NCI for the three months ended March 31, is as follows:

	Q1-19			Q1-18		
	(Loss) income for the period	**Comprehensive (loss) income for the period**	**Comprehensive (loss) income allocated to NCI**	**(Loss) income for the period**	**Comprehensive (loss) income for the period**	**Comprehensive (loss) income allocated to NCI**
Shizukuishi	(959)	(1,163)	(154)	(1,219)	(1,165)	(153)
Mito	165	94	12	148	265	35
Misawa	(253)	(340)	(136)	(117)	(17)	(7)
Komatsu	(337)	(517)	(77)	(20)	(35)	(5)
Total	**(1,384)**	**(1,926)**	**(355)**	**(1,208)**	**(952)**	**(130)**

The net change in participating non-controlling interests in operating entities is as follows:

	Shizukuishi	**Mito**	**Komatsu**	**Misawa**	**Total**
As at December 31, 2018	**(101)**	**307**	**219**	**707**	**1,132**
Net (loss) income attributable to non-controlling interest	(126)	21	(51)	(101)	(257)
Other comprehensive income attributable to non-controlling interest	(25)	(10)	(27)	(36)	(98)
As at March 31, 2019	**(252)**	**318**	**141**	**570**	**777**
Interest held by third parties	13%	13%	15%	40%	

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019 and 2018
UNAUDITED

Expressed in US$'000 unless otherwise stated

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Rights of use	Other PPE	Total
Cost:					
At December 31, 2018	**8,049**	**149,129**	**-**	**5,115**	**162,293**
Additions	-	77	10,753	9	10,840
Disposal	-	-	-	(7)	(7)
Exchange differences	(88)	(1,640)	(118)	(56)	(1,902)
At March 31, 2019	**7,961**	**147,567**	**10,635**	**5,061**	**171,223**
Accumulated depreciation:					
At December 31, 2018	**-**	**15,093**	**-**	**606**	**15,699**
Depreciation	-	(1,893)	148	62	2,103
Disposals	-	-	-	(7)	(7)
Exchange differences	-	(187)	(2)	(6)	(194)
At March 31, 2019	**-**	**16,799**	**146**	**656**	**17,601**
Net book value:					
At December 31, 2018	8,049	134,036	-	4,509	146,594
At March 31, 2019	**7,961**	**130,768**	**10,488**	**4,405**	**153,622**

During the three months ended March 31, 2019, the Group recognised right-of-use assets of $10.7 million in accordance with IFRS 16, associated with the long-term land lease contracts of its operational subsidiaries in Japan. Note 2c.

13. INTANGIBLE ASSETS

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At December 31, 2018	**7,061**	**10,056**	**17,117**
Additions	-	1,657	1,657
Exchange differences	(78)	(146)	(224)
At March 31, 2019	**6,983**	**11,567**	**18,550**
Accumulated amortization:			
At December 31, 2018	**2,255**	**1,544**	**3,799**
Amortization	160	-	160
Exchange differences	(27)	4	(23)
At March 31, 2019	**2,388**	**1,548**	**3,936**
Net book value:			
At December 31, 2018	4,806	8,512	13,318
At March 31, 2019	**4,595**	**10,019**	**14,614**

During the first quarter of 2019, general and administrative expenses of $1.7 million (2018: $0.4 million) representing internally-generated costs of $0.4 million (2018: $0.3 million) and third-party costs of $1.3 million (2018: $0.1 million) were capitalized during the period within intangible assets as they directly related to the Group's development activities in Japan.

Expressed in US$'000 unless otherwise stated

14. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents (including restricted cash) are held in banks in Canada, Luxembourg, Switzerland, United States 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 due to short maturities.

	March 31 2019	December 31 2018
Unrestricted cash at parent level	6,946	9,328
Restricted cash at project level	16,285	15,399
Total	**23,231**	**24,727**

Restricted cash relates to cash and cash equivalents held at the project level that are restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions.

15. SHARE CAPITAL

The Company has authorized capital consisting of an unlimited number of common shares, of which: 334,094,324 are issued and outstanding at March 31, 2019 (December 31, 2018: 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 of the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors. No dividends were declared during the three months ended March 31, 2019 and 2018.

16. SHARE-BASED PAYMENTS

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. RSUs have a contractual term of approximately four years and have time-based and performance-based vesting conditions that are market and non-market based. During the three months ended March 31, 2019, the Group recognized share-based payment expenses of $24,000 thousand (2018 expenses: $0.2 million) related to its RSUs scheme. Note 7

Changes in the Company's outstanding RSUs are as follows:

	Number of RSUs
At December 31, 2018	15,491,706
Exercised	(241,706)
Forfeited	(2,000,000)
At March 31, 2019	**13,250,000**

The Company recognizes an expense within general and administrative expenses when RSUS are granted to employees, consultants, directors and officers using the grant date share fair value for RSUs with service and non-market performance conditions. For RSUs with market-based performance conditions, share-based compensation is calculated using an adjusted grant date share fair value calculated with a valuation model that incorporates all the variables included in the market vesting conditions.

Expressed in US$'000 unless otherwise stated

17. BORROWINGS

	Corporate bond	Project loans	Total
At December 31, 2018	**38,142**	**138,465**	**176,607**
Accrued interest	705	474	1,179
Amortization of transaction costs	69	38	107
Exchange differences	(1,061)	(1,542)	(2,603)
At March 31, 2019	**37,855**	**137,435**	**175,290**
- Current portion	797	10,089	10,886
- Non-current portion	**37,058**	**127,346**	**164,404**

At March 31, 2019 and December 31,2018, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	1,532	1,452
- Non-current portion	9,705	8,706
Total derivative financial liabilities	**11,237**	**10,158**

Interest rate swap contracts

The Group enters 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 is 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.

At March 31, 2019, and December 31, 2018, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in to finance income/costs.

19. 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, under ordinary control, 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 (2018: 24.3%).

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.

(a) RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2019, and 2018, the Group entered into the following transactions with related parties:

	Three months ended	
	Q1-19	Q1-18
General and administrative expenses:		
Lundin Petroleum AB	7	7
Lundin SA	30	30
Finance costs:		
Lundin family:		
- Interest expense	63	10
- Transaction costs	6	1
Total transactions with related parties	**106**	**48**

Amounts outstanding to related parties at March 31, 2019 and December 31, 2018 are as follows:

	March 31 2019	December 31 2018
Current liabilities:		
Lundin family share in corporate bond	70	9
Total current financial liabilities	70	9
Non-current financial liabilities:		
Lundin family share in corporate bond	3,310	3,303
Total non-current liabilities	**3,310**	**3,303**
Total transactions with related parties	**3,380**	**3,312**

There were no amounts outstanding from related parties at March 31, 2019 and December 31, 2018.

Expressed in US$'000 unless otherwise stated

20. FINANCIAL ASSETS AND LIABILITIES

	March 31, 2019			December 31, 2018		
	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						
Trade and other receivables	2,451	-	**2,451**	1,544	-	**1,544**
Cash and cash equivalents	23,231	-	**23,231**	24,727	-	**24,727**
Total financial assets	**25,682**	**-**	**25,682**	**26,271**	**-**	**26,271**

	March 31, 2019			December 31, 2018		
	Financial and other liabilities at amortized cost	Derivatives used for hedging	Total	Financial and other liabilities at amortized cost	Derivatives used for hedging	Total
Financial liabilities						
Non-current						
Borrowings	164,404	-	**164,404**	166,760	-	**166,760**
Derivative financial instruments	-	9,705	**9,705**	-	8,706	**8,706**
Total non-current	**164,404**	**9,705**	**174,109**	**165,760**	**8,706**	**175,466**
Current						
Trade and other payables	110	-	**110**	449	-	449
Borrowings	10,886	-	**10,886**	9,847	-	**9,847**
Derivative financial instruments	-	1,532	**1,532**	-	1,452	**1,452**
Total current	**10,996**	**1,532**	**15,528**	**10,296**	**1,452**	**11,748**
Total financial liabilities	**175,400**	**11,237**	**189,637**	**176,056**	**10,158**	**187,214**

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