# ETRION CORPORATION

## ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2010

DATED: MARCH 8, 2011

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## CURRENCY

In this Annual Information Form (the "**AIF**") and the audited consolidated financial statements of Etrion Corporation ("**Etrion**" or the "**Company**"), unless otherwise noted, all dollar amounts are expressed in United States dollars ("**US$**"). Additionally, in this AIF, references to CDN$ means Canadian dollars; references to € refers to Euros, the official currency of the European Union; and Bolivars and Bs are used interchangeably herein to refer to the Venezuelan currency.

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information and statements contained in this AIF constitute forward-looking information within the meaning of applicable Canadian securities legislation. These statements relate to future events or Etrion's future performance. All statements other than statements of historical fact may constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions.

Forward-looking information and statements are included throughout this AIF (and the documents incorporated by reference herein), including under the headings "*General Development of the Business*" and "*Risk Factors*" and include, but are not limited to, statements pertaining to the following:

- the financing and development of Etrion's solar projects in Italy;
- the expected timing of the construction phase of certain of Etrion's solar projects in Italy;
- the timing of the expected connection to the electricity grid of certain of Etrion's solar projects in Italy and the resulting sales of electricity therefrom;
- possible changes in the regulatory regimes of the jurisdictions in which Etrion operates or proposes to develop renewable energy projects;
- capital expenditure programs;
- expectations regarding Etrion's ability to expand its business through acquisitions and development;
- expectations regarding the ability of Etrion to dispose of its oil and gas assets; and
- treatment under government regulatory and taxation regimes.

These statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Etrion believes that the expectations reflected in forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this AIF should not be unduly relied upon. Etrion's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking information and statements, and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information and statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors are set out below and elsewhere in this AIF and include:

- the reduction or loss of government subsidies, such as feed-in-tariffs, for the sale of electricity;
- changes to existing legislation that could negatively impact the renewable energy sector, as a whole;
- uncertainties with respect to the receipt and timing of required permits to secure and contract renewable energy projects and to begin selling electricity therefrom;
- uncertainties with respect to the availability of suitable additional renewable energy projects;
- changes in costs and availability of materials used in the construction of a photovoltaic solar plant;
- the possibility of renewable energy project cost overruns or unauthorized costs and expenses;
- uncertainties relating to the availability and costs of finance needed in the future to develop additional renewable energy projects;
- uncertainty regarding the ability of the Company to dispose of its oil and gas assets in a timely and economic manner;
- changes to existing agreements with government bodies;
- volatility in market prices for electricity;
- the impact of general economic conditions and world-wide trends relating to renewable energy;
- risks inherent in generating sufficient cash flow from operations to meet current and future debt obligations relating to the solar projects Etrion operates;
- interest rates; and
- other factors, many of which are beyond our control.

The forward-looking statements and information contained herein speak only as of the date of this AIF. Except as required by law, Etrion does not intend, and does not assume any obligation, to update forward-looking information or statements contained herein. In the event subsequent events prove past statements about current trends to be materially different, we may issue a news release explaining the key reasons for the difference but are under no obligation to do so.

The forward-looking information and statements contained in this AIF are expressly qualified by this cautionary statement.

## GLOSSARY

In addition to any terms that are defined in this AIF, unless otherwise stated or unless there is something in the subject matter or context inconsistent therewith:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000 c.B-9, as amended, including all regulations promulgated there under;

"**Baripetrol**" means Baripetrol, S.A., a style of corporate entity known as a mixed company, created by the arrangement between CVP, Tecpetrol, Perenco and Lundin Venezuela;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), S.B.C. 2002 Chapter 57, as amended, including all regulations promulgated there under;

"**Cardon III Block**" means the area covering approximately 218,000 offshore acres in the Gulf of Venezuela under a gas license to Chevron;

"**Cardon IV Block**" means the area covering approximately 228,000 offshore acres in the Gulf of Venezuela under a gas license to Repsol and Eni;

"**Chevron**" means Chevron Corporation, an American integrated oil and gas company with a gas license for the Cardon III Block;

"**Company**" or "**Etrion**" means Etrion Corporation (formerly PetroFalcon Corporation), a corporation continued under the laws of British Columbia and unless the context otherwise requires, references herein to the Company or Etrion include Etrion Corporation, SRH and PFC Venezuela on a consolidated basis;

"**CVP**" means Corporacion Venezolana del Petroleo, an affiliated entity of PDVSA and the 60% partner in each of PetroCumarebo and Baripetrol;

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization;

**"FiT**" means the Italian Feed-in-Tariff, a 20-year commitment from the Italian government to purchase 100% of a solar park's electricity production at a constant premium rate;

"**kWh**" means kilowatt hour(s);

"**Lundin Petroleum**" means Lundin Petroleum AB, the Swedish independent oil and gas exploration and production company that was indirectly the major shareholder of Etrion until November 12, 2010;

"**Lundin Transaction**" means the acquisition by the Company of 100% of the issued and outstanding shares of Lundin Venezuela and the simultaneous private placement of units of the Company to Lundin BV, which closed on February 1, 2008 and is further described under "*General Development of the Business-Three Year History - 2008*";

"**Lundin Venezuela**" means Lundin Latina de Petroleos, S.A., a former wholly-owned subsidiary of the Company incorporated pursuant to the laws of Venezuela which merged into Vinccler Venezuela effective December 31, 2008, and thereafter ceased to exist;

"**MEP**" means the Ministry of Energy and Petroleum of Venezuela, formerly the Ministry of Energy and Mines;

"**Mixed Company**" means PetroCumarebo or Baripetrol;

"**MW**" means megawatt(s);

"**PDVSA**" means Petroleos de Venezuela, S.A., the state-owned oil and gas company of Venezuela;

"**Perenco**" means Perenco Oil and Gas International Limited, the subsidiary of a French oil and gas company holding 17.5% of Baripetrol;

"**PetroCumarebo**" means PetroCumarebo, S.A., a style of corporate entity known as a mixed company, created by the arrangement between Vinccler Venezuela and CVP;

"**PFC Venezuela**" means PFC Oil and Gas, C.A. (formerly Vinccler Oil and Gas, C.A.), a wholly-owned subsidiary of Etrion incorporated pursuant to the laws of Venezuela;

"**PV**" means photovoltaic, a method of generating electrical power by converting solar irradiation into electricity;

"**Repsol**" means Repsol YPF, S.A., a Spanish integrated oil and gas company with a 50% interest in the Cardon IV Block;

"**SRH**" means Solar Resources Holding, Sarl, a company incorporated pursuant to the laws of Luxembourg;

"**SVE**" means SVE, Srl, a company incorporated under the laws of Italy;

"**Tecpetrol**" means Tecpetrol de Venezuela, S.A., the subsidiary of an Argentine oil and gas company holding 17.5% of Baripetrol;

"**TSX**" means the Toronto Stock Exchange;

"**Venezuela**" means the Bolivarian Republic of Venezuela; and

"**Vinccler Venezuela**" means PFC Venezuela, a wholly-owned subsidiary of Etrion incorporated pursuant to the laws of Venezuela.

## THE COMPANY

### Name, Address and Incorporation

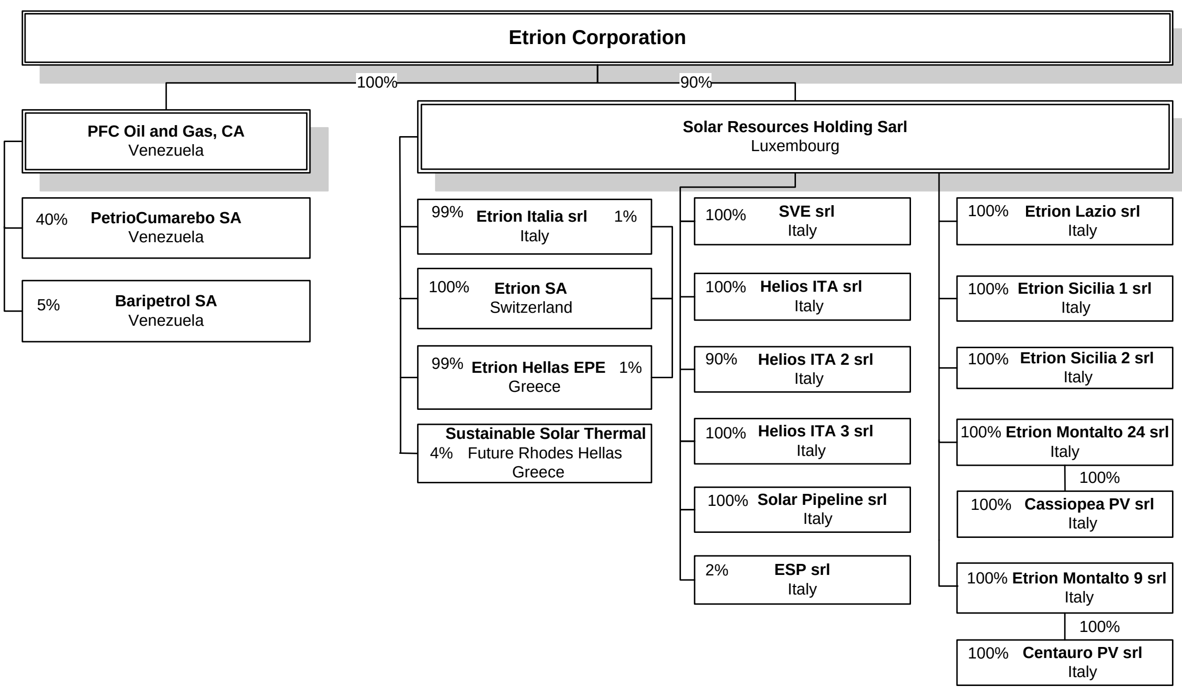
Etrion (formerly PetroFalcon Corporation) was incorporated pursuant to the laws of the Province of Ontario on July 27, 1993, under the name of Agents of Change Inc. Pursuant to Articles of Continuance dated February 28, 1996, the Company was continued under the ABCA, its name was changed to VisuaLabs Inc., and it effected a stock split issuing 90,141 common shares for each 100 common shares outstanding as of that date. On November 28, 2002, the name of the Company was changed to Pretium Industries Inc., and on June 24, 2003, the name of the Company was changed to PetroFalcon Corporation. Effective October 30, 2007, the Company and its wholly-owned Canadian subsidiary, Vinccler Oil and Gas Corporation, completed a vertical amalgamation and continued as one corporation under the name PetroFalcon Corporation. On September 10, 2009, the Company was continued from the province of Alberta into the province of British Columbia under the BCBCA (the "**Continuance**"). Effective September 11, 2009, Etrion changed its name to Etrion Corporation.

Etrion is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. In connection with the Continuance on September 10, 2009, Notice of Articles and Articles were adopted in substitution for the then existing Articles of Incorporation and By-laws of Etrion, as amended, and on September 11, 2009, Etrion filed a Notice of Alteration to change its name from PetroFalcon Corporation to Etrion Corporation, all of which were approved by the shareholders of Etrion at the annual and special meeting of shareholders held on September 10, 2009. A copy of each of the Notice of Articles and Articles is available through the internet on SEDAR under Etrion's profile, which may be accessed at www.sedar.com.

Etrion's head office is located at Rue du Stand 60-62, Geneva 1204, Switzerland, and its registered office is located at 1600 - 925 West Georgia Street, Vancouver, BC, V6C 3L2.

### Intercorporate Relationships

As at the date of this AIF, Etrion had the following subsidiaries as shown in the chart below:




Note:

Mr. Marco Northland, the Chief Executive Officer and a director of Etrion, owns the remaining 10% of the shares of Solar Resources Holding Sarl.

# GENERAL DEVELOPMENT OF THE BUSINESS

**Business of the Company**

Etrion is focused on developing, building, owning and operating solar power plants. Currently, all of Etrion's operating solar plants (and proposed plants) are located in Italy and focus on the generation of electricity using solar photovoltaic ("**PV**") sources. In addition, Etrion continues to hold the oil and gas assets acquired by its predecessor company, PetroFalcon Corporation, and which Etrion considers to be passive investments. As a result and as outlined below, Etrion is no longer an oil and gas company, and intends to dispose of its oil and gas assets, all of which are located in Venezuela, as soon as the opportunity arises on economic terms. (See also "*Three Year History - 2010 - Change of Listing Category on the TSX and Related Financing*".)

**Three Year History**

(See also "*Business of the Company*" and *"Narrative Description of the Business"*)

***2010***

<u>SVE Project</u>

In December 2010, Etrion completed the construction of the Oria, Matino and Ruffano solar power plants (the "**SVE Project**"), located within Puglia, Italy, with a total capacity of 3.0 MW.

The SVE Project also includes a proposed fourth solar park, Spinazzola, with 1.0 MW of capacity. This park encountered certain delays related to the original authorization for construction granted in 2009, and Etrion's management is currently assessing whether to proceed with construction on this site in 2011.

<u>Development and Financing of Helios ITA 3 Plants</u>

On November 18, 2010, Etrion announced an agreement to build two permitted and construction-ready 5.0 MW projects, located in Brindisi and Mesagne, Italy (the "**Helios ITA 3 Plants**"). On December 6, 2010, Etrion announced the closing of the financing phase of the Helios ITA 3 Plants in a portfolio that includes the Borgo Piave Plant and Rio Martino Plant. Etrion anticipates that construction of the Helios ITA 3 Plants will follow shortly, which is currently expected to occur in the first half of 2011, with the intent that the Helios ITA 3 Plants be connected to the electrical grid and operational by July 2011.

The Italian government recently issued a decree proposing revisions to the current Feed-in-Tariff ("**FiT**") regime, to take effect June 1, 2011. Pursuant to the decree, a new FiT regime is expected to be approved by April 30, 2011 and may include an annual cap on the overall capacity of solar PV plants eligible for the FiT, as well as a 1 MW cap for ground-mounted plants on agricultural land, among other restrictions. It is not yet known what the specific changes to the FiT regime would be or what effect, if any, these changes would have on the Helios ITA 3 Plants (See also *"Risk Factors - Continued government incentives are critical to the development of the solar electricity industry"*).

<u>Rio Martino Plant</u>

On October 5, 2010, Etrion announced an agreement to build a 1.7 MW solar power plant in Rio Martino, Italy ("**Rio Martino Plant**"). The Rio Martino Plant is located in close proximity to the Borgo Piave Plant and uses the same technology. The construction phase of the Rio Martino Plant was completed in December 2010 and is expected to be connected to the electricity grid in March 2011.

Change to Board of Directors

On September 22, 2010, Etrion announced that Clarence Cottman, a former officer and founder of the Company's predecessor, PetroFalcon Corporation, had tendered his resignation as a director of the Company, and the board of directors of the Company (the "**Board**") appointed Aksel Azrac as his replacement. Mr. Azrac is a senior partner and co-founder of 1875 Finance SA, an asset management and investment advisory firm based in Geneva, Switzerland.

Acquisition of SunPower Solar Assets

On August 9, 2010, the Company announced that it had acquired the then largest solar power park in Italy when it purchased from SunPower Corporation 23.9 MW of operating solar PV assets in Lazio, Italy ("**Montalto 24**") and agreed to acquire a further 8.8 MW of near-operational PV assets on the same site ("**Montalto 9**"). Montalto 24 is a ground-based solar PV power plant connected to the grid in November 2009. The Montalto 9 park uses the same technology. It was connected to the grid in August 2010, and the acquisition was completed on October 1, 2010.

Borgo Piave Plant

On July 19, 2010, Etrion announced an agreement to build a 3.5 MW solar power plant in the Lazio region of Italy (the "**Borgo Piave Plant**"). The construction phase of the Borgo Piave Plant was completed in December 2010 and the plant is expected to be connected to the electrical grid in March 2011.

Acquisition of Deutsche Bank Solar Assets

On April 2, 2010, Etrion and Deutsche Bank entered into a definitive sale and purchase agreement pursuant to which Etrion would acquire all of Deutsche Bank's solar assets in Italy. The acquisition was completed on June 24, 2010 and as a result, Etrion acquired from Deutsche Bank 6.4 MW of operating assets ("**Helios ITA**"), 10 MW of permitted projects ready for construction and a development pipeline of more than 150 MW.

Helios ITA is a solar power project located in Puglia, Italy, consisting of seven different sites, all of which have been built and connected to the electricity grid. Etrion recognized its first revenues as a renewable energy company from Helios ITA in the second quarter of 2010.

Lundin Petroleum Loan

In April 2010, in order to fund the Deutsche Bank acquisition and for other corporate purposes, Etrion entered into a loan agreement (the "**Loan Agreement**") with Lundin Services BV ("**Lundin Services**"), a subsidiary of Lundin Petroleum. Under the Loan Agreement, Lundin Services agreed to lend Etrion up to €20 million (the "**Loan**"). Prior to being amended, as described herein, the Loan bore interest at LIBOR plus 3% and was repayable on the earlier of: (i) September 30, 2010; and (ii) the first date upon which Etrion or any of its affiliates completed an equity financing.

In order to fund the SunPower acquisition and for other corporate purposes, Etrion entered into an amendment dated June 25, 2010 (the "**First Amending Agreement**") to the Loan. Under the First Amending Agreement, Lundin Services increased the Loan amount from €20 million to €60 million. Pursuant to a second amendment to the Loan dated August 16, 2010 (the "**Second Amending Agreement**"), the Loan became repayable on October 31, 2011, provided that the proceeds of any equity financing completed by Etrion prior to the maturity date of the Loan would be applied to repayment of the Loan. The proceeds of the Private Placement completed in August 2010 were applied to the repayment of a portion of the Loan. The Second Amending Agreement also provides that the interest rate on the Loan will increase to LIBOR plus 5% after March 31, 2011. The Loan was further amended on each of October 6, 2010 and October 15, 2010 to provide that any amounts prepaid by the borrower would be available for subsequent draw downs with the prior consent of the lender and to extend the maturity date of the Loan to November 15, 2011.

Change of Listing of Category on the TSX and Related Financing

On February 24, 2010, Etrion announced that it would, subject to the approval of the TSX, change its TSX listing category from that of an oil and gas issuer to an industrial issuer as a result of Etrion's change of business focus to the renewable energy sector. In May 2010, Etrion was granted conditional approval to effect the change of listing category, which was formally completed in the third quarter of 2010 after Etrion completed a private placement of 21,000,000 common shares at a price of CDN$0.75 to arm's length investors for aggregate gross proceeds of CDN$15,750,000 (the "**Private Placement**").

NASDAQ OMX Stockholm

On January 19, 2010, Etrion announced that it was exploring a secondary listing of its common shares on the NASDAQ OMX Stockholm exchange in Sweden in order to access additional European investors interested in the downstream renewable power generation sector and to increase the liquidity of Etrion's common shares. In addition, Etrion's then largest shareholder, Lundin Petroleum, which is also listed on the NASDAQ OMX Stockholm, subsequently announced its intention to distribute its Etrion common shares in a tax-free dividend to Lundin Petroleum shareholders. The secondary listing on the NASDAQ OMX exchange was completed when the common shares of the Company began trading on such exchange on November 12, 2010. At the same time, Lundin Petroleum distributed its 40% ownership in Etrion to Lundin Petroleum shareholders. As a result of the distribution, the Lundin family trusts increased their direct ownership in Etrion from approximately 12% to 25% and are now Etrion's largest shareholder.

***2009***

SVE Transaction

On October 20, 2009, Etrion purchased the outstanding shares of SVE, an Italian company, which owned the required permits for the construction of four solar power plants in southern Italy with a total generating capacity of 4 MW. During the fourth quarter of 2009, the Company secured project finance debt and engaged an engineering, procurement and construction ("**EPC**") contractor to begin construction of the solar plants.

SRH Transaction

On September 11, 2009, Etrion completed the acquisition of 90% of the outstanding shares of SRH, a private company developing a pipeline of renewable energy projects, at cost of €2.3 million (approximately US$3.4 million), with the remaining 10% of SRH held by Mr. Northland, Etrion's current Chief Executive Officer ("Mr. Northland"). Etrion also advanced a loan to SRH in the amount of €1.4 million (approximately US$2.0 million) in order to repay an equivalent amount advanced to SRH by a former shareholder of SRH.

Upon closing of the SRH acquisition, Etrion and Mr. Northland entered into a shareholders' agreement (the "**Shareholders Agreement**") to govern their rights and obligations as the shareholders of SRH. Under the Shareholders Agreement, Mr. Northland maintains his 10% equity ownership of SRH without putting up additional capital until such time as Etrion has advanced an aggregate of €17.7 million (approximately US$25.9 million) to SRH. Mr. Northland also has the right to maintain his 10% equity ownership through purchases of shares financed by loans from Etrion ("**Loan Shares**") or by way of "phantom shares" that do not require Mr. Northland to invest additional capital but are offset by notional loans from Etrion ("**Carry Shares**") until such time as Etrion has invested an additional €80.0 million (approximately US$117.1 million) in SRH.

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

Chevron-Cardon III Block

On January 5, 2009, the Company announced the termination of the agreement to acquire a 30% interest from Chevron in the offshore natural gas license for the Cardon III Block due to tightening global capital markets and the uncertain oil and gas price environment. On January 19, 2009, Chevron returned US$5.8 million to Vinccler Venezuela, which included all amounts paid to Chevron plus accrued interest (see also *"General Development of the Business – Three Year History – 2008"*).

Baripetrol Dividends

During the year ended December 31, 2009, Etrion received US$1.1 million from Baripetrol as an advance dividend for operations during 2008.

Impairment of Oil and Gas Investments

Etrion's management assessed its investment in oil and gas companies for impariment at September 30, 2009 and recognized an impairment loss of US$44.0 million associated with its investments in PetroCumarebo and Baripetrol.

***2008***

Anadarko Transaction

On April 7, 2008, the Company announced the signing of a binding sale and purchase agreement for the acquisition of 100% of the issued and outstanding shares of Anadarko Venezuela Company ("**Anadarko Venezuela**") from an affiliate of Anadarko Petroleum Corporation ("**Anadarko Petroleum**") for US$200 million in cash (the "**Anadarko Transaction**"). Anadarko Venezuela indirectly owns 18% of Petroritupano, S.A. ("**Petroritupano**"), a mixed company with PDVSA and Petrobras Energia, S.A. ("**Petrobras**"). The agreement was subject to the approval of the MEP. Upon executing the sale and purchase agreement with Anadarko Petroleum, the Company delivered US$5 million (or 2.5% of the base purchase price) in cash to Anadarko Petroleum as a guarantee for the transaction.

On October 8, 2008, the Company announced in a press release that it had been advised that MEP denied approval for the acquisition of Anadarko Venezuela because PDVSA intended to acquire Anadarko Petroleum's interest in Petroritupano. Anadarko Petroleum subsequently terminated the sale and purchase agreement and returned the Company's US$5 million cash deposit with interest.

At the Company's request, Lundin Petroleum provided a guarantee to Anadarko Petroleum for the full purchase price in the Anadarko Transaction. In consideration for the guarantee, the Company had agreed to issue 17,100,000 common shares of the Company to Lundin Petroleum or one of its subsidiaries, subject to regulatory approval. On April 11, 2008, the Company issued 7,100,000 common shares to Lundin Petroleum. The initial 7,100,000 common shares were expensed by the Company as stock-based financing fees over the effective period of the sale and purchase agreement. As a result of the termination of the Anadarko Transaction and in accordance with the agreement with Lundin Petroleum, the remaining 10,000,000 common shares of Etrion that would have been due at closing were not issued.

Repsol - Cardon IV Block

On March 12, 2008, the Company announced the signing of a letter of intent with Repsol, whereby Vinccler Venezuela intended to acquire 25% of the Cardon IV Block. The transaction was subject to the approval of MEP, as well as the negotiation and execution of a sale and purchase agreement. The Company subsequently terminated the negotiation of the sale and purchase agreement with Repsol. The Company did not pay anything to Repsol in connection with the termination of negotiations and has no ongoing capital commitment in connection with the Cardon IV Block.

Lundin Transaction

The Company closed the Lundin Transaction on February 1, 2008. As a result of the Lundin Transaction, all of the Company's outstanding stock options vested immediately on February 1, 2008, due to provisions contained in each of the stock option agreements. Additionally, concurrent with the Lundin Transaction, Ashley Heppenstall and John Craig were appointed to the Board.

Baripetrol Dividends

During the year ended December 31, 2008, Lundin Venezuela received US$2.9 million of dividends from Baripetrol for operations between January and December 2007. The dividends were credited against the historical cost of the investment instead of being recognized as income during the year ended December 31, 2008, because the dividends were related to pre-acquisition earnings.

**Narrative Description of the Business of the Company**

Etrion is focused on developing, building, owning and operating solar power plants. Since Etrion's acquisition of SRH, Etrion has sustained a rapid pace of growth in the solar energy sector through a combination of its own solar development pipeline and through acquisitions of operating solar power plants.

Etrion's near-term focus is on countries with government incentives for solar power production. Specifically, Etrion invests in FiT environments, like Italy, which create long-term, low-risk revenue streams that facilitate high-leverage financing (80/20 debt-to-equity) with non-recourse project loans. The Italian FiT regime is a constant premium purchase price for solar electricity that is guaranteed by the Italian government for 20 years from the start of operations. Currently, all of Etrion's operational solar plants benefit from the Italian FiT regime.

Etrion intends to diversify its operations in the long-term to enter markets without FiT subsidies and sell electricity under long-term power purchase agreements with large industrial consumers. Future growth is expected to be driven by the development and acquisition of additional solar power facilities under long-term contract in markets with high electricity prices and strong solar irradiation, with the ultimate goal of producing low-cost, clean electricity at attractive returns.


The development of a solar power plant can be divided into four different phases: (1) site development, (2) financing, (3) construction and (4) operations.

In phase one, site development, which generally requires twelve to twenty-four months, Etrion either directly engages in green-field development or enters into co-development agreements with local developers. The activities in this phase include site surveys to locate the most favourable sites for the planned solar power plant, taking into account such factors as solar irradiation and the levels of FITs, among others. Once the location has been established, Etrion negotiates and executes lease agreements and commences various reviews in relation to, among others, environmental issues, if any, and grid connection feasibility. In addition, Etrion pursues the approval of various permits, such as building permits, and evaluates the requirements for applicable governmental subsidies and FITs. In phase one, Etrion also assesses costs related to the project and analyzes the timing and planning of the project.

In phase two, financing, which generally requires four to six months, Etrion assesses and selects various partners, including EPC contractors (responsible for the engineering, procurement and construction of the solar power plant) and legal and technical due diligence advisors to be involved in the project. Etrion also analyzes the financial aspects of the project, assessing pre-financing, debt/equity structuring, vendor financing and the selection of lenders. Furthermore, in phase two, Etrion evaluates potential revenue levels and the appropriateness of the special purpose entity which will function as the local operational subsidiary. This process may be shortened when the projects are financed directly by Etrion with equity and then refinanced with non-recourse bank loans once construction and grid connection is complete.

Phase three, construction, generally requires six to nine months. During this phase, Etrion enters into a turn-key EPC contract, and the projects are built, ensuring that the local operational subsidiary complies with the FiT requirements.

During a minimum period of 20 years constituting phase four, operations, it is intended that Etrion's local operational subsidiary be mainly engaged in the operation of the solar power plant and the repayment of existing debt facilities established in connection with the project. Typically, Etrion retains the EPC contractor with an O&M (operations and maintenance) contract to maintain the facilities during the life of the plants.

As per phase one above, Etrion may enter into a co-development agreement structured as a share purchase agreement with local developers. Under this agreement, the local developer would carry, at its own cost and risk, all the activities related to phase one. The developer is paid certain success fees if all the necessary permits required to build and operate a power plant are obtained. Once such permits are obtained, Etrion, after satisfactory legal and technical due diligence of the projects, acquires the project rights under the terms pre-negotiated in the share purchase agreement.

Etrion also continues to hold oil and gas investments through its wholly-owned subsidiary, PFC Venezuela, which holds a 40% and 5% interest in each of PetroCumarebo and Baripetrol, respectively, previously acquired by its predecessor company, PetroFalcon Corporation. However, the Company does not currently seek to further its investments in the oil and gas sector. As such, the Company's Management consider the oil and gas assets to be passive investments, which the Company's management intend to divest when the opportunity arises.

***Principal Markets and Distribution Methods***

Etrion focuses on solar energy projects in Europe, and in particular, Italy, utilizing government guaranteed premium electricity rates, such as FITs, and non-recourse bank financing. Etrion sells the electricity it generates from the solar PV power plants that it operates to the electricity grid.

***Specialized Skill and Knowledge***

The senior and middle management of Etrion is comprised of technical and financial managers with a combined experience of over fifty years of renewable industry experience. Almost all of Etrion senior and middle managers were trained at major solar and wind companies, including Vestas, SunPower, BP Solar and Deutsche Bank's renewable group.

***Environmental Matters***

Etrion pre-screens all of its sites where a solar plant will be constructed for any environmental restrictions and works with local and regional authorities to address all environmental matters and to comply with permitting requirements.

***Economic Dependence***

Etrion's future growth is dependent on being able to develop or acquire solar power plants with attractive government incentives programs, such as FIT's, capital subsidies and tax incentives. Reductions or changes to these government incentives could impact Etrion's financial performance.

*Competition Conditions*

The renewable energy industry is intensely competitive, and Etrion will compete with a substantial number of other companies, many of which have greater financial resources. See *"Risk Factors-Competition"*.

*Employees*

At December 31, 2010, Etrion and its subsidiaries had 23 full-time employees, 12 of whom reside in Switzerland and 11 of whom reside in Italy. At the date of this AIF, Etrion and its subsidiaries had 30 full-time employees, 14 of whom reside in Switzerland and 16 of whom reside in Italy.

*Trends and Cycles*

There are a number of trends developing in the renewable energy sector that may have both short and long-term effects on Etrion. Prices have been consistently dropping from year to year as a result of further improvements in the supply chain, an increase in manufacturing capacity of raw materials, cells and modules and further improvement in construction methods, resulting in continued decrease in overall total cost of ownership. This trend of decreasing costs offsets the trend of government subsidies being reduced for new projects on an annual basis.

*Foreign Operations*

All of Etrion's solar plants are currently located in Italy.

## RISK FACTORS

An investment in the common shares of Etrion is speculative and involves a high degree of risk that should be considered by potential investors. An investment in the common shares of Etrion is suitable only for those investors who are willing to risk a loss of some or all of their investment and who can afford to lose some or all of their investments. An investor should carefully consider the following risk factors in addition to the other information contained in this AIF before purchasing common shares of Etrion. The risks and uncertainties below are not the only ones Etrion is facing. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. Furthermore, there are additional risks and uncertainties of which Etrion is not presently aware or that Etrion currently considers immaterial but which may also impair Etrion's business operations and cause the price of the common shares of Etrion to decline. If any of the following risks actually occur, Etrion's business may be harmed and Etrion's financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares of Etrion could decline, and an investor may lose all or part of his or her investment.

**Continued Government Incentives are Critical to the Development of the Solar Electricity Industry**

The Company's focus is on generating electricity using ground-based solar PV parks. Because generating electricity from renewable energies, such as solar power, is in most cases currently more expensive than using fossil fuels, it is often only an economically viable alternative if it is promoted through governmental support measures, particularly through the provision of subsidies and financial incentives such as FITs. The generation and sale of electricity from solar sources in Europe, the United States and numerous other countries, is heavily dependent on such governmental support. This is likely to continue to be the case for the foreseeable future. In relation to the foregoing and as the Company's only market in respect of solar energy is Italy, it should be noted that the Italian government currently is revising the existing incentive plan. Although the contents of the revised plan have not yet been finalized, there is a risk that the Italian government will make cuts in the current level of FITs for future projects. In particular, the Italian government recently issued a decree proposing revisions to the current FiT regime, to take effect June 1, 2011. As of the date hereof, the decree has not been signed into law. If the decree does become effective, a new FiT regime is expected to be approved by April 30, 2011 and may include an annual cap on the overall capacity of solar PV plants eligible for the FIT, as well as a 1 MW cap for ground-mounted plants on agricultural land, among other restrictions. It is not yet known what the specific changes to the FiT regime would be or what effect, if any, these changes would have on the Company's projects under construction (Helios ITA 3) or development, but the Company's operational projects would not be affected.

**Global Capital Markets Environment**

In the fall of 2008, the world's industrial nations entered into a severe economic and liquidity crisis. This crisis is still having a broad impact on the world's economy, with unspecified results, and heightens the risks outlined below. Due to the speed, size, scope, volatility and severity of the crisis, Etrion's management is unable to accurately predict the impact it will have on Etrion. For example, the significant volatility in foreign currency exchange rates and interest rates experienced in 2008, 2009 and, to a certain extent, in 2010 could continue in future periods. This could materially impact Etrion's revenues, margins and earnings in certain markets. The current economic conditions could also significantly impact governments' willingness to continue to subsidise the development of the renewable energy sector.

The Italian government recently issued a decree proposing revisions to the current FiT regime for new projects effective June 1, 2011. Pursuant to the decree, a new FiT regime is expected to be approved by April 30, 2011 and may include an annual cap on the overall capacity of solar PV plants eligible for the FiT, as well as a 1 MW cap for ground-mounted plants on agricultural land, among other restrictions. It is not yet known what the specific changes to the FiT regime would be or what effect, if any, these changes would have on the Company's projects under construction (Helios ITA 3) or development, but the Company's operational projects would not be affected.

**Limited Operating History**

The Company entered the renewable energy sector in September 2009 and therefore has a limited operating history as a renewable energy company. As a new company with a limited operating history in only one market (Italy), the Company may be less successful in implementing it business strategy than a more seasoned company.

**Dependence on Key Executives and Management**

The success of the Company's business depends on the services of key management personnel. In particular, Mr. Northland, Etrion's Chief Executive Officer and director, and Michael Sommer, Vice President, Business Development, have key industry relationships and Fernando Alvarez-Bolado, Vice President, Engineering and Construction, has detailed technical knowledge. Together, they have been responsible for developing the Company's business development pipeline. Given their expertise in the industry generally, their knowledge of the Company's business process and their relationships with the Company's local partners, the loss of the services of one or more of these individuals could have an adverse effect on the Company's financial development, results of operation and financial condition.

In addition, Mr. Northland controls 10% of the aggregate shares in the Company's subsidiary, SRH, which serves as the holding company for the Company's renewable energy assets.

**Reliance on Contractors**

The ability of the Company to conduct its operations is highly dependent on the availability of contractors who are engaged to build, operate and maintain the Company's solar projects. To mitigate this risk the Company only engages contractors with significant experience and the financial capability to fulfil their obligations. However, there is no guarantee that in the future, Etrion will always be able to secure the services of such established contractors.

**International Operations**

Etrion participates in renewable energy projects located in Europe and, although passive, also retains its investments in oil and gas projects located in Venezuela. The Company's activities are subject to significant political and economic uncertainties that may adversely affect the Company's performance. Uncertainties include, but are not limited to, the risk of a change in renewable energy policies, and to a lesser degree, oil or natural gas pricing policies, changes in taxation policies and/or the regulatory environment in the jurisdictions and industries in which the Company operates and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Etrion's business prospects and results of operations. In addition, if legal disputes arise related to any of the Company's operations, Etrion could be subject to the jurisdiction of courts other than those of Canada and Sweden. The Company's recourse may be very limited in the event of a breach by a government or government authority of a power purchase agreement, subsidy guarantee or an agreement governing an oil and gas concession in which Etrion has an interest.

**Licenses and Permits**

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

**Issuance of Debt**

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

**Financing Availability**

Until the Company is able to generate profits from its renewable energy projects, it will require external funding for its ongoing activities. From time to time, the Company may require additional financing in order to carry out its investment, acquisition and development activities. The Company anticipates that it will make substantial capital expenditures related to renewable energy projects in the future. Failure to obtain such financing on a timely basis could cause the Company to miss certain business opportunities, reduce or terminate its operations or forfeit its direct or indirect interest in certain projects. There is no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be available on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business, financial condition and results of operations.

**Cost Uncertainty**

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

**Execution Risk**

At an early stage in the business process, the Company has to pursue the approval of various permits, such as building permits. Any delays in obtaining permits may threaten time-sensitive FiT guarantees. This could in turn result in cost overruns and have an adverse effect on projected returns.
The Company may acquire, and has in the past acquired, complementary or strategic businesses. The process of integrating any future acquired business, technology, services or products, may result in unforeseen operating

difficulties and expenditures. The integration of our acquisitions, and the integration of any future acquisition, also requires significant management resources that would otherwise be available for operation, ongoing development and expansion of the Company's business. To the extent that the Company miscalculates its ability to integrate and properly manage acquired businesses, or it depends on the continued service of acquired personnel who choose to leave, the Company may have difficulty in achieving its operating and strategic objectives. In addition, the Company may not realize the anticipated benefits of any acquisition. Although the Company continues to seek acquisition opportunities, it may be unable to identify suitable acquisition opportunities or to negotiate and complete acquisitions on favourable terms, or at all. In addition, any future acquisitions may require substantial capital resources and the Company may need to obtain additional capital or financing from time to time to fund these activities. This could result in potentially dilutive issuances of the Company's securities or the incurrence of debt, contingent liabilities or amortization expenses related to goodwill and other intangible assets, any of which could harm the business, financial condition and results of operation. Sufficient capital or financing for the Company's acquisition activities may not be available on satisfactory terms, or at all.

**Failure to Meet International Regulatory Requirements**

The Company's operations are subject to numerous health, safety and environmental ("**HSE**") requirements under the laws and regulations in the various jurisdictions in which the Company conducts its business. Many HSE laws and regulations are becoming increasingly stringent (and may contain "strict liability") and the cost of compliance with these requirements can be expected to increase over time. The failure by the Company to comply with HSE laws and regulations could result in the Company incurring costs and/or liabilities, as a result of regulatory enforcement, including personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Company's results of operation and financial conditions.

**Changes in the Legal Environment**

Given the extensive regulation which governs the Company's business, any changes in the applicable regulatory regimes or the enforcement thereof could have a material adverse effect on the Company's business, financial condition and results of operations. The Company seeks to ensure that it remains in broad compliance with all legislation and regulations which impact its business, but there can be no assurance that the Company will timely respond to all such changes or that such responses will satisfy new requirements.

**Foreign Currency Risks**

Prior to April 1, 2010, Etrion's functional currency was the United States dollar. The functional currency of Etrion changed from United States dollars to Euros effective April 1, 2010, due to the acquisition of new subsidiaries in Europe that generate revenues in Euros, as well as the Euro-denominated Loan from Lundin Services. The Company maintains United States dollar bank accounts in Canada and Curacao. The Company funds some of its subsidiaries operating and administrative expenses in Venezuelan Bolivars from its United States dollars bank accounts. The Company has exposure to the volatility of the implied market rate in Venezuela that may result in significant foreign exchange gains or losses from its Venezuelan subsidiary. The Company also funds its European subsidiaries' capital, operating and administrative expenses in Euros and Swiss francs from its United States dollar and Euro accounts. The Company has exposure to the volatility of the exchange rates of Euros and Swiss francs that may result in significant foreign exchange gains or losses from its European subsidiaries.

**Interest Rate Risk**

The Company's exposure to interest rate risk arises both from the interest rate impact on its cash and cash equivalents as well as on its debt facilities. Etrion has significant cash balances and short-term investments. The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has floating rate debt instruments but the exposure to interest risk has been mitigated by interest rate hedges pursuant to certain loan agreements.

**Competition**

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

**Ability to Secure Appropriate Land**

There is competition for appropriate sites for new power generating facilities. Optimal sites are difficult to identify and obtain given the geographical features, legal restrictions and ownership rights, which naturally limits the area available for site development. There can be no assurance that the Company will be successful in obtaining any particular site in the future.

**Interruption in the Supply Chain**

There is no assurance that the Company will be successful in securing the equipment necessary for construction of solar energy projects and such equipment may be in short supply from time to time. Any interruptions in the supply chain could have a material adverse impact on the Company's business, financial condition and results of operations.

**Prices and Markets for Electricity, Oil and Natural Gas**

Although the Company is focused on developing renewable energy projects in jurisdictions that provide long-term FITs to provide pricing certainty, some of the Company's revenues are derived from spot electricity prices that fluctuate. Pricing for the sale of electricity may be subject to change based on economic, political and other conditions. Oil and natural gas are also commodities whose prices are determined based on global demand, supply and other factors, all of which affect electricity prices and are beyond the control of the Company. World prices for oil and condensate have fluctuated widely in recent years.

**Dilution**

The Company has the authority to issue an unlimited number of common shares and preferred shares. The Company may undertake additional offerings or issuances of securities in the future. The increase in the number of Shares outstanding and the possibility of sales or issuances of such Shares may have a negative impact on the price of Shares already outstanding. In addition, in the event of an issuance of additional Shares, the voting power of the existing shareholders would be diluted.

**Risks Related to Dividends**

There can be no guarantees that dividends will be paid to shareholders, as such dividends are dependent on the Company's business and financial position as well as other factors. The Company has never paid a dividend and has no current intention to pay dividends.

**Enforceability of Actions**

Certain of Etrion's directors and officers reside outside of Canada. All of Etrion's assets and most of those of the directors and officers are located outside of Canada. As a result, it may not be possible for investors to effect service of process within Canada upon Etrion, its directors or officers or to enforce, in the courts of Canada, judgements against such persons or assets.

**Conflicts of Interest**

Certain of the directors of Etrion may have associations with other renewable energy companies or with other industry participants with whom Etrion does business. The directors of Etrion are required by applicable corporate law to act honestly and in good faith with a view to Etrion's best interests and to disclose any interest which they may have in any project or opportunity to Etrion. However, their interests in the other companies may affect their judgement and cause such directors to act in a manner that is not necessarily in the best interests of Etrion.

## DIVIDENDS AND DISTRIBUTIONS

Since incorporation, Etrion has not paid any cash dividends or made any distributions on any of its securities. Dividends and/or distributions on its securities will be paid solely at the discretion of the Board after taking into account the financial condition of Etrion and the economic environment in which it is operating. No dividends or distributions are expected to be paid or made in the foreseeable future.

## DESCRIPTION OF CAPITAL STRUCTURE

Etrion is authorized to issue an unlimited number of common shares, of which 180,706,120 are issued and outstanding as of the date of this AIF, and an unlimited number of preferred shares, in series, of which none have been issued as of the date of this AIF. The following is a general description of the material rights, privileges, restrictions and conditions attached to each class of shares.

***Common Shares***

The holders of common shares are entitled to receive notice of, to attend and vote at any meetings of the shareholders, to receive such dividends declared by the Board and to receive the remaining property of Etrion on dissolution after creditors and holders of the preferred shares outstanding at the time have been satisfied.

***Preferred Shares***

Etrion is authorized to issue an unlimited number of preferred shares issuable in one or more series. The directors of Etrion may fix from time to time, and before issue of a particular series of preferred shares, the number of shares which are to comprise the series (which may be a limited or unlimited number) and the designation, special rights and restrictions and conditions to be attached to such series of preferred shares, including, without limitation, the rate or amount of dividends or the method of calculating dividends, the dates of payment of dividends, the redemption, purchase and/or conversion prices, and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions.

The preferred shares of each series shall with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets of Etrion among its shareholders for the purpose of winding up its affairs, rank on a parity with the preferred shares of every other series and be entitled to preference over the Common Shares and over any other shares of Etrion ranking junior to the preferred shares. The preferred shares of any series may also be given other preferences, not inconsistent with the Articles of Etrion, over the Common Shares and any other shares of Etrion ranking junior to the preferred shares.

Unless otherwise provided by the provisions of the BCBCA, the holders of each series of preferred shares will not, as such, be entitled to receive notice of or vote at any meeting of shareholders of Etrion.

There are no constraints imposed on the ownership of the securities of Etrion. To the best of Etrion's knowledge, no ratings have been received from any rating organization regarding the securities of Etrion.

## MARKET FOR SECURITIES

The common shares of Etrion are listed for trading on the Toronto Stock Exchange under the ticker symbol "ETX". As at the date of this AIF, Etrion's outstanding securities consisted of 180,706,120 common shares and 7,497,200 stock options to acquire 7,497,200 common shares. Effective November 12, 2010, the common shares of the Company began trading with a secondary listing on the main market of the NASDAQ OMX Stockholm exchange in Sweden under the ticker symbol "ETX".

The following table sets out the price range for, and trading volume of, the common shares of the Company on the Toronto Stock Exchange as reported by the Toronto Stock Exchange for the periods indicated:

| | Price Range (CDN$) | | |
|---|---|---|---|
| | **High** | **Low** | **Volume** |
| **2011** | | | |
| March [(1)] | 0.89 | 0.83 | 464,489 |
| February | 0.97 | 0.73 | 1,440,654 |
| January | 1.05 | 0.71 | 4,189,828 |
| **2010** | | | |
| December | 0.73 | 0.59 | 3,896,998 |
| November | 0.98 | 0.67 | 1,741,621 |
| October | 0.90 | 0.70 | 725,195 |
| September | 0.80 | 0.61 | 876,952 |
| August | 0.81 | 0.70 | 1,484,661 |
| July | 0.86 | 0.75 | 1,008,775 |
| June | 0.84 | 0.79 | 1,353,641 |
| May | 0.90 | 0.70 | 1,718,447 |
| April | 1.02 | 0.49 | 5,145,761 |
| March | 0.67 | 0.45 | 400,296 |
| February | 0.76 | 0.55 | 1,211,729 |
| January | 0.85 | 0.58 | 1,483,074 |

**Note:**

(1) Partial month from March 1, 2011 to March 4, 2011 (inclusive).

## PRIOR SALES

During the financial year ended December 31, 2010, the following securities of Etrion that are not listed or quoted on a marketplace were issued as follows:

| Date of Issue | Number and Type of Securities Issued |
|---|---|
| January 6, 2010 | 380,000 Options[(1)] |
| April 1, 2010 | 200,000 Options[(2)] |
| April 27, 2010 | 175,000 Options[(3)] |
| October 19, 2010 | 125,000 Options[(4)] |
| Decenber 7, 2010 | 1,282,200 Options[(5)] |

**Notes:**

(1) On January 6, 2010, Etrion granted to certain eligible persons options to purchase an aggregate of 380,000 common shares of Etrion. The options are exercisable at CDN$0.61 and expire on January 6, 2015.

(2) On April 1, 2010, Etrion granted to certain eligible persons options to purchase an aggregate of 200,000 common shares of Etrion. The options are exercisable at CDN$0.61 per share and expire on April 1, 2015.

(3) On April 27, 2010, Etrion granted to eligible persons options to purchase an aggregate of 175,000 common shares of Etrion. The Options are exercisable at CDN$0.90 per share and expire on April 27, 2015.

(4) On October 19, 2010, Etrion granted to eligible persons options to purchase an aggregate of 125,000 common shares of Etrion. The options are exercisable at CDN$0.86 per share and expire on October 19, 2015.

(5) On December 7, 2010, Etrion granted to eligible persons options to purchase an aggregate of 1,282,200 common shares of Etrion. The options are exercisable at CDN$0.66 per share and expire on December 7, 2015.

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

As at the date of this AIF, no securities of Etrion are subject to escrow or contractual restrictions on transfer.

**DIRECTORS AND OFFICERS**

The following table sets forth, for each director and executive officer of Etrion, the name, municipality, province or state and country of residence, all positions and offices held, the month and year first elected a director and principal occupations during the preceding five years.

| Name and Municipality of Residence(1) | Offices Held | Director Since | Principal Occupation During the Last Five Years |
|---|---|---|---|
| **Ian H. Lundin(2)** Coppet, Switzerland | Chairman | September 10, 2009 | Chairman of Lundin Petroleum, an oil and gas company, since 2002. |
| **Marco A. Northland** Cologny, Switzerland | Chief Executive Officer and Director | September 10, 2009 | Chief Executive Officer of Etrion since September 2009. Previously, Chief Executive Officer and Vice Chairman of Etrion SA, a private renewable energy company, from October 2008 to September 2009. General Manager (Europe Systems) of SunPower Systems SA, a solar energy company, from September 2005 to September 2008. Vice President (Projects) of PowerLight System, a solar energy systems provider (merged into SunPower Corporation), from July 2005 to September 2005. |
| **Aksel Azrac(2)(3)** Bernex-Lully, Switzerland | Director | September 22, 2010 | Senior Partner of 1875 Finance SA, an asset management and advisory firm based in Geneva, Switzerland, since 2006. |
| **C. Ashley Heppenstall(2)(3)** Cologny, Switzerland | Director | February 2008 | President and Chief Executive Officer of Lundin Petroleum since 2001. |
| **John Hunter Craig(3)** Toronto, Ontario, Canada | Director | February 2008 | Barrister and Solicitor, and a Partner at the law firm of Cassels Brock & Blackwell LLP. |
| **Garrett Soden** Geneva, Switzerland | Chief Financial Officer | N/A | Chief Financial Officer of Etrion since December 2006. Previously, Corporate Development Manager for Etrion since March 2006 and prior to that an Equity Research Analyst for Lehman Brothers from 2005 to 2006. |
| **David Knight** Toronto, Ontario, Canada | Corporate Secretary | N/A | Barrister and Solicitor, and a Partner at the law firm of Macleod Dixon LLP. |

**Notes:**

(1) The term of office of each director expires at the next annual meeting of shareholders.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

As at the date of this AIF, the directors and the executive officers of Etrion, as a group, beneficially owned, or controlled or directed, directly or indirectly, 4,019,912 common shares of Etrion or approximately 2% of the issued and outstanding common shares. In addition, certain Lundin family trusts, of which Mr. Lundin, a director of the Company, is one of the beneficiaries, hold, in the aggregate, approximately 25% of the common shares of Etrion. Furthermore, the directors and executive officers of Etrion hold options to acquire an additional 2,470,000 common shares of Etrion.

The information as to common shares beneficially owned, or controlled or directed, directly or indirectly, is based upon information furnished to Etrion by the directors and executive officers individually.

**Corporate Cease Trade Orders**

No director or executive officer of Etrion is, as at the date of this AIF, or was, within 10 years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any Corporation (including Etrion) that:

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the relevant corporation; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

**Penalties or Sanctions**

No director or executive officer of Etrion or any shareholder holding a sufficient number of securities of Etrion to affect materially the control of Etrion, has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

**Bankruptcies**

Except for Mr. Northland who was the Chief Operating Officer of AT&T Latin America when it filed for bankruptcy protection in 2003, no director or executive officer of Etrion, or a shareholder holding a sufficient number of securities of Etrion to affect materially the control of Etrion:

(i) is, at the date of this AIF, or has been within 10 years prior to the date of this AIF, a director or executive officer of any company (including Etrion) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or

(ii) has, within 10 years prior to the date of the AIF become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

## CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of Etrion will be subject in connection with the operations of Etrion. In particular, certain of the directors and officers of Etrion are involved in managerial or director positions with other energy companies whose operations may, from time to time, be in direct competition with those of Etrion or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Etrion. See "*Directors and Officers*". Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, Etrion's management is not aware of any material interest, direct or indirect, of any director or executive officer of Etrion, any shareholder of Etrion that beneficially owns, or controls or directs, directly or indirectly more that 10% of the voting securities of Etrion or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Etrion.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of Etrion, there are no legal proceedings that involve a claim for damages, the amount of which, exclusive of interest and costs, exceeds 10% of Etrion's current assets, to which Etrion is or was a party to or of which any of its properties is or was the subject of, during the financial year ended December 31, 2010, nor are there any such proceedings known to Etrion to be contemplated.

To the knowledge of Etrion, there were no: (i) penalties or sanctions imposed against Etrion by a court relating to securities legislation or by a securities regulatory authority during Etrion's last financial year; (ii) penalties or sanctions imposed by a court or regulatory body against Etrion that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements Etrion entered into before a court relating to securities legislation or with a securities regulatory authority during the last financial year.

## AUDIT COMMITTEE

**Audit Committee Charter**

Etrion's Audit Committee Mandate is attached hereto as Appendix A.

**Composition of the Audit Committee**

Ashley Heppenstall (Chairman), Aksel Azrac and Ian Lundin serve as the Audit Committee of the Board.

**Relevant Education and Experience**

The following is a summary of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member including such education and experience that provides the member with an understanding of the accounting principles used by Etrion to prepare its financial statements; the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements; and an understanding of internal controls and procedures for financial reporting.

Each of the members of the Audit Committee are independent of Etrion's management, financially literate, and possess an understanding of the accounting principles, internal controls and procedures for financial reporting used by Etrion.

| Name of Audit Committee Member | Relevant Education and Experience |
|---|---|
| C. Ashley Heppenstall | Currently, President and Chief Executive Officer of Lundin Petroleum AB since 2001. Mr. Heppenstall is a graduate of the University of Durham where he obtained a degree in Mathematics. From his various roles at Lundin Petroleum, including as CFO, Mr. Heppenstall has extensive experience overseeing the preparation of financial statements. |
| Aksel Azrac | Currently, senior partner and co-founder of 1875 Finance SA, an asset management and investment advisory firm based in Geneva, Switzerland. Prior to that, Mr. Azrac was involved with a private banking firm in Switzerland. Mr. Azrac has extensive capital markets experience and related experience in all aspects of financial matters. |
| Ian H. Lundin | Currently, Chairman of Lundin Petroleum AB since 2002. Mr. Lundin graduated from the University of Tulsa with a Bachelor of Science in Petroleum Engineering. From his various roles with companies in The Lundin Group, including as Chief Executive Officer of Lundin Oil and its successor, Lundin Petroleum, Mr. Lundin has extensive experience overseeing the preparation of financial statements. |

**Pre-approval Policies and Procedures**

The Audit Committee shall review and pre-approve any material engagement for non-audit services to be provided by the external auditors or its affiliates, together with estimated fees and consider the effect on the independence of the external auditor.

**External Auditor Service Fees (By Category)**

| Type of service provided (CDN$) | Year-ended December 31, 2010 | Year-ended December 31, 2009 |
|---|---|---|
| Audit fees (including quarterly reviews) | 438,369 | 188,677 |
| Audit-related fees | - | 19,029 |
| Tax fees | - | 155,954 |
| All other fees (including non-audit services relating to corporate restructuring assistance, CRA audit assistance and general tax consulting) | 474,219 | - |
| **Total** | **CDN$912,588** | **CDN$363,660** |

## REGISTRAR AND TRANSFER AGENT

Etrion's registrar and transfer agent is Computershare Trust Corporation of Canada at its primary office at 510 Burrard Street, 2$^{nd}$ Floor, Vancouver, British Columbia, V6C 3B9.

## MATERIAL CONTRACTS

The only material contract, other than contracts entered into in the ordinary course of business, that were entered into during the Company's most recently completed financial year, or before the most recently completed financial year but are still in effect, is the Shareholders Agreement and the Loan Agreement, as amended, the particulars of which are described under the heading *"General Development of the Business - Three Year History - 2010"*.

## INTERESTS OF EXPERTS

There is no person or Corporation who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by Etrion during, or related to, its most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or Corporation, other than PricewaterhouseCoopers LLP.

Etrion's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated March 8, 2011 in respect of Etrion's consolidated financial statements as at December 31, 2010 and 2009, and for each of the years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to Etrion within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Etrion.

## ADDITIONAL INFORMATION

Additional information concerning Etrion is available through the internet on SEDAR under Etrion's profile, which may be accessed at www.sedar.com.

Additional information, including information (to the extent applicable) regarding directors' and officers' remuneration and indebtedness, principal holders of Etrion's securities and securities authorized for issuance under equity compensation plans and interests of insiders is contained in Etrion's Management Information Circular dated as of May 18, 2010, in respect of its June 17, 2010, annual meeting. Additional financial information is contained in Etrion's comparative financial statements and management's discussion and analysis for the year ended December 31, 2010, and all such documents mentioned herein are available without charge on SEDAR under Etrion's profile at www.sedar.com and by contacting Etrion's offices at Rue du Stand 60-62, Geneva 1204, Switzerland, telephone: +41 22 715 2090, facsimile: +41 22 715 2099.

# APPENDIX A
# AUDIT COMMITTEE MANDATE

***Purpose***

1. The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to shareholders of the Company and others, the systems of corporate financial controls that management and the Board have established and the audit process. More specifically, the purpose of the Audit Committee is to satisfy itself that:

   (a) The Company's annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to the Board whether the annual financial statements should be approved.

   (b) The information contained in the Company's quarterly financial statements, annual report to shareholders and other financial publications, such as management's discussion and analysis, is complete and accurate in all material respects and to approve these materials.

   (c) The Company has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements.

   (d) The internal and external audit functions have been effectively carried out and that any matter that the internal or the independent auditors wish to bring to the attention of the Board has been addressed. The Audit Committee will also recommend to the Board the re-appointment or appointment of auditors and their remuneration.

***Composition and Process***

2. Following each annual meeting of shareholders of the Company, the Board shall appoint not less than three directors to serve on the Audit Committee, each of whom shall:

   (a) be independent as that term is defined in then current laws applicable to the Company; and

   (b) be financially literate as such term is defined in then current laws applicable to the Company.

3. The Chairman of the Audit Committee shall be appointed by the Board and shall be independent as that term is defined in then current laws applicable to the Company.

4. Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Company. Each member of the Audit Committee shall hold office until the close of the next annual meeting of shareholders of the Company or until the member resigns or is replaced, whichever first occurs.

5. The Audit Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements. Additional meetings may be held as deemed necessary by the Chairman of the Audit Committee or as requested by any member of the Audit Committee or by the internal or external auditors.

6. If all members consent, and proper notice has been given or waived, a member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

7. The Chairman of the Audit Committee appointed by the Board will, in consultation with management, the members of the Audit Committee and the internal and external auditors, determine the schedule, time and place of meetings, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members and other attendees with sufficient time for study prior to the meeting.

8. A quorum for the transaction of business at all meetings of the Audit Committee shall be a majority of the members of the Audit Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Audit Committee present.

9. The Audit Committee may invite such directors, officers and employees of the Company as it may see fit from time to time to attend meetings of the Audit Committee and assist in the discussion and consideration of the business of the Audit Committee, but without voting rights.

10. The Audit Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.

11. Supporting schedules and information reviewed by the Audit Committee will be available for examination by any director upon request to the Secretary of the Company.

12. The Audit Committee shall choose as its secretary such person as it deems appropriate.

13. The internal and external auditors shall be given notice of, and have the right to appear before and to be heard at, every regularly scheduled meeting of the Audit Committee, and shall appear before the Audit Committee when requested to do so by the Audit Committee.

***Duties and Responsibilities***

14. Subject to the powers and duties of the Board, the Board hereby delegates to the Audit Committee the following powers and duties to be performed by the Audit Committee on behalf of and for the Board:

(a) Financial Reporting Control Systems

The Audit Committee shall:

(i) review reports from senior officers of the Company outlining any significant changes in financial risks facing the Company;

(ii) review any letters from the external auditors to management with respect to internal controls and the Company's responses thereto;

(iii) annually review the Audit Committee Mandate;

(iv) review any new appointments to senior positions of the Company with financial reporting responsibilities; and

(v) discuss with the external auditors the overall control environment and the adequacy of accounting system controls.

(b) Interim Financial Statements

The Audit Committee shall:

(i) review the Company's interim financial statements and related management discussion and analysis ("**MD&A**") and provide to the Board a recommendation as to whether the interim financial statements and MD&A should be approved; and

(ii) review any interim earnings press release before it is publicly disclosed.

(c) Annual Financial Statements and Other Financial Information

The Audit Committee shall:

(i) review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;

(ii) obtain summaries of significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration;

(iii) obtain draft annual financial statements in advance of the Audit Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers of the Company;

(iv) review a summary provided by the Company's legal counsel of the status of any material pending or threatened litigation, claims and assessments;

(v) discuss the annual financial statements and the auditors' report thereon in detail with officers of the Company and the auditors;

(vi) review the Company's annual MD&A;

(vii) provide to the Board a recommendation as to whether the annual financial statements and MD&A should be approved;

(viii) review any annual earnings press release before it is publicly disclosed; and

(ix) review insurance coverage including directors' and officers' liability coverage.

(d) Public Disclosure of Financial Information

The Audit Committee shall:

(i) ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in sections 14(b) and 14(c) above; and

(ii) periodically assess the adequacy of such procedures.

(e) External Audit Terms of Reference, Reports, Planning and Appointment

To preserve the independence of the external auditor responsible for issuing an auditor's report or performing other audit review or attest services for the Company, the Audit Committee shall:

(i) review the audit plan with the external auditors;

(ii) discuss with the external auditors, without management present, matters affecting the conduct of their audit and other corporate matters;

(iii) recommend to the Board each year the retention or replacement of the external auditors; if there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition; and evaluate the external auditor's qualifications, performance and independence;

(iv) review the experience and qualifications of the senior members of the external auditors, ensure that the lead audit partner is replaced periodically in accordance with applicable law or audit practices, and that the audit firm continues to be independent;

(v) review and pre-approve any engagements for non-audit services to be provided by the external auditor and its affiliates in light of the estimated fees and impact on the external auditor's independence, subject to any *de minimus* exception allowed by applicable law, provided that the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve non-audit services and provided further that any non-audit services that have been pre-approved by any such delegate of the Audit Committee must be presented to the Audit Committee at its first scheduled meeting following such pre-approval;

(vi) review with management and with the external auditor:

(1) any proposed changes in major accounting policies;

(2) the presentation and impact of significant risks and uncertainties; and

(3) key estimates and judgements of management that may be material to financial reporting;

(vii) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company in compliance with the requirements set out in section 2.4 of National Instrument 52-110;

(viii) ensure that the external auditor reports directly to the Audit Committee;

(ix) be directly responsible for overseeing the work of the external auditor engaged for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; and

(x) annually review and recommend for approval to the Board the terms of engagement and the remuneration of the external auditor.

(f) Procedure for Complaints regarding Accounting, Internal Controls or Auditing Matters

The Audit Committee shall:

(i) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters; and

(ii) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

***Reporting and Authority***

15. The Audit Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.

16. The Audit Committee is empowered to investigate any activity of the Company and all employees are to co-operate as requested by the Audit Committee. The Audit Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.

17. The Audit Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external auditors, senior management, internal audit, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Audit Committee, including directors, officers and employees of the Company.

***Governance***

18. The Audit Committee is responsible to review on a regular basis and at its discretion make recommendations to the Board regarding confirmation of or changes to be made to its Mandate and the position description of its Chairman.

***Advisors***

19. The Audit Committee has the power, at the expense of the Company, to retain, instruct, compensate and terminate independent advisors to assist the Audit Committee in the discharge of its duties.

***Audit Committee Timetable***

20. The timetable on the following page outlines the Audit Committee's schedule of activities during the year.

| *Meeting Timing* | | March | May | August | November |
|---|---|---|---|---|---|
| **Agenda Item** | | | | | |
| **A.** | **Financial Reporting Control Systems** | | | | |
| (1) | Review reports from senior officers outlining changes in financial risks. | X | X | X | X |
| (2) | Review management letter of external auditors and Company's responses to suggestions made. | X | | | |
| (3) | Review the Audit Committee Mandate. | X | | | |
| (4) | Review any new appointments to senior positions with financial reporting responsibilities. | X | X | X | X |
| (5) | Obtain assurance from both internal and external auditors regarding the overall control environment and the adequacy of account system controls. | X | X | X | X |
| **B.** | **Interim Financial Statements** | | | | |
| (1) | Review Interim financial statements with officers of the Company and approve prior to their release. | | X | X | X |
| (2) | Review narrative comment accompanying interim financial statements. | | X | X | X |
| (3) | Review interim earnings press release, if any. | | X | X | X |
| **C.** | **Annual Financial Statements and Other Financial Information** | | | | |
| (1) | Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements. | X | X | X | X |
| (2) | Obtain summaries of significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration. | X | X | X | X |
| (3) | Obtain draft annual financial statements in advance of the Audit Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers of the Company. | X | | | |
| (4) | Review a summary of the status of any material pending or threatened litigation, claims and assessments. | X | X | X | X |
| (5) | Discuss the annual financial statements and the auditors' report thereon in detail with officers of the Company and the auditors. | X | | | |
| (6) | Review the annual report and other annual financial reporting documents. | X | | | |
| (7) | Provide to the Board a recommendation as to whether the annual financial statements should be approved. | X | | | |
| (8) | Review annual earnings press release, if any. | X | | | |
| (9) | Review insurance coverage. | | | | X |
| **D.** | **External Audit Terms of Reference, Reports, Planning and Appointment** | | | | |
| (1) | Review the audit plan with the external auditors. | | | | X |
| (2) | Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters. | X | | | |
| (3) | Recommend to the Board the retention or replacement of the external auditors. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition. | X | | | |
| (4) | Review and recommend for approval to the Board the terms of engagement and the remuneration of the external auditor. | | X | | X |