

PRESS RELEASE

Etrion Releases First Quarter 2022 Results.

May 25, 2022, Geneva, Switzerland – Etrion Corporation (“Etrion” or the “Company”, and, together with its subsidiaries, the “Group”) released today its condensed consolidated interim financial statements and related management’s discussion and analysis (“MD&A”) for the three months ended March 31, 2022.

Q1-2022 HIGHLIGHTS

- Etrion closed the first quarter of 2022 with an unrestricted cash balance of US\$18.1 million and a positive working capital of US\$17.1 million.
- The Company sold all the solar assets in 2021 and is not developing any new project in the first quarter 2022. Subject to the possibility of the Board of Directors identifying other potential business opportunities, the Company may deploy the remaining capital into a new venture or complete its windup activities and proceed with the dissolution within approximately 36 months after the sale of the Japanese assets. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders.

Management Comments

Marco A. Northland, the Company’s Chief Executive Officer, commented, “The Company going forward will maintain very limited resources; however, we will continue to explore potential opportunities for future deployment of the Company’s remaining cash or eventually proceed with a windup of the Company as previously disclosed”

FINANCIAL SUMMARY

US\$ thousands (unless otherwise stated)	Three months ended	
	Q1-22	Q2-22
Financial performance from continuing operations		
EBITDA	(815)	(1,782)
Net Loss	(4,837)	(2,453)
Financial position		
Unrestricted cash at parent level	18,096	20,578
Working capital	17,116	18,835

About Etrion

Etrion's largest shareholder is the Lundin family, which owns approximately 36% of the Company's shares directly and through various trusts.

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

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The information was submitted for publication at 11:05 p.m. CET on May 25, 2022.

Non-IFRS Measures:

This press release includes non-IFRS measures not defined under IFRS, specifically earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted operating cash flow. Non-IFRS measures have no standardized meaning prescribed under IFRS and therefore such measures may not be comparable with those used by other companies. EBITDA is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements. In addition, EBITDA is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting policy decisions. The most comparable IFRS measure to EBITDA is net income (loss). Refer to Etrion's MD&A for the year ended December 31, 2021, for a reconciliation of EBITDA and adjusted operating cash flow reported during the period.

Forward-Looking Information:

This press release contains certain "forward-looking information". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to amount of funds that will be required to satisfy potential warranty claims under the sale agreements, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs, the possibility of acquiring or commencing an alternative business and the possibility that the Company may proceed to wind up its activities and dissolve following the completion of the sale of its solar assets) 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, assumptions as to the amount of funds that will be required to satisfy future obligations and costs associated with the dissolution of the Company. 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 have insufficient funds to satisfy its future obligations, including without limitation warranty claims under the agreements pursuant to which its projects were sold; the risk that the Company may not be successful in identifying and pursuing an alternative business; and uncertainties with respect to the timing of the any alternative business venture or the windup and the dissolution of the Company.

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.

The logo for Etrion, featuring the word "etrion" in a lowercase, red, sans-serif font. The letters are closely spaced, and the 'e' and 't' are particularly prominent.

etrion

Management's Discussion and Analysis
Three Months Ended March 31, 2022

At a Glance

Etrion Corporation

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

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



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

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Management's discussion and analysis

Management's discussion and analysis

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and a description of current and future business opportunities. This MD&A, prepared as of May 25, 2022, should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2022. 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, 2022	135.64	121.64	1.11
Closing rate at March 31, 2021	129.92	110.74	1.17
Three months average rate 2022	125.73	116.16	1.12
Three months average rate 2021	127.19	106.35	1.21

Non-IFRS financial measures and forward-looking statements

The terms "adjusted net income (loss)", "earnings before interest, tax, depreciation and amortization" ("EBITDA"), "Adjusted EBITDA", "solar segments EBITDA" and "adjusted operating cash flow", used throughout this MD&A, are non-IFRS measures and therefore do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures disclosed by other companies. The basis for calculation has not changed and has been applied consistently by the Company over all periods presented. Adjusted net income (loss) is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income (loss) as reconciled on page 11). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 11). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance (the most comparable IFRS measure is cash flow used in operations as reconciled on page 11). This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information contained herein. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary statement regarding forward-looking information" on page 18.

FIRST QUARTER 2022 HIGHLIGHTS

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First quarter 2022 highlights

USD thousands (unless otherwise stated)	Three months ended	
	Q1-22	Q1-21
Electricity production (MWh)¹	-	11,168
Financial results from discontinued operations		
Revenues	-	3,944
EBITDA	-	2,761
Net loss income	-	923
Financial results from continuing operations		
EBITDA	(815)	(1,782)
Adjusted EBITDA	(790)	(1,649)
Net loss	(4,837)	(2,453)
	March 31	December 31
	2022	2021
Balance sheet		
Total assets	18,614	21,163
Unrestricted cash	18,096	20,578
Working capital	17,116	18,835

Operational highlights

- The Company sold all the solar assets in 2021 and is not developing any new project in the first quarter 2022.

Financial highlights

- Etrion closed the first quarter of 2022 with an unrestricted cash balance of \$18.1 million and positive working capital of \$17.1 million.

¹MWh = Megawatt-hour

BUSINESS REVIEW

Business review

Business overview

Etrion Corporation was created as an independent renewable energy developer. The Company operated 57 MW of installed solar capacity and 45 MW of solar projects under construction, all in Japan. Etrion's largest shareholder is the Lundin family, which owns approximately 36% of the Company's shares directly and through various trusts. Etrion is based in Geneva, Switzerland. As of the date of this MD&A, the Company has a total of 3 employees.

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

Further to the sale of all of the Company's assets and the return of capital to shareholders, and in order to minimize the costs and management time associated with the listing of the Corporation's common shares on the Toronto Stock Exchange (the "TSX") and Nasdaq Stockholm stock exchange (the "Nasdaq"), the Company applied to voluntarily delist the common shares. Such delisting from the TSX became effective after the close of trading on September 17, 2021 and from the Nasdaq after the close of trading on January 4, 2022.

The Company plans to retain approximately CAD\$20 million in cash to address any potential warranty claims from the sale of its assets in Japan, corporate obligations, and potential claims as well as wind-up cost.

Subject to the possibility of the board of directors of identifying other potential business opportunities, the Company expects to complete its windup activities and proceed with the dissolution of the Company within approximately 36 months, although it is possible that the dissolution may be extended beyond that time. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders.

Discontinued operations

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. The Company's 100% participation in the shares of the Japanese subsidiaries and the shareholder loan outstanding from these entities were both acquired by two consortiums for JPY16.0 billion (\$148.3 million) and JPY131 million (\$1.2 million), respectively.

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

USD thousands	Three months ended	
	Q1-22	Q1-21
Revenue	-	3,944
Operating expenses	-	(1,135)
General and administrative expenses	-	(46)
Other expense	-	(2)
EBITDA	-	2,761
Depreciation and amortization	-	-
Finance costs	-	(1,084)
Income before income tax	-	1,677
Income tax expense	-	(754)
Net income discontinued operations	-	923

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Financial review

Financial results

Selected financial information

During the three months ended March 31, 2022, the Group's performance and results were impacted by the sale of all the solar projects. Selected IFRS consolidated financial information, is as follows:

USD thousands (except per share data)	Three months ended	
	Q1-22	Q1-21
Revenue	-	-
Gross profit	-	-
Net loss for the period from continuing operations	(4,837)	(2,453)
Net income from discontinued operations	-	923
Net loss for the period	(4,837)	(1,530)
Net loss attributable to owners of Etrion	(4,837)	(1,530)
Basic and diluted loss per share from continuing operations	\$(0.01)	\$(0.01)
Basic and diluted loss per share for the period:	\$(0.01)	\$(0.01)
Net loss for the period from continuing operations	(4,837)	(2,453)
Adjustments to net loss for:		
Net income tax expense	36	83
Depreciation and amortization	-	33
Share-based payment (recovery) expense	-	132
Net finance costs	3,951	585
Other expense, net	(25)	131
Income tax paid	-	(83)
Changes in working capital	(870)	(1,795)
Operating cash outflow from continuing operations	(1,745)	(3,367)

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

USD thousands	March 31 2022	December 31 2021
Non-current assets	43	44
Current assets	18,570	21,119
Total assets	18,614	21,163
Non-current liabilities	1,402	1,422
Current liabilities	1,454	2,284
Total liabilities	2,856	3,706
Net assets	18,614	17,457

Segment information

In 2022, there is no longer segment reporting information, following the completion of the Company's only segment (Solar Japan) in 2021. The segment was classified as discontinued operations since September 2020.

Financial review

Continued

Non-GAAP performance measures

Reconciliation of adjusted net loss to net loss USD thousands	Three months ended	
	Q1-22	Q1-21
Net loss income from continuing operations	(4,837)	(2,453)
Adjustments for non-recurring and non-cash items:		
VAT write-off	-	133
Depreciation and amortization	-	33
Share-based payment expense	-	132
Adjusted net loss	(4,837)	(2,155)

Reconciliation of adjusted operating cash flows to operating cash flows USD thousands	Three months ended	
	Q1-22	Q1-21
Operating cash outflow from continuing operations	(1,745)	(3,367)
- Changes in working capital	870	1,795
- Income tax paid	36	83
Adjusted operating cash outflow from continuing operations	(839)	(1,489)

Reconciliation of continuing operations Adjusted EBITDA to EBITDA USD thousands	Three months ended	
	Q1-22	Q1-21
Net loss from continuing operations	(4,837)	(2,453)
Adjustments for:		
Net income tax expense	36	83
Net finance costs	3,986	555
Depreciation and amortization	-	33
EBITDA	(815)	(1,782)
Adjustment for non-recurring items:		
VAT write-off and other	25	133
Adjusted EBITDA from continuing operations	(790)	(1,649)

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)	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20
Revenue	-	-	246	6,710	3,944	3,932	6,011	7,130
Japan	-	-	246	6,710	3,944	3,932	6,011	7,130
Net income (loss)	(4,837)	(2,485)	6,175	101,102	(1,530)	(4,477)	28,030	1,611
Net (loss) income from continuing operations attributable to owners of Etrion	(4,837)	(3,795)	(2,541)	(1,977)	(2,453)	(4,263)	26,818	1,611
Net income (loss) attributable to owners of Etrion	(4,837)	1,310	6,175	101,102	(1,530)	(4,477)	28,030	1,611
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)	\$0.08	\$0.00

In 2022, the Company is no longer producing electricity and generating revenue, following the sale of all solar assets in 2021. The Group's condensed consolidated interim financial statements are presented in \$, which is the Group's presentation currency. The Company's functional currency is the ¥. The condensed consolidated interim financial statements have been prepared in accordance with IFRS.

Financial review

Continued

General and administrative expenses

USD thousands	Three months ended	
	Q1-22	Q1-21
Salaries and benefits	405	509
Board of Directors' fees	20	29
Share-based payments	-	132
Professional fees	171	534
Disposal expenses assets-held for sale	-	278
Listing and marketing	18	48
Depreciation and amortization	-	33
Office lease	30	56
Office, travel and other	146	63
Total G&A	790	1,682

During the three months ended March 31, 2022, general and administrative expenses decreased by \$0.9 million (53%), compared with the same period in 2021 due to the reduced activity of the corporation after the sale of Japanese assets.

Other expense, net

USD thousands	Three months ended	
	Q1-22	Q1-21
Other	25	133
Total other expense, net	25	133

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.

Net finance costs

USD thousands	Three months ended	
	Q1-22	Q1-21
Interest expense on corporate bond	-	64
Loss on call option	-	117
Loss on debt extinguishment	-	435
Foreign exchange gain	3,951	(102)
Other finance costs, net	35	41
Net finance cost	3,986	555

During the three months ended March 31, 2021, the Group recognized an unrealized foreign exchange loss of \$3.9 million associated with intercompany loans with the subsidiary in Luxembourg denominated in Euros. The Group had a fixed rate corporate bonds which was fully repaid on January 7, 2021. 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.

Income tax expense

USD thousands	Three months ended	
	Q1-22	Q1-21
Corporate income tax expense	(36)	(83)
Total income tax expense	(36)	(83)

During the three months ended March 31, 2021, the Group recognized an income tax expense of \$36,000 thousand (2021: \$0.1 million) associated with its management services subsidiaries.

Financial review

Continued

Financial position

Liquidity and financing

Cash position

USD thousands	March 31 2022	December 31 2021
Cash and cash equivalents:		
Unrestricted at parent level	18,096	20,578
Total cash and cash equivalents	18,096	20,578

Unrestricted cash analysis

The Group's cash and cash equivalents at March 31, 2022, included unrestricted cash of \$18.1 million. The Company's management is confident that the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements.

Working capital

At the date of this MD&A, the Group had no more contractual obligations in regards of project loans and O&M contracts. The only obligations pertain to the trade payables amounting of \$1.5 million as of March 31, 2022 and due within one year.

Net equity

During the three months ended March 31, 2022, total equity attributable to owners of the Company decreased by \$1.7 million from a net asset position of \$17.5 million at December 31, 2021, to a net asset position of \$15.8 million at March 31, 2022. During the period the company recognized a net loss of \$1.7 million.

Outstanding share data

At the date of this MD&A, the Company had 334,094,324 common shares (March 11, 2022: 334,094,324). The Company maintains the Restricted Share Unit Plan (the "Plan") pursuant to which employees, consultants, directors, and officers of the Group may be awarded RSUs.

On June 22, 2021, following the completion of the sale of the majority of the Company's Japanese assets, the outstanding RSU grants met the accelerating vesting conditions. Therefore, as of June 22, 2021, all outstanding RSUs have been fully expensed. Consequently, the original treatment was modified from equity-settled to cash-settled, and the board of directors approved the fair value of \$0.327 per RSU at the date of modification. The fair value was measured by reference to the Company's share price at the date of the modification.

On August 24, 2021, the Company distributed \$0.327 per share to the shareholders as a return of capital for a total amount of \$109.2 million, and the share capital was reduced accordingly. The Company also distributed \$0.327 per RSU to the holders of the RSUs for a total amount of \$5.0 million. The holders of the RSUs will be entitled to additional payments in the event that further

distributions of net proceeds from the sale of the Company's assets and/or certain tax refunds are made to shareholders. As of December 31, 2021, the number of Company's outstanding RSUs is 15,300,000.

Off-balance sheet arrangements

The Group had no off-balance sheet arrangements at March 31, 2022, and December 31, 2021.

Capital investments

Following the completion of the sale of its Japanese solar assets, the Group has no required capital investments.

Critical accounting policies and estimates

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

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2022, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2021.

Financial review

Continued

Contingencies

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

Related parties

For the purposes of preparing the Company's condensed interim consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trusts approximately 36% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis. The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the three months ended March 31, 2022, 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, 2022, the Group incurred general and administrative expenses of \$2 thousand (2021: \$1 thousand) from Lundin Energy AB. At March 31, 2022, the Group owed no (December 31, 2021: nil) amounts in relation to these expenses.

Lundin SA

During the three months ended March 31, 2022, the Group recognized expenses of \$ nil (2021: \$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.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management of the Group include members of the Board of Directors, the Chief Executive Officer, Marco A. Northland and the Chief Financial Officer, Christian Lacueva.

During the three ended March 31, 2022, the Group recognized within general and administrative expenses, \$0.2 million (2021: \$0.7 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, 2022, the Company recognised an amount of \$0.5 million payable to the entitled employees under the RSUs plan.

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Other disclosures

Risks and uncertainties

Following the completion of the sale of its solar projects, the only material risks to which the Group is exposed are the risk of warranty claims and uncertainties with respect to the outcome of its litigation with a former employee. The Company plans to reserve approximately CAD\$20 million to cover for any liabilities that may result from potential warranty claims under the sale and purchase agreements pursuant to which its solar projects were sold, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs.

Disclosure controls and internal control over financial reporting

In accordance with National Instrument 52-109 Certification of Disclosures in Issuers' Annual and Interim Filings, the Company's Chief Executive Officer and Chief Financial Officer are required to:

- design or supervise the design and evaluate the effectiveness of the Group's disclosure controls and procedures ("DC&P"); and
- design or supervise the design and evaluate the effectiveness of the Group's internal controls over financial reporting ("ICFR").

The Company's Chief Executive Officer and Chief Financial Officer have not identified any material weakness in the Group's DC&P and ICFR.

Cautionary statement regarding forward-looking information

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to the possibility that the Company may pursue an alternative business venture or proceed to wind up its activities and dissolve following the completion of the sale of its solar assets and the anticipated distribution of remaining available funds to shareholders in connection with the dissolution of the Company. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: uncertainties with respect to the Company's ongoing activities following the completion of such sale; the risk that the Company may have insufficient funds to satisfy its future obligations, including without limitation warranty claims under the agreements pursuant to which its projects were sold and uncertainties with respect to the outcome of its current litigation; uncertainties with respect to the determination of whether the Company will pursue an alternative business venture or proceed with dissolution and winding-up; uncertainties with respect to the timing of any such determination; in the case of a determination to proceed with an alternative business, the nature of such business; and, in the case of the dissolution and winding-up of the Company, the amount of funds that will be available for distribution at the time of dissolution. All such forward-looking information is based on certain assumptions and analyses made by the Company in light of

its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. In addition to the assumptions set out elsewhere in this MD&A, such assumptions include, but are not limited to assumptions as to the amount of funds that will be required to satisfy potential warranty claims under the sale agreements, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or, if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

Additional information

Additional information regarding the Company, including its Annual Information Form, may be found on the SEDAR website at www.sedar.com or by visiting the Company's website at www.etrion.com

The logo for Etrion, featuring the word "etrion" in a lowercase, red, sans-serif font. The letters are bold and have a slightly rounded appearance. The background of the page is a light gray with a large, dark gray vertical bar on the left side and a red horizontal bar at the top and bottom.

Condensed Consolidated Interim
Financial Statements
Three Months Ended March 31, 2022
UNAUDITED

At a Glance

Etrion Corporation

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

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



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

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FINANCIAL STATEMENTS

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The accompanying condensed consolidated unaudited interim financial statements of the Company for the three months ended March 31, 2022, 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, 2022 and 2021

UNAUDITED

Expressed in US\$'000

		Three months ended	
		Q1-22	Q1-21
Continuing operations			
General and administrative expenses	6	(790)	(1,682)
Other expense	7	(25)	(133)
Operating loss		(815)	(1,815)
Finance income	8	-	102
Finance costs	8	(3,986)	(657)
Net finance costs		(3,986)	(555)
Loss before income tax		(4,801)	(2,370)
Income tax expense	9	(36)	(83)
Loss for the period from continuing operations		(4,837)	(2,453)
Profit from discontinued operations, net of tax	5	-	923
Net loss for the period		(4,837)	(1,530)
Other comprehensive (loss) income			
Items that may be reclassified to profit and loss:			
Gain (Loss) on currency translation		3,139	(1,722)
Gain (Loss) on cash flow hedges, net of tax – discontinued operations		-	818
Total other comprehensive loss		(1,698)	(904)
Total comprehensive net loss for the period		(1,698)	(2,434)
Loss attributable to:			
Owners of the parent		4,837	(1,530)
Total		(4,837)	(1,530)
Total comprehensive loss attributable to:			
Owners of the parent		(1,698)	(2,434)
Total		(1,698)	(2,434)
Total comprehensive loss attributable to owners of the Company:			
Continuing operations		(1,698)	(4,175)
Discontinued operations		-	1,741
Total		(1,698)	(2,434)
Basic and diluted loss per share from continuing operations	10	\$(0.01)	\$(0.01)
Basic and diluted loss per share for the period	10	\$(0.01)	\$(0.01)

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

Condensed consolidated interim balance sheet

As at March 31, 2022

UNAUDITED

Expressed in US\$'000

	Note	March 31 2022	December 31 2021
Assets			
Non-current assets			
Deferred income tax assets		43	44
Total non-current assets		43	44
Current assets			
Other receivables	12	474	541
Cash and cash equivalents	11	18,096	20,578
Total current assets		18,570	21,119
Total assets		18,614	21,163
Equity			
Attributable to common shareholders			
Share capital	13	2,055	2,055
Contributed surplus		9,461	9,461
Other reserves		(1,507)	(4,646)
Retained earnings (accumulated losses)		5,749	10,587
Total equity		15,758	17,457
Liabilities			
Non-current liabilities			
Employment benefit obligations		1,402	1,422
Total non-current liabilities		1,402	1,422
Current liabilities			
Trade and other payables	15	1,421	2,204
Current tax liabilities	9	33	80
Total current liabilities		1,454	2,284
Total liabilities		2,856	3,706
Total equity and liabilities		18,614	21,163

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, 2022 and 2021

UNAUDITED

Expressed in US\$'000

	Share capital	Contributed surplus	Other reserves	Accumulated (losses) earnings	Reserve of disposal group held for sale	Total equity
Balance at January 1, 2021	111,304	13,641	1,916	(92,556)	(12,793)	21,512
Comprehensive income:						
Loss for the period	-	-	-	(1,530)	-	(1,530)
Other comprehensive income (loss):						
Cash flow hedges (net of tax)	-	-	818	-	-	818
Discontinued operations	5	-	(818)	-	818	-
Currency translation	-	-	(1,722)	-	-	(1,722)
Total comprehensive (loss) income	-	-	(1,722)	(1,530)	818	(2,434)
Transactions with owners in their capacity as owners:						
Share-based payments	-	132	-	-	-	132
Balance at March 31, 2021	111,304	13,773	194	(94,086)	(11,975)	19,210
Balance at January 1, 2022	2,055	9,461	(4,646)	10,587	-	17,457
Comprehensive loss:						
Loss for the period	-	-	-	(4,837)	-	(4,837)
Other comprehensive income (loss):						
Currency translation	-	-	3,139	-	-	3,139
Total comprehensive (loss) income	-	-	3,139	(4,837)	-	(4,837)
Balance at March 31 2022	2,055	9,461	(1,507)	5,749	-	15,758

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, 2022 and 2021

UNAUDITED

Expressed in US\$'000

	Note	Three months ended	
		Q1-22	Q1-21
Operating activities:			
Net income for the period		(4,837)	(1,530)
Less: net income from discontinued operations		-	923
Loss for the period from continuing operations		(4,837)	(2,453)
Adjustments for:			
Depreciation and amortization	6	-	33
Income tax expense	9	36	83
Share-based payment expense	6/14	-	132
Interest expense on corporate bonds	8	-	570
Loss on call option	8	-	117
Foreign exchange gain	8	3,951	(102)
Other expense		(25)	131
Sub-total		(875)	(1,489)
Changes in working capital:			
Trade and other receivables		(67)	(340)
Trade and other payables		(803)	(1,455)
Income tax paid		-	(83)
Net cash outflow from continuing operations		(1,745)	(3,367)
Net cash inflow from discontinued operations		-	1,396
Total cash flow (used in) generated from operating activities		(1,745)	(1,971)
Financing activities:			
Interest paid		-	(179)
Corporate bond repayment		-	(40,316)
Proceeds from Lundin family loan		-	4,679
Net cash outflow from continuing operations		-	(35,816)
Net cash outflow from discontinued operations		-	(144)
Total cash flow used in financing activities		-	(35,960)
Net decreased cash and cash equivalents		(1,745)	(37,931)
Effect of exchange rate changes on cash and cash equivalents		(737)	(6,884)
Cash and cash equivalents at the beginning of the period		20,578	109,679
Cash and cash equivalents at the end of the period	11	18,096	64,864
From continuing operations		18,096	4,865
From discontinued operations		-	59,999

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022 and 2021

UNAUDITED

Expressed in US\$'000 unless otherwise stated

1. General information

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

In 2021, Etrion sold all its operating and under construction solar parks in Japan to two different Japanese consortiums and therefore is no longer owning and operating any solar projects. On August 24, 2021, the Company distributed \$109.2 million to the shareholders as a return of capital, and the share capital was reduced accordingly. [Note 13](#)

Further to the sale of all of the Company's assets and the return of capital to shareholders, and in order to minimize the costs and management time associated with the listing of the Corporation's common shares on the Toronto Stock Exchange (the "TSX") and Nasdaq Stockholm stock exchange (the "Nasdaq"), the Company applied to voluntarily delist the common shares. Such delisting from the TSX became effective after the close of trading on September 17, 2021 and from the Nasdaq after the close of trading on January 4, 2022.

The Company plans to retain approximately CAD\$20 million in cash to address any potential warranty claims from the sale of its assets in Japan, corporate obligations, and potential claims as well as wind-up cost.

Subject to the possibility of the Board identifying other potential business opportunities, the Company expects to complete its windup activities and proceed with the dissolution within approximately 36 months after Closing. The Company will make a determination during this period of 36 months whether it will begin a windup process or engage in new businesses.

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 25 2022.

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, 2021. 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, 2021.

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. There are no other IFRS or interpretations that are not yet effective and that would be expected to have a material impact on the Group.

3. Accounting estimates and assumptions

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

On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material. There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2022, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2021.

4. Segment reporting

In 2022, there is no longer segment reporting information, following the completion of the Company's only segment (Solar Japan) in 2021. The segment was classified as discontinued operations since September 2020. [Note 5](#)

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 sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. The Company's 100% participation in the shares of the Japanese subsidiaries and the shareholder loan outstanding from these entities were both acquired by two consortiums for JPY16.0 billion (\$148.3 million) and JPY131 million (\$1.2 million), respectively.

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

	Three months ended	
	Q1-22	Q1-21
Revenue	-	3,944
Operating expenses	-	(1,135)
General and administrative expenses	-	(46)
Other expense	-	(2)
EBITDA	-	2,761
Depreciation and amortization	-	-
Finance costs	-	(1,084)
Income before income tax from discontinued operations	-	1,677
Income tax expense	-	(754)
Net Income for the period from discontinued operations	-	923

6. General and administrative expenses

	Three months ended	
	Q1-22	Q1-21
Salaries and benefits	405	509
Board of Directors' fees	20	29
Share-based payments	-	132
Professional fees	171	534
Disposal expenses assets-held for sale	-	278
Listing and marketing	18	48
Depreciation and amortization	-	33
Office lease	30	56
Office, travel and other	146	63
Total general and administrative expenses	790	1,682

7. Other expense

	Three months ended	
	Q1-22	Q1-21
Unrecoverable VAT and other	25	133
Total other expense	25	133

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.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022 and 2021

UNAUDITED

Expressed in US\$'000 unless otherwise stated

8. Net finance costs

	Three months ended	
	Q1-22	Q1-21
Finance income:		
Foreign exchange gain	-	102
Total finance income	-	102
Finance costs:		
Foreign exchange loss	3,951	-
Interest expense on corporate bonds	-	64
Loss on call option	-	117
Loss on debt extinguishment	-	435
Other finance costs	35	41
Total finance costs	3,986	657
Net finance costs	3,986	555

During the three months ended March 31, 2021, the Group recognized an unrealized foreign exchange loss of \$3.9 million associated with intercompany loans with the subsidiary in Luxembourg denominated in Euros. The Group had a fixed rate corporate bonds which was fully repaid on January 7, 2021. 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.

9. Income taxes

(a) Income tax expense

	Three months ended	
	Q1-22	Q1-21
Income tax expense:		
Corporate income tax (expense) recovery	(36)	(83)
Total income tax (expense) recovery	(36)	(83)

During the three months ended March 31, 2022, the Group recognized an income tax expense of \$36,000 thousand (2021: \$0.1 million) associated with its management services subsidiaries.

(b) Current income tax liabilities

	March 31 2022	December 31 2021
Corporate income tax	33	80
Total current income tax liabilities	33	80

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	
	Q1-22	Q1-21
Income attributable to common shareholders:		
Loss from continuing operations	(4,837)	(2,453)
Income from discontinued operations	-	923
Total loss attributable to common shareholders	(4,837)	(1,530)
Weighted average number of thousand shares outstanding	334,094	334,094
Basic and diluted (loss) earnings per share:		
Loss from continuing operations	\$(0.01)	\$(0.01)
Income from discontinued operations	\$0.00	\$0.00
Total basic and diluted loss per share	\$(0.01)	\$(0.01)

11. Cash and cash equivalents

The Group's cash and cash equivalents 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 2022	December 31 2021
Unrestricted cash at parent level	18,096	20,578
Total	18,096	20,578

12. Other receivables

	March 31 2022	December 31 2021
Current portion:		
VAT account receivables	103	257
Advances paid and prepaid expenses	149	139
Other current assets	221	145
Total other receivables	474	541

13. 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, 2022 (December 31, 2021: 334,094,324). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors.

On August 24, 2021, the Company distributed \$0.327 per share to the shareholders as a return of capital for a total amount of \$109.2 million, and the share capital was reduced accordingly. No dividends were declared during the three months ended March 31, 2022 and 2021.

14. Share-based payments

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors, and officers. During the three months ended March 31, 2022, the Group recognized share-based payment of \$nil (2021: \$0.1 million) related to its RSUs scheme. [Note 6](#)

Since June 22, 2021, all outstanding RSUs have been fully expensed, following the completion of the sale of the majority of the Company's Japanese assets. On August 24, 2021, the Company settled the RSUs in cash and distributed \$0.327 per RSU to the holders of the RSUs for a total amount of \$5.0 million. The holders of the RSUs will be entitled to additional payments in the event that further distributions of net proceeds from the sale of the Company's assets and/or certain tax refunds are made to shareholders. As of March 31, 2022, the number of Company's outstanding RSUs is 15,300,000.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022 and 2021

UNAUDITED

Expressed in US\$'000 unless otherwise stated

15. Trade and other payables

	March 31 2022	December 31 2021
Financial liabilities		
Trade payables	41	364
Total financial liabilities	41	364
Accrued expenses	774	1,234
Other payables	605	606
Total trade and other payables	1,421	2,204

16. 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 (2021: 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, 2022, the Group entered into the following transactions with related parties:

	Three months ended	
	Q1-22	Q1-21
General and administrative expenses:		
Lundin Energy AB	2	1
Lundin SA	-	30
Finance costs		
Lundin family:		
- Interest expense	-	2
Total transactions with related parties	32	33

There were no amounts outstanding to related parties at March 31, 2022 and December 31, 2021.

There were no amounts outstanding from related parties at March 31, 2022 and December 31, 2021.

17. Financial assets and liabilities

	March 31, 2022			December 31, 2021		
	Financial assets at amortized cost	Fair value recognized in profit and loss	Total	Financial assets at amortized cost	Fair value recognized in profit and loss	Total
Financial assets						
Current						
Cash and cash equivalents	18,096	-	18,096	20,578	-	20,578
Total financial assets	18,096	-	18,096	20,578	-	20,578

	March 31, 2022			December 31, 2021		
	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total
Financial liabilities						
Current						
Trade payables	41	-	41	364	-	364
Total financial liabilities	41	-	41	364	-	364

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, 2022 and December 31, 2021, the Group's cash and cash equivalents were classified as Level 1.

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, 2022 and December 31, 2021, the Group had no financial instruments classified as Level 2.

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, 2022 and December 31, 2021, the Group had no financial instruments classified as Level 3.

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

	March 31 2022	December 31 2021
Financial assets		
Level 1: Cash and cash equivalents (including restricted cash)	18,096	20,578
Total financial assets	18,096	20,578

18. 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.