

## PRESS RELEASE

### Etrion Releases First Quarter 2021 Results

May 7, 2021, Geneva, Switzerland – Etrion Corporation (“Etrion” or the “Company”, and, together with its subsidiaries, the “Group”) (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, 2021.

#### Q1-21 HIGHLIGHTS

##### Corporate

- On March 31, 2021, subsidiaries of the Company signed the first formal agreements to sell their interests in the Company’s 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito operating solar energy projects to a Japanese consortium for an aggregate net purchase price of approximately JPY 8.252 billion (or US\$74.9 million). The Company is currently negotiating the sale of the Company’s fourth operating project, Misawa, which is currently undergoing repairs from winter storms to a fourth purchaser associated with the same consortium. The Company expects to close the sale of these projects before the end of June 2021.
- On April 9, 2021, the Company announced the signature of agreements to sell the Group’s interests in the 45 MW Niigata solar project under construction for an aggregate net purchase price of approximately JPY 6.3 billion (approximately US\$57.7 million), subject to certain adjustments at closing. The Company expects to close the sale of this project before the end of June 2021.
- An annual and special meeting of shareholders of the Company to consider the sale of the Group’s Japanese projects, among other things, has been scheduled for May 27, 2021. The notice of meeting and Management Information Circular for such meeting has been posted on SEDAR and mailed or made available to shareholders.

##### Financial highlights from Continuing Operations

- During Q1-21, the Group’s corporate segment generated negative earnings before interest, taxes, depreciation and amortization (“EBITDA”) of US\$1.8 million and a net loss of US\$2.5 million, compared to a negative EBITDA of US\$1.7 million and a net loss of US\$2.1 million, respectively, in the same period in 2020. Net results were affected in 2021 by expenses associated with the sale process of the Japanese assets and lower capitalized development costs.
- Etrion closed Q1-21 with an unrestricted cash balance of US\$4.9 million held at the corporate level and a negative working capital of US\$1.6 million, after excluding the Japanese assets-held-for sale.

##### Operational highlights from Discontinued Operations

- Etrion produced 11.2 Gigawatt-hours (“GWh”) of electricity from the Company’s 57-megawatt (“MW”) portfolio comprising 11 solar power plant sites in Japan, a 10.4% decrease in production compared with the same period in 2020, due to heavy snowfalls causing significant damage to the Misawa solar park and adverse weather conditions which impacted the overall performance of the solar plants.
- Construction of the 45 MW Niigata solar project in central Japan is approximately 78% complete with estimated connection to the electricity grid in the fourth quarter of 2021. Project is on schedule and on budget.
- During January and February 2021, the Misawa solar park suffered from heavy snowfalls resulting in damage to the solar modules on sites three and four. The production of electricity was partially interrupted, and the total damage is currently under assessment. The solar project company has property and business interruption insurance policies. The project company will be assessing the insurance claim with the insurer after confirming the level of damage and

agreeing the business interruption claim with the insurer. The Company expects to have the parks fully restored by June of this year.

- As of today, the Company has not been adversely affected by COVID-19. The Company has implemented very rigorous guidelines to ensure the wellbeing of its employees while at the same time maintaining minimal business disruptions.

### Financial highlights from Discontinued Operations

- Etrion's consolidated revenues from the Japanese discontinued operation of US\$3.9 million, were 8.2% lower relative to the same period in 2020.
- Etrion's solar segment EBITDA from the Japanese discontinued operation of US\$2.8 million, was 12.4% lower relative to the same period in 2020.
- Revenue and EBITDA decreased due to heavy snowfalls causing significant damage to the Misawa solar park and adverse weather conditions which impacted the overall performance of the solar plants. Nevertheless, the Group's Japanese segment generated a net income of \$0.9 million, in comparison with a net loss of \$0.4 million for the same period in 2020 mainly as an effect of IFRS 5 application since the depreciation of the assets held for sale (solar plants) ceased from September 30, 2020, the date of the new classification.

### Management Comments

Marco A. Northland, the Company's Chief Executive Officer, commented, "I am pleased with the progress we have made on the negotiations to sell the Japanese assets. While these are very complex transactions, I am confident we will achieve the closing of these transactions before the end of June 2021".

### FINANCIAL SUMMARY

US\$ thousands (unless otherwise stated)	Three months ended	
	Q1-21	Q1-20
<b>Electricity production (MWh)<sup>1</sup></b>	<b>11,168</b>	<b>12,463</b>
<b>Financial performance from discontinued operations</b>		
Revenue	3,944	4,296
EBITDA	2,761	3,153
Net income (loss)	923	(439)
<b>Financial performance from continuing operations</b>		
EBITDA	(1,782)	(1,676)
Net loss	(2,453)	(2,139)
<b>Financial position</b>		
	<b>March 31 2021</b>	<b>December 31 2020</b>
Unrestricted cash at parent level	4,865	8,956
Restricted cash at parent level	-	37,008
Working capital	(1,641)	822
Assets-held-for sale, net	20,754	20,610

### 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 and owns the 45 MW Niigata project under construction, all in Japan. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX

<sup>1</sup> MWh = Megawatt-hour

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](http://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 7, 2021.*

**Non-IFRS Measures:**

*This press release includes non-IFRS measures not defined under IFRS, specifically earnings before interest, taxes, depreciation and amortization (“EBITDA”). 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). Refer to Etrion’s MD&A for the three months ended March 31, 2021, for a reconciliation of EBITDA 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 proposed sale of its Japanese solar assets, the construction and operation of the Niigata project and the restoration of the Misawa solar project) 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 complete the sale of the Japanese assets and the timing of such sale or, if such sale does not proceed, 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 complete the sale of the Japanese assets or the completion of such sales may take longer than anticipated, the restoration of the Misawa project may take longer than anticipated, the Company’s solar projects may not produce electricity or generate revenues and earnings at the levels expected, 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, uncertainties with respect to the potential impact of the current COVID-19 pandemic on the Company’s operations 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, 2020 and the risk factors set out in the Management Information Circular for the annual and special general meeting of the shareholders of the Company to be held on May 27, 2021, both of which have been filed on SEDAR and is available under the Company’s profile at [www.sedar.com](http://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.*





# etrion

Management's Discussion and Analysis  
Three Months Ended March 31, 2021



At a Glance

# Etrion Corporation

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

Active in Japan since 2012, we have built a best in class family of solar assets together with a strong local team and have secured invaluable partnerships with developers, general contractors, and local lenders.

The revenue streams from our operating solar assets in Japan are secured by long-term fixed price Power Purchase Agreements with Japanese power utilities.

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the potential sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. In March and April 2021, subsidiaries of Etrion signed various formal agreements to sell most of the solar portfolio to two different Japanese consortiums. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent and securing all necessary shareholder and regulatory approvals.

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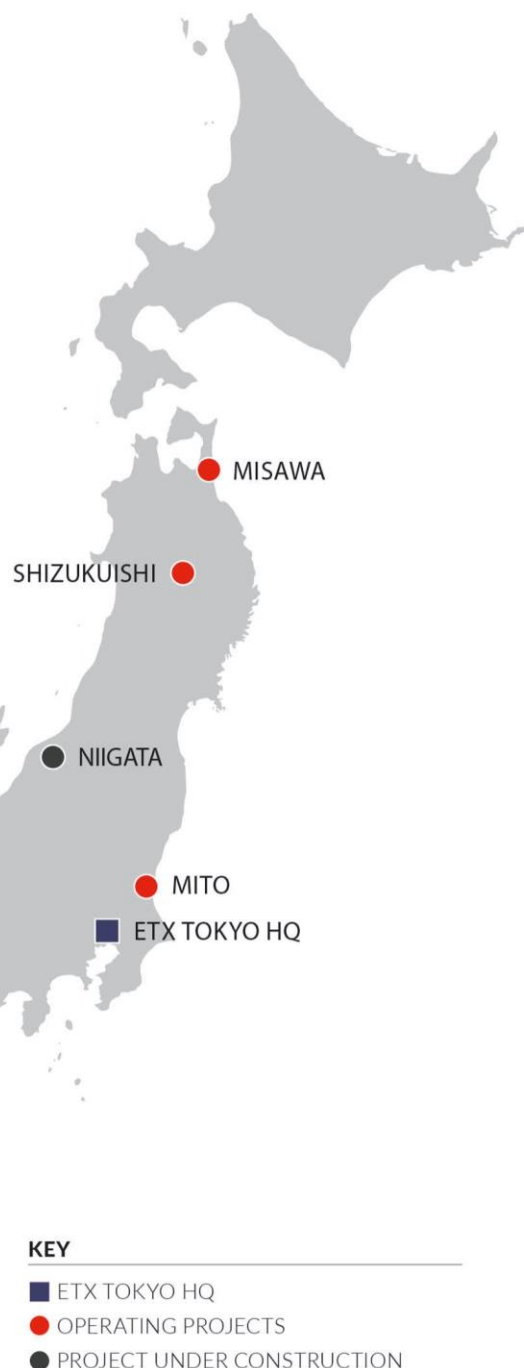
Solar plants

61m

Kilowatt-hours produced  
for Japan in 2020



For more information about our Company,  
take a look on our website at: [www.etrion.com](http://www.etrion.com)



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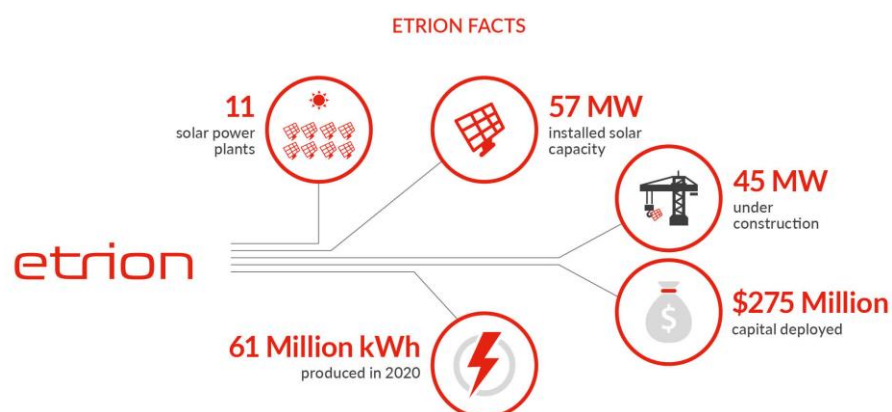
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## Management's discussion and analysis

### Management's discussion and analysis

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and a description of current and future business opportunities. This MD&A, prepared as of May 6, 2021, should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2021. Financial information is reported in both United States dollars (" \$" or "USD") and in Euros ("€") because the Company's previously outstanding corporate bonds were denominated in the latter currency. In addition, certain material financial information has also been reported in Japanese yen ("¥") because the Company 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, 2021	129.92	110.74	1.17
Closing rate at March 31, 2020	119.23	108.42	1.09
Three months average rate 2021	127.19	106.35	1.21
Three months average rate 2020	120.13	108.9	1.10

### 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 measure for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 18). 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 29.

# FIRST QUARTER 2021 HIGHLIGHTS

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## First quarter 2021 highlights

### Operational highlights

- Etrion produced 11.2 million kilowatt-hours ("kWh") of electricity from the Company's 57-megawatt ("MW") portfolio comprising 11 solar power plant sites in Japan.
- Construction of the 45 MW Niigata project in central Japan is approximately 78% complete with estimated connection to the electricity grid in the fourth quarter of 2021.
- On March 31, 2021, subsidiaries of the Company signed the first formal agreements to sell their interests in the Company's 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito operating solar energy projects to a Japanese consortium ("Consortium"), for an aggregate net purchase price of approximately JPY 8.252 billion (or \$74.9 million). The Company is currently negotiating the sale of the Company's fourth operating project, Misawa, which is currently undergoing repairs from winter storms to the same Consortium that is acquiring the other three operating assets.
- On April 9, 2021, the Company announced the signature of agreements to sell the Group's interests in the 45 MW Niigata solar project under construction to a consortium led by Renewable Japan Co. Ltd for an aggregate net purchase price of approximately JPY 6.3 billion (approximately \$57.7 million), subject to certain adjustments at closing. Completion of the sale of the Japanese assets will be subject to meeting certain condition precedents and securing all necessary shareholder and regulatory approvals. The Company's management has concluded that, since September 30, 2020, the Japanese solar assets and the entire Solar Segment have met the definition of assets held-for-sale and discontinued operations as per IFRS 5. [Note 5](#)
- As of the date of this report, the Company has not been adversely affected by COVID-19. The Company has implemented very rigorous guidelines to ensure the wellbeing of its employees while at the same time maintaining minimal business disruptions.

### Financial highlights

- Consolidated revenues of \$3.9 million were 8.2% lower relative to Q1-20.
- Solar segment EBITDA of \$2.8 million was 12.4% lower relative to Q1-20.
- On January 4, 2021, Etrion received a €4.0 million (approximately \$4.7 million) loan facility from the Lundin family in order to finance the payment of the corporate bond. The loan bears a 3% interest rate and is repayable on December 21, 2021.
- Repayment of corporate bonds: On January 7, 2021, Etrion redeemed the €40 million (approximately \$49.0 million) principal amount of outstanding corporate bonds, in full and at a redemption price of 100.725% of the face value plus accrued and unpaid interest.
- Etrion closed the first quarter of 2021 with an unrestricted cash balance of \$4.9 million held at corporate level and negative working capital of \$1.6 million.
- In connection with the proposed sale of the Group's solar assets, the Company announced that following the closing of the transactions the Company plans to make an initial distribution to shareholders of approximately CAD\$0.41 per share and that subject to the possibility of the Board of Directors identifying other potential business opportunities, the Company expects to wind up its activities and proceed with the dissolution of the Company within approximately 24 months after closing.

## First quarter 2021 highlights

Continued

USD thousands (unless otherwise stated)	Three months ended	
	Q1-21	Q1-20
<b>Electricity production (MWh)<sup>1</sup></b>	<b>11,168</b>	<b>12,463</b>
<b>Financial results from discontinued operations</b>		
Revenues	3,944	4,296
EBITDA	2,761	3,153
Net income (loss)	923	(439)
<b>Financial results from continuing operations</b>		
EBITDA	(1,782)	(1,676)
Adjusted EBITDA <sup>2</sup>	(1,649)	(1,293)
Net loss	(2,453)	(2,139)
	<b>March 31 2021</b>	<b>December 31 2020</b>
<b>Balance sheet</b>		
Total assets	324,197	381,625
Unrestricted cash at parent level	4,865	8,956
Restricted cash at parent level	-	37,008
Working capital	(1,635)	822
Consolidated net debt on a cash basis	-	(4,532)
Corporate net debt	-	(4,532)
Assets-held-for sale, net	20,754	20,610

<sup>1</sup>MWh = Megawatt-hour

<sup>2</sup>Refers to adjusted EBITDA as reconciled on page 18

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## 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 and 45 MW of solar projects under construction, all in Japan. The Company has 11 operational projects (consolidated into four Special Purpose Companies ("SPCs")). All operational projects benefit from revenues generated from 20-year feed-in-tariff ("FIT") Power Purchase Agreements ("PPAs") that are fixed price contracts with local utilities for all the electricity generated.

The Company's common shares are listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm Exchange in Sweden. Etrion is based in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 17 employees.

### Business process – solar energy



PPA = power purchase agreement

SPV = special purpose vehicle (operational subsidiary)

EPC = engineering, procurement and construction

FIT = feed-in-tariff

## Business review

Continued

### Operations review Three months ended March 31

	Japan	
USD thousands (unless otherwise stated)	Q1-21	Q1-20
<b>Operational data</b>		
Electricity production (MWh)	11,168	12,463
<b>Operational performance</b>		
<b>Electricity revenue</b>		
Feed-in-tariff <sup>(1)</sup>	3,944	4,296
<b>Total revenues</b>	<b>3,944</b>	<b>4,296</b>
<b>EBITDA <sup>(2)</sup></b>	<b>2,761</b>	<b>3,153</b>
<b>EBITDA margin (%)</b>	<b>70%</b>	<b>73%</b>
<b>Net loss</b>	<b>923</b>	<b>(439)</b>

1. FIT scheme under PPA with utilities.

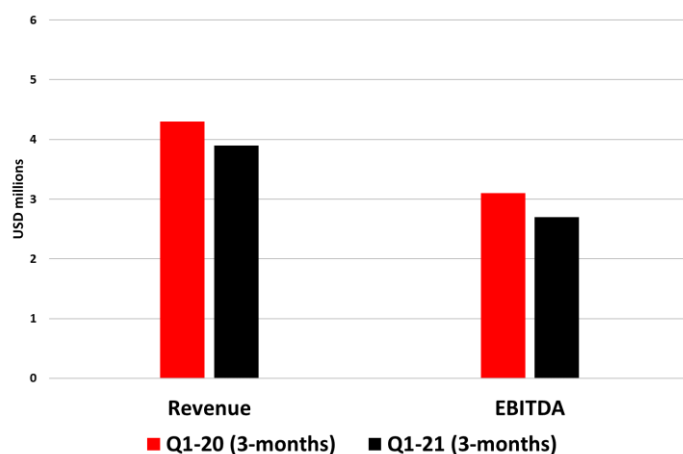
2. Refers to segment EBITDA as reconciled in the segment information section on page 17.

#### Operating performance in Japan (3 months)

During Q1-21, the Group produced 10.4% less electricity in Japan than in the same period in 2020. Total production was severely affected due to historically high snowfall conditions experienced in Japan. In addition, two of the four solar sites (sites 3 & 4) from Misawa were taken out of service because they were partially damaged due to these snowfall conditions. The company plans to process its business interruption insurance to recover a portion of the revenues lost during this period.

The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues come from the FIT system, whereby, through 20-year PPA contracts with three Japanese public utilities, for each kWh of electricity produced a premium fixed price is received from Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc. ("HOKURIKU") or Tohoku Electric Power Co., Inc. ("TOHOKU"), depending on the location of the solar project. During Q1-21, 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.

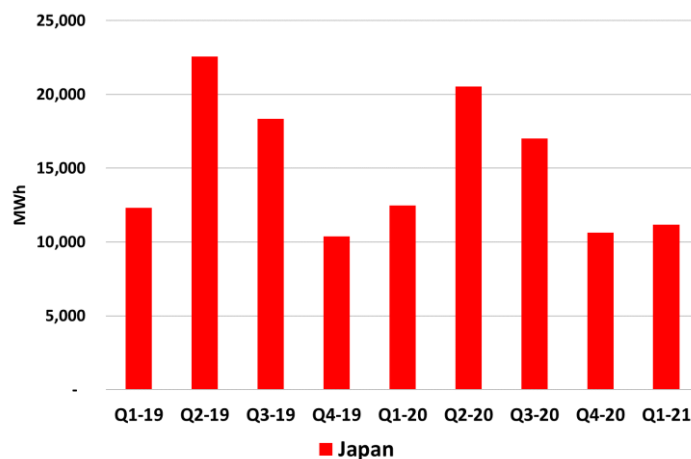
During Q1-21, the Group's revenue and project-level EBITDA decreased by approximately 8.2% and 12.4%, respectively, compared with the same period in 2020, primarily due to heavy snowfalls resulting in lower performance of the solar plants.



Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency \$ using the Q1-21 average rates. Accordingly, changes in the ¥/\$ exchange rate have an impact on the accounting conversion process of the income statement from ¥ to the Group's reported figures in \$.

#### Historical production

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



## Business review

Continued

### 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 14 years. Details of the Group's 100%-owned operating solar power project in Japan are shown below:

Project	Region	Sites	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
<b>Total</b>		<b>5</b>	<b>9.3</b>		

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 15 years. Details of the Group's 100%-owned operating solar power project in Japan are shown below:

Project	Region	Sites	MW	Technology	Connection date
Shizukuishi	Iwate	1	24.7	Fixed-tilt	Oct-2016
<b>Total</b>		<b>1</b>	<b>24.7</b>		

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 16 years. Details of the Group's 100%-owned operating solar power project are shown below:

Project	Region	Sites	MW	Technology	Connection date
Misawa	Tohoku	3-4	5.3	Fixed-tilt	Feb-2017
Misawa	Tohoku	1-2	4.2	Fixed-tilt	Jul-2017
<b>Total</b>		<b>4</b>	<b>9.5</b>		

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

During January and February 2021, the Misawa solar park suffered from heavy snowfalls resulting in damage to the solar modules on sites three and four. The production of electricity was partially interrupted, and the total damage is currently under assessment. The solar project company has property and business interruption insurance policies. The project company will be assessing the insurance claim with the insurer after confirming the level of damage and agreeing the business interruption claim with the insurer. The Company expects to have the parks fully restored by June of this year.



## Business review

Continued

### Komatsu

As of the date of this MD&A, the remaining PPA contract life of Komatsu is approximately 17 years. Details of the Group's 100%-owned operating solar power project are shown below:

Project	Region	Sites	MW	Technology	Connection date
Komatsu	Honsu	1	13.2	Fixed-tilt	May-2018
<b>Total</b>		<b>1</b>	<b>13.2</b>		

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

### Development activities

#### Projects under construction

#### Niigata 45MW



Project	Region	Sites	Gross MW	Technology	Expected connection date
Niigata	Niigata	1	45.0	Fixed-tilt	Oct-2021
<b>Total</b>		<b>1</b>	<b>45.0</b>		

Niigata is a 45 MW ground-mounted fixed-tilt solar photovoltaic power project to be built on one site in the Niigata prefecture of Japan. Construction-related work started in the summer of 2019, and the solar project is expected to be fully operational by the fourth quarter of 2021. The solar power plant is being built on 75.7 hectares of land owned by Etrion and will connect to the TOHOKU utility. The project company entered into an effective

20-year PPA with TOHOKU and will receive ¥36 per kWh of electricity produced (approximately US\$0.33 per kWh). Once operational, Niigata is expected to produce approximately 47 gigawatt-hours ("GWh") of solar electricity per year, enough to supply more than 13,000 Japanese households. Etrion owns 100% of the Niigata project. The total project cost is expected to be approximately ¥16.7 billion (US\$ 154.2 million) including VAT and has been financed 95% through a non-recourse loan.

The remaining 5% of total project cost has been fully funded by Etrion during the development period. On July 1, 2019, Etrion charged the Niigata project with a net development fee of approximately ¥600 million (\$5.6 million) and anticipated land lease of ¥459 million (\$4.2 million).

## Business review

Continued

### Discontinued operations

As stated above, in 2020 Etrion engaged MUMSS as financial advisor to assist with the potential sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. In March and April 2021, the Group signed various formal agreements to sell most of the solar portfolio to two different Japanese consortiums. Completion of the sale of the Japanese assets will be subject to meeting certain condition precedents, and securing all necessary shareholder and regulatory approvals.

The Company is currently negotiating the sale of the Company's fourth operating project, Misawa, which is currently undergoing repairs from winter storms, to the same Consortium that is acquiring the other three operating assets. The Solar Japan segment has been classified as a disposal group held for sale and as discontinued operations since September 30, 2020.

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

USD thousands	Three months ended	
	Q1-21	Q1-20
Revenue	3,944	4,296
Operating expenses	(1,135)	(1,055)
General and administrative expenses	(46)	(96)
Other (expense) income	(2)	8
<b>EBITDA</b>	<b>2,761</b>	<b>3,153</b>
Depreciation and amortization	-	(2,290)
Finance costs	(1,084)	(1,094)
<b>Income (loss) before income tax</b>	<b>1,677</b>	<b>(231)</b>
Income tax expense	(754)	(208)
<b>Net income (loss) discontinued operations</b>	<b>923</b>	<b>(439)</b>

The major classes of assets and liabilities of the Solar Japan disposal group classified as held for sale as at March 31, 2021, are as follows:

USD thousands	March 31 2021	December 31 2020
<b>Assets</b>		
Property, plant & equipment	231,084	242,800
Intangible assets	11,420	12,306
Other assets	13,305	13,646
Cash and cash equivalents	59,999	63,175
<b>Assets classified as held for sale</b>	<b>315,808</b>	<b>332,467</b>
<b>Liabilities</b>		
Borrowings	260,745	279,953
Derivative financial instruments	9,579	11,140
Lease liabilities	9,188	10,199
Provisions	5,066	5,456
Other liabilities	10,474	5,104
Tax liabilities	2	5
<b>Liabilities directly associated with assets held for sale</b>	<b>295,054</b>	<b>311,857</b>
<b>Net assets held for sale</b>	<b>20,754</b>	<b>20,610</b>
<b>Amounts included in other reserves</b>		
Loss on cash flow hedges	(16,450)	(17,575)
Deferred tax on cash flow hedges	4,475	4,782
<b>Assets classified as held for sale</b>	<b>(11,975)</b>	<b>(12,793)</b>

### Sale of Japanese assets

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

On March 31, 2021, subsidiaries of the Company signed the first formal agreements to sell their interests in the Company's 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito operating solar energy projects to a Japanese Consortium for an aggregate net purchase price of approximately JPY 8.252 billion (or \$74.9 million). The Company is currently negotiating the sale of the Company's fourth operating project, Misawa, which is currently undergoing repairs from winter storms to the same Consortium that is acquiring the other three operating assets.

On April 9, 2021, the Company announced the signature of agreements to sell the Group's interests in the 45 MW Niigata solar project under construction to a consortium led by Renewable Japan Co. Ltd for an aggregate net purchase price of approximately JPY 6.3 billion (approximately \$57.7 million), subject to certain adjustments at closing. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent, and securing all necessary shareholder and regulatory approvals.

On April 16, 2021, the Company announced the mailing of the Management Information Circular (the "Circular") and related meeting materials for an annual and special meeting of shareholders to be held on May 27, 2021. The shareholders meeting is being called to request approval of, in addition to usual annual meeting matters, the sale of Etrion's Japanese solar projects that would represent a sale of all or substantially all the Company's assets. Shareholders will also be asked to approve a reduction of capital to facilitate a distribution of proceeds from the sale of the Japanese assets and the voluntary dissolution of the Company, as the Company will not have any significant assets or active business operations following completion of the sale transaction.

As set out in the Circular, the current plan of the board of directors of the Company following completion of the sale transaction is as follows:

- Upon closing of the sale transaction, the Company will cause its subsidiaries to distribute the proceeds thereof, net of applicable expenses, liabilities and taxes, to the Company.
- Within approximately 60 days after closing, the Company plans to make an initial distribution to shareholders of approximately CAD\$0.41 (approximately US\$0.32) per share, provided that the actual amount of the distribution will be determined by the Board based on its assessment of the financial position of the Company and its future cash needs. Assuming that shareholders approve a reduction of capital at the meeting, such distribution will be made by way of return of capital, which in the circumstances should generally not be taxed as a dividend for Canadian income tax purposes.
- The Company plans to reserve approximately CAD\$20 million to cover for any liabilities that may result from potential warranty claims under the different agreements contemplated as part of the sale transaction, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs.
- After closing, the Company will be required to provide certain transition services to the purchasers of its projects for a period of 90 days. The Company plans to maintain the minimum resources required to effectively provide such transition services, continue to prosecute the pursuit of its claim for Italian tax credits and complete the windup of its subsidiaries, except as may be required to pursue such credits.
- Subject to the possibility of the board of directors of identifying other potential business opportunities, the Company expects to complete its windup activities and proceed with the dissolution within approximately 24 months after closing, although it is possible that the dissolution may be extended beyond that time. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders. The Company currently expects the final distribution to be between CAD\$0.04 (approximately US\$0.03) per share and CAD\$0.08 (approximately US\$0.06) per share.



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## Financial review

### Financial results

#### Selected financial information

During the three months ended March 31, 2021, the Group's performance and results were negatively impacted by the adverse weather conditions compared with the same period in 2020 in Japan. Revenue, gross profit and EBITDA on a consolidated basis decreased in comparison with the same period in 2020, due to the lower performance of the existing solar parks. Selected IFRS consolidated financial information, is as follows:

USD thousands (except per share data)	Three months ended	
	Q1-21	Q1-20
Revenue	-	-
Gross profit	-	-
Net loss for the period from continuing operations	(2,453)	(2,139)
Net income (loss) from discontinued operations	923	(439)
<b>Net loss for the period</b>	<b>(1,530)</b>	<b>(2,578)</b>
Net loss attributable to owners of Etrion	(1,530)	(2,578)
<b>Basic and diluted loss per share from continuing operations</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>
<b>Basic and diluted loss per share for the period:</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>
<b>Net loss for the period from continuing operations</b>	<b>(2,453)</b>	<b>(2,139)</b>
<b>Adjustments to net loss for:</b>		
Net income tax expense (recovery)	83	(92)
Depreciation and amortization	33	34
Share-based payment expense	132	48
Net finance costs	585	733
Other expense	131	450
Income tax paid	(83)	(1,594)
Changes in working capital	(1,795)	2,131
<b>Operating cash outflow from continuing operations</b>	<b>(3,367)</b>	<b>(429)</b>

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

USD thousands	March 31 2021	December 31 2020
Non-current assets	1,239	1,301
Current assets	322,958	380,324
<b>Total assets</b>	<b>324,197</b>	<b>381,625</b>
Non-current liabilities	1,143	1,221
Current liabilities	303,845	358,892
<b>Total liabilities</b>	<b>304,987</b>	<b>360,113</b>
<b>Net assets</b>	<b>19,210</b>	<b>21,512</b>

## Financial review

Continued

### Segment information

As stated above, while the Company's only segment (Solar Japan) is now classified as discontinued operations, management continues to disclose the segment information together with the corporate activities as it believes that this information is useful for readers of the consolidated financial statements and will also be relevant if the proposed sale of the Company's solar assets is not completed.

### 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	Three months ended					
	Q1-21			Q1-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
<b>Revenue</b>	<b>3,944</b>	<b>-</b>	<b>3,944</b>	<b>4,296</b>	<b>-</b>	<b>4,296</b>
Operating expenses	(1,135)	-	(1,135)	(1,055)	-	(1,055)
General and administrative expenses	(46)	(1,649)	(1,695)	(96)	(1,218)	(1,314)
Other (expense) income	(2)	(133)	(135)	8	(458)	(450)
<b>EBITDA</b>	<b>2,761</b>	<b>(1,782)</b>	<b>979</b>	<b>3,153</b>	<b>(1,676)</b>	<b>1,477</b>
Depreciation and amortization	-	(33)	(33)	(2,290)	(34)	(2,324)
Finance income	-	101	101	-	247	247
Finance costs	(1,084)	(657)	(1,741)	(1,094)	(768)	(1,862)
<b>Income (loss) before income tax</b>	<b>1,677</b>	<b>(2,370)</b>	<b>(694)</b>	<b>(231)</b>	<b>(2,231)</b>	<b>(2,462)</b>
Income tax (expense) recovery	(754)	(83)	(837)	(208)	92	(116)
<b>Net income (loss) for the period</b>	<b>923</b>	<b>(2,453)</b>	<b>(1,530)</b>	<b>(439)</b>	<b>(2,139)</b>	<b>(2,578)</b>

**Solar Japan:** During Q1-21, the Group's Japanese solar segment generated revenues of \$3.9 million and EBITDA of \$2.8 million, representing decreases of 8.2% and 12.4 %, respectively, in comparison with the same period in 2020. Revenue and EBITDA decreased due to heavy snowfalls causing significant damage to the Misawa solar park and adverse weather conditions which impacted the overall performance of the solar plants. Nevertheless, the Group's Japanese segment generated a net income of \$0.9 million, in comparison with a net loss of \$0.4 million for the same period in 2020 mainly as an effect of IFRS 5 application since the depreciation of the assets held for sale (solar plants) ceased from September 30, 2020, the date of the new classification.

**Corporate:** During Q1-21, the Group's corporate segment generated negative EBITDA of \$1.8 million and a net loss of \$2.5 million, compared to a negative EBITDA of \$1.7 million and a net loss of \$2.1 million, respectively, in the same period in 2020. Net results were affected in 2021 by the expenses associated with the sale process of the Japanese assets and lower capitalization of development costs.



## Financial review

Continued

### Non-GAAP performance measures

Reconciliation of adjusted net loss to net loss USD thousands	Three months ended	
	Q1-21	Q1-20
<b>Net loss from continuing operations</b>	<b>(2,453)</b>	<b>(2,139)</b>
<b>Adjustments for non-recurring and non-cash items:</b>		
Tax reassessment from Italian municipalities	-	383
VAT write-off	133	-
Depreciation and amortization	33	34
Share-based payment expense	132	48
<b>Adjusted net loss</b>	<b>(2,155)</b>	<b>(1,674)</b>

Reconciliation of adjusted operating cash flows to operating cash flows USD thousands	Three months ended	
	Q1-21	Q1-20
<b>Operating cash outflow from continuing operations</b>	<b>(3,367)</b>	<b>(429)</b>
- Changes in working capital	1,795	(2,131)
- Income tax paid	83	1,594
<b>Adjusted operating cash outflow from continuing operations</b>	<b>(1,489)</b>	<b>(966)</b>

Reconciliation of continuing operations Adjusted EBITDA to EBITDA USD thousands	Three months ended	
	Q1-21	Q1-20
<b>Net loss from continuing operations</b>	<b>(2,453)</b>	<b>(2,139)</b>
<b>Adjustments for:</b>		
Net income tax expense	83	92
Net finance costs	556	521
Depreciation and amortization	33	34
<b>EBITDA</b>	<b>(1,782)</b>	<b>(1,676)</b>
<b>Adjustment for non-recurring items:</b>		
Tax reassessment from Italian municipalities	-	383
VAT write-off	133	-
<b>Adjusted EBITDA from continuing operations</b>	<b>(1,649)</b>	<b>(1,293)</b>

## Financial review

Continued

### Quarterly selected financial information

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

USD thousands (except per share data)	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19
<b>Revenue</b>	<b>3,944</b>	<b>3,932</b>	<b>6,011</b>	<b>7,130</b>	<b>4,296</b>	<b>3,599</b>	<b>6,356</b>	<b>7,705</b>
Japan	3,944	3,932	6,011	7,130	4,296	3,599	6,356	7,705
<b>Net (loss) income</b>	<b>(1,530)</b>	<b>(4,477)</b>	<b>28,030</b>	<b>1,611</b>	<b>(2,578)</b>	<b>(6,249)</b>	<b>3,242</b>	<b>547</b>
Net (loss) income from continuing operations attributable to owners of Etrion	(2,453)	(4,263)	26,818	1,611	(2,578)	(6,110)	2,973	164
Net (loss) income attributable to owners of Etrion	(1,530)	(4,477)	28,030	1,611	(2,578)	(6,110)	2,973	164
<b>Basic and diluted (loss) earnings per share:</b>								
From continuing operations attributable to owners of Etrion	\$ (0.00)	\$ (0.01)	\$ 0.08	\$ 0.00	\$ (0.00)	\$ (0.02)	\$ 0.01	\$ 0.00

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

## Financial review

Continued

### General and administrative expenses

USD thousands	Three months ended	
	Q1-21	Q1-20
Salaries and benefits	509	583
Board of Directors' fees	29	68
Share-based payments	132	48
Professional fees	534	368
Disposal expenses assets-held for sale	278	-
Listing and marketing	48	45
Depreciation and amortization	33	34
Office lease	56	74
Office, travel and other	63	128
<b>Total G&amp;A</b>	<b>1,682</b>	<b>1,348</b>

During the three months ended March 31, 2021, general and administrative expenses increased by \$0.3 million (24.8%), compared with the same period in 2020 due to the expenses associated with the sale process of the Japanese assets and lower capitalization of development costs. Following the presentation of continuing / discontinued operations, the above table represents the continuing operations with restated comparatives as per IFRS 5 requirements.

### Other expense

USD thousands	Three months ended	
	Q1-21	Q1-20
Municipality tax reassessment from disposed assets	-	383
Other	133	67
<b>Income tax expense</b>	<b>133</b>	<b>450</b>

During the three months ended March 31, 2021, the Company recognized a \$0.1 million write-off of unrecoverable VAT from one of its Japanese subsidiaries. During the three months ended March 31, 2020, the Company recognized \$0.4 million of tax expense relating to tax reassessments received from the Italian municipalities where two of its previously owned solar parks operated. Under the terms of the original sale and purchase agreement, the seller was responsible for certain specific potential claims not confirmed at the date of sale in December 2016.

### Net finance costs

USD thousands	Three months ended	
	Q1-21	Q1-20
Interest expense on corporate bond	64	743
Loss on call option	117	-
Loss on debt extinguishment	435	-
Foreign exchange (gain)	(102)	(245)
Other finance costs, net	41	25
<b>Net finance cost</b>	<b>555</b>	<b>521</b>

During the three months ended March 31, 2021, net finance costs increased by \$34 thousand, compared to the same period in 2020. Following the redemption and full repayment of the corporate bonds as of January 7, 2021, the interest expense significantly decreased in comparison with the same period in 2020. In addition, the Company recognized finance costs of \$0.4 million together with a loss on call option of \$0.1 million associated with the redemption of the corporate bond. Following the presentation of continuing / discontinued operations, the above table represents the continuing operations with restated comparatives as per IFRS 5 requirements.

### Income tax expense

USD thousands	Three months ended	
	Q1-21	Q1-20
Corporate income tax (expense) recovery	(83)	92
<b>Income tax (expense) recovery</b>	<b>(83)</b>	<b>92</b>

During the three months ended March 31, 2021, the Group recognized an income tax expense of \$0.1 million (2020: tax recovery of \$0.1 million) associated with its management services subsidiaries.

## Financial review

Continued

### Financial position

#### Liquidity and financing

##### Cash position

USD thousands	March 31 2021	December 31 2020
Cash and cash equivalents:		
Unrestricted at parent level	4,865	8,956
Restricted at parent level (bond)	-	37,008
<b>Total cash and cash equivalents</b>	<b>4,865</b>	<b>45,964</b>

##### Unrestricted cash analysis

The Group's cash and cash equivalents at March 31, 2021, included unrestricted cash of \$4.9 million held at the corporate level.

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

##### Restricted cash analysis (discontinued operations)

USD thousands	March 31 2021	December 31 2020
Japan	59,999	63,715
<b>Total restricted cash</b>	<b>59,999</b>	<b>63,715</b>

The Group's cash and cash equivalents at March 31, 2021, included restricted cash held at the project level in Japan that is restricted by the lending banks for future payment of interest and repayment of principal and for 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 decreased by \$3.8 million mainly due to funds used in the construction of the Niigata solar power project, partially offset by operating cash flow from the Japanese solar power projects.

### Working capital

At March 31, 2021, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2021	2022	2023	2024	After five years	Total
EPC	28,280	725	-	-	-	29,005
Project loans	10,993	27,637	17,150	17,757	159,191	232,728
O&M contracts	684	616	773	1,216	9,323	12,612
Operating leases	312	1,010	1,010	1,010	11,973	15,315
Lundin loan	4,679	-	-	-	-	4,679
Trade payables	11,752	-	-	-	-	11,752
<b>Total</b>	<b>56,700</b>	<b>29,988</b>	<b>18,933</b>	<b>19,983</b>	<b>180,487</b>	<b>306,091</b>

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 three months ended March 31, 2021, total equity attributable to owners of the Company decreased by \$2.3 million from a net asset position of \$21.5 million at December 31, 2020, to a net asset position of \$19.2 million at March 31, 2021. This change was primarily due to the recognition of \$1.5 million of net loss during the period. Total equity attributable to owners of the Company at March 31, 2021, was negatively impacted by the cumulative fair value losses of \$11.9 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, 2021 would have resulted in a net asset position of \$31.1 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 2021	December 31 2020
Shizukuishi	25	December 30, 2034	50,591	54,269
Mito	9	June 30, 2034	21,103	22,655
Misawa	10	June 30, 2036	22,496	24,150
Komatsu	13	December 30, 2036	27,636	29,668
Niigata	45	June 30, 2038	138,919	149,211
<b>Total</b>			<b>260,745</b>	<b>279,953</b>

#### 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 interest rates ranging from 1.72% to 3.13% all-in. At March 31, 2021, 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, 2021, and December 31, 2020.

At March 31, 2021 and December 31, 2020, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

#### Corporate borrowings

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

#### Outstanding share data

At the date of this MD&A, the Company had 334,094,324 common shares (May 7, 2020: 334,094,324). The Company maintains the Restricted Share Unit Plan (the "Plan") pursuant to which employees, consultants, Directors and officers of the Group may be awarded restricted share units ("RSUs"). The outstanding RSUs have a contractual term of six years and are subject to certain market performance-based vesting conditions. At the date of this MD&A, the Company had 16,766,667 RSUs outstanding.

#### Off-balance sheet arrangements

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

#### Capital investments

Pending the completion of the proposed sale of its Japanese solar assets, the Group will finance the construction costs associated with its projects under construction with a combination of existing cash and cash equivalents and non-recourse project loans.

#### Critical accounting policies and estimates

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

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

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



## Financial review

Continued

### Going concern

The Company's condensed interim consolidated financial statements for the three months ended March 31, 2021, 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, 2021, the Group had unrestricted cash and cash equivalents from continuing operations of \$4.9 million (December 31, 2020: \$46.0 million) and negative working capital of \$1.6 million. During the three months ended March 31, 2021, the Group recognized a net loss of \$1.5 million (2020: loss \$2.6 million). The Company's management is confident that in the event the proposed sale of the Group's solar assets is not completed, the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements. The Company's interim consolidated financial statements for the three months ended March 31, 2021, do not include the adjustments that would result if the Group were unable to continue as a going concern.

### Contingencies

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

### Related parties

For the purposes of preparing the Company's condensed interim consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trusts approximately 36% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis. The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the three months ended March 31, 2021, are summarized below.

### Related party transactions

#### Lundin Energy AB

The Group receives professional services from Lundin Energy AB, for market and investor relation activities in Sweden and general and administrative expenses, respectively. During the three months ended March 31, 2021, the Group incurred general and administrative expenses of \$1 thousand (2020: \$nil) from Lundin Energy AB. At March 31, 2021, the Group owed no (December 31, 2020: nil) outstanding amounts in relation to these expenses.

#### Lundin SA

During the three months ended March 31, 2021, the Group recognized expenses of \$30 thousand (2020: \$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.

#### Lundin family

On January 4, 2021, Etrion received a €4.0 million (approximately \$4.7 million) loan facility from the Lundin family in order to re-finance the payment of the corporate bonds. The loan bears a 3% interest rate and is repayable on December 21, 2021.

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management of the Group include members of the Board of Directors, the Chief Executive Officer, Marco A. Northland, the Chief Financial Officer, Christian Lacueva, the Chief Investment Officer, Martin Oravec and the Executive Vice President, Business Development and M&A, Giora Salita.

During the three months ended March 31, 2021, the Group recognized within general and administrative expenses, \$0.7 million (2020: \$0.3 million) associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At March 31, 2021, the Group had no outstanding liabilities to key management personnel (March 31, 2020: \$nil).

## 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, so that some operating costs will be impacted by any inflation.

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 consolidated financial statements for the year ended December 31, 2020, 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 2021	December 31 2020
<b>Derivative financial assets:</b>		
Corporate bond call option	-	120
<b>Total derivative financial assets</b>	-	120

### Corporate bond call option

During the three months ended March 31, 2021, the Group derecognized the call option on the redemption of the corporate bond which was fully repaid on January 7, 2021.

### 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, 2021, and December 31, 2020, 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 finance income/costs. Following the IFRS 5 presentation all derivatives associated with solar projects are classified under liabilities associated with the assets held for sale.

# RISKS AND UNCERTAINTIES

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## 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. Certain of such risks and uncertainties will also be subject to the outcome of the proposed sale of the Group's Japanese solar assets as disclosed elsewhere in this MD&A. For a more detailed discussion of risk factors currently applicable to the Group generally and risk factors specifically applicable to the proposed sale of the Group's solar assets, see Etrion's Annual Information Form for the year ended December 31, 2020 and the Management Information Circular for the annual and special general meeting of the shareholders of the Company to be held on May 27, 2021, both of which have been filed on SEDAR and is available under Etrion's profile at [www.sedar.com](http://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.

### Risks related to the Sale of Assets

The completion of the sale of the Group's Japanese solar assets is subject to a number of conditions precedent, some of which are outside of the control of the Company, including receipt of shareholder approval and receipt of required consents or approvals from third parties. There can be no certainty, and the Company cannot provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. In the event that the Company does not complete the sale of assets, the Company will continue to carry on business in the normal course.

Subject to the completion of the sale of assets, the Company intends to distribute a portion of the net proceeds received by the Company from the transaction as soon as practicable. The timing of such distribution will be determined by the Board of Directors and the Company cannot provide any assurance as to the timing and amount of such distribution.

If the sale of the Japanese solar assets is completed, the Company will have no ongoing business activities and subject to the possibility of the Board of Directors identifying other potential business opportunities, the Company expects to wind up its activities and proceed with the dissolution of the Company within approximately 24 months after Closing. Any funds of the Company remaining at the time of dissolution after settlement of all outstanding liabilities would be distributed to shareholders but there can be no certainty as to the timing of the dissolution or the amount of funds that will be available for distribution at that time.

### Financial risks

#### Debt and equity financing

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

The Group is currently generating significant cash flows from its operational projects to be able to fund its working capital requirements for at least 12 months. The Company's management does not forecast any liquidity risk that may 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

#### Licenses 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

## Risks and uncertainties

### Continued

current markets. Specifically, reductions in the FiT payable to the Group on its existing solar power projects in 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.

#### 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.

#### Coronavirus (COVID-19)

The magnitude of any potential disruption of the Company's business operations due to the coronavirus outbreak will depend on certain developments, including the duration, spread and severity of the COVID-19 outbreak in Japan. The Company is actively monitoring and implementing specific precautionary measures to mitigate any potential disruptions. As of the date hereof, none of the Company's operating or development projects has been adversely affected. However, the duration and extent of the COVID-19 outbreak and the potential financial impact on the Company's operations and development activities cannot be reasonably predicted at this time and it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition including, without limitation, the possible temporary suspension of construction activities at the Niigata Project.



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## Other disclosures

### 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 proposed sale of its Japanese solar assets; the anticipated distribution of funds to shareholders of the Company following completion of such sale; the possibility that the Company may proceed to wind up its activities and dissolve following the completion of such sale; and the anticipated distribution of funds to shareholders in connection with the dissolution of the Company. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: the risk that the sale of the Japanese solar assets may not be completed as expected; uncertainties with respect to the timing and amount of the distribution of funds to shareholders following the completion of such sale; uncertainties with respect to the Company's ongoing activities following the completion of such sale; and uncertainties with respect to the timing of the dissolution of the Company and the amount of funds that will be available for distribution at the time of dissolution.. All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. In addition to the assumptions set out elsewhere in this MD&A, such assumptions include, but are not limited to: the ability of the Group to complete the sale of its Japanese assets and assumptions as to the amount of funds that will be available for distribution following the completion of such sale. The foregoing factors, assumptions and risks are not exhaustive and are further discussed under the heading "Risk and uncertainties" above and in Etrion's most recent Annual Information Form, the Management Information Circular for the annual and special general meeting of the shareholders of the Company to be held on May 27, 2021 and other public disclosure available on SEDAR at [www.sedar.com](http://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](http://www.sedar.com) or by visiting the Company's website at [www.etrion.com](http://www.etrion.com)





# etrion

Condensed Consolidated Interim  
Financial Statements  
Three Months Ended March 31, 2021  
UNAUDITED



At a Glance

# Etrion Corporation

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

Active in Japan since 2012, we have built a best in class family of solar assets together with a strong local team and have secured invaluable partnerships with developers, general contractors and local lenders.

The revenue streams from our operating solar assets in Japan are secured by long-term fixed price Power Purchase Agreements with the Japanese power utilities.

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the potential sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. In March and April 2021, subsidiaries of Etrion signed various formal agreements to sell most of the solar portfolio to two different Japanese consortiums. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent and securing all necessary shareholder and regulatory approvals.

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Solar plants

61m

Kilowatt-hours produced for Japan in 2020



For more information about our Company, take a look on our website at: [www.etrion.com](http://www.etrion.com)



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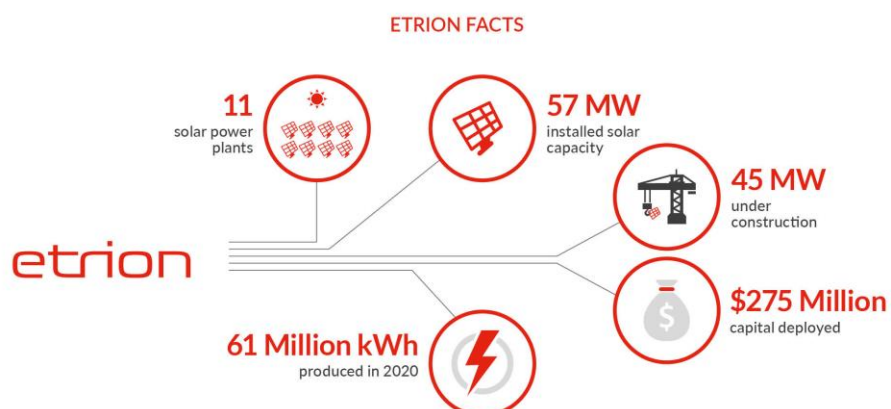
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# FINANCIAL STATEMENTS

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The accompanying condensed consolidated unaudited interim financial statements of the Company for the three months ended March 31, 2021, have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements. Readers are cautioned that these condensed consolidated unaudited interim financial statements may not be appropriate for their purposes.

## Condensed consolidated interim statement of net loss and comprehensive net loss

For the three months ended March 31, 2021 and 2020

UNAUDITED

Expressed in US\$'000

		Three months ended	
	Note	Q1-21	Q1-20 Restated*
<b>Continuing operations</b>			
General and administrative expenses	6	(1,682)	(1,252)
Other expense	7	(133)	(458)
<b>Operating loss</b>		<b>(1,815)</b>	<b>(1,710)</b>
Finance income	8	102	247
Finance costs	8	(657)	(768)
<b>Net finance costs</b>		<b>(555)</b>	<b>(521)</b>
<b>Loss before income tax</b>		<b>(2,370)</b>	<b>(2,131)</b>
Income tax (expense) recovery	9	(83)	92
<b>Loss for the period from continuing operations</b>		<b>(2,453)</b>	<b>(2,139)</b>
Profit (loss) from discontinued operations, net of tax	5	923	(439)
<b>Net loss for the period</b>		<b>(1,530)</b>	<b>(2,578)</b>
<b>Other comprehensive (loss) income</b>			
<b>Items that may be reclassified to profit and loss:</b>			
(Loss) gain on currency translation		(1,722)	527
Gain (loss) on cash flow hedges, net of tax – discontinued operations		818	(510)
<b>Total other comprehensive (loss) income</b>		<b>(904)</b>	<b>17</b>
<b>Total comprehensive net loss for the period</b>		<b>(2,434)</b>	<b>(2,561)</b>
<b>Loss attributable to:</b>			
Owners of the parent		(1,530)	(2,578)
<b>Total</b>		<b>(1,530)</b>	<b>(2,578)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent		(2,434)	(2,561)
<b>Total</b>		<b>(2,434)</b>	<b>(2,561)</b>
<b>Total comprehensive loss attributable to owners of the Company:</b>			
Continuing operations		(4,175)	(1,612)
Discontinued operations		1,741	(949)
<b>Total</b>		<b>(2,434)</b>	<b>(2,561)</b>
<b>Basic and diluted loss per share from continuing operations</b>	10	<b>\$(0.01)</b>	<b>\$(0.01)</b>
<b>Basic and diluted loss per share for the period</b>	10	<b>\$(0.01)</b>	<b>\$(0.01)</b>

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

\*See note 5 for details regarding the restatement as a result of discontinued operations.

## Condensed consolidated interim balance sheet

As at March 31, 2021

UNAUDITED

Expressed in US\$'000

	Note	March 31 2021	December 31 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	16	18
Intangible assets	12	1,063	1,110
Deferred income tax assets		160	171
Trade and other receivables		-	2
<b>Total non-current assets</b>		<b>1,239</b>	<b>1,301</b>
<b>Current assets</b>			
Derivative financial instruments	17	-	120
Trade and other receivables		2,285	1,773
Cash and cash equivalents	13	4,865	45,964
		7,150	47,857
Assets held for sale	5	315,808	332,467
<b>Total current assets</b>		<b>322,958</b>	<b>380,324</b>
<b>Total assets</b>		<b>324,197</b>	<b>381,625</b>
<b>Equity</b>			
<b>Attributable to common shareholders</b>			
Share capital	14	111,304	111,304
Contributed surplus		13,773	13,641
Other reserves		194	1,916
Reserves of a disposal group held for sale	5	(11,975)	(12,793)
Accumulated losses		(94,086)	(92,556)
<b>Total equity</b>		<b>19,210</b>	<b>21,512</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions		1,142	1,221
<b>Total non-current liabilities</b>		<b>1,142</b>	<b>1,221</b>
<b>Current liabilities</b>			
Trade and other payables	18	1,278	2,639
Current tax liabilities	9	2,834	2,990
Borrowings	16	-	41,406
Loan due to related parties	19	4,679	-
		8,791	47,035
Liabilities directly associated with the assets held for sale	5	295,054	311,857
<b>Total current liabilities</b>		<b>303,845</b>	<b>358,892</b>
<b>Total liabilities</b>		<b>304,987</b>	<b>360,113</b>
<b>Total equity and liabilities</b>		<b>324,197</b>	<b>381,625</b>

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

## Condensed consolidated statement of changes in equity

For the three months ended March 31, 2021 and 2020

UNAUDITED

Expressed in US\$'000

	Share capital	Contributed surplus	Other reserves	Accumulated losses	Reserve of disposal group held for sale	Total equity
<b>Balance at January 1, 2020</b>	<b>111,304</b>	<b>13,443</b>	<b>(12,799)</b>	<b>(115,048)</b>	<b>-</b>	<b>(3,100)</b>
Comprehensive (loss) income:						
(Loss) for the period	-	-	-	(2,578)	-	(2,578)
Other comprehensive (loss) income:						
Cash flow hedges (net of tax)	-	-	(510)	-	-	(510)
Currency translation	-	-	527	-	-	527
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>(2,578)</b>	<b>-</b>	<b>(2,561)</b>

Transactions with owners in their capacity as owners:

Share-based payments	-	48	-	-	-	48
<b>Balance at March 31, 2020</b>	<b>111,304</b>	<b>13,491</b>	<b>(12,782)</b>	<b>(117,626)</b>	<b>-</b>	<b>(5,613)</b>

<b>Balance at January 1, 2021</b>	<b>111,304</b>	<b>13,641</b>	<b>1,916</b>	<b>(92,556)</b>	<b>(12,793)</b>	<b>21,512</b>
Comprehensive income:						
Loss for the period	-	-		(1,530)	-	(1,530)
Other comprehensive (loss) income:						
Cash flow hedges (net of tax)	-	-	818	-	-	818
Discontinued operations	5	-	(818)	-	818	-
Currency translation	-	-	(1,722)	-	-	(1,722)
<b>Total comprehensive (loss) income</b>	<b>-</b>	<b>-</b>	<b>(1,722)</b>	<b>(1,530)</b>	<b>818</b>	<b>(2,434)</b>

Transactions with owners in their capacity as owners:

Share-based payments	-	132	-	-	-	132
<b>Balance at March 31, 2021</b>	<b>111,304</b>	<b>13,773</b>	<b>194</b>	<b>(94,086)</b>	<b>(11,975)</b>	<b>19,210</b>

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, 2021 and 2020

UNAUDITED

Expressed in US\$'000

		Three months ended	
		Q1-21	Q1-20
	Note		Restated*
<b>Operating activities:</b>			
<b>Net loss for the period</b>		<b>(1,530)</b>	<b>(2,578)</b>
Less: net income (loss) from discontinued operations		923	(439)
<b>Loss for the period from continuing operations</b>		<b>(2,453)</b>	<b>(2,139)</b>
Adjustments for:			
Depreciation and amortization	6	33	34
Income tax expense (recovery)	9	83	(92)
Share-based payment expense	6/15	132	48
Interest expense on corporate bond	8	570	979
Loss on call option	8	117	-
Foreign exchange gain	8	(102)	(246)
Other expense		131	450
<b>Sub-total</b>		<b>(1,489)</b>	<b>(966)</b>
Changes in working capital:			
Trade and other receivables		(340)	(1,422)
Trade and other payables		(1,455)	3,553
Income tax paid		(83)	(1,594)
<b>Net cash outflow from continuing operations</b>		<b>(3,367)</b>	<b>(429)</b>
Net cash inflow from discontinued operations		1,396	1,650
<b>Total cash flow (used in) generated from operating activities</b>		<b>(1,971)</b>	<b>1,221</b>
<b>Investing activities:</b>			
Purchases of intangible assets	12	-	(391)
<b>Net cash outflow from continuing operations</b>		<b>-</b>	<b>(391)</b>
Net cash outflow from discontinued operations		-	(15,139)
<b>Total cash flow used in investing activities</b>		<b>-</b>	<b>(15,530)</b>
<b>Financing activities:</b>			
Interest paid	16	(179)	-
Corporate bond repayment	16	(40,316)	-
Proceeds from Lundin family loan	19	4,679	-
<b>Net cash outflow from continuing operations</b>		<b>(35,816)</b>	<b>-</b>
Net cash (outflow)/inflow from discontinued operations		(144)	349
<b>Total cash flow (used in) generated from financing activities</b>		<b>(35,960)</b>	<b>349</b>
<b>Net decreased in cash and cash equivalents</b>		<b>(37,931)</b>	<b>(13,960)</b>
Effect of exchange rate changes on cash and cash equivalents		(6,884)	(641)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>109,679</b>	<b>123,382</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>64,864</b>	<b>108,781</b>
From continuing operations		4,865	108,781
From discontinued operations		59,999	-

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

\*See note 5 for details regarding the restatement as a result of discontinued operations.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## Notes to the consolidated financial statements

For the three months ended March 31, 2021 and 2020

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 Stock 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 and 45 MW of project under construction (the "Niigata Project"), all in Japan.

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

On March 31, 2021, subsidiaries of the Company signed the first formal agreements to sell their interests in the Company's 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito operating solar energy projects to a Japanese consortium ("Consortium"), for an aggregate net purchase price of approximately JPY 8.252 billion (or \$74.9 million). The Company is currently negotiating the sale of the Company's fourth operating project, Misawa, which is currently undergoing repairs from winter storms, to the same Consortium that is acquiring the other three operating assets.

On April 9, 2021, the Company announced the signature of agreements to sell the Group's interests in the 45 MW Niigata solar project under construction to a consortium led by Renewable Japan Co. Ltd for an aggregate net purchase price of approximately JPY 6.3 billion (approximately \$57.7 million), subject to certain adjustments at closing. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent, and securing all necessary shareholder and regulatory approvals. The Company's management has concluded that, since September 30, 2020, the Japanese solar assets and the entire Solar Segment have met the definition of assets held for sale and discontinued operations as per IFRS 5. [Note 5](#)

During January and February 2021, the Misawa solar park suffered from heavy snowfalls resulting in damages to the solar modules on sites three and four. The production of electricity was partially interrupted, and the total damage is currently under assessment. The solar project company has property and business interruption insurance policies. The project company will be assessing the insurance claim with the insurer after confirming the level of damages and agreeing the business interruption claim with the insurer. The Company expects to have the parks fully restored by June of this year.

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 6, 2021.

### 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, 2020. 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, 2020.

#### (b) Going concern

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2021, 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, 2021, the Group had unrestricted cash and cash equivalents from continuing operations of \$4.9 million (December 31, 2020: \$46.0 million) and a negative working capital of \$1.6 million. During the three months ended March 31, 2021, the Group recognized a net loss of \$1.5 million (2020: loss \$2.6 million). The Company's management is confident that in the event the proposed sale of the Group's solar assets is not completed, the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements. The Company's interim consolidated financial statements for the three months ended March 31, 2021, do not include the adjustments that would result if the Group were unable to continue as a going concern.

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#### (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, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. There are no other IFRS or interpretations that are not yet effective and that would be expected to have a material impact on the Group.

#### (d) Assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is considered as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and: (1) represents a separate major line of business or geographical area of operations, (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (3) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of net income. Additional disclosures are provided in [Note 5](#). All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

### 3. Accounting estimates and assumptions

In connection with the preparation of the Company's condensed consolidated interim financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the condensed consolidated interim financial statements are prepared.

On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material. There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2021, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2020.

## Notes to the consolidated financial statements

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### 4. Segment reporting

While the Company's only segment (Solar Japan) is now classified as discontinued operations [Note 5](#), management continues to disclose the segment information together with the corporate activities as it believes that this information is useful for readers of the consolidated financial statements. 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 as below:

	Three months ended	
	Q1-21	Q1-20
TEPCO	1,038	957
TOHOKU	2,104	2,534
HOKURIKU	802	805
<b>TOTAL</b>	<b>3,944</b>	<b>4,296</b>

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

	Three months ended					
	Q1-21			Q1-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
<b>Revenue</b>	<b>3,944</b>	<b>-</b>	<b>3,944</b>	<b>4,296</b>	<b>-</b>	<b>4,296</b>
Operating expenses	(1,135)	-	(1,135)	(1,055)	-	(1,055)
General and administrative expenses	(46)	(1,649)	(1,695)	(96)	(1,218)	(1,314)
Other (expense) income	(2)	(133)	(135)	8	(458)	(450)
<b>EBITDA</b>	<b>2,761</b>	<b>(1,782)</b>	<b>979</b>	<b>3,153</b>	<b>(1,676)</b>	<b>1,477</b>
Depreciation and amortization	-	(33)	(33)	(2,290)	(34)	(2,324)
Finance income	-	102	102	-	247	247
Finance costs	(1,084)	(657)	(1,741)	(1,094)	(768)	(1,862)
<b>Income (loss) before income tax</b>	<b>1,677</b>	<b>(2,370)</b>	<b>(693)</b>	<b>(231)</b>	<b>(2,231)</b>	<b>(2,462)</b>
Income tax (expense) recovery	(754)	(83)	(837)	(208)	92	(116)
<b>Net income (loss) for the period</b>	<b>923</b>	<b>(2,453)</b>	<b>(1,530)</b>	<b>(439)</b>	<b>(2,139)</b>	<b>(2,578)</b>

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

	March 31, 2021			December 31, 2020		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	231,084	16	231,100	242,800	18	242,818
Intangible assets	11,420	1,063	12,483	12,306	1,110	13,416
Cash and cash equivalents	59,999	4,865	64,864	63,715	45,964	109,679
Other assets	13,305	2,445	15,750	13,646	2,066	15,712
<b>Total assets</b>	<b>315,808</b>	<b>8,389</b>	<b>324,197</b>	<b>332,467</b>	<b>49,158</b>	<b>381,625</b>
Borrowings	260,745	-	260,745	279,953	41,406	321,359
Trade and other payables	10,474	1,278	11,752	5,104	2,639	7,743
Other liabilities	23,835	8,655	32,490	26,800	4,211	31,011
<b>Total liabilities</b>	<b>295,054</b>	<b>9,933</b>	<b>304,987</b>	<b>311,857</b>	<b>48,256</b>	<b>360,113</b>

## 5. Discontinued operations and assets held for sale

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the potential sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. In March and April 2021, subsidiaries of Etrion signed various formal agreements to sell most of the solar portfolio to two different Japanese consortiums. Completion of the sale of the Japanese assets will be subject to meeting certain conditions precedent, and securing all necessary shareholder and regulatory approvals. The Company is currently negotiating the sale of the Company's fourth operating project, Misawa, which is currently undergoing repairs from winter storms, to the same Consortium that is acquiring the other three operating assets. The Solar Japan segment has been classified as a disposal group held for sale and as discontinued operations since September 30, 2020.

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

	Three months ended	
	Q1-21	Q1-20
Revenue	3,944	4,296
Operating expenses	(1,135)	(1,055)
General and administrative expenses	(46)	(96)
Other (expense) income	(2)	8
<b>EBITDA</b>	<b>2,761</b>	<b>3,153</b>
Depreciation and amortization	-	(2,290)
Finance costs	(1,084)	(1,094)
<b>Income (loss) before income tax from discontinued operations</b>	<b>1,677</b>	<b>(231)</b>
Income tax expense	(754)	(208)
<b>Net Income (loss) for the period from discontinued operations</b>	<b>923</b>	<b>(439)</b>

The major classes of assets and liabilities of the Solar Japan disposal group classified as held for sale as at March 31, 2021, are as follows:

	March 31 2021	December 31 2020
<b>Assets</b>		
Property, plant and equipment	231,084	242,800
Intangible assets	11,420	12,306
Deferred income tax assets	1,166	2,349
Trade and other receivables	12,139	11,297
Cash and cash equivalents	59,999	63,715
<b>Assets classified as held for sale</b>	<b>315,808</b>	<b>332,467</b>
<b>Liabilities</b>		
Borrowings	260,745	279,953
Trade and other payables	10,474	5,104
Tax liabilities	2	5
Derivative financial instruments	9,579	11,140
Lease liabilities	9,188	10,199
Provisions	5,066	5,456
<b>Liabilities directly associated with assets held for sale</b>	<b>295,054</b>	<b>311,857</b>
<b>Net assets directly associated with disposal group</b>	<b>20,754</b>	<b>20,610</b>
<b>Amounts included in other reserves:</b>		
Loss on cash flow hedges	(16,450)	(17,575)
Deferred tax on cash flow hedges	4,475	4,782
<b>Reserve of disposal group classified as held for sale</b>	<b>(11,975)</b>	<b>(12,793)</b>

## Notes to the consolidated financial statements

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### 6. General and administrative expenses

	Three months ended	
	Q1-21	Q1-20 Restated
Salaries and benefits	509	583
Board of Directors' fees	29	68
Share-based payments	132	48
Professional fees	534	368
Disposal expenses assets-held for sale	278	-
Listing and marketing	48	45
Depreciation and amortization	33	34
Office lease	56	74
Office, travel and other	63	128
<b>Total general and administrative expenses</b>	<b>1,682</b>	<b>1,348</b>

### 7. Other expense

	Three months ended	
	Q1-21	Q1-20 Restated
Municipality tax reassessment from disposed assets	-	383
Other	133	67
<b>Total other expense</b>	<b>133</b>	<b>450</b>

During the three months ended March 31, 2021, the Company recognized a \$0.1 million write-off of unrecoverable VAT from one of its Japanese subsidiaries. During the three months ended March 31, 2020, the Company recognized \$0.4 million of tax expense relating to tax reassessments received from the Italian municipalities where two of its previously owned solar parks operated. Under the terms of the original sale and purchase agreement, the seller was responsible for certain specific potential claims not confirmed at the date of sale in December 2016.

**8. Net finance costs**

	Three months ended	
	Q1-21	Q1-20 Restated
<b>Finance income:</b>		
Foreign exchange gain	102	246
Other finance income	-	1
<b>Total finance income</b>	<b>102</b>	<b>247</b>
<b>Finance costs:</b>		
Interest expense on corporate bond	64	743
Loss on call option	117	-
Loss on debt extinguishment	435	-
Other finance costs	41	25
<b>Total finance costs</b>	<b>657</b>	<b>768</b>
<b>Net finance costs</b>	<b>555</b>	<b>521</b>

The Group had a fixed rate corporate bond which has been fully repaid on January 7, 2021. Interest expenses are calculated using the effective interest rate method as described in IFRS 9 Financial instruments. During the three months ended March 31, 2021, the Group recognized a finance cost of \$0.4 million together with a loss on call option of \$0.1 million associated with the redemption of the corporate bond. The finance costs associated with the projects held for sale are disclosed under [Note 5](#).

**9. Income taxes****(a) Income tax expense**

	Three months ended	
	Q1-21	Q1-20 Restated
<b>Income tax expense:</b>		
Corporate income tax (expense) recovery	(83)	92
<b>Total income tax (expense) recovery</b>	<b>(83)</b>	<b>92</b>

During the three months ended March 31, 2021, the Group recognized an income tax expense of \$0.1 million (2020: income tax recovery of \$0.1 million) associated with its management services subsidiaries.

**(b) Current income tax liabilities**

	March 31 2021	December 31 2020
Corporate income tax	2,834	2,990
<b>Total current income tax liabilities</b>	<b>2,834</b>	<b>2,990</b>

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### 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	
	Q1-21	Q1-20 Restated
<b>Loss (income) attributable to common shareholders:</b>		
Loss from continuing operations	(2,453)	(2,139)
Income (loss) from discontinued operations	923	(439)
<b>Total loss attributable to common shareholders</b>	<b>(1,530)</b>	<b>(2,578)</b>
Weighted average number of thousand shares outstanding	334,094	334,094
Adjustments for dilutive potential ordinary shares (RSU):	16,767	11,667
Weighted average number of thousand shares outstanding (diluted)	350,861	345,761
<b>Basic and diluted (loss) earnings per share:</b>		
Loss from continuing operations	\$(0.01)	\$(0.01)
Income (loss) from discontinued operations	\$0.00	\$(0.00)
<b>Total basic and diluted loss per share</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>

### 11. Property, plant and equipment

	Other PPE	Total
<b>Cost:</b>		
<b>At December 31, 2020</b>	<b>204</b>	<b>204</b>
Additions	2	2
Disposal	(18)	(18)
Exchange differences	(9)	(9)
<b>At March 31, 2021</b>	<b>179</b>	<b>179</b>
<b>Accumulated depreciation:</b>		
<b>At December 31, 2020</b>	<b>186</b>	<b>186</b>
Depreciation	3	3
Disposal	(18)	(18)
Exchange differences	(8)	(8)
<b>At March 31, 2021</b>	<b>163</b>	<b>163</b>
<b>Net book value:</b>		
At December 31, 2020	18	18
<b>At March 31, 2021</b>	<b>16</b>	<b>16</b>

All property, plant and equipment associated with the Solar Japan segment have been classified as assets held for sale, effective since September 30, 2020. [Note 5](#)



## 12. Intangible assets

	Other intangibles	Total
<b>Cost:</b>		
<b>At December 31, 2020</b>	<b>2,423</b>	<b>2,423</b>
Exchange differences	(78)	(78)
<b>At March 31, 2021</b>	<b>2,345</b>	<b>2,345</b>
<b>Accumulated amortization:</b>		
<b>At December 31, 2020</b>	<b>1,313</b>	<b>1,313</b>
Amortization	29	29
Exchange differences	(60)	(60)
<b>At March 31, 2021</b>	<b>1,282</b>	<b>1,282</b>
<b>Net book value:</b>		
<b>At December 31, 2020</b>	<b>1,110</b>	<b>1,110</b>
<b>At March 31, 2021</b>	<b>1,063</b>	<b>1,063</b>

All intangible assets associated with the Solar Japan segment have been classified as assets held for sale, effective since September 30, 2020.

Note 5

## 13. Cash and cash equivalents

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

	March 31 2021	December 31 2020
Unrestricted cash at parent level	4,865	8,956
Restricted cash at parent level (bond)	-	37,008
<b>Total</b>	<b>4,865</b>	<b>45,964</b>

Restricted cash at project level relates to cash and cash equivalents that are restricted by the lending banks for future payment 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.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at March 31, 2021:

	March 31 2021	December 31 2020
Cash and cash equivalents attributable to continuing operations	4,865	45,964
Cash and cash equivalents attributable to discontinued operations	59,999	63,715
<b>Total</b>	<b>64,864</b>	<b>109,679</b>

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### 14. Share capital

The Company has authorized capital consisting of an unlimited number of common shares, of which 334,094,324 shares are issued and fully-paid and outstanding at March 31, 2021 (December 31, 2020: 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, 2021 and 2020.

### 15. Share-based payments

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. Outstanding RSUs have a contractual term of six years and have market-based vesting conditions. During the three months ended March 31, 2021, the Group recognized share-based payment expenses of \$0.1 million (2020: \$0.1 million) related to its RSUs scheme. [Note 6](#)

During the three months ended March 31, 2021, there were no changes in the Company's outstanding RSUs totalling 16,766,667.

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.

### 16. Borrowings

	Corporate bond	Total
<b>At December 31, 2020</b>	<b>41,406</b>	<b>41,406</b>
Accrued interest	64	64
Repayment of interest	(179)	(179)
Repayment of the corporate bond	(40,316)	(40,316)
Derecognition of transaction costs	162	162
Exchange differences	(1,137)	(1,137)
<b>At March 31, 2021</b>	<b>-</b>	<b>-</b>

On January 7, 2021, the Company repaid the outstanding corporate bond, in full and at a redemption price of 100.725% of the face value plus accrued and unpaid interest.

At March 31, 2021 and December 31, 2020, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans. All borrowings associated with the Solar Japan segment have been classified as liabilities associated with assets held for sale, effective since September 30, 2020. [Note 5](#)

**17. Derivative financial instruments**

	March 31 2021	December 31 2020
<b>Derivative financial assets:</b>		
Corporate bond call option	-	120
<b>Total derivative financial assets</b>	<b>-</b>	<b>120</b>

*Corporate bond call option*

During the three months ended March 31, 2021, the Group derecognized the call option on the redemption of the corporate bond which was fully repaid on January 7, 2021.

*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, 2021, and December 31, 2020, 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 finance income/costs. All derivatives associated with the Solar Japan segment, in the amount of \$9.6 million (2020: \$11.1 million), have been classified as liabilities associated with assets held for sale, effective since September 30, 2020. [Note 5](#)

**18. Trade and other payables**

	March 31 2021	December 31 2020
<b>Financial liabilities</b>		
Trade payables	301	262
<b>Total financial liabilities</b>	<b>301</b>	<b>262</b>
Accrued expenses	782	2,153
Other payables	195	224
<b>Total trade and other payables</b>	<b>1,278</b>	<b>2,639</b>

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### 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, 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 (2020: 36%). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Details of transactions between the Group and other related parties are disclosed below.

#### (a) Related party transactions

During the three months ended March 31, 2021, the Group entered into the following transactions with related parties:

	Three months ended	
	Q1-21	Q1-20
<b>General and administrative expenses:</b>		
Lundin Energy AB	1	-
Lundin SA	30	30
<b>Finance costs:</b>		
Lundin family:		
- Interest expense	2	-
<b>Total transactions with related parties</b>	<b>33</b>	<b>30</b>

Amounts outstanding to related parties at March 31, 2021 and December 31, 2020 are as follows:

	March 31 2021	March 31 2020
<b>Current liabilities:</b>		
Lundin family	4,679	-
<b>Total current financial liabilities</b>	<b>4,679</b>	<b>-</b>
<b>Total transactions with related parties</b>	<b>4,679</b>	<b>-</b>

#### Lundin family

On January 4, 2021, Etrion received a €4.0 million (approximately \$4.7 million) loan facility from the Lundin family in order to provide additional financing in anticipation of the redemption of the corporate bonds. The loan bears a 3% interest rate and is repayable in twelve months.

There were no amounts outstanding from related parties at March 31, 2021 and December 31, 2020.

## 20. Financial assets and liabilities

	March 31, 2021			December 31, 2020		
	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
<b>Financial assets</b>						
<b>Current</b>						
Derivative financial instruments	-	-	-	-	120	120
Cash and cash equivalents	4,889	-	4,889	45,964	-	45,964
<b>Total financial assets</b>	<b>4,889</b>	<b>4,889</b>	<b>4,889</b>	<b>45,964</b>	<b>120</b>	<b>46,084</b>

	March 31, 2021			December 31, 2020		
	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total
<b>Financial liabilities</b>						
<b>Current</b>						
Trade payables	301	-	301	262	-	262
Borrowings	-	-	-	-	41,406	41,406
Loan due to related parties	4,679	-	4,679	-	-	-
<b>Total current</b>	<b>4,980</b>	<b>-</b>	<b>4,980</b>	<b>262</b>	<b>41,406</b>	<b>41,668</b>
<b>Total financial liabilities</b>	<b>4,980</b>	<b>-</b>	<b>4,980</b>	<b>262</b>	<b>41,406</b>	<b>41,668</b>

The Group's financial instruments carried at fair value are classified at the following levels within a measurement hierarchy that is based on the valuation technique used to estimate fair values:

Level 1: includes fair value measurements derived from quoted prices in active markets for identical assets or liabilities. The fair values of financial instruments traded in the active market are based on quoted market prices at the balance sheet date. At March 31, 2021 and December 31, 2020, the Group's cash and cash equivalents and corporate bond were classified as Level 1. The fair value of the corporate bond approximated its carrying value.

Level 2: includes fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that maximize the use of observable market data, where it is available, and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. At March 31, 2021 and December 31, 2020, the Group's interest rate swap contracts were classified as Level 2 and the fair value of such instruments was calculated as the present value of the estimated future cash flows, based on the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR forward interest rate curves and an appropriate discount factor. The fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

Level 3: includes fair value measurements derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data. At March 31, 2021 and December 31, 2020, the Group had no financial instruments classified as Level 3.

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

	March 31 2021	December 31 2020
<b>Financial assets</b>		
Level 1: Cash and cash equivalents (including restricted cash)	4,889	45,964
Level 2: Bond call option	-	120
<b>Total financial assets</b>	<b>4,889</b>	<b>46,084</b>
<b>Financial liabilities:</b>		
Level 1: Corporate bond	-	41,406
Level 2: Borrowings	4,679	-
Level 2: Interest rate swaps	-	-
<b>Total financial liabilities</b>	<b>4,679</b>	<b>41,406</b>

### 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 continues to vigorously defend itself. Given the current stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation and has not included a provision for liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in these consolidated financial statements.

### 22. Commitments

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of March 31, 2021, as part of its discontinued operations, the Group had a contractual obligation payable over a period of over one year to acquire construction services in the amount of \$29.0 million related to the construction of the 45 MW Niigata solar power project in Japan. This contractual obligation will be funded from existing cash available at the project company level.

### 23. Coronavirus (COVID-19)

The magnitude of any potential disruption of the Company's business operations due to the coronavirus outbreak will depend on certain developments, including the duration, spread and severity of the COVID-19 outbreak in Japan. The Company is actively monitoring and implementing specific precautionary measures to mitigate any potential disruptions. As of the date hereof, none of the Company's operating or development projects has been adversely affected. However, the duration and extent of the COVID-19 outbreak and the potential financial impact on the Company's operations and development activities cannot be reasonably predicted at this time and it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition including, without limitation, the possible temporary suspension of construction activities at the Niigata Project.

### 24. Subsequent events

#### *Sales and Purchase Agreements*

On April 9, 2021, the Company announced the signature of agreements to sell their interests in the Company's 45 MW Niigata solar project under construction led by Renewable Japan Co. Ltd for an aggregate net purchase price of approximately JPY 6.3 billion (approximately \$57.7 million), subject to certain adjustments at closing.