ETRION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

etrion

Etrion is an independent power producer that develops, builds, owns and operates utility-scale solar power generation plants.

Shizukuishi solar power project in northern Japan

Etrion is a solar platform with a proven track record successfully operating assets in Japan. The Company has gross installed solar capacity in Japan of 44 MW plus 13MW under construction, 190 MW of backlog projects and 200 MW of early stage pipeline.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business opportunities. This MD&A, prepared as of November 13, 2017, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2017. Financial information is reported in United States dollars ("$" or "USD"). However, certain material financial information has also been disclosed in Japanese yen ("¥") because the Company has its main business activities in Japan. The Company also owns an asset in Chile whose operations are reported in $. Exchange rates for the relevant currency of the Group with respect to the $ and the ¥ are as follows:

	€/¥	$/¥
Closing rate at September 30, 2017	132.64	112.46
Closing rate at September 30, 2016	112.86	100.90
Nine months average rate September 30, 2017	124.56	111.91
Nine months average rate September 30, 2016	121.16	108.66

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 13). 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 is net income (loss) as reconciled on page 13). 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 operating cash flow as reconciled on page 13). 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 22.

THIRD QUARTER 2017 HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- Advanced on the construction of the 13.2 MW[1] Komatsu project in northern Japan. The project is approximately 75% complete, on budget and on schedule, with estimated connection to the electricity grid in the second quarter of 2018.
- Connected the last two solar park sites of the Misawa (previously named Aomori) solar project in Japan in July 2017, representing 4.2 MW of the 9.5 MW total planned capacity. The first two solar park sites, representing 5.3 MW of the 9.5 MW total planned capacity were connected in February 2017.
- Advanced the development of four solar power projects in Japan with aggregate capacity of 190 MW on a gross basis. As with any development, these projects remain at risk for delays or abandonment if the Company encounters issues that cannot be resolved. The Company is also evaluating several other early stage projects, defined as pipeline, with an aggregate capacity of 200 MW on a gross basis.
- Prices for engineering, procurement, and construction ("EPC") contracts as well as operation and Maintenance services in Japan are starting to drop, resulting in improved economics for projects reaching financial close in the future.
- Produced 13.9 million kilowatt-hours ("kWh") of electricity from the Company's 44 MW portfolio comprising eight solar power plant sites in Japan.
- Produced 35.3 million kWh of electricity from the Company's 70 MW solar power plant in Chile ("Project Salvador"). See Deconsolidation of Subsidiary disclosures on page 9.

FINANCIAL HIGHLIGHTS

- Generated revenues and solar segment EBITDA of $7.0 million and $4.2 million, respectively.
- Closed the third quarter of 2017 with a cash balance of $61.1 million, $41.5 million of which was unrestricted and held at the parent level, and working capital of $56.5 million.
- On October 24, 2017, the Company purchased a nominal amount of approximately €6.3 million ($7.4 million) of its outstanding corporate bonds at par value from certain existing bondholders. These bonds will be held by the Company and will not be cancelled.
- Etrion management concluded that it is no longer appropriate to consolidate the financial statements of PV Salvador SpA ("Salvador"), the 70%-owned subsidiary that owns the licenses and rights to operate Project Salvador, due to Etrion's lack of control in accordance with IFRS 10. As a result, effective September 30, 2017, the Salvador investment is accounted for under the equity method and carried at zero value, resulting in a non-cash extraordinary gain of $41.0 million. See Deconsolidation of Subsidiary disclosures on page 9.

[1] The capacity of power plants in this document is described in approximate megawatts ("MW") on a direct current basis, also referred to as megawatt-peak.

THIRD QUARTER 2017 HIGHLIGHTS

USD thousands (unless otherwise stated)	Three months ended Q3-17(*)	Q3-16 (**)	Nine months ended Q3-17(*)	Q3-16 (**)
Electricity production (MWh)[2]	**49,174**	**41,705**	**141,563**	**119,957**
Financial results				
Revenues	7,005	3,351	19,245	10,254
Gross profit (loss)	1,204	(1,548)	2,353	(3,926)
EBITDA	2,512	(84)	4,474	298
Adjusted EBITDA	2,512	(84)	5,351	(65)
Net income (loss) from continuing operations	35,161	(92,640)	20,732	(102,340)
Net income from discontinued operations	-	4,345	-	6,941
Net income (loss)	35,161	(88,295)	20,732	(95,399)
Cash flow				
Project cash distributions	4,362	-	7,704	-
Cash flow used in operations	(1,493)	(1,140)	(3,052)	(3,419)
Adjusted operating cash flow	2,732	930	5,043	586

	September 30 2017	December 31 2016
Balance sheet		
Total assets	227,352	288,641
Operational assets	112,061	187,644
Unrestricted cash at parent level	41,548	42,286
Restricted cash at project level	19,597	18,888
Working capital	56,451	45,257
Consolidated net debt on a cash basis	126,989	225,700
Corporate net debt (cash)	5,691	(98)

*** Q3-17 financial results include the financial performance of the Chilean subsidiary, PV Salvador SpA, until September 30, 2017, when the Group lost control for IFRS purposes.**
**** 2016 comparative figures have been restated to exclude the discontinued Italian operation**

BUSINESS REVIEW

BUSINESS OVERVIEW

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants. The Company owns and operates 114 MW of installed solar capacity in Japan and Chile. Etrion has 13 MW of solar projects under construction and several projects at different stages of development in Japan. The Company has three operational projects (ten solar park sites) and one project under construction (one solar park site) in Japan. In addition, the Company has an operating project in Chile. All operational projects in Japan benefit from revenues generated from 20 year feed-in-tariff ("FiT") power purchase agreements ("PPAs"), fixed price contracts with local utilities. As of September 30, 2017, the Group completed a control reassessment in accordance with IFRS 10 and derecognized the net carrying amount of the Chilean Salvador solar power project. See Deconsolidation of Subsidiary disclosures on page 9. The Company believes that, after the Salvador deconsolidation, the financial results to be disclosed going forward will provide better clarity to investors when evaluating the Etrion business.

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

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

The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden. Etrion has corporate bonds listed on the Oslo Stock Exchange in Norway. Etrion is based in Miami, Florida, United States with offices in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 26 employees.

[2] MWh=Megawatt-hour

OPERATIONS REVIEW – THREE MONTHS ENDED SEPTEMBER 30

USD thousands (unless otherwise stated)	Q3-17 Chile	Q3-17 Japan	Q3-17 Total	Q3-16 Chile	Q3-16 Japan	Q3-16 Total
Operational data (1)						
Electricity production (MWh)	35,302	13,872	**49,174**	38,625	3,080	**41,705**
Operational performance (1)						
Electricity revenue						
Feed-in-Tariff	-	4,867	**4,867**	-	1,180	**1,180**
Market price	249	-	**249**	418	-	**418**
PPAs	1,518	-	**1,518**	1,485	-	**1,485**
Other utility income	371	-	**371**	268	-	**268**
Total revenues	**2,138**	**4,867**	**7,005**	**2,171**	**1,180**	**3,351**
EBITDA (2)	**438**	**3,777**	**4,215**	**321**	**820**	**1,141**
EBITDA margin (%)	**20%**	**78%**	**60%**	**15%**	**69%**	**34%**
Net (loss) income	**(3,500)**	**1,021**	**(2,479)**	**(90,487)**	**126**	**(90,361)**

(1) Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries.
(2) Refers to segment EBITDA as reconciled in the segment information section on page 13.

OPERATING PERFORMANCE

Power Production and Electricity Prices

During Q3-17, the Group produced 18% more electricity compared to the same period of 2016, due primarily to the strong performance and increased capacity in Japan, partially offset by higher curtailments in Chile.

Japanese projects

The Japanese projects produced a total of approximately 13.9 million kWh of electricity during Q3-17, more than four times the amount compared to the same period in 2016, due to the high irradiation, high performance ratio and the incremental production from the Shizukuishi and Misawa (previously named Aomori) solar power projects connected in October 2016 and in February/July 2017, respectively. In Japan, the Group received the FiT of ¥40 per kWh applicable to the Mito and Shizukuishi solar park sites and the FiT of ¥36 per kWh applicable to the solar park sites of the Misawa project.

Chilean project

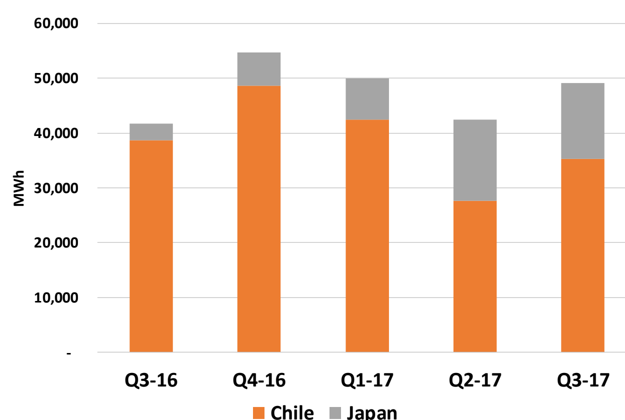
Project Salvador's production of approximately 35.3 million kWh of electricity during Q3-17 was 8.6% lower than the comparable period in 2016 due to higher curtailments. During Q3-17, approximately 15.0 million kWh were sold under the terms of a PPA that started on January 1, 2016, at a price of approximately $0.10 per kWh.

In Chile, the average spot market price ("Market Price") received by the Group in Q3-17 for Project Salvador was $0.007 per kWh (Q3-16: $0.011 per kWh).

Historical production

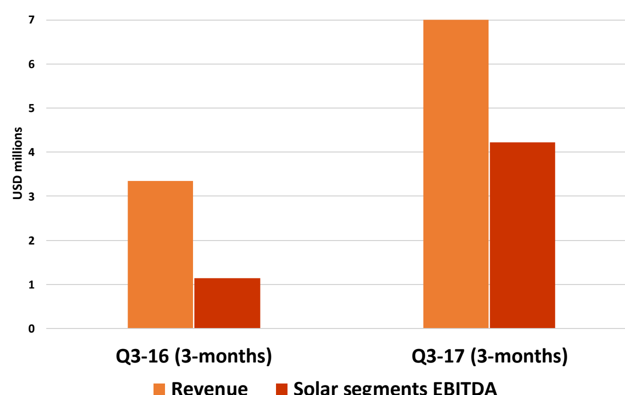
Solar-related production is subject to seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months. However, on an annual basis, solar irradiation is expected to vary less than 10% year-over-year.

The historical quarterly electricity production of the Group is shown below, including the impact of seasonality. Etrion's current solar power plants in operation are capable of producing more than 247 million kWh on an annual basis.



Revenue and project-level EBITDA

During Q3-17, the Group's revenue and project-level EBITDA more than doubled, compared to the same period in 2016, primarily due to the strong performance and incremental production in Japan, partially offset by lower production and the Market Price in Chile.



OPERATIONS REVIEW – NINE MONTHS ENDED SEPTEMBER 30

USD thousands (unless otherwise stated)	Q3-17 Chile	Q3-17 Japan	Q3-17 Total	Q3-16 Chile	Q3-16 Japan	Q3-16 Total
Operational data [(1)]						
Electricity production (MWh)	105,362	36,201	**141,563**	110,720	9,237	**119,957**
Operational performance [(1)]						
Electricity revenue						
Feed-in-Tariff	-	12,720	**12,720**	-	3,396	**3,396**
Market price	727	-	**727**	1,443	-	**1,443**
PPAs	4,838	-	**4,838**	4,752	-	**4,752**
Other utility income	960	-	**960**	663	-	**663**
Total revenues	**6,525**	**12,720**	**19,245**	**6,858**	**3,396**	**10,254**
EBITDA [(2)]	**861**	**9,687**	**10,548**	**1,519**	**2,557**	**4,076**
EBITDA margin (%)	**13%**	**76%**	**55%**	**22%**	**75%**	**40%**
Net (loss) income	**(10,967)**	**2,241**	**(8,726)**	**(97,174)**	**521**	**(96,653)**

(1) Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries.
(2) Refers to segment EBITDA as reconciled in the segment information section on page 13.

OPERATING PERFORMANCE

Power Production and Electricity Prices

During the nine months ended September 30, 2017, the Group produced 18% more electricity compared to the same period of 2016, due primarily to the strong performance and increased capacity in Japan, partially offset by higher curtailments in Chile.

Japanese projects

The Japanese projects produced a total of approximately 36.2 million kWh of electricity during the nine months ended September 30, 2017, more than three times the amount compared to the same period in 2016, due to the high irradiation, high performance ratio and the incremental production from the Shizukuishi and Misawa solar power projects connected in October 2016 and February/July 2017, respectively. In Japan, the Group received the FiT of ¥40 per kWh applicable to the Mito and Shizukuishi solar park sites and the FiT of ¥36 per kWh applicable to the first two solar park sites of the Misawa project.

Chilean project

Project Salvador's production of approximately 105.4 million kWh of electricity during the nine months ended September 30, 2017, was 4.8% lower than the comparable period in 2016 due to higher curtailments. During the nine months ended September 30, 2017, approximately 48.2 million kWh were sold under the terms of a PPA that started on January 1, 2016 at a price of approximately $0.10 per kWh.

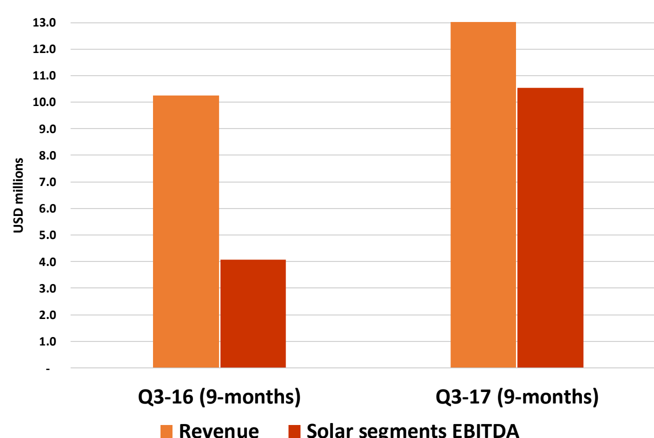
In Chile, the Market Price received by the Group during the nine months ended September 30, 2017 for Project Salvador was $0.007 per kWh.

Historical production

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

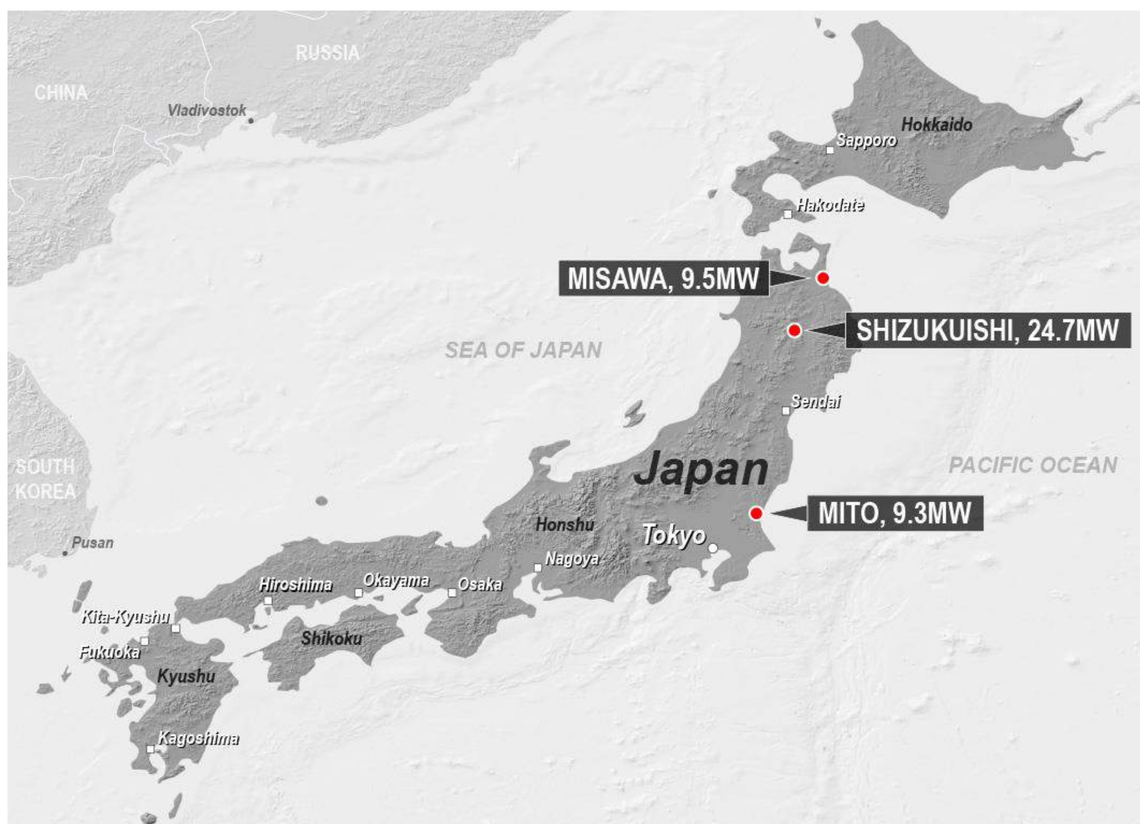
Revenue and project-level EBITDA

During the nine months ended September 30, 2017, the Group's revenue and project-level EBITDA increased 88% and 159%, respectively, compared to the same period in 2016, primarily due to the strong performance and incremental production in Japan, partially offset by the lower Market Price and curtailments affecting the electricity produced in Chile.



OPERATING PROJECTS

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



Mito

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 18 years. The Group's 87%-owned operating solar power project in Japan is shown below:

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

Mito's solar power sites in Japan are capable of producing more than 10.5 million kWh of electricity on an annual basis.

Shizukuishi

As of the date of this MD&A, the remaining PPA contract life of Shizukuishi is approximately 19 years. The Group's 87%-owned operating solar power project in Japan is shown below:

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

Shizukuishi's solar power plant in Japan is capable of producing approximately 25.6 million kWh of electricity per year.

Misawa (previously named Aomori)

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

Misawa is expected to produce approximately 10.7 million kWh of solar electricity per year.

Salvador

Project Salvador has operated in the Chilean market since it reached full capacity in January 2015, and approximately 65% of the electricity produced is currently sold on the spot market, with the remaining percentage being sold under the terms of a 15-year power purchase agreement ("PPA") agreement. Based on a review of the current and expected market and other conditions, the Company concluded that it is no longer appropriate to consolidate Salvador. See Deconsolidation of Subsidiary disclosures on page 9.

DEVELOPMENT ACTIVITIES

The Japanese Ministry of Economy, Trade and Industry (METI) reported as of August 2017 total solar projects with valid FiT agreements but not yet under construction in the aggregate capacity of 26 GW. Many of these projects are still in different stages of development and seeking development partners and investors to carry these projects to completion. Etrion is allocating all its resources to identify projects within this addressable market of 26 GW. In addition to the existing 190 MW (gross basis) backlog Etrion has already secured, it is working on an additional 200 MW in the pipeline to validate economics, development risks and pursuing agreement with the developers to secure exclusive rights. The Company will provide more visibility on the pipeline as projects are secured, economics validated and risks assessed.

PROJECTS UNDER CONSTRUCTION - JAPAN

Komatsu

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

Komatsu is a 13.2 MW utility-scale solar photovoltaic power plant under construction, located in the Ishikawa prefecture of the Honsu region in Japan. Construction-related works began in the first quarter of 2017, and the solar project is expected to be fully operational by the second quarter of 2018. Once operational, Komatsu is expected to produce approximately 14.2 million kWh of solar electricity per year.

Etrion has charged the Komatsu project with a net development fee of approximately ¥239 million ($2.0 million).

PROJECTS UNDER DEVELOPMENT - JAPAN

Etrion is advancing the development of several projects that are at different stages of development and /or negotiation with third parties. The company is providing below more detailed information on a portion of these projects. These "backlog" projects are those in which the Company has control over the development of the project through the existence of a binding development services agreement ("DSA") or other similar arrangement. In addition, Management believes they can reach Notice to Proceed ("NTP") status within the next 24 months. NTP is generally reached when all permits, authorizations and land have been secured and also the interconnection agreements have been completed. Also at NTP, financing is in place and the company can give the EPC contractor notice to begin building the project. As explained further below, any project under development remains with a high degree of risk which may result in (a) delays to commence construction, (b) changes in the economics, (c) changes in capacity or (d) abandonment of the project. Changes (if any) to previously disclosed project size and details are due to optimizations during the development process. Final size and economics are only confirmed when financial close is reached.

The Company classifies projects as Brownfield or Greenfield. Brownfield are projects originally developed by a third party which is later secured by the Company. Greenfield are projects originally developed by the Company. The projects identified below are defined by the Company as backlog. In addition, the projects have valid FiT agreements, secured land and are typically in different stages of permitting process.

Project	Region	Sites	MW Gross	Target NTP
Brownfield Tk-1	South	1	45	H2-18
Greenfield Tk-2	Central	1	45	H1-19
Brownfield Tk-3	South-Central	1	60	H2-18
Brownfield Tk-4	Central	1	40	2019
Total backlog		**4**	**190**	
Total early stage			**200**	
Total pipeline			**390**	

Japanese backlog

Brownfield Tk-1. This project, located in southern Japan, is currently designed as a 45 MW solar park project. The project has secured the FiT of ¥36/kWh. It entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility before July 31 , 2016. This means this project is not be subject to any deadline for development in order to benefit from the full 20 year FiT contract.

The Company is working actively to finalize the configuration of the solar plant based on land constraints. Once the final land configuration is completed the company will file for the forest development authorization, a process that typically takes four to six months. The project does not require an environmental impact assessment. The company is targeting to complete all permits, secured all land and finalize the private line easement rights by the second half of 2018. The project remains with a high degree of execution risk due to unresolved matters with certain landowners critical to the project. Management remains cautiously optimistic such issues will be resolved so that the project can proceed. Management believes this

project could reach financial close by the end of 2018. Construction would begin soon after. Total construction time is expected to be between 24 and 30 months.

Greenfield Tk-2. This project, located in central Japan, currently configured as a 45 MW solar park project. The project has secured the FiT of ¥36/kWh. It entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility after July 31 , 2016 but before March 2017. This means, this project is subject to a three year limit for development from March 31st 2017. In other words, if this project starts operation one year late (i.e. by March 31 , 2021) it will have its FiT period shortened to 19 years. The project does not require an environmental impact assessment. The development process still requires some land to be secured and forest development permits to be completed. The company believes land acquisition is likely to be completed before year end. The company is currently proceeding with land measurement and soil survey activities. It is also advancing on civil works and EPC contract negotiations and expects to reach the shovel ready stage by the first quarter of 2019. The company is targeting to reach financial close within 12 to 18 months from now. Preliminary construction schedule estimates 24 to 36 months of construction period.

Brownfield Tk-3. This project, located in south central Japan, was originally configured as 50 MW but has been expanded to a 60 MW solar park project. The project has secured the FiT of ¥36/kWh. It entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility before July 31, 2016. This means this project is not subject to any deadline for development to benefit from the full 20 year FiT contract. The project does require an environmental impact assessment which is expected to be completed by the summer of 2018. Etrion's development partner is completing a consultation process with local communities and is expected to reach an agreement with the counterparties before the end of 2017. Effective management of the consultation process has taken place, including public hearings and close interaction with the community. Target date for this project to be shovel ready is within the next 12 months. Total construction time is expected to take about 24 months. The Company is likely to keep a 50% ownership stake.

Brownfield Tk-4. This project, located in central Japan, is currently configured as a 40 MW solar park project. The project has secured the FiT of ¥24/kWh. It entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility after July 31, 2016 but before March 2017. This means, this project is subject to a three year limit for development from March 31, 2017. In other words, if this project starts operation two years late (i.e. by March 31, 2022) it will have its FiT period shortened to 18 years.

The largest uncertainty of this project is whether an environmental impact assessment is required. Several consultations have taken place with local authorities to define whether such environment assessment is required with resolution expected within the next several months. The company is closely monitoring these developments to assess the impact on the schedule and feasibility. The company expects to have further clarity by the summer of 2018.

As of September 30, 2017, the Company has incurred approximately $10.3 million of project advances and development costs:

Project	Advance to third parties	Development costs	TOTAL
Brownfield Tk-1	1.0	1.6	2.6
Greenfield Tk-2	0.9	0.5	1.4
Brownfield Tk-3	5.6	0.5	6.1
Brownfield Tk-4	-	0.2	0.2
Total USD million	**7.5**	**2.8**	**10.3**

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

Project	Project Costs	Gross Debt	Net Equity Contribution	Net to Etrion
Brownfield Tk-1	157	134	18	15
Greenfield Tk-2	148	120	17	17
Brownfield Tk-3	189	161	12	6
Brownfield Tk-4	114	80	23	23
Total USD million	**608**	**495**	**70**	**61**

The equity needed to build these Japanese backlog projects is likely to be contributed throughout the construction period, typically expended over a two year construction period, rather than at the start of constuction.

Early stage Japanese pipeline

Etrion is actively working on several opportunities in the market, leveraging its network of developers and partners. It is currently managing a pipeline of approximately 200 MW of projects in different stages. Some are at very early stages of due diligence while others are at advanced stages of negotiations. The Company will continue to provide visibility of individual projects once it enters into a binding agreement with developers and completes due diligences to validate the interconnection agreement with the utilities, evaluate the land rights acquisition, review status of permits and complete economic analysis. Given the early stage nature of these projects the Company will not provide timing status until the projects reach backlog stage. The estimated aggregate capacity disclosed for the pipeline is management's best estimates, however, final capacity may be adjusted based on permit restrictions, land availability and economics.

SOLAR MARKET OVERVIEW

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

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

The key drivers for growth within the renewable energy sector are:

- Increasing global demand for energy due to population and economic growth combined with finite oil and gas reserves;
- Improving technologies like storage and accelerated cost reductions for renewable energy;
- Increased concern about long-term climate change and focus on reducing carbon emissions from energy generation using fossil fuels;
- Political commitment at national and regional levels to support the development and use of renewable energy sources; and
- Attractive government incentives, such as FiTs, capital subsidies and tax incentives in markets that have not yet reached grid parity.

JAPANESE MARKET

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

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

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

• to require certain categories of projects to commence operations within three years from 1 April 2017 (i.e. by 31 March 2020); this will likely result in reduced FiT payment periods after such three years period,

• to allow such projects to change their modules without triggering changes in the FIT rate; and

• to allow such projects to also reduce their project size by more than 20% without triggering a FIT rate reduction.

FINANCIAL REVIEW

DECONSOLIDATION OF SUBSIDIARY

PV Salvador, SpA ("Salvador")

On September 30, 2017 the Group concluded that in accordance with IFRS it no longer has control of Salvador, the 70%-owned subsidiary that owns the licenses and rights to operate the 70 MW solar power project in Northern Chile ("Project Salvador"). As a result of the deemed loss of control the Group will no longer consolidate the financial position and performance starting from September 30, 2017.

On September 30, 2016, the Company identified indicators of impairment and as a result determined that the recoverable amount of the solar assets was equal to $98.3 million and recorded impairment charges of $75.7 million against property, plant and equipment and intangible assets. The impairment resulted from a sharp decline in the outlook for long term power prices in the Chilean market where Salvador is located. The current and expected Chilean market conditions are so adverse to Salvador's operations that according to management projections, based on third party market price studies, the only party that would be affected by the returns on the project is the project lender bank. Therefore it is no longer appropriate to consolidate Salvador.

Salvador control reassessment

Due to the signing of the forbearance agreement with the Overseas Private Investment Corporation ("OPIC") in March 2017, the capitalization of the shareholder loan in January 2017, the unlikelihood to obtain any positive returns from Salvador (due to negative long-term outlook of the spot market prices in the Chilean market) and the impact of potential debt restructurings, all unfavorable developments, management concluded that it was necessary to perform a reassessment of control in accordance with IFRS 10.

After considering all current material facts and circumstances and the results of the control reassessment exercise, management concluded that the Group meets only two (power and exposure to variable returns) of the three conditions that are necessary to demonstrate control in accordance with IFRS 10. The Group no longer meets the third condition (link between power and variable returns) to continue to demonstrate control. Even though Etrion has all the contractual rights and instruments to lead the decision-making process of the Company, any of the actions it could take would have no impact or affect returns to Etrion.

Accounting upon Salvador deconsolidation

September 30, 2017, is regarded as the date when the Group "loses control" of Salvador as a result of the control reassessment. In accordance with IFRS 10, income and expenses from Salvador are being recognized in the Group's consolidated financial statements until September 30, 2017, when Etrion ceased to control Salvador. After deconsolidation, the retained investment in Salvador will be accounted for as an equity investment and recorded at a fair value of zero value. The net present value of Etrion's share in the forecasted shortfall is negative and Etrion does not have any legal obligation to fund Salvador's deficit and has no current commitment or intentions to provide additional financial support to Salvador.

Gain on Salvador deconsolidation

During the three and nine months ended September 30, 2017, the Group derecognized its share in the net liabilities of Salvador, resulting in a non-cash extraordinary gain of $41.0, and the derecognition of the equity value attributable to non-controlling interests in Salvador of $17.6 million. The financial position below was used as base for calculating the net gain on deconsolidation:

Project Savador SpA **Financial Position** **$ thousands**	**September 30** **2017**
Assets	
Property, plant and equipment	84,259
Intangibles	6,959
Trade receivables and other assets	3,577
Cash	2,584
Total assets	**97,379**
Liabilities	
Borrowings	154,015
Trade payables and other	1,957
Total liabilities	**155,972**
Net liabilities	**58,593**
NCI share in net liabilities	**17,578**
Etrion share in net liabilities	**41,015**
Etrion share in net liabilities	**41,015**
Fair value of retained investment in Salvador	**-**
Gain on deconsolidation of subsidiary	**41,015**

The non-recourse project loan obtained by Salvador, to finance Project Salvador matures in 2033. The repayment of this credit facility is secured principally by the proceeds from the sale of electricity in the spot market. On March 9, 2017, Salvador signed an amendment to the existing senior finance agreement with OPIC ("Forbearance agreement"), whereby all scheduled interest and principal payments between May 31, 2017 and May 31, 2018 will be deferred and due end of the period, if the debt is not restructured or period extended. Given the terms of the Forbearance Agreement, the Group was not in breach of any of the imposed operational and financial covenants associated with its Chilean project loans.

FINANCIAL RESULTS

THIRD QUARTER SELECTED FINANCIAL INFORMATION

During the three and nine months ended September 30, 2017, the Group's performance and results from continuing operations were positively impacted by the incremental production of electricity in Japan. Therefore, revenue and project-level EBITDA increased in comparison with 2016. In addition, the recognition of the $41.0 million non-cash gain upon deconsolidation of Salvador had a significant positive impact on the reported net results. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

USD thousands (except per share data)	Three months ended Q3-17	Three months ended Q3-16	Nine months ended Q3-17	Nine months ended Q3-16
Revenue	**7,005**	**3,351**	**19,245**	**10,254**
Gross profit (loss)	1,204	(1,548)	2,353	(3,926)
Net income (loss) from continuing operations	**35,161**	**(92,640)**	**20,732**	**(102,340)**
Net income(loss) attributable to owners of the Company	**36,080**	**(61,131)**	**23,717**	**(66,281)**
Basic and diluted earnings (loss) per share	**$0.11**	**$(0.19)**	**$0.07**	**$(0.20)**
Net income (loss) from continuing operations	**35,161**	**(92,640)**	**20,732**	**(102,340)**
Adjustments to net income (loss) for:				
Net income tax expense (recovery)	464	8,439	1,113	7,646
Share of net profit on deconsolidation of subsidiary	(41,015)	-	(41,015)	-
Impairment	-	75,675	-	75,953
Depreciation and amortization	3,138	2,829	8,726	8,438
Share-based payment expense	160	186	662	262
Net finance costs	4,727	5,946	14,760	10,483
Other income	97	495	65	144
Income tax paid	(448)	(402)	(1,034)	(1,282)
Changes in working capital	(3,777)	(1,668)	(7,061)	(2,723)
Operating cash flow	**(1,493)**	**(1,140)**	**(3,052)**	**(3,419)**

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

USD thousands	September 30 2017	December 31 2016
Non-current assets	155,908	214,290
Current assets	71,444	74,351
Total assets	**227,352**	**288,641**
Non-current liabilities	198,422	305,836
Current liabilities	14,997	29,094
Total liabilities	**213,419**	**334,930**
Net assets (liabilities)	13,933	(46,289)
Working capital	56,447	45,257
Dividends declared	-	-

SEGMENT INFORMATION

Management considers reportable segments from a geographical perspective and measures performance based EBITDA and reviews and monitors performance of the Group on this basis. The Company has identified two reportable segments solar energy Chile and solar energy Japan. Salvador's income and expenses will be included only in the Group's consolidated financial statements until September 30, 2017, the date when the Group ceased to control this subsidiary, in accordance with the control reassessment completed by management under the IFRS guidelines.

SEGMENT INFORMATION THREE MONTHS ENDED SEPTEMBER 30

Segment consolidated financial information for the three months ended September 30, prepared in accordance with IFRS, is as follows:

USD thousands	Q3-17				Q3-16			
	Solar Chile	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	**2,138**	**4,867**	**-**	**7,005**	**2,171**	**1,180**	**-**	**3,351**
Operating expenses (Opex)	(1,645)	(1,062)	-	(2,707)	(1,802)	(325)	-	(2,127)
General and administrative (G&A)	(54)	(28)	(1,607)	(1,689)	(48)	(35)	(1,225)	(1,308)
Other income (expenses)	(1)	-	(96)	(97)	-	-	-	-
EBITDA	**438**	**3,777**	**(1,703)**	**2,512**	**321**	**820**	**(1,225)**	**(84)**
Gain on deconsolidation of subsidiary	-	-	41,015	41,015	-	-	-	-
Impairment	-	-	-	-	(75,675)	-	-	(75,675)
Depreciation and amortization	(1,359)	(1,733)	(46)	(3,138)	(2,393)	(381)	(55)	(2,829)
Finance income	28	1	-	29	7	18	(5)	20
Finance costs	(2,607)	(743)	(1,443)	(4,793)	(3,059)	(230)	(2,345)	(5,634)
(Loss) income before income tax	**(3,500)**	**1,302**	**37,823**	**35,625**	**(80,799)**	**227**	**(3,630)**	**(84,202)**
Income tax (expense) recovery	-	(281)	(183)	(464)	(9,688)	(101)	1,351	(8,438)
Net (loss) income for the period	**(3,500)**	**1,021**	**37,640**	**35,161**	**(90,487)**	**126**	**(2,279)**	**(92,640)**

Solar Chile: During Q3-17, the Group's Chilean solar segment generated revenues of $2.1 million and EBITDA of $0.4 million. While revenues remained flat, EBITDA increased 36% in comparison with the same period in 2016, mainly driven by a decrease in transmission costs which are variable in nature. The Group's Chilean segment generated a net loss of $3.5 million, in comparison with the net loss result of $90.5 million for the same period in 2016. During Q3-17 the Group's Chilean solar segment did not recognize net income tax recovery from its tax losses incurred, in comparison with the same period in 2016, due to the uncertainty regarding future taxable profits, when the $75.7 million impairment charge was recognized.

Solar Japan: During Q3-17, the Group's Japanese solar segment generated revenues of $4.9 million and EBITDA of $3.8 million, which represented a significant increase in comparison with the same period in 2016, driven by the additional production from the Shizukuishi and Misawa (previously named Aomori) solar projects and production above expectations due to higher than normal irradiation and strong performance. In addition, the Group's Japanese segment generated a net income of $1.0 million, in comparison with the net income of $0.1 million for the same period in 2016.

Corporate: During Q3-17, the Group's corporate segment generated negative EBITDA of $1.7 million and a net income of $37.6 million, respectively. In comparison with the same period in 2016, negative EBITDA increased 39% due to additional headcount Net income increased significantly mainly due to the recognition of the $41.0 million non-cash extraordinary gain upon deconsolidation of Salvador, and also due to the reduction in finance costs associated with the Company's corporate bond.

SEGMENT INFORMATION NINE MONTHS ENDED SEPTEMBER 30

Segment consolidated financial information for the nine months ended September 30, prepared in accordance with IFRS, is as follows:

USD thousands	Q3-17				Q3-16			
	Solar Chile	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	**6,525**	**12,720**	**-**	**19,245**	**6,858**	**3,396**	**-**	**10,254**
Operating expenses	(5,389)	(2,919)	-	(8,308)	(5,188)	(718)	-	(5,906)
General and administrative	(269)	(157)	(5,972)	(6,398)	(106)	(127)	(3,800)	(4,033)
Other income (expenses)	(6)	43	(102)	(65)	(45)	6	22	(17)
EBITDA	**861**	**9,687**	**(6,074)**	**4,474**	**1,519**	**2,557**	**(3,778)**	**298**
Gain on deconsolidation of subsidiary	-	-	41,015	41,015	-	-	-	-
Impairment	-	-	-	-	(75,675)	-	(278)	(75,953)
Depreciation and amortization	(4,034)	(4,550)	(142)	(8,726)	(7,179)	(1,096)	(163)	(8,438)
Finance income	28	92	-	120	276	19	4,951	5,246
Finance costs	(7,822)	(2,349)	(4,867)	(15,038)	(9,261)	(703)	(5,884)	(15,848)
(Loss) income before income tax	**(10,967)**	**2,880**	**29,932**	**21,845**	**(90,320)**	**777**	**(5,152)**	**(94,695)**
Income tax expense	-	(639)	(474)	(1,113)	(6,854)	(256)	(535)	(7,645)
Net (loss) income for the period	**(10,967)**	**2,241**	**29,458**	**20,732**	**(97,174)**	**521**	**(5,687)**	**(102,340)**

Solar Chile: During the nine months ended September 30, 2017, the Group's Chilean solar segment generated revenues of $6.5 million and EBITDA of $0.9 million, representing a 5% and 43% decrease, respectively, in comparison with the same period in 2016, mainly driven by lower than expected Market Price, higher curtailments and additional transmission costs and professional fees incurred. The Group's Chilean segment generated a net loss of $11.0 million, in comparison with the net loss result of $97.2 million for the same period in 2016. During the nine months ended September 30, 2017 the Group's Chilean solar segment did not recognize net income tax recovery from its tax losses incurred, in comparison with the same period in 2016, due to the uncertainty regarding future taxable profits, when the $75.7 million impairment charge was recognized.

Solar Japan: During the nine months ended September 30, 2017, the Group's Japanese solar segment generated revenues of $12.7 million and EBITDA of $9.7 million, which represented a significant increase in comparison with the same period in 2016, driven by the additional production from the Shizukuishi and Misawa solar projects and production above expectations due to good irradiation and performance. In addition, the Group's Japanese segment generated a net income of $2.2 million, in comparison with the net income of $0.5 million for the same period in 2016.

Corporate: During the nine months ended September 30, 2017, the Group's corporate segment generated negative EBITDA of $6.1 million and a net income of $29.5 million, respectively. In comparison with the same period in 2016, negative EBITDA increased 61% due to additional headcount, extraordinary marketing and professional fees. Net income increased significantly mainly due to the recognition of the $41.0 million non-cash extraordinary gain upon deconsolidation of Salvador, and also due to the reduction in finance costs associated with the Company's corporate bond.

NON-GAAP PERFORMANCE MEASURES

Reconciliation of adjusted net loss to net income (loss)	Three months ended		Nine months ended	
USD thousands	Q3-17	Q3-16	Q3-17	Q3-16
Net income (loss) from continuing operations	**35,161**	**(92,640)**	**20,732**	**(102,340)**
Adjustments for non-recurring items:				
General and administrative expenses [1]	-	-	488	(363)
Impairment	-	75,675	-	75,953
Net deferred tax write off	-	6,854	-	6,854
Write off of guarantees	-	-	389	-
Share of net profit on deconsolidation of subsidiary	(41,015)	-	(41,015)	-
Adjustments for non-cash items:				
Depreciation and amortization	3,138	2,829	8,726	8,438
Fair value movements (derivative financial instruments)	(2)	424	(71)	407
Share-based payment expense	160	186	662	262
Adjusted net loss	**(2,558)**	**(6,672)**	**(10,089)**	**(10,789)**

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended		Nine months ended	
USD thousands	Q3-17	Q3-16	Q3-17	Q3-16
Operating cash flow	**(1,493)**	**(1,140)**	**(3,052)**	**(3,419)**
- Changes in working capital	3,777	1,668	7,061	2,723
- Income tax paid	448	402	1,034	1,282
Adjusted operating cash flow	**2,732**	**930**	**5,043**	**586**

Reconciliation of Solar segments Adjusted EBITDA to EBITDA	Three months ended		Nine months ended	
USD thousands	Q3-17	Q3-16	Q3-17	Q3-16
Net income (loss) from continuing operations	**35,161**	**(92,640)**	**20,732**	**(102,340)**
Adjustments for:				
Net income tax expense	464	8,438	1,113	7,645
Net finance costs	4,764	5,614	14,918	10,602
Depreciation and amortization	3,138	2,829	8,726	8,438
Share of net profit on deconsolidation of subsidiary	(41,015)	-	(41,015)	-
Impairment	-	75,675	-	75,953
EBITDA	**2,512**	**(84)**	**4,474**	**298**
Adjustments for non-recurring items:				
General and administrative expenses [1]	-	-	488	(363)
Write off deposits in guarantee	-	-	389	-
Adjusted EBITDA	**2,512**	**(84)**	**5,351**	**(65)**
Corporate G&A expenses after non-recurring items	1,703	1,225	5,197	4,141
Solar segments Adjusted EBITDA	**4,215**	**1,141**	**10,548**	**4,076**

(1) Relates to extraordinary and non-recurring marketing and professional fees.

QUARTERLY SELECTED FINANCIAL INFORMATION

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

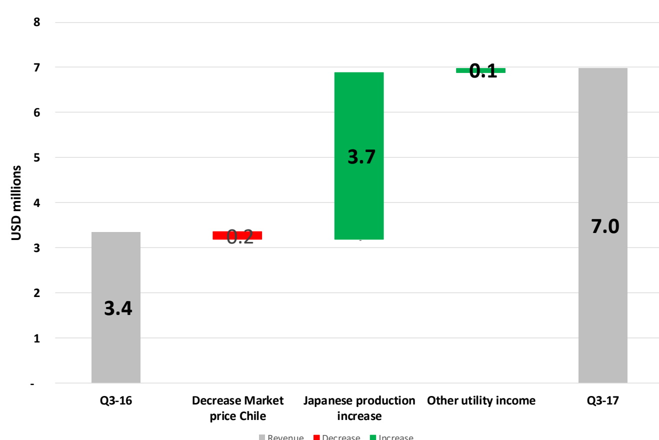
USD thousands (except per share data)	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Revenue	7,005	7,042	5,198	4,979	17,224	16,605	9,903	7,088
Net income(loss)	35,161	(6,865)	(7,564)	20,981	(88,295)	1,443	(8,547)	(1,808)
Net income(loss) attributable to owners of Etrion	36,080	(5,865)	(6,497)	30,070	(61,131)	2,438	(7,588)	(1,340)
Basic and diluted earnings (loss)per share	0.11	(0.018)	(0.019)	0.090	(0.183)	0.007	(0.023)	(0.004)

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

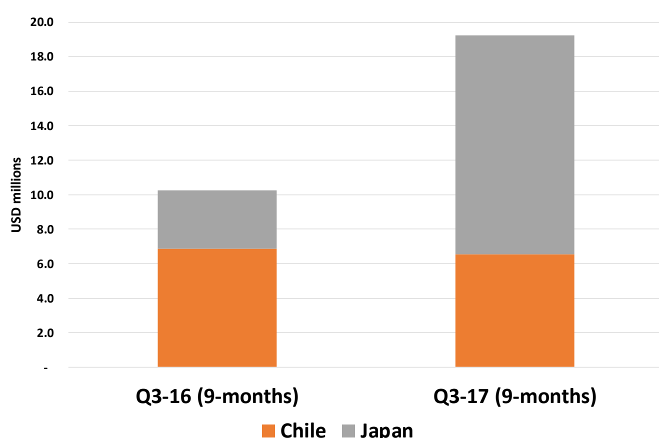
REVENUE

USD thousands	Three months ended Q3-17	Q3-16	Nine months ended Q3-17	Q3-16
FiT revenue	4,867	1,180	12,720	3,396
Market Price revenue	249	418	727	1,443
PPA revenue	1,518	1,485	4,838	4,752
Other utility income	371	268	960	663
Total revenue	**7,005**	**3,351**	**19,245**	**10,254**

Revenues increased significantly by $3.7 million during Q3-17 compared to the same period of 2016, primarily due to an overall production increase in Japan, partially offset by lower Chilean Market Price. The reconciliation of total revenue in Q3-17 versus Q3-16 is as follows:



During the nine months ended September 30, 2017, revenues increased significantly by $9.0 million compared to the same period of 2016, primarily due to an overall production increase in Japan, partially offset by lower Chilean Market Price, The chart below shows the revenue comparison generated by country:



ADJUSTED CONSOLIDATED EBITDA

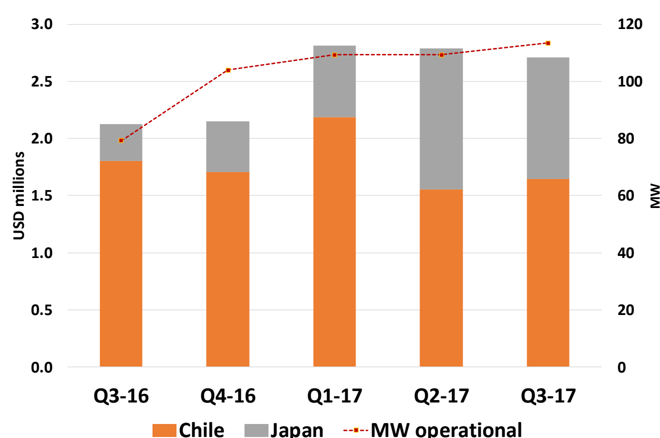
During Q3-17 and the nine months ended September 30, 2017, adjusted consolidated EBITDA increased compared to the same periods of 2016, mainly as a result of EBITDA being contributed by the Group's Japanese solar segment segment, partially offset by lower than expected Chilean Market Price.

OPERATING EXPENSES

USD thousands	Three months ended Q3-17	Q3-16	Nine months ended Q3-17	Q3-16
O&M costs	722	638	2,111	1,835
Purchased power	540	643	2,013	2,491
Personnel costs	373	321	976	609
D&A	3,092	2,774	8,584	8,275
Property tax	263	173	774	173
Insurance	126	71	387	242
Land lease	239	49	713	143
Transmission costs	288	337	899	255
Other expenses	158	(107)	435	157
Total operating expenses	**5,801**	**4,899**	**16,892**	**14,180**

During Q3-17 and nine months ended September 30, 2017, operating expenses increased by $0.9 million (18%) and by $2.7 million (19%), respectively, compared to the same period of 2016, primarily due to incremental operational costs associated with the Shizukuishi and Misawa (previously named Aomori) project and the increase in transmision costs in Chile.

During Q3-17 and the nine months ended September 30, 2017, the average nodal costs in Chile were approximately $0.036 and $0.042 per kWh in comparison to $0.045 and $0.052 per kWh in the same period of 2016. These nodal costs are expected to drop significantly once the work underway to expand the transmission capacity in the north of the SIC network is completed. This is expected to occur by early 2018. The chart below shows the historical operating expenses (before depreciation and amortization) over the last five quarters including the effect of the recently added projects in Japan.



GENERAL AND ADMINISTRATIVE EXPENSES

USD thousands	Three months ended Q3-17	Q3-16	Nine months ended Q3-17	Q3-16
Salaries and benefits	766	570	2,310	1,674
Board of directors fees	39	37	113	112
Share-based payments	160	186	662	262
Professional fees	296	197	1,467	911
Listing and marketing	126	67	567	244
D&A	46	55	142	163
Office lease	96	89	205	308
Office, travel and other	204	163	685	522
Write-off guarantees	-	-	389	-
Total general and admin	**1,733**	**1,364**	**6,540**	**4,196**

General and administrative expenses increased by $0.4 million (27%) during Q3-17 and by $2.3 million (56%) during the nine months ended September 30, 2017, compared to the same period in 2016, primarily due to the write-off of certain deposits in guarantee associated with projects that the Company is no longer pursuing in Chile, one-time additional professional fees associated with the sale of the Italian subsidiaries and one-time marketing expenses. In addition, the Company had an increase in salaries and benefits due to a higher headcount given the expansion in Japan.

NET FINANCE COSTS

USD thousands	Three months ended Q3-17	Q3-16	Nine months ended Q3-17	Q3-16
Interest project loans	3,449	2,889	10,258	8,577
Interest corporate bond	1,020	2,251	2,884	6,692
Fair value movements	(2)	56	(71)	407
Foreign exchange	260	382	1,689	(5,193)
Other finance costs	37	36	158	119
Net finance cost	**4,764**	**5,614**	**14,918**	**10,602**

During Q3-17 and the nine months ended September 30, 2017, net finance costs decreased by $0.9 million compared to the same period in 2016, mainly due to a decrease in corporate bond interest following the partial repayment executed in December 2016.

During the nine months ended September 30, 2017, net finance costs increased by $4.3 million (41%) mainly as a result of the recognition of foreign exchange losses, relative to the same period in 2016, when the Company recognized foreign exchange gains due to its previously Euro-denominated intercompany loans. In addition, the increase in project loan interest associated with the Shizukuishi and Misawa (previously named Aomori) solar operational projects in Japan was offset by a decrease in corporate bond interest following the partial repayment executed in December 2016.

During Q3-17 and the nine months ended September 30, 2017, the Group capitalized $0.1 million and $0.3 million (2016: $0.4 million and $0.8 million) of borrowing costs associated with credit facilities obtained to finance the construction of Misawa and Komatsu.

INCOME TAX EXPENSE

USD thousands	Three months ended Q3-17	Q3-16	Nine months ended Q3-17	Q3-16
Current tax	(507)	1,253	(1,151)	(870)
Deferred tax	43	(9,692)	38	(6,776)
Net income tax expense	**(464)**	**(8,439)**	**(1,113)**	**(7,646)**

During the three and nine months ended September 30, 2017, the Group recognized an income tax expense of $0.1 million and $0.5 million, respectively (2016: $0.3 million and $0.5 million) associated with its solar power projects in Japan and an income tax expense of $0.4 million and $0.7 million (2016: $1.6 million and $0.4 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax expense of $43 thousand and $38 thousand, respectively (2016: deferred tax expense of $9.7 million and $6.8 million) primarily due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

FINANCIAL POSITION

LIQUIDITY AND FINANCING

CASH POSITION

USD thousands	September 30 2017	December 31 2016
Cash and cash equivalents:		
Unrestricted at parent level	41,548	42,286
Restricted at project level	19,597	18,888
Total cash and cash equivalents	**61,145**	**61,174**

UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at September 30, 2017, included unrestricted cash of $41.5 million (December 31, 2016: $42.3 million) held at the parent level. The Group has a fully-funded portfolio of operational and under construction projects. In addition, the Group expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity, assets sales or debt financing and non-recourse project loans, as required.

RESTRICTED CASH ANALYSIS

USD thousands	September 30 2017	December 31 2016
Chile	-	4,123
Japan	19,597	14,765
Total restricted cash	**19,597**	**18,888**

The Group's cash and cash equivalents at September 30, 2017, included restricted cash held at the project level in Japan that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, through payment of interest on shareholder loans or through dividend distributions. As of September 30, 2017, the Group completed a control reassessment and derecognized the carrying amount of the Salvador cash position of $2.5 million. (page 9).

WORKING CAPITAL

At September 30, 2017, the Group had working capital of $56.5 million (December 31, 2016: $45.3 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS but are not expected to be settled in cash in the next 12 months without replacement. Excluding these derivative financial liabilities that are not expected to be settled in the near-term, the Group's working capital would have been $57.8 million. (December 31, 2016: $46.4 million).

At September 30, 2017, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2017	2018	2019	2020	2021	After 5 years	Total
EPC contract	6,220	2,438	-	-	-	-	8,658
O&M contracts	124	818	462	982	1,527	13,133	17,046
Project loans	2,060	4,218	4,129	4,300	4,296	114,556	133,559
Operating leases	275	1,102	1,102	1,102	1,102	16,405	21,088
Trade payables	3,271	-	-	-	-	-	3,271
Corporate bond	-	3,183	41,378	-	-	-	44,561
Total	**11,950**	**11,759**	**47,071**	**6,384**	**6,925**	**144,094**	**228,183**

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

NET EQUITY

During the nine months ended September 30, 2017, the total equity attributable to owners of the Company increased by $27.8 million from a net liability position of $14.8 million at December 31, 2016, to a net assets position of $13.0 million at September 30, 2017. This change was primarily due to the recognition of the $41.0 million non-cash gain upon deconsolidation of Salvador and the cumulative foreign exchange translation adjustment, partially offset by unrealized fair value losses recognized within other reserves associated with the Group's derivative financial instruments. Total equity attributable to owners of the Company at September 30, 2017, was negatively impacted by the cumulative fair value losses of $12.9 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at September 30, 2017, would have resulted in a net asset position of $25.9 million.

BORROWINGS

Non-recourse project loans

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

USD thousands	MW	Maturity	September 30 2017	December 31 2016
Shizukuishi	25	December 31, 2034	60,922	63,093
Mito	9	December 31, 2034	22,688	22,199
Misawa	10	December 31,2034	28,492	8,477
Komatsu	13	September 30, 2036	29,332	-
Salvador	70	September 1, 2033	-	148,900
Total	**127**		**141,434**	**242,669**

Japanese projects

During the nine months ended September 30, 2017, the Group's Japanese subsidiaries with solar power projects under construction drew down a total of ¥5,113 million ($45.5 million) and ¥423 million ($3.8 million) under the senior financing agreements and under the VAT credit facility, respectively (2016: ¥4,710 and ¥299, respectively). At September 30, 2017, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥525 million ($4.6 million) (2016: nil). At September 30, 2017, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at September 30, 2017, and December 31, 2016.

On March 24, 2017, Shizukuishi received a cash reimbursement of ¥501 million ($4.5 million) from the Japanese tax authorities associated with VAT credits accumulated during the construction of its solar power plant. On September 30, 2017, the Company's subsidiary repaid ¥435 million ($3.8 million) to the lender bank in relation to the associated VAT credit facility.

At September 30, 2017 and 2016, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

Chilean project

As of September 30, 2017, the Group completed a control reassessment and derecognized the net carrying amount of the Salvador non-recourse project loan of $154 million. (page 9)

Corporate borrowings

At September 30, 2017, the Group had €40 million of corporate bonds outstanding. The bond was issued by the Company in April 2014 at 8.0% annual interest with a 5-year maturity. The carrying amount of the corporate bond as at September 30, 2017, including accrued interest net of transaction costs, was $46.7 million (December 31, 2016: $42.1 million).

On October 24, 2017, the Company purchased a nominal amount of approximately €6.3 million ($7.4 million) of its outstanding corporate bonds at par value, from certain existing bondholders. These Bonds will be held by the Company and will not be cancelled.

At September 30, 2017, and December 31, 2016, the Group was not in breach of any of the operational and financial covenants associated with its corporate borrowings.

The corporate bond agreement includes a call option that allows the Company to redeem the bond early (in its entirety) at any time at a specified percentage over the par value. The Company can call the bonds after the second year at 4% above par value, after the third year at 2.5% above par value and after the fourth year at 1% above par value. At September 30, 2017 and December 31, 2016, no separate amount was recognized in relation to this call option.

Net debt reconciliation

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

USD thousands	September 30 2017	December 31 2016
Total borrowings as per IFRS	**189,768**	**284,777**
VAT facilities	(2,445)	(726)
Accrued interest	(2,120)	(1,548)
Transaction costs	2,932	4,371
Adjusted borrowings	**188,135**	**286,874**
Cash and cash equivalents	(61,145)	(61,174)
Adjusted consolidated net debt	**126,990**	**225,700**
Adjusted corporate net debt	**5,691**	**(98)**

The Group's consolidated net debt decreased during the nine months ended September 30, 2017, in comparison with December 31, 2016, mainly due to the derecognition of the Salvador net debt, following the deconsolidation of this subsidiary, partially offset by the additional funds drawn from the SMTB credit facilities to fund the construction costs of Misawa and Komatsu.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (November 10, 2016: 334,094,324) and options to acquire 275,000 common shares of the Company (November 10, 2016: 3,202,000) issued and outstanding. The options expire in December 30, 2017 and April 28, 2018, with exercise prices ranging between Canadian dollar ("CAD$") CAD$0.24 and CAD$1.59 per share.

In addition, the Company maintains a Restricted Share Unit ("RSU") Plan pursuant to which employees, consultants, directors and officers of the Group may be awarded RSUs that upon vesting may be settled in cash or shares. The RSUs have a contractual term of between three and four years and are subject to certain time-based conditions and in certain cases are also subject to performance-based vesting conditions. The Company had 26,298,331 RSUs outstanding as of November 13, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at September 30, 2017, and December 31, 2016.

CAPITAL INVESTMENTS

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status, the Company does not anticipate beginning construction of its Japanese backlog project until late 2018.

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

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

Contractual commitments

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of September 30, 2017, the Group had a contractual obligation to acquire construction services in the amount of $8.7 million related to the construction of the 13.2 MW Komatsu solar power projects in Japan. This contractual obligation will be funded from existing cash available at the project company level or from future cash flows from operations with no additional capital investments to be made by the Group or additional funding from the Group's unrestricted cash balance.

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 stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2017, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2016.

The Company is applying the equity method to account for its investment in the Chilean solar power subsidiary starting September 30, 2017. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

During the three and nine months ended September 30, 2017, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2017.

New standards and amendments issued and not yet adopted by the Group

The following new standards and amendments, applicable to the Group, available for application and not yet adopted, are as follows:

IFRS 9, Financial Instruments: This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing IAS 39 Financial Instruments: Recognition and Measurement. Management expects IFRS 9 to affect the Companies' hedge accounting processes and controls. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group continues with the process of evaluating the impact of the IFRS 9 on the financial statements and on the internal controls and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2018.

IFRS 15, Revenue from contracts with customers: This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company's revenue generating activities are governed by power purchase agreements with defined standards terms and conditions widely used in the renewable energy industry. The Group continues with the preliminary assessment and full impact of IFRS 15 which are not expected to be material to the Company and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2018.

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. The Group is in the process of assessing to what extent existing commitments under lease contracts will result in the recognition of an asset and a liability for future payments.

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.

RELATED PARTIES

For the purposes of preparing the Company's condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trust approximately 24.3% of the Company's common shares. The Lundin family controls those entities listed below under "Related party Transactions"). 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 September 30, 2017, are summarized below.

RELATED PARTY TRANSACTIONS

Lundin Petroleum AB and subsidiaries

The Group receives professional services from Lundin Petroleum AB and from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB for market and investor relation activities in Sweden and general and administrative expenses, respectively. During Q3-17 and the nine months ended September 30, 2017, the Group incurred general and administrative expenses of $6,000 and $24,000 (2016: $10,000

and $32,000), respectively, from Lundin Petroleum AB and its subsidiary. At September 30, 2017, the Group had $1,000 (December 31, 2016: $1,000) outstanding in relation to these expenses.

Lundin family

During Q3-17 and nine months ended September 30, 2017, the Group recognized $0.1 million and $0.4 million (2016: $0.2 million and $0.6 million) of interest expense ,and recognized $13,000 thousand and $35,000 thousand (2016: $24,000 thousand and $47,000 thousand) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

On October 24, 2017, the Lundin family sold to the Company a nominal amount of approximately €5.7 million ($6.7 million) of Etrion's outstanding corporate bonds at par value plus accrued interest. See corporate borrowings on page 18.

Lundin SA

During Q3-17 and the nine months ended September 30, 2017, the Group recognized $30,000 and $90,000 (2016: $30,000 and $59,000) 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 includes members of the Board of Directors, the Chief Executive Officer, Marco A. Northland and the Chief Financial Officer, Paul Rapisarda.

During Q3-17 and the nine months ended September 30, 2017, the Group recognized $0.8 million and $1.2 million (2016: $0.1 million and $0.6 million) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At September 30, 2017, the Group had $ nil outstanding to key management personnel (December 31, 2016: $0.5 million).

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations. These risks include market risk (including currency risk, interest rate risk and electricity price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign exchange rates and interest rates, and seek to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest rate risk exposures through interest rate swap contracts. However, the Group has not entered into any foreign exchange rate hedges as monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currencies. The Company's management carries out risk management procedures with guidance from the Audit Committee and Board of Directors. Refer to the Company's audited consolidated financial statements for the year ended December 31, 2016, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

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

USD thousands	September 30 2017	December 31 2016
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	1,313	1,167
Non-current portion	9,049	8,347
Total derivative financial instruments	**10,362**	**9,514**

The Group enters into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Japan. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR interest rate forward yield curve and an appropriate discount factor.

During the three and nine months ended September 30, 2017, the Group recognized a net fair value gain of $0.4 million and a net fair value loss $0.3 million, respectively (2016: $0.1 million and $2.2 million), net of tax, within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

At September 30, 2017, and December 31, 2016 all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is transferred to finance income and costs.

RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. Certain of such risks are discussed below. For a more detailed discussion of risk factors applicable to the Group, see Etrion's Annual Information Form for the year ended December 31, 2016, which has been filed on SEDAR and is available under Etrion's profile at www.sedar.com. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

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

CAPITAL REQUIREMENTS AND LIQUIDITY

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

MARKET RISKS

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

COST UNCERTAINTY

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

NON-FINANCIAL RISKS

LICENSES AND PERMITS

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

GOVERNMENTAL REGULATION

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

COMPETITION

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

PRICES AND MARKETS FOR ELECTRICITY

Historically, the Group was not exposed to significant electricity market price risk as the majority of the revenues generated by its operating solar power projects in Italy were secured by long-term contracts based on a FiT. However, in Chile, the Company's subsidiary, Salvador, is exposed to market price risk associated with the electricity sold at the spot rate, which may fluctuate based on supply and demand and other conditions.

A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the wholesale price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the wholesale price of electricity. Broader regulatory changes to the electricity trading market (such as changes to integration of transmission allocation and changes to energy trading and transmission charging) could have an impact on electricity prices. A decline in the market price of electricity could materially adversely affect the price of electricity generated by renewable assets in Chile and thus the Company's business, financial position, results of operations and business prospects.

INTERNATIONAL OPERATIONS

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future FiTs/PPAs, a change in renewable energy pricing policies and a change in taxation policies or the regulatory environment in the jurisdictions in which the Group operates. These uncertainties, all of which are beyond the Group's control, could have a material adverse effect on the Group's financial

position and operating performance. In addition, if legal disputes arise relating to any of the Group's operations, the Group could be subject to legal claims and litigation within the jurisdiction in which it operates.

RELIANCE ON CONTRACTORS AND KEY EMPLOYEES

The ability of the Company to conduct its operations is highly dependent on the availability of skilled workers. The labor force in many parts of the world is unionized and politicized, and the Group's operations may be subject to strikes and other disruptions. In addition, the success of the Company is largely dependent upon the performance of its management and key employees. There is a risk that the departure of any member of management or any key employee could have a material adverse effect on the Group.

The Group's business model relies on qualified and experienced contractors to design, construct and operate its renewable energy projects. There is a risk that such contractors are not available or that the price for their services impairs the economic viability of the Group's projects.

ETRION OUTLOOK AND GUIDANCE

On March 13, 2017, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2017.

Given the decision to deconsolidate Salvador as of September 30, 2017 (page 9), Etrion was required to revise the 2017 revenue and project-level EBITDA forecast based on the Company's Japanese assets only.

The following guidance range is unchanged from that provided on March 13, 2017 but includes only revenue and project-level EBITDA forecast in respect of the Japanese operations.

2017 Revised Guidance **USD million otherwise stated**	**Low end**	**High end**
Energy generation (MWh)	33,500	35,200
Revenue	11.5	12.7
Project-level EBITDA	7.8	8.6

The Group has reviewed the previously released revised guidance with its primary focus on the Japanese assets in light of the nine months' performance and have concluded that at this stage there is no reason to modify the guidance for the full year. Given the strong performance year-to-date in Japan, however, management expects full year results to be at or above the high end of the guidance range. The Group will continue to reassess its guidance and will make any adjustments and disclosures as may be warranted.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: the Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan); expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; expectations relating to grid parity; the expected key drivers for growth and expectations with respect to future growth in installed solar capacity in Japan. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: risks associated with operating exclusively in foreign jurisdictions (and heavily in one foreign jurisdiction); risks associated with the regulatory frameworks in the jurisdictions in which the Company operates, or expects to operate, including the possibility of changes thereto; risk associated with the factors impacting the Japanese backlog projects; uncertainties with respect to the identification and availability of suitable additional renewable energy projects on economic terms; uncertainties with respect to the Group's ability to negotiate PPAs with industrial energy users; uncertainties relating to the availability and costs of financing needed in the future; uncertainties with respect to the impact of the changes to the Japanese FiT regime that came into effect in 2015 and 2016; uncertainties with respect to the timing of the expansion of the SIC electricity grid and the interconnection of the SIC and SING networks in Chile; the risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected; the risk that the Company may not be able to renegotiate certain of its O&M contracts as anticipated; the risk that the construction or operating costs of the Company's projects may be higher than anticipated; uncertainties with respect to the receipt or timing of all applicable permits for the development of projects; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Group operates; the impact of drastic changes in seasonality and the market for renewable energy; risks inherent in the ability of the Group to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; and other factors, many of which are beyond the Group's control.

All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. In addition to the assumptions set out elsewhere in this MD&A, such assumptions include, but are not limited to: the ability of the Group to obtain the required permits in a timely fashion and project and debt financing on economic terms and/or in accordance with its expectations; the ability of the Group to identify and acquire additional solar power projects, and assumptions relating to management's assessment of the impact of the new Japanese FiT regime. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent Annual Information Form and other public disclosure available on SEDAR at www.sedar.com. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

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