MANAGEMENT DISCUSSION & ANALYSIS
THIRD QUARTER 2009

The following management discussion and analysis ("MD&A") is prepared as of November 11, 2009. This MD&A, as provided by the management of Etrion Corporation, formerly PetroFalcon Corporation, ("Etrion", the "Company" or "we"), should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009 and 2008, together with the audited consolidated financial statements for the years ended December 31, 2008 and 2007. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates; see "Cautionary Statement Regarding Forward-Looking Information". Unless otherwise stated herein, all dollar amounts are expressed in US dollars ("USD").

On September 11, 2009, Etrion completed the acquisition of 90% of the outstanding shares of Solar Resources Holding Sàrl ("SRH"), a private company developing a pipeline of renewable energy power projects. The Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009, reflect the acquisition of such interest in SRH.

In 2007, as a result of significant volatility in the spread between the official rate and the implied market rate in Venezuela for Bolivar ("Bs"), management concluded that the method of translation from Bolivars to USD using the official rate was no longer appropriate. In addition, effective January 1, 2008, the currency unit of the monetary system of Venezuela dropped three zeros, and all amounts are now denominated in a new smaller scale of Bolivars. Accordingly, for the nine months ended September 30, 2009 and 2008, the Bolivar balances were translated at implied market rates of 5.55 Bs/USD and 4.50 Bs/USD, respectively.

For the purposes of calculating the production from the Venezuelan mixed companies in which the Company has interests (the "Mixed Companies"), natural gas has been converted to a barrel of oil equivalent ("boe") using a conversion rate of six thousand cubic feet ("mcf") equal to one barrel (6:1) based on an energy equivalency conversion method primarily applicable at the burner tip and which does not represent a value equivalency at the wellhead. This conversion to boe may be misleading, particularly if used in isolation.

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 financing and development of Etrion's initial solar projects in Italy; the timing of the expected sales of electricity therefrom; the Mixed Companies' oil and natural gas production; general and administrative expenses; planned growth and development; contractual obligations; future plans, objectives and results. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and assumptions, including, without limitation: risks associated with operating exclusively in foreign jurisdictions; uncertainties with respect to the receipt or timing of required permits to obtain and construct renewable energy projects and to begin selling electricity therefrom; uncertainties with respect to the availability of suitable additional renewable energy projects; the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future; possible changes in the regulatory regimes in the jurisdictions where the Company proposes to develop renewable energy projects; being a minority partner in the Mixed Companies; the uncertainty of timing and amount of dividends from the Mixed Companies; the possible imposition of higher royalties and income taxes; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Company operates; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; volatility in electricity and oil and gas prices; interest rates; opportunities available to or pursued by the Company; and other factors, many of which are beyond our control.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent annual information form and other public disclosure available on SEDAR at www.sedar.com. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived from them. 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.

ETRION'S BUSINESS ENVIRONMENT

Description of Business

Etrion is focused on developing, financing, building, owning and operating global electrical power plants based on renewable sources of energy, including solar photovoltaic, solar thermal and wind.

Pursuant to approvals given by the shareholders of the Company at its annual and special meeting of shareholders held on September 10, 2009, the Company has continued its incorporation from Alberta to British Columbia and changed its name from "PetroFalcon Corporation" to "Etrion Corporation". The Company has moved its operational base to Europe to seek additional opportunities in the renewable energy sector, while maintaining its existing oil and gas assets in Venezuela.

Acquisition of Solar Resources Holding, Sàrl ("SRH")

On September 11, 2009, Etrion completed the acquisition of 90% of the outstanding shares of SRH, a private company developing a pipeline of renewable energy power projects, from Lorito Holdings Srl ("Lorito") and other parties. Lorito is an investment company wholly owned by a Lundin family trust and holds 24% of the shares of Lundin Petroleum AB ("Lundin Petroleum"), which indirectly owned 45% of Etrion at the date of acquisition.

Etrion acquired 90% of SRH from the previous shareholders at cost for €2.3 million ($3.26 million) in cash. Etrion also advanced a loan to SRH in the amount of €1.35 million ($1.91 million) in order to repay an equivalent amount advanced to SRH by Lorito. The remaining 10% of SRH continues to be held by Marco Northland ("Northland"), who was appointed as Chief Executive Officer of Etrion at closing.

SRH will initially focus on solar energy projects in Europe utilizing government guaranteed premium electricity rates and non-recourse bank financing. SRH is currently developing four ground-based solar photovoltaic power plants in Italy with an aggregate capacity of four megawatts (MW). The initial Italian solar projects will be funded more than 80% by a non-recourse project loan from an Italian bank, with the balance coming from the Company. The first solar power plants in southern Italy are anticipated to begin operations in 2010.

Shareholders Agreement

Upon closing of the SRH acquisition, Etrion and Northland entered into a shareholders' agreement (the "Shareholders Agreement") to govern their rights and obligations as the shareholders of SRH. Under the Shareholders Agreement, Northland will maintain his 10% equity ownership of SRH without putting up additional capital until such time as Etrion has advanced an aggregate of €17,690,310 ($25,903,921) to SRH. Northland also has the right to maintain his 10% equity ownership through purchases of shares financed by loans from Etrion ("Loan Shares") or by way of "phantom shares" that do not require Northland to invest additional capital but are offset by notional loans from Etrion ("Carry Shares") until such time as Etrion has invested an additional €80,000,000 ($117,144,000) in SRH.

Northland also has the right under the Shareholders Agreement, for a period of five years, to exchange some or all of his shares of SRH, including Loan Shares and Carry Shares, for Etrion shares with a value based on the increase in value of SRH from the date of the Shareholders Agreement to the date of exchange and net of amounts owed by Mr. Northland in respect of the Loan Shares and Carry Shares. The value of SRH for this purpose will be based on the market capitalization of the Company less the value of its oil and gas operations and subject to certain other adjustments related to the Company's non-SRH debt and cash on hand. Any SRH shares held by Northland that have not been exchanged for Etrion shares at the end of the five-year period will automatically be exchanged on the same basis.

Oil and Gas Investments

Etrion also continues to own oil and gas investments in Venezuela through its wholly-owned Venezuelan subsidiary, PFC Oil and Gas, C.A., formerly Vinccler Oil and Gas, C.A., ("PFC Venezuela"), which owns 40% of PetroCumarebo, S.A. ("PetroCumarebo") and 5% of Baripetrol, S.A. ("Baripetrol").

PetroCumarebo holds all of the operating rights to the East and West Falcon blocks, an area of approximately 838,000 acres in north-western Venezuela. The oil and gas produced from the East and West Falcon blocks is sold to the state-owned oil and gas company, Petróleos de Venezuela, S.A. ("PDVSA"), and is either trucked or shipped by pipelines to the Paraguana Refinery Complex.

Baripetrol holds all of the operating rights to the Colon Block, an area of approximately 297,000 acres in western Venezuela. The oil and gas produced from the Colon Block is sold to PDVSA and shipped by pipelines to PDVSA's distribution network.

PDVSA has announced its intention to decrease the number of mixed companies by merging individual mixed companies that have common characteristics, such as location and the types of crude oil produced, into new, larger mixed companies. PDVSA will maintain a 60% participation in these new mixed companies, and the private parties will negotiate their pro forma interest based on each private party's estimated fair value derived from the potential future dividends from the mixed companies. It is not yet known whether this consolidation process will impact PetroCumarebo or Baripetrol.

There was a severe decline in global crude oil prices during the second half of 2008, and oil prices remained at lower levels in the first and second quarter of 2009, decreasing the oil prices received by the Mixed Companies. During the third quarter of 2009, oil prices made a significant recovery, but the stability of future oil markets is subject to a variety of factors including political considerations, worldwide economic conditions and actions of the Organization of Petroleum Exporting Countries and other major oil producing countries. It is very difficult to correctly project future prices in the current economic environment, and the Company anticipates a significant level of volatility over the next twelve to twenty-four months.

The Company's management performed impairment tests for its investments in oil and gas companies as at September 30, 2009, and identified an impairment loss of $44.0 million from the investments in PetroCumarebo and Baripetrol when comparing book value to the fair value. See "Critical Accounting Policies and Estimates".

SUMMARY OF QUARTERLY RESULTS

The following table contains selected consolidated financial information for Etrion over the last eight quarters:

($000s, except per share amounts)	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(50,944)	(1,447)	(1,552)	(9,982)	(7,121)	(4,412)	(1,675)	(1,617)
Loss per share basic and diluted	(0.32)	(0.01)	(0.01)	(0.06)	(0.04)	(0.03)	(0.01)	(0.02)

The net results for the three months ended September 30, 2009, were adversely affected by the following non-cash items that had no impact on cash flow: (a) the recognition of a $44.0 million impairment loss in the carrying value of the oil and gas investments in Venezuela; and (b) the recognition of $5.4 million in compensation expense related to Northland's right to exchange his equity interest in SRH for an equivalent fair value of shares in Etrion.

Additionally, under the cost method of accounting, Etrion does not recognize its share of revenues, expenses, assets or liabilities from PetroCumarebo or Baripetrol and instead only recognizes income from these investments to the extent that dividends are received from PetroCumarebo or Baripetrol. As a result, Etrion has no revenues for the three and nine month periods ended September 30, 2009 and 2008. See "Critical Accounting Policies and Estimates".

On August 14, 2009, the Company received $1.1 million from Baripetrol as an advance of dividends for operations during 2008. Based on information provided by PDVSA, the Company believes that it is entitled to receive an additional $2.1 million approximately in dividends from Baripetrol in respect of 2008 operations, although the timing of such payments is uncertain.

Etrion's financial results

For the three months ended September 30, 2009, the Company reported a net loss of $50.9 million (loss per share of $0.32) compared to a net loss of $7.1 million (loss per share of $0.04) for the three months ended September 30, 2008. For the nine months ended September 30, 2009, the Company reported a net loss of $53.9 million (loss per share of $0.34) compared to a net loss of $13.2 million (loss per share of $0.09) for the nine months ended September 30, 2008.

As at September 30, 2009, Etrion had $27.0 million in cash and short-term deposits, working capital of $26.5 million and no debt following the acquisition of SRH. The Company does not expect cash calls from its oil and gas investments in Venezuela for 2009 capital expenditures. However, the Company anticipates that it will make capital investments related to renewable energy projects in the fourth quarter of 2009. See "Capital Investments Related to Renewable Energy Projects".

MIXED COMPANY Q3 2009 PRODUCTION

The following tables outline the gross production for each of PetroCumarebo and Baripetrol in which Etrion holds a 40% and 5% interest, respectively.

***PetroCumarebo Production Summary*:**

	Three months ended September 30, 2009	**Three months ended September 30, 2008**
Average daily production		
Oil - bbls/d	626	838
Natural gas - mcf/d	10,506	16,059
Total – boe/d	**2,377**	**3,515**

Note: Production is shown before royalties of 33.33%. Etrion owns 40% of PetroCumarebo

As detailed in the table above, PetroCumarebo's average gross production from both the East and West Falcon blocks for the three months ended September 30, 2009, was 2,377 boe/d. For the comparable period ended September 30, 2008, PetroCumarebo's average gross production was 3,515 boe/d. The production decrease is due to natural decline, increased water production and paraffin and compressor problems.

PetroCumarebo produces light sweet crude oil that sells at a premium to most of the oil produced in Venezuela. PetroCumarebo's oil production from the East and West Falcon blocks is delivered to PDVSA at a weighted average price of approximately 100% of the price of West Texas Intermediate ("WTI") crude oil.

Payment from PDVSA to PetroCumarebo is 100% in US dollars for crude oil and natural gas liquids and 100% in Bolivars for methane gas. Potential dividends from PetroCumarebo to Etrion will be in US dollars and are at the discretion of the shareholders of PetroCumarebo, depending on net and available profits. To date, Etrion has not received any dividends for the Company's 40% interest in PetroCumarebo.

Baripetrol Production Summary:

	Three months ended September 30, 2009	**Three months ended September 30, 2008**
Average daily production		
Oil - bbls/d	8,775	8,762
Natural gas - mcf/d	7,046	6,193
Total – boe/d	**9,949**	**9,794**

Note: Production is shown before royalties of 33.33%. Etrion owns 5% of Baripetrol.

As detailed in the table above, Baripetrol's average gross production from the Colon Block for the three months ended September 30, 2009, was 9,949 boe/d. For the comparable period ended September 30, 2008, Baripetrol's average gross production was 9,794 boe/d. Production has been maintained at consistent levels recently due to drilling activities.

Baripetrol's oil production is delivered to PDVSA at an average price that is approximately 92% of WTI.

Payment from PDVSA to Baripetrol is 100% in US dollars for crude oil and natural gas liquids and 100% in Bolivars for methane gas. Dividends from Baripetrol to Etrion are paid in US dollars and are at the discretion of the shareholders of Baripetrol, depending on net and available profits. During the year ended December 31, 2008, Etrion received $2.9 million in dividends from Baripetrol for operations between January and December 2007. During the three month period ended September 30, 2009, Etrion received $1.1 million from Baripetrol as an advance dividend for operations during 2008.

MIXED COMPANY 2009 CAPITAL EXPENDITURES

The Mixed Companies operate as independent entities with seconded technical staff from shareholders. The Mixed Companies fund their capital expenditures through their own cash flow, to the extent available, or through cash calls to shareholders, including Etrion, if no other sources of financing are available. The Mixed Company shareholders intend PetroCumarebo and Baripetrol to be self-funding and rely on internally-generated cash flow to fund operations. To date, the Mixed Companies have not made a cash call to Etrion for capital expenditures. This could change if oil and gas price realizations decrease and will be further addressed in future filings if necessary.

If oil prices decline and PetroCumarebo and Baripetrol are not able to fund their capital expenditures through their respective cash flow or other forms of financing, the Company's maximum expected commitment for 2009 capital expenditures is limited to the Company's share of the gross capital expenditure budgets outlined below.

PetroCumarebo 2009 Capital Expenditures:

($000s)	**Gross Initial Budget 2009**	**Gross Revised Budget 2009**	**Gross Actual Incurred Sept. 30, 2009**
Drilling and Work-overs			
- La Vela	18,110	12,312	15,060
- Cumarebo	6,610	5,262	2,370
- West Falcon	-	-	-
- Total Drilling and Work-overs	24,720	17,574	17,430
Processing Facilities and Infrastructure			
- La Vela	2,233	2,233	-
- Cumarebo	1,600	1,600	-
- West Falcon	537	537	-
Total Processing Facilities and Infrastructure	4,370	4,370	-
Total Capital Budget	**29,090**	**21,944**	**17,430**

Note: Etrion owns 40% of PetroCumarebo. Budgeted capital expenditures are shown on a gross basis for PetroCumarebo. Etrion does not expect cash calls from PetroCumarebo for any portion of the 2009 capital expenditures. However, if PetroCumarebo's cash flow is not sufficient to cover its capital expenditures, or if no other sources of financing are available, Etrion could be responsible for 40% of such expenditures. Historically, PetroCumarebo has been able to fund its capital expenditures budget through its own cash flow or other forms of financing without cash calls to Etrion.

Baripetrol 2009 Capital Expenditures:

($000s)	**Gross Initial Budget 2009**	**Gross Actual Incurred Sept 30, 2009**
Seismic, Drilling and Work-overs		
- La Palma	30,351	24,332
- Socuavo	-	770
- Las Cruces	-	840
- Total Drilling and Work-overs	30,351	25,942
Processing Facilities and Infrastructure		
- Socuavo/ Las Cruces	3,200	858
- Colina Station	800	-
- Total Processing Facilities and Infrastructure	4,000	-
Total Capital Budget	**34,351**	**26,800**

Note: Etrion owns 5% of Baripetrol. Budgeted capital expenditures are shown on a gross basis for Baripetrol. Etrion does not expect cash calls from Baripetrol for any portion of the 2009 capital expenditures. However, if Baripetrol's cash flow is not sufficient to cover its capital expenditures, or if no other sources of financing are available, Etrion could be responsible for 5% of such expenditures. Historically, Baripetrol has been able to fund its capital expenditures budget through its own cash flow or other forms of financing without cash calls to Etrion.

CAPITAL INVESTMENTS RELATED TO RENEWABLE ENERGY PROJECTS

Development pipeline and fees

The operations of the Company require it to enter into share purchase agreements with local developers of renewable energy projects in Europe, pursuant to which, subject to certain conditions, local legal entities undertake to sell to Etrion's subsidiary one or more project companies following completion of the contribution in kind of permitted projects for the construction of solar plants. As at September 30, 2009, the Company has entered into five different agreements with Italian local developers for the acquisition of 100% of the outstanding shares of one or more project companies for a total purchase price (development fee) of €7.6 million ($11.1 million), and the Company has advanced to the potential sellers a total of €0.3 million ($0.4 million). According to the terms and conditions of the share purchase agreements, the advance payments will be deducted from the total purchase price at closing.

Four megawatt project in southern Italy

On October 20, 2009, Etrion purchased the outstanding shares of an Italian company, SVE Srl ("SVE"), which owns the required permits for the construction of four solar power plants in southern Italy with a total generating capacity of four megawatts. During the fourth quarter of 2009, the Company raised project finance debt required to begin construction.

The estimated project cost is €20.7 million ($30.3 million), including financing cost. Of this amount, Etrion's total equity contribution to the project will be €3.5 million ($5.1 million), which accounts for approximately 17% of the total cost. Since €1.3 million ($1.9 million) has already been spent as development fees and deducted from the total purchase price of SVE, the total additional capital investment expected from Etrion in the fourth quarter is approximately €2.2 million ($3.2 million).

General and Administrative ("G&A") Expense

($000s)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Salary and compensation benefits	456	746	1,600	1,750
Corporate and professional fees	460	490	1,306	1,624
Technical service agreement	67	142	297	357
Insurance	23	99	277	300
Travel expenses	115	174	268	409
Write-offs of receivables and other assets	-	350	30	423
Office, listing and filing expenses	107	166	332	501
Total G&A Expenses	1,228	2,167	4,110	5,364

Etrion's G&A expenses were $1.2 million during the three month period ended September 30, 2009, compared to $2.2 million during the three month period ended September 30, 2008. Etrion's G&A expenses were $4.1 million during the nine month period ended September 30, 2009, compared to $5.4 million during the nine month period ended September 30, 2008. The net decrease was mainly due to a general lower level of activity and continued focus on cost reductions, including a decrease in travel expenses and compensation to officers.

Etrion does not capitalize general and administrative expenses.

Depreciation and Amortization ("DD&A") Expense

($000s)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Depreciation and amortization	52	36	167	87

For the three month period ended September 30, 2009, Etrion's DD&A expense was $51,724, compared to $35,716 for the three month period ended September 30, 2008. For the nine month period ended September 30, 2009, Etrion's DD&A expense was $167,354, compared to $87,427 for the nine month period ended September 30, 2008. The increase was due to the relocation and refurbishment of the Company's Venezuelan office, a commitment entered into in June 2008 when the Company expected to grow substantially, before the change in business strategy and relocation of the headquarters to Europe.

COMPENSATION EXPENSE

($000s)	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Stock-based compensation	323	29	390	784
Non-cash compensation expense	5,544	-	5,544	-
Total compensation expense	5,867	29	5,934	784

During the three and nine months ended September 30, 2009, the Company recorded $323,222 and $390,115, respectively, in stock-based compensation expense compared to $28,501 and $783,546, respectively, during the three and nine months ended September 30, 2008.

As at September 30, 2009, the number of outstanding stock options was 12,213,640, compared to 9,333,660 outstanding stock options as of September 30, 2008. The net increase in stock options outstanding was due mainly to options granted to employees and directors in May 2009 and options granted to new directors of the Corporation and to employees of a subsidiary of SRH in September 2009.

The non-cash compensation expense relates to the CEO's right to exchange his 10% equity interest in the Company's European subsidiary, SRH, for an equivalent fair value of shares in Etrion. See "Related Party Transactions".

INTEREST INCOME

($000s)	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Interest income	59	282	265	453

At September 30, 2009, Etrion had $27.0 million in cash and short-term deposits compared to $23.1 million at September 30, 2008. During the three month period ended September 30, 2009, the Company recorded interest income in the amount of $59,355, compared to $282,259 during the three month period ended September 30, 2008.

During the nine month period ended September 30, 2009, the Company recorded interest income in the amount of $264,769, compared to $452,624 during the nine month period ended September 30, 2008.

There was a significant decrease in the interest rates during the latter part of 2008 and in 2009 that reduced the interest income received from the Company's short-term investments.

Income Taxes

During the three and nine months ended September 30, 2009, and 2008, Etrion recorded no income tax expense since the Company had no taxable income for these periods.

Liquidity and Capital Resources

As at September 30, 2009, Etrion had $27.0 million in cash and short-term deposits, $26.5 million of working capital and no debt. At December 31, 2008, Etrion had $26.7 million in cash, $32.9 million of working capital and no debt.

On October 20, 2009, Etrion purchased the outstanding shares of SVE, which owns the required permits for the construction of four solar power plants in southern Italy with a total generating capacity of four megawatts, for a purchase price of €1.3 million (equivalent to $1.9 million at the date of acquisition). On November 4, 2009, SVE signed a credit facility agreement with an Italian bank for the construction of the solar power plants in southern Italy. The non-recourse loan provided is for €17.2 million ($25.6 million) or 83% of the anticipated cost of the project. The debt facility has a term of 17.5 years and bears interest at six-month Euribor plus a margin of 250 basis points in the first five years, 270 basis points in the second five years and 300 basis points thereafter. Additionally, the Company anticipates that it could make capital investments related to development fees paid to local developers in Italy for future solar energy projects for a total amount of €7.6 million ($11.1 million) less advance payments as of September 30, 2009.

Etrion has substantial cash on hand and expects to generate cash flow in the future through its renewable energy operations and by receiving dividends from its oil and gas investments. The Company estimates that it is entitled to receive a total of approximately $4.7 million in dividends (including an advance already received of $1.1 million) from Baripetrol and PetroCumarebo for 2008 operations, but the payment of these dividends is uncertain. Even if these dividends are delayed or are never paid, the Company believes that its cash on hand will cover its cash requirements for the next 12 months. Based on prior experience and current oil prices, Etrion does not expect cash calls from PetroCumarebo or Baripetrol for 2009 capital expenditures. If the Company makes other acquisitions or if oil and gas price realizations are significantly reduced, the Company may need to raise additional financing.

Share Data

As at November 11, 2009, the Company has 158,501,120 common shares issued and outstanding and 12,213,640 stock options outstanding. The stock options expire at various dates between June 12, 2013, and April 28, 2018, and are exercisable at various prices between CAD$0.25 and CAD$3.28 per share. In addition, Northland has the right until September 11, 2014, to exchange his equity interest in SRH for the equivalent fair value of shares of the Company. See "Related Party Transactions -- Marco Northland's exchange right and the Shareholders Agreement."

RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign currency and commodity price risk) and other risks. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to value-added tax receivable and tax credits of the wholly-owned subsidiary with the Venezuelan tax authorities and third party credits. The Company has no concentration of credit risk. Value added tax receivables are collectable from the Venezuelan government and are in good standing as of September 30, 2009, excluding amounts already provided for. Management believes that the credit risk with respect to financial instruments attributable to value added tax receivables is moderate.

In addition, the majority of the Company's cash and cash equivalents are on deposit with highly-rated chartered banks in Canada and Europe. A lesser amount is held at banks in Curacao and Venezuela.

Liquidity risk

At September 30, 2009, the Company had sufficient funds to settle current liabilities. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days, except employee benefits and the advance of dividends from Baripetrol, and are subject to normal trade terms. The Company's subsidiaries' lines of credit are based on contractual terms between related companies and with a Venezuelan financial institution.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and oil prices.

(i) Interest rate risk

Etrion has significant cash balances and short-term investments, with the latter having variable annual interest rates from 0.15% to 1.15%. The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by banks. The Company closely monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency risk

Etrion's functional currency is the US dollar. Any dividends received from its oil and gas investments are in US dollars, and major purchases are transacted in US dollars. The Company maintains US dollar bank accounts in Canada and Curacao. The Company funds some of its Venezuelan subsidiary's operating and administrative expenses in Venezuelan Bolivars from its

US dollar bank accounts. The Company recognizes the foreign currency transactions of its Venezuelan subsidiary at the implied market rate in Venezuela, which had a spread of 158% over the official rate as of September 30, 2009. The Company has exposure to the volatility of the implied market rate in Venezuela that may result in significant foreign exchange gains or losses from its Venezuelan subsidiary.

The Company also funds its European subsidiary's operating and administrative expenses in Euros and Swiss Francs from its US dollar bank accounts. The Company has exposure to the volatility of the exchange rates of the Euro and Swiss Franc that may result in significant foreign exchange gains or losses from its European subsidiary.

(iii) Commodity price risk

Oil price risk has a potential adverse impact on the Company's dividends from its oil and gas investments due to oil price movements and volatility. The Company closely monitors oil prices to determine the appropriate course of action to be taken by the Company, to the extent possible, through its participation on the board of directors of PetroCumarebo and in the private party consortium in Baripetrol.

Other risks

International operations

Etrion participates in oil and gas projects located in Venezuela and in renewable energy projects located in Europe. Oil and gas exploration, development and production activities, including joint ventures in emerging markets, are subject to significant political and economic uncertainties that may adversely affect the Company's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future oil and gas concessions and contracts, a change in crude oil, natural gas or renewable energy pricing policies, changes in taxation policies and/or the regulatory environment in the jurisdictions and industries in which the Company operates and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Etrion's business prospects and results of operations. In addition, if legal disputes arise related to any of the Company's operations, Etrion could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing an oil and gas concession in which Etrion has or acquires an interest.

Licenses and Permits

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities that it is currently conducting under applicable laws and regulations, and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There is no assurance that the Company will be able to obtain all necessary licenses and permits required to develop future renewable energy projects and to begin selling electricity or to obtain future oil and gas interests.

Competition

The renewable energy and oil and gas industries are intensely competitive, and the Company will compete with a substantial number of other companies, many of which have greater financial and operational resources. There is no assurance that the Company will be able to acquire any such projects on economic terms or at all. Etrion and the Mixed Companies also compete with other companies in attempting to secure equipment necessary for construction of solar energy projects and drilling and completion of oil and gas wells. Such equipment may be in short supply from time to time. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time. There is no assurance that the Company or the Mixed Companies will be able to successfully compete against their competitors.

Cost Uncertainty

The renewable energy and oil and gas projects in which the Company is currently involved or in which it may be involved in the future are subject to the risk of cost overruns or other unanticipated costs and expenses that could have a material adverse impact on the Company's financial performance.

Prices and Markets for Electricity, Oil and Natural Gas

Although the Company will focus on developing renewable energy projects in jurisdictions that provide long-term feed-in tariffs to provide pricing certainty, pricing for the sale of electricity may be subject to change based on economic, political and other conditions. Oil and natural gas are also commodities whose prices are determined based on global demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and condensate have fluctuated widely in recent years. Future price fluctuations in world oil prices will have a significant impact upon the revenue of the Mixed Companies and the return from and the financial viability of the Mixed Companies' existing and future reserves.

Substantial Capital Requirements, Liquidity

Until such time, if any, as the Company is able to generate profits from its renewable energy projects, dividends received by the Company from the Mixed Companies may not be sufficient to fund its ongoing activities. From time to time, the Company may require additional financing in order to carry out its investment, acquisition and development activities. The Company anticipates that it will make substantial capital expenditures related to renewable energy projects in the future. If the Mixed Companies' earnings or reserves decline or the Company cannot receive funds from PetroCumarebo and/or Baripetrol, the Company may have limited ability to expend the capital necessary to undertake or complete future projects. Failure to obtain such financing on a timely basis could cause the Company to miss certain business opportunities, reduce or terminate its operations or forfeit its direct or indirect interest in certain properties. There is no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be available on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business, financial condition and results of operations.

Issuance of Debt

The Company anticipates financing a significant portion of the capital costs associated with the construction and development of its renewable energy projects by way of debt. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise. Breaches of debt obligations by the Company or any of its subsidiaries could also subject the Company or its subsidiaries to the risk of seizure or forced sale of some or all of their assets.

Governmental Regulation

The renewable energy and oil and gas industries are subject to extensive government regulation. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the industries in which the Company operates could impair the ability of the Company to acquire and develop economic projects, increase the Company's costs and have a material adverse effect on the Company.

Reliance on Contractors and Key Employees

The ability of the Company and the Mixed Companies to conduct their operations is highly dependent on the availability of skilled workers. The labour force in Europe and Venezuela is unionized and politicized, and the Company's and the Mixed Companies' 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. The Company does not have any key man insurance policies, and there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Company.

Dividends from the Mixed Companies

Etrion's only current source of revenue is potential dividends from its 40% interest in PetroCumarebo and its 5% interest in Baripetrol. Under Venezuelan law, dividends can only be declared to the extent a company has net and available profits as stated in its approved financial statements. Therefore, if there are sufficient net and available profits, subject to prior approval of shareholders, Etrion, through PFC Venezuela, may receive annual dividends in US dollars, or quarterly loans against those projected dividends. If the Mixed Companies' boards of directors do not propose dividends, the Mixed Companies' shareholders do not approve dividends or the Mixed Companies do not have net and available profits to declare dividends, Etrion cannot expect to receive payment from the Mixed Companies. Dividends from the Mixed Companies must be proposed by four out of the five board members (80%), and each of PFC Venezuela and Baripetrol's private party consortium (which includes Tecpetrol, Perenco and PFC Venezuela) have two out of five board seats (40%) in the respective Mixed Companies. Dividends proposed by the board of the Mixed Companies must be approved by a qualified majority (75%) of its respective shareholders, and PFC Venezuela and Baripetrol's private party consortium each only account for 40% of the respective shareholders. Furthermore, given the current economic environment and its potential impact on the oil and gas business, PDVSA and the Venezuelan government, the timing and amount of dividends from the Mixed Companies is uncertain.

Related Party Transactions

Pacific Oil and Gas

Pacific Oil and Gas, LLC ("Pacific Oil and Gas") is controlled by Clarence Cottman, a director of Etrion, and William Gumma, Etrion's former President and Chief Executive Officer. The Company paid Pacific Oil and Gas for the three months ended September 30, 2009 and 2008, $135,000 and $165,000, respectively. The Company paid Pacific Oil and Gas for the nine months ended September 30, 2009 and 2008, $459,000 and $435,000, respectively. These payments include the salaries of Mr. Gumma and Etrion's Chief Financial Officer, Garrett Soden, as well as administrative services from Pacific Oil and Gas.

Lundin Services BV

Etrion also receives technical services from Lundin Services BV, a wholly owned subsidiary of Lundin Petroleum. Lundin Petroleum indirectly owns 45% of the Company, and Lundin Petroleum's President and CEO, Ashley Heppenstall, and its Chairman, Ian Lundin, are board members of Etrion. For the three month periods ended September 30, 2009 and 2008, the Company paid Lundin Services BV for professional services in the amount of $26,390 and $80,170, respectively. For the nine month periods ended September 30, 2009 and 2008, the Company paid Lundin Services BV for professional services in the amount of $39,280 and $80,170, respectively. These payments for professional services include oil and gas geology, reserve and legal advice for Etrion's business development activities.

SRH Transaction

On August 11, 2009, the Company announced the signing of a share purchase agreement for the acquisition of 90% of the outstanding shares of SRH, a private company developing a pipeline of renewable energy power projects, from Lorito and other parties. Lorito is an investment company wholly owned by a Lundin family trust and holds 24% of the shares of Lundin Petroleum.

On September 11, 2009, Etrion acquired 90% of SRH from the previous shareholders at cost for €2.3 million ($3.26 million) in cash. Included in this amount, Etrion purchased 4.425% of SRH at cost for €115,434 ($163,524) from Ashley Heppenstall, a Director of Etrion and the President and CEO of Lundin Petroleum. Etrion also advanced a loan to SRH in the amount of €1.35 million ($1.91 million) in order to repay an equivalent amount advanced to SRH by Lorito.

Marco Northland's exchange right and the Shareholders Agreement

The SRH Shareholders Agreement provides Northland with the right to exchange his 10% equity interest in SRH, for a period of five years, for an equivalent fair value of shares in Etrion with a minimum exchange value of his interest of €4.0 million. Any portion of Northland's equity interest in SRH that has not been exchanged for Etrion shares at the end of the five-year period will be automatically exchanged. The Company has recognized a liability related to this exchange right of €4.0 million ($5.9 million) as at the balance sheet date and a related non-cash compensation expense for the excess of this amount over the fair value of his 10% equity interest in SRH at the date of the acquisition. The Company will continue to recognize the fair value of the exchange right as a liability until such time that it is exercised.

In addition, the agreement also provides for the additional issuance of in substance, at the money stock options on the date of future equity investments by Etrion to SRH. Northland will receive at the money stock options of up to €8.0 million based on 10% of future equity investments by Etrion. That is, if Etrion invests €80.0 million in additional equity of the subsidiary, Northland will receive the equivalent of €8.0 million of at the money stock options at the date of the advance.

The Company has viewed these options as being granted, but subject to a performance condition relating to future investments which it may make in its subsidiary SRH. The grant date fair value of these options has been calculated as $8.9 million using a Black-Scholes model based on the following assumptions:

Risk-free interest rate	2.56%
Expected volatility	101.71%
Dividend yield rate	0.00%
Weighted average expected life of stock options	5 years
Weighted average grant date fair value	€0.49

The Company does not currently expect that the performance condition is likely to be met and therefore has not recorded an expense related to these in substance options during the period.

The Company will continue to evaluate at each reporting period the likelihood of the performance condition being met, and, should it become probable that the performance condition will be met for all or a portion of such options, the Company will expense the grant date fair value of the options over their vesting period. The vesting period is the period from the grant date until the funds are estimated to be invested because once the additional investments are made, Northland may leave the Company but does not forfeit his in substance options.

In addition, the Shareholders Agreement states that any additional funds required by SRH up to €17.7 will be loaned by Etrion without a fixed term of repayment but bearing interest at 3.75%. At the date of SRH's acquisition, the Company advanced €1.35 million ($1.91 million) to its subsidiary SRH as a loan. Under the agreement, Northland is entitled to 10% of any interest or principal repayments on such loan. At this time, the Company does not expect to make any repayments of principal on such loan in the foreseeable future. As such, Northland's entitlement to 10% of interest is expensed as accrued on the loan. Should principal repayments be expected, Northland's entitlement would be expensed over the expected period to repayment.

In addition, under the terms of the employment agreement with Northland, he is entitled to contractual termination benefits of up to CHF 2.3 million ($2.2 million) if terminated by the Company without cause or constructively dismissed within a period of 24 months of employment and benefits of CHF 0.8 million ($0.7 million) thereafter. No amounts have been accrued in this respect.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company made assumptions in applying critical accounting estimates that were uncertain at the time the accounting estimate was made and may have a significant effect on the financial statements of the Company. The preparation of these interim consolidated financial statements is based on the accounting policies and practices consistent with those used in the preparation of the Company's annual consolidated financial statements as at December 31, 2008. See the Company's "2008 Annual Report".

Financial assets carried at cost – Impairment Test

According to the critical accounting policies, the Company evaluates the carrying amount of its investment when there is objective evidence that a financial asset might be impaired. Management conducted an impairment test of its oil and gas investments as at September 30, 2009, and concluded that due to the lack of significant cash flow generation aligned with the political risk in the country, the carrying amounts of the investments in PetroCumarebo and Baripetrol exceeded their fair value. The Company used primarily an income approach that consisted of applying weighted probabilities to potential future cash flow scenarios.

PetroCumarebo

Given the fact that no dividends have been received since the date of inception of PetroCumarebo (April 1, 2006), and the only dividends that are expected to be received in the future correspond to the operations of 2007 and 2008 in the amount of $1.9 million, management has concluded, based on a risk adjusted probability approach, that this is the fair value of the PetroCumarebo investment. As such, a write-down of $38.7 million was recorded in the three months ended September 30, 2009.

Baripetrol

Management considered the history of dividends paid previously from Baripetrol, the advances on dividends received in the third quarter of 2009, as well as the dividends that are expected to be received in the future and based on the current reserves and expected future prices, management has concluded that the fair value of this investment was approximately $8.1 million. As such, a write-down of $5.3 million was recorded in the three months ended September 30, 2009.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three and nine months ended September 30, 2009, there were no changes to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In January 2006, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will be required for Etrion's interim and annual financial statements for the fiscal year beginning January 1, 2011. During the three month period ended September 30, 2009, the Company completed the diagnostic phase of the conversion project to IFRS, identifying the differences between Canadian GAAP and IFRS through a revision of the current accounting policies and the impact on the consolidated financial statements of the Company (before the acquisition of SRH). Management is in the process of identifying significant differences related to SRH. Once completed the diagnostic phase for the renewable energy business, management will start the component evaluation phase by quantifying all of the identified differences in order to prepare an opening balance sheet under IFRS by December 31, 2009.

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.ch**.