

Etrion Corporation
August 2020

etrion

Powered by the Sun

Developing, building and operating solar
power generation plants

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Lundin Group

Explorers | Builders | Producers



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lundin-petroleum.com

lundin mining

Base Metals Production:
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Chile, Brazil
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LUNDIN GOLD

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MINING



Lundin Mining Corporation
\$4.74 billion

Lundin Gold Inc.
\$1.12 billion

Lucara Diamond Corp.
\$591.10 million

Filo Mining Corp.
\$204.50 million

Denison Mines Corp.
\$406.50 million

Africa Energy Corp.
\$147.00 million

Africa Oil Corp.
\$565.50 million

International Petroleum Corp.
\$1.01 billion

Lundin Petroleum
\$14.10 billion

Shamaran Petroleum Corp.
\$172.90 million

Etrion Corporation
\$70.20 million

OIL & GAS SOLAR



330,000
carats
DIAMONDS
per year

263,000
tonnes
COPPER
per year

157,000
tonnes
ZINC
per year

155,000
boepd
OIL
per year

330,000
tonnes
NICKEL
per year

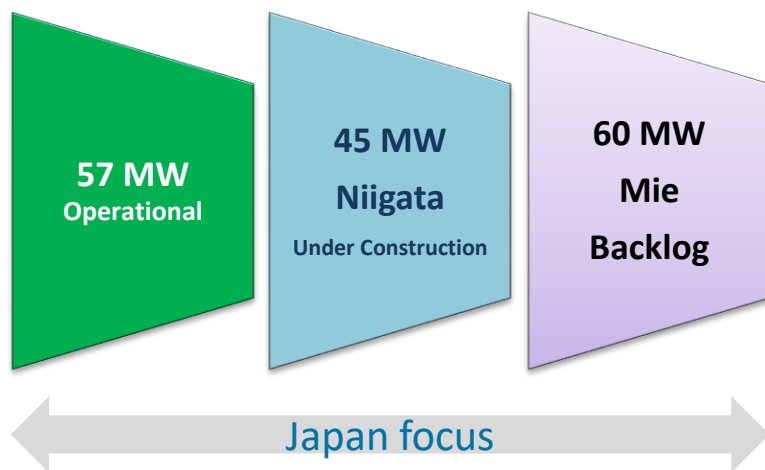
330,000
GWh
SOLAR
ELECTRICITY
per year

Etrion Corporation

Company Overview

- Solar development platform focused in Japan, among the top 5 largest energy markets in the world
- 11 solar plants operational and 1 under construction with aggregate capacity of 102 MWs in Japan
- 60 MW backlog in Japan
- Company fully funded

Japan Asset / Pipeline Highlights



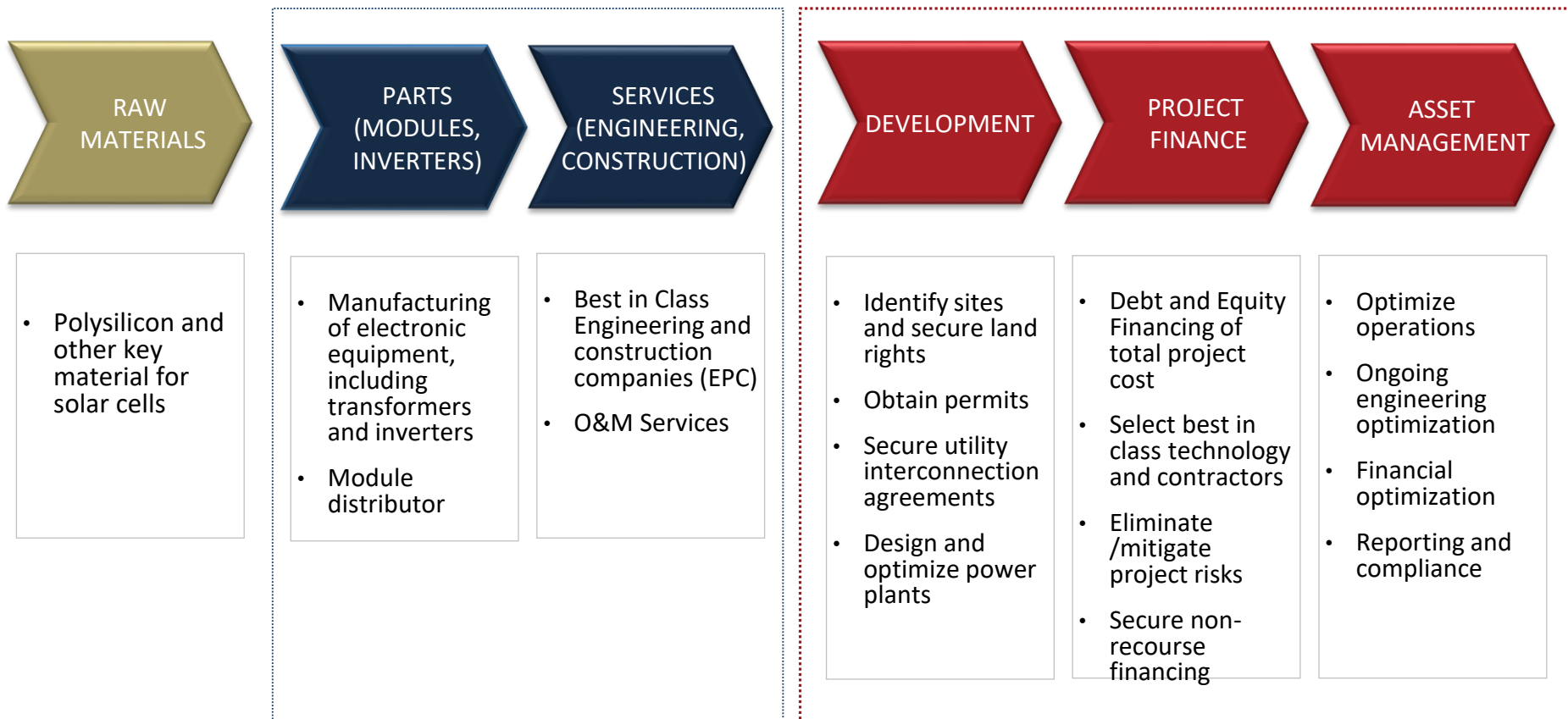
Financial Summary

Recent Share Price (TSX/OMX: ETX) ^{(1) (2)}	C\$0.245 / SEK 1.62
Shares Outstanding ⁽³⁾	334.1MM
Lundin Family Ownership	36.0%
Other Director/Management Ownership	5.7%
Revenues 2019	US\$21.9 MM
Revenues half year 2020	US\$11.4 MM
Project-level EBITDA 2019	US\$16.5 MM
Project-level EBITDA half year 2020	US\$9.1 MM
Restricted / Unrestricted Cash as of June 30, 2020	US\$79.0 MM / \$7.6 MM
Market Capitalization ⁽²⁾	US\$61.6MM
Number of Employees	18

Notes:

- (1) US\$ refers to US dollars; C\$ refers to Canadian dollars; SEK refers to Swedish krona
 (2) ETX share price at closing on August 5, 2020
 (3) ETX shares outstanding as of June 30, 2020

Downstream solar developer



Our focus is Japan

1 Among top 5 largest energy markets in the world

2 Solar supported by a Feed-in-Tariff program

3 Among highest electricity prices in OECD

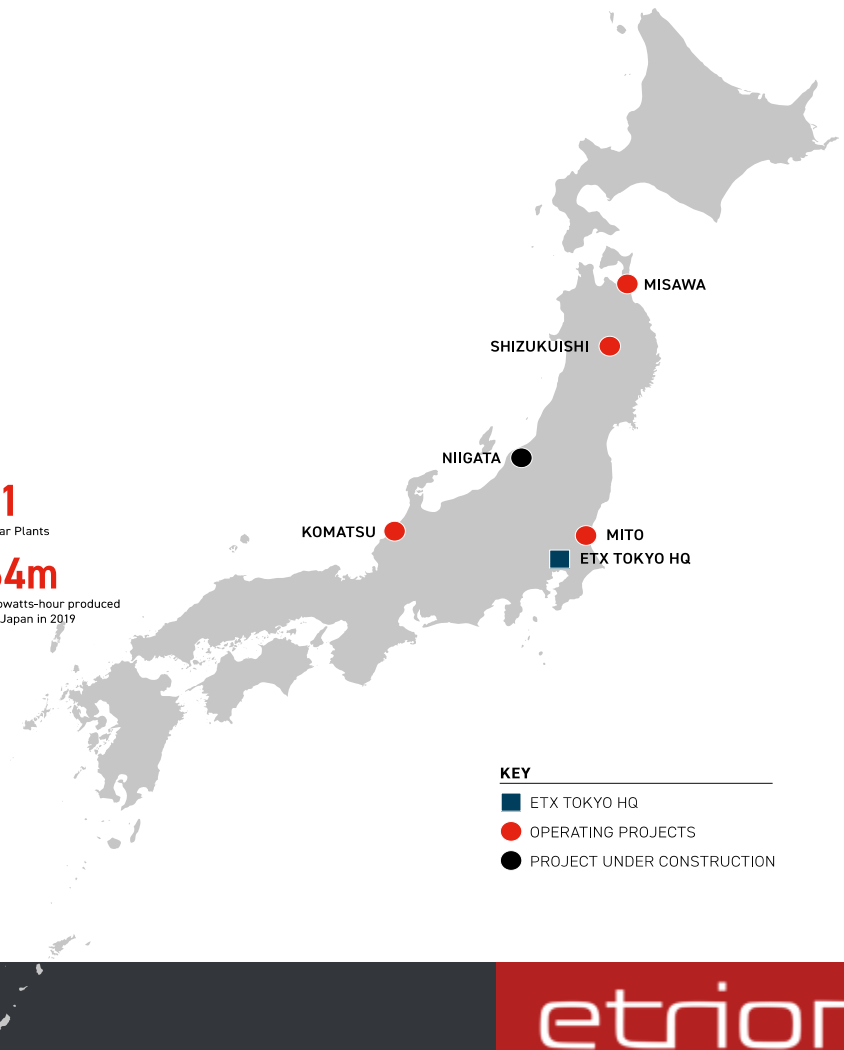
4 Strategic partnerships

5 Low cost financing

6 Energy sector deregulated in 2016

7 Strong institutional demand for yield

11
Solar Plants
64m
Kilowatts-hour produced
for Japan in 2019



Etrion's commitment to the environment

Respecting host country's history and nature

- Honoring wildlife – plan construction around the “garuma gull” bird nesting cycle
- Respecting local history - use geophysical survey techniques for the early detection of archaeological sites prior to the construction of solar plants
- Successful landscape integration of solar farms with surroundings



Corporate responsibility and sustainable investments

Our approach

- Understanding community and regional needs
- Master the local dynamics
- Demonstrate cultural sensitivity
- Leverage our international expertise complementing local partner's know-how



Examples of community benefits

- We organize tours and educational activities on environmental matters for schools
- Sponsor local sport events for the communities
- Provided financial assistance to rebuild a school destroyed by a natural disaster in north of Chile



Japan Market

Japan – Solar position in the world and growth perspectives

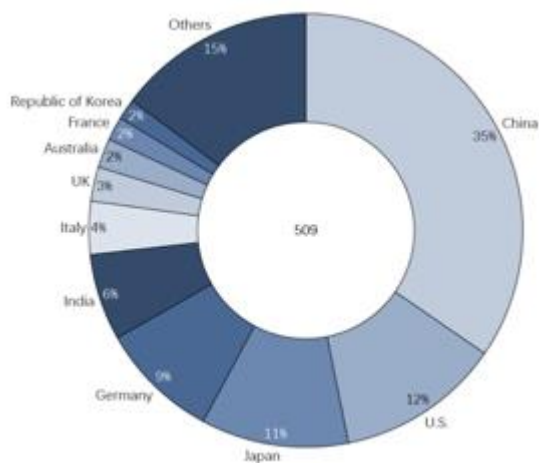


Figure 1: Cumulative solar PV Capacity Globally as of 2018
Source: REN21

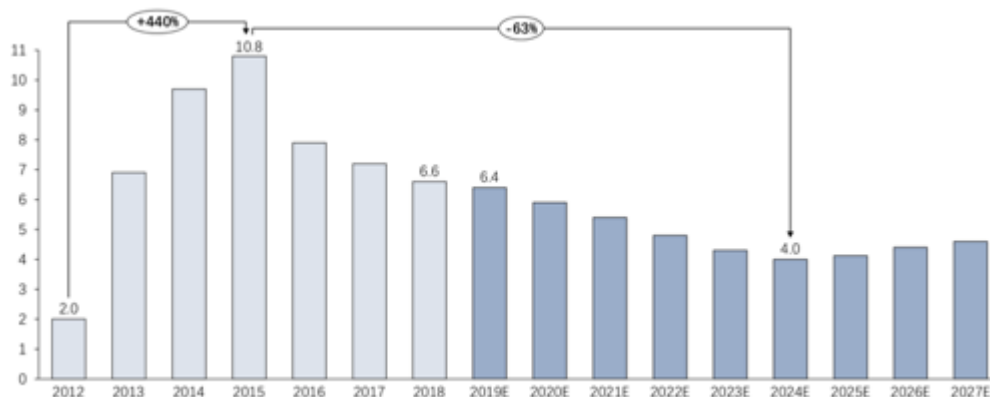


Figure 2: Japan solar PV market growth scenario 2019-2026 (GW)
Source: JPEA

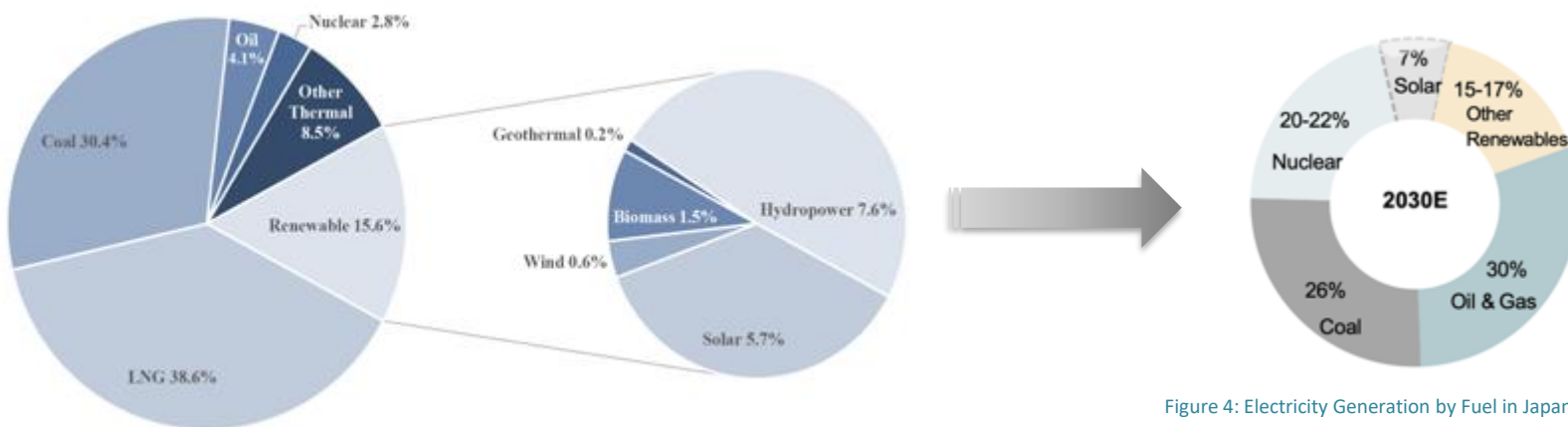
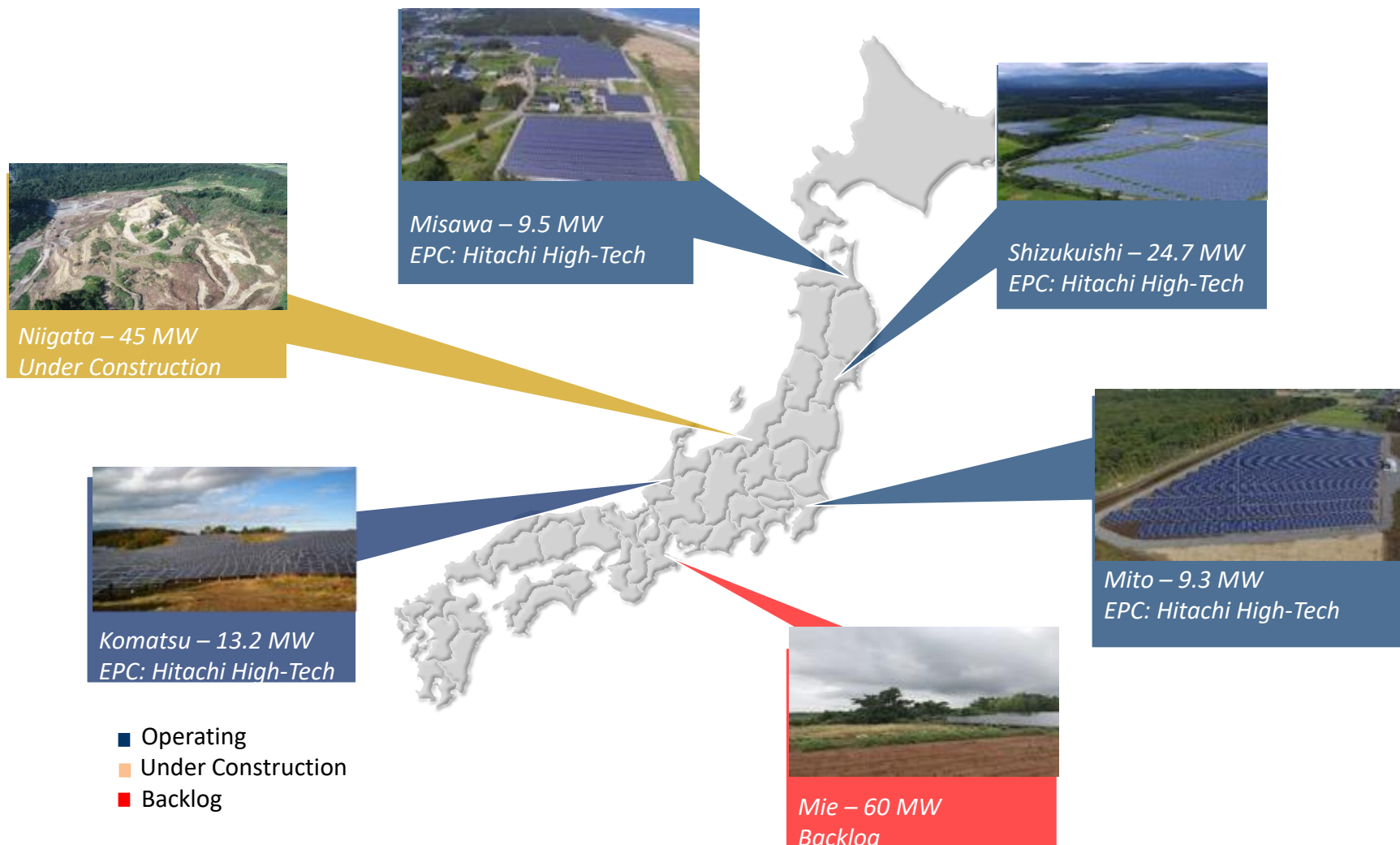


Figure 4: Electricity Generation by Fuel in Japan in 2030

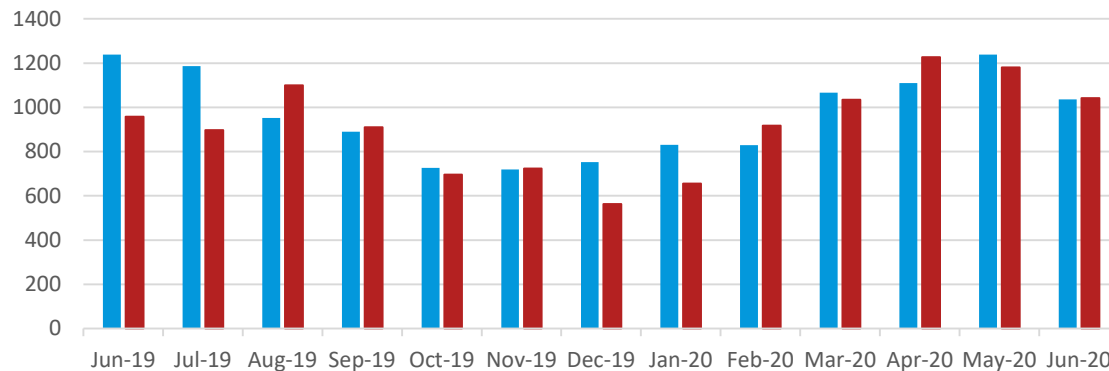
Figure 3: Electricity Generation by Fuel in Japan in 2017
Source: METI

Our presence

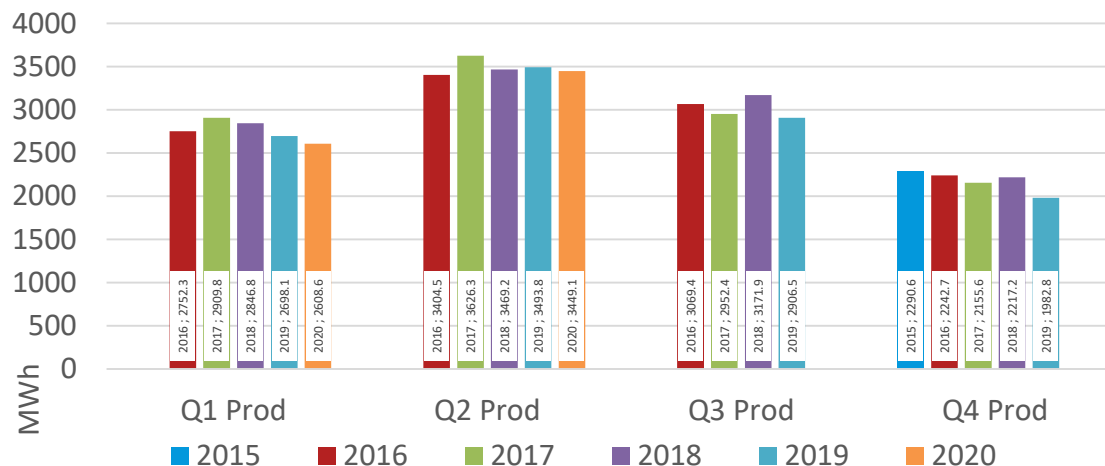


Mito – 9.3 MW Operational

MITO (MWh)



Expected Actual



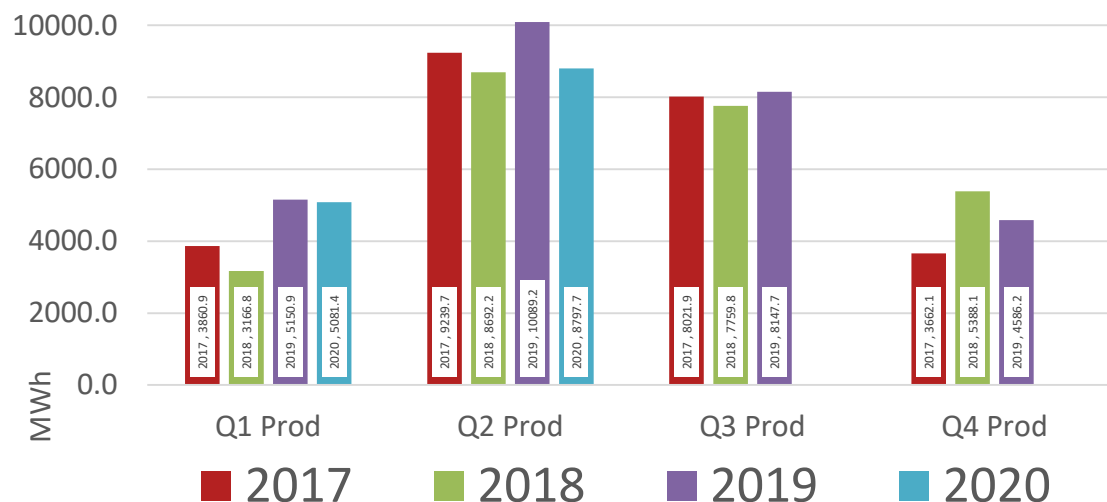
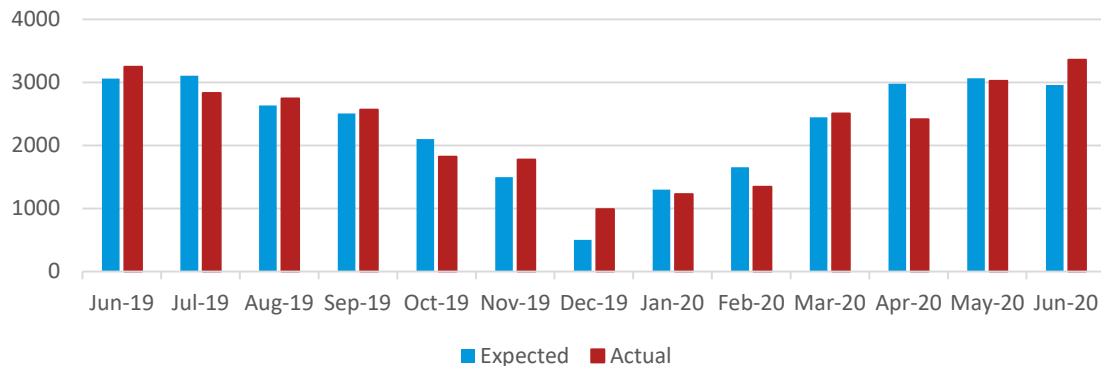
Mito	
Utility	Tepco
Capacity	9.3 MW
Ownership (as of now)	100%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech/ Hitachi LTD
Irradiation Yield	1,191 kWh/kWp
Revenue Stream	FiT: ¥40/kWh Term: 20 years
Production	11.1 GWh/year
Total Project Cost	¥3.4Bn
Commencement of Operation	Aug-15



- Excellent technical performance. Performance is relatively better than in the same period in 2019 comparing to the sun hours available. Circa 1% below expected production for the first 6th months of 2020.

Shizukuishi – 24.7 MW Operational

Shizukuishi (MWh)



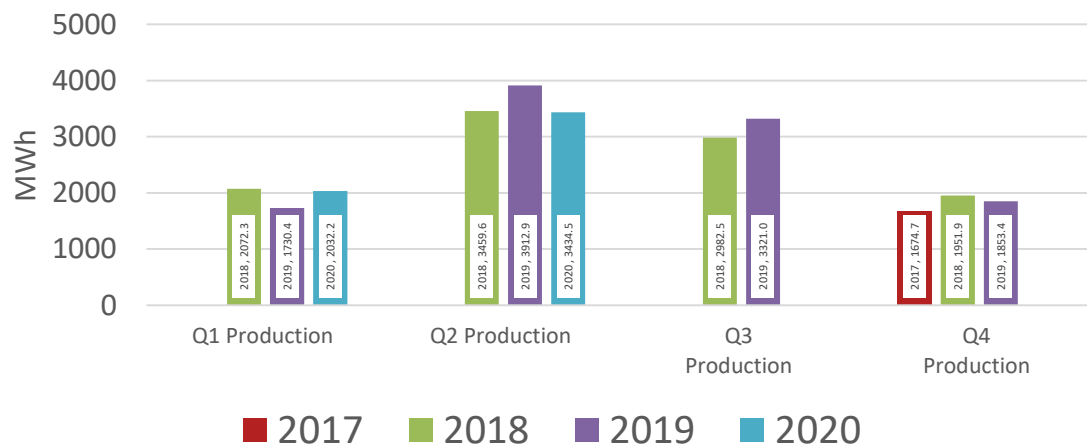
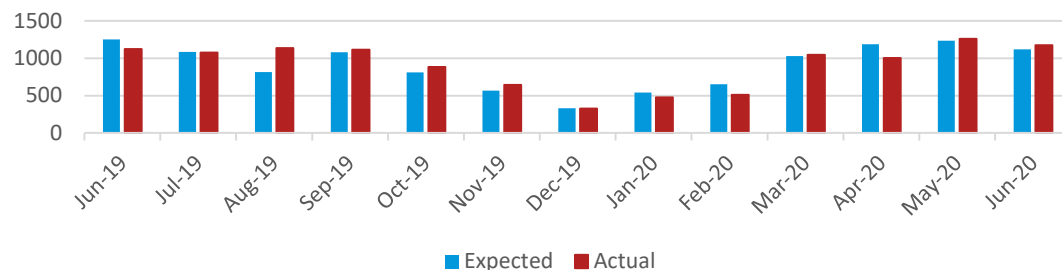
Shizukuishi	
Utility	Tohoku
Capacity	24.7 MW
Ownership (as of now)	100%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech/Hitachi LTD
Irradiation Yield	1,130 kWh/kWp
Revenue Stream	FiT: ¥40/kWh Term: 20 years
Production	28.0 GWh/year
Total Project Cost	¥8.9Bn
Commencement of Operation	Oct-16



- Excellent technical performance. June performed c.13% above expectations. Catching up with the reduction in POA and snow effect during the first quarter. YTD production is 4% lower than expected.

Misawa – 9.5 MW Operational

MISAWA (MWh)

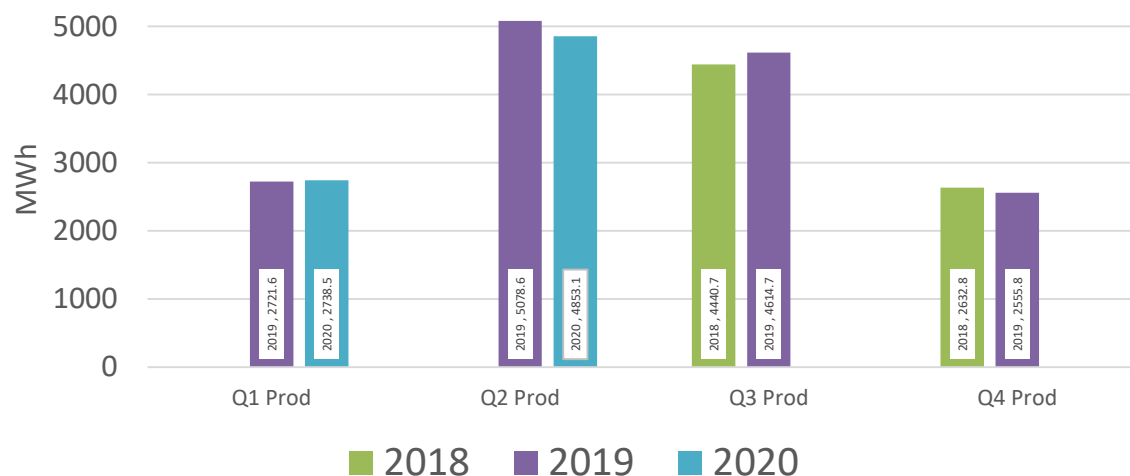
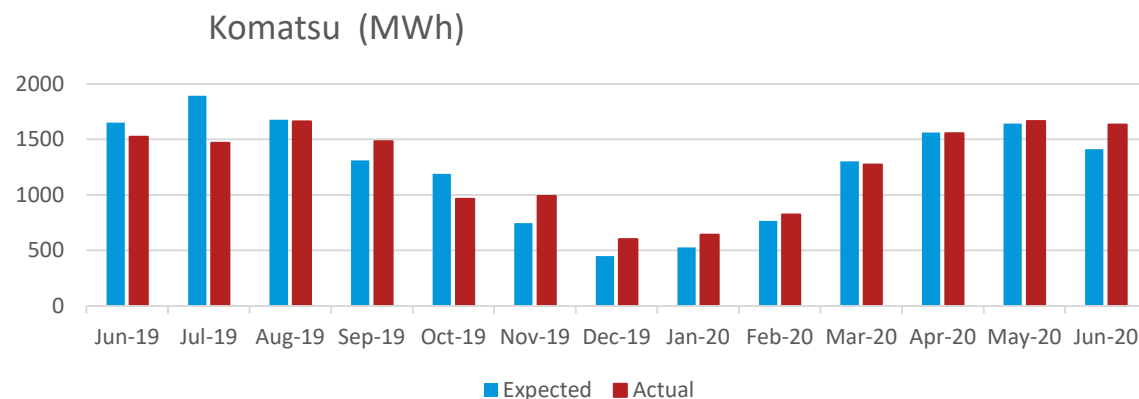


- Excellent technical performance. June performed c.5% above expectations. Catching up with the reduction in POA and snow effect during the first quarter. YTD production is 5% lower than expected.

Misawa	
Utility	Tohoku
Capacity	9.5 MW
Ownership (as of now)	100%
Technology	Fixed-tilt
Module	AOU
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech/ Hitachi Systems
Irradiation Yield	1,135 kWh/kWp
Revenue Stream	FiT: ¥36/kWh Term: 20 years
Production	10.8 GWh/year
Total Project Cost	¥3.5Bn
Commencement of Operation	Feb-2017



Komatsu – 13.2 MW Operational



Komatsu	
Utility	Hokuriku
Capacity	13.2 MW
Ownership (as of now)	100%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech/Hitachi LTD
Irradiation Yield	1,132 kWh/kWp
Revenue Stream	FiT: ¥32/kWh Term: 20 years
Production	15.0 GWh/year
Total Project Cost	¥4.3 Bn
Commencement of Operation	May-2018



- Excellent technical performance. It continues from 2019. In June the production was c.16% above expected. YTD production is c.5% above expected.



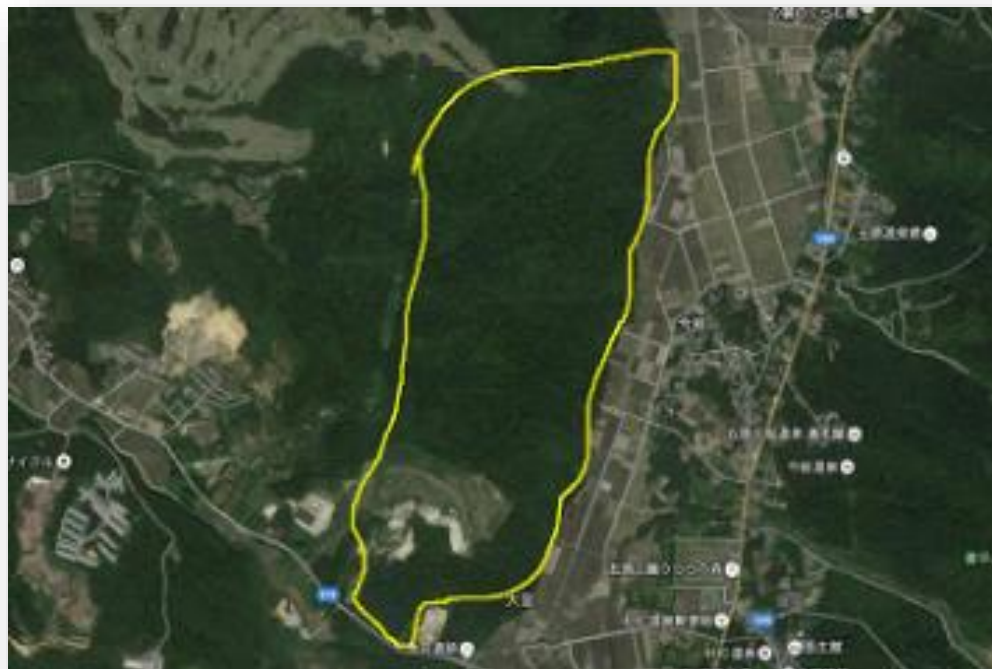
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Niigata – Under construction
45 MW solar park

Niigata – 45 MW

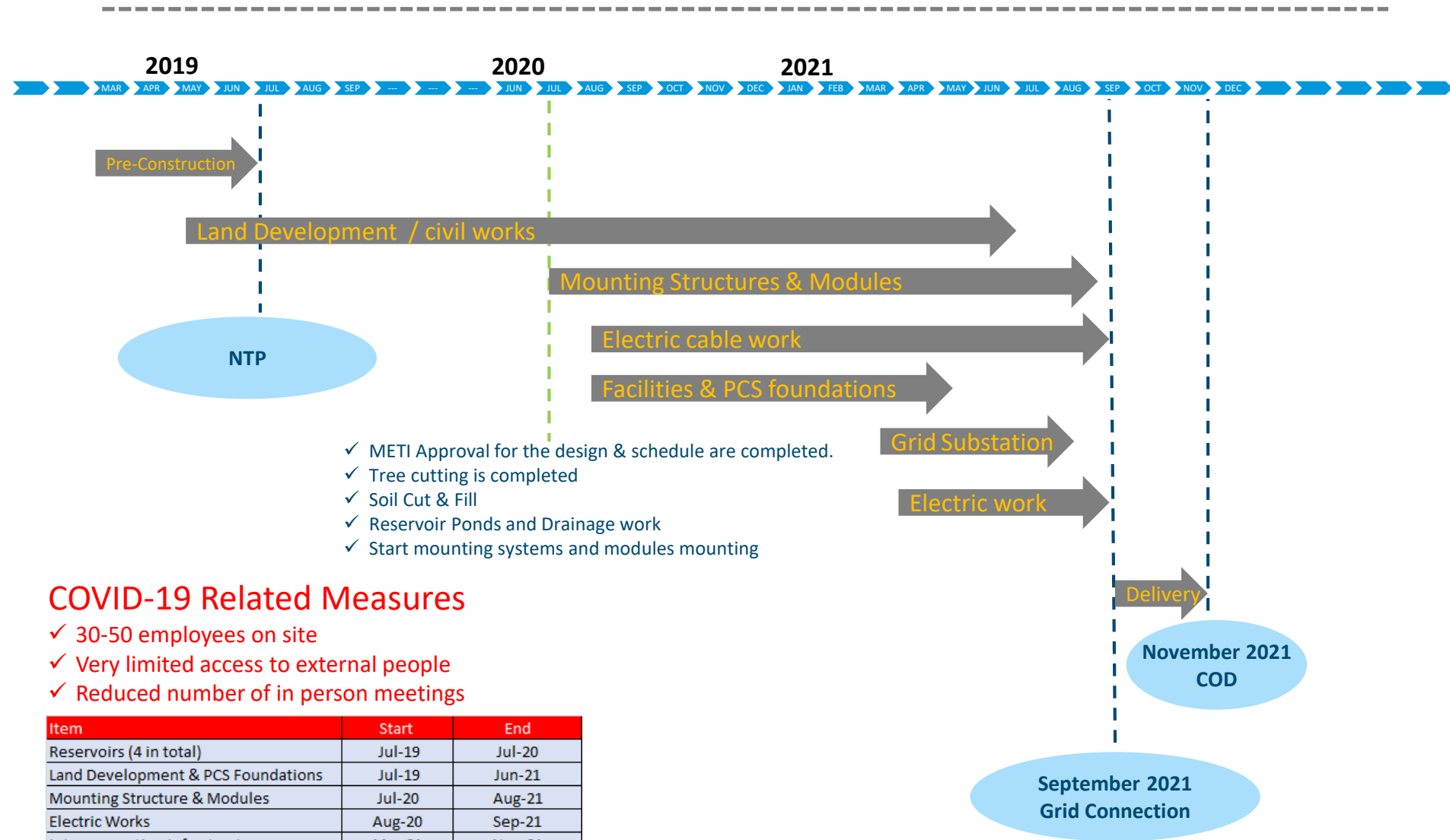
Key project metrics

Ownership	100% ETX
Capacity	45 MW
Region / Utility	Tohoku
PPA Price	¥36/kWh - FiT until March 2040
Irradiation	1,050 kWh/kWp
Total Capex	US\$ 154.2M
Finance Structure	BBB Green Project Bond, US\$ 146.5M (JPY 15.9 billion)
Debt tenor	Construction period plus 16.8 years.
Interest rate	All-in non-recourse project loan interest rate of 1.2%
Total Equity	US\$ 7.7M
EPC Contractor	Toyo Engineering
O&M Contractor	TMEIC / TAG
AMS Provider	Etrion
COD Target	Q4-2021
Average ⁽¹⁾ Revenue	US\$ 15.5 m/year
Average EBITDA	US\$ 13.7 m/year
Average free cash flow at project level	US\$ 3.6m/ year

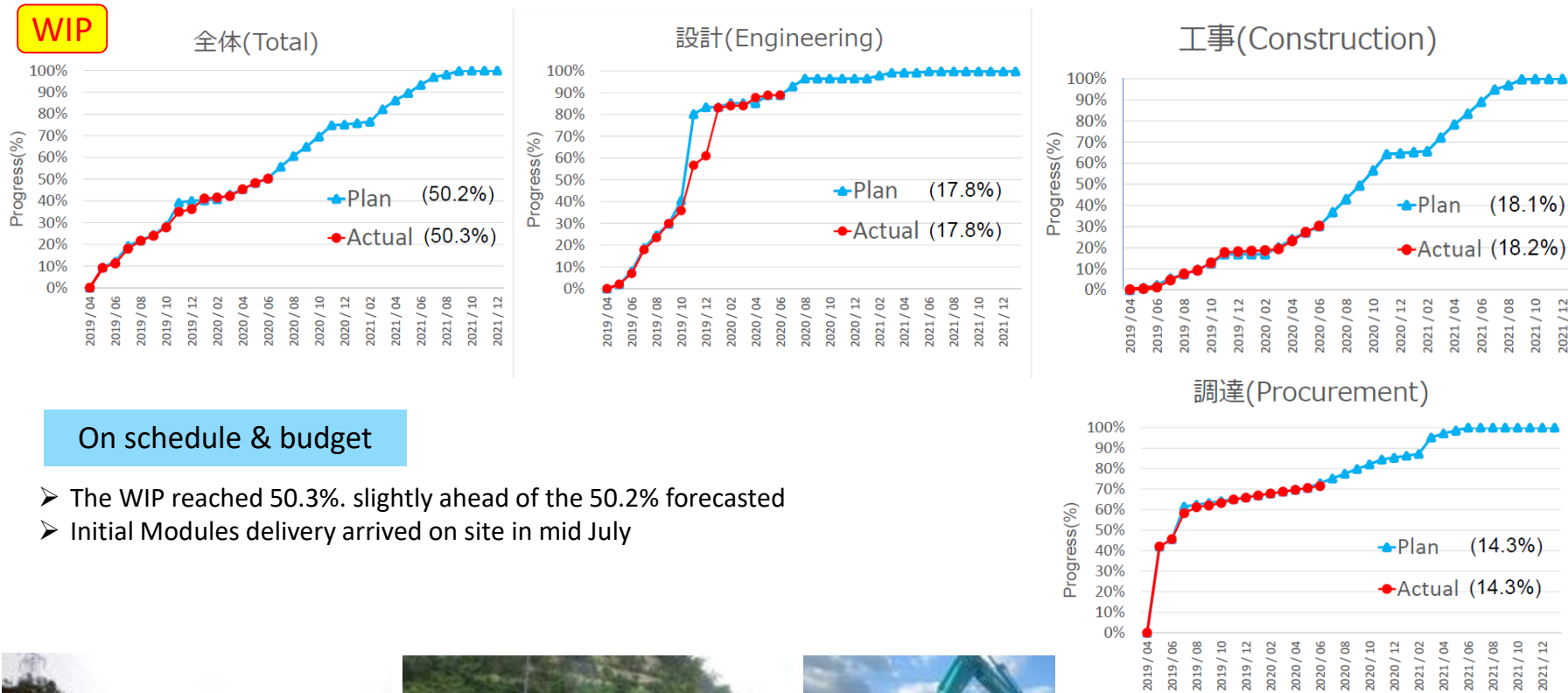


⁽¹⁾ Average refers to the first 5 years of operations based on historical weather forecast. Actual results will depend on actual weather conditions and other operational matters.

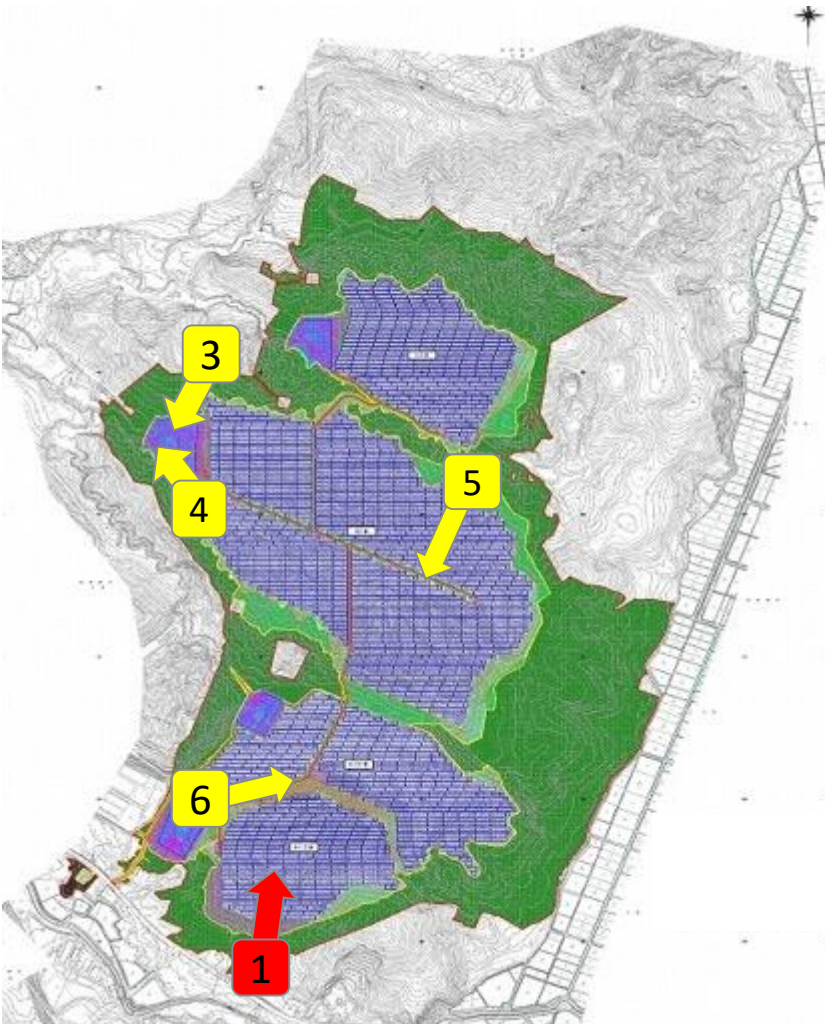
Niigata Project Timeline (Planned = Actual; 50.3% WIP)



Progress Curve (as of 30th June 2020)



Sites Construction status photo (June 2020)



Sites Construction status photo (June 2020)



Modules Arriving on Site

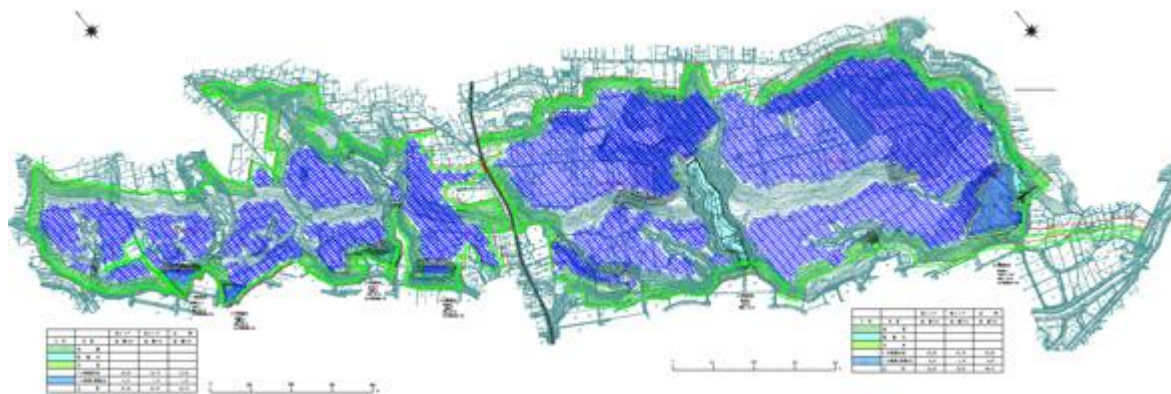


Business Development Update

Mie 60 MW - Backlog

- Project reached ready to build status by Q1-2019. EIA and forest development concluded. Land secured
- ETX is litigating with the local developer since Q4-18 who continue to refuse to release the PSV shares to ETX
- Expected resolution by later part of 2020 unless settlement agreement is reached with developer prior to the completion of the legal process

Size	54-64 MWp
Region / Utility	Chubu EPCO
PPA price	FIT: ¥36/kWh
Irradiation	1,204 kWh/kWp
Ownership share	100%
Expected: NTP / COD	Q3-2020 / Q4-2022
Land	100 Ha. Long term lease



Financial Results

Q2-20 highlights

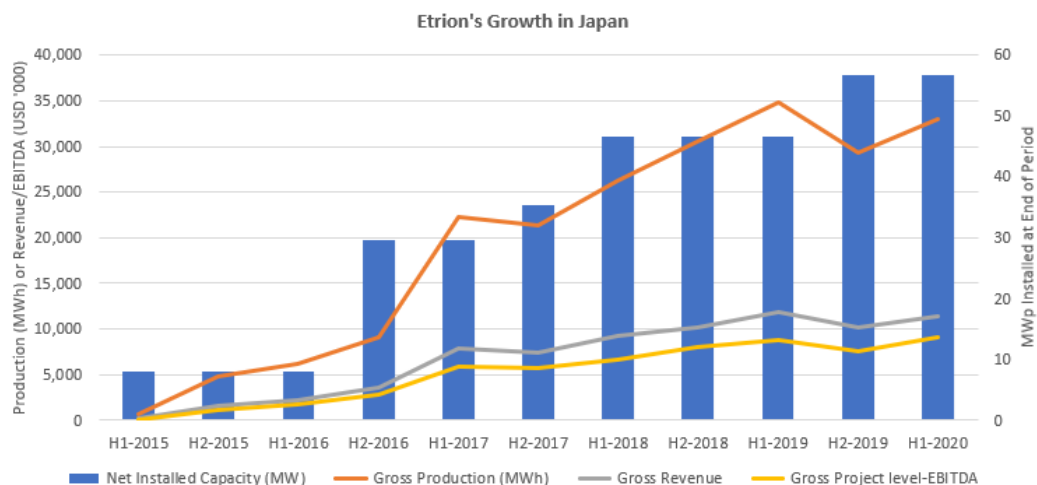
US\$ millions <small>otherwise indicated</small>	Q2-20	Q2-19	Q2-20	Q2-19
	Three months		Six months	
Production KWh millions	20.5	22.6	33.0	34.9
Revenue	7.1	7.7	11.4	11.9
Project-EBITDA	5.9	6.2	9.1	8.8
Corporate G&A	(1.9)	(1.0)	(3.2)	(1.8)
Gain on disposal of Salvador	3.3	-	3.3	-
Other expenses	(1.0)	0.9	(1.5)	0.9
Consolidated EBITDA	6.3	6.1	7.7	7.9
Depreciation and amortization	(2.4)	(2.3)	(4.7)	(4.5)
Net finance costs	(2.2)	(2.5)	(3.8)	(3.7)
Income before tax	1.7	1.3	(0.8)	(0.3)
Net income tax	(0.1)	(0.8)	(0.2)	(1.3)
Net income (loss)	1.6	0.5	(1.0)	(1.6)

Q2-20 Highlights

- Q2-20 production (-9%), revenue (-7.5%) and project-EBITDA (-4.2%) vs Q2-19 driven by lower solar irradiation compared to same period 2019
- Consolidated EBITDA improvement mainly driven by (1) gain on the disposal of PV Salvador partially offset by (2) US\$ 1.0 m unrecoverable withholding tax
- Q2-20 net income of US\$1.6 million driven by (1) gain on disposal of PV Salvador and (2) Japan SPV tax reduction as a result of TK-GK restructuring
- Corporate G&A affected by reclassification from B/S to P&L of accumulated legal and personnel costs to date in connection with the Mie litigation (\$0.7 million)
- 45 MW Niigata project 50% completed end Q2-20
- Disposal of PV Salvador resulted in additional income of US\$3.3 million cash, including the AMS termination fee
- Cash balance of US\$86.6 million (US\$7.6 million unrestricted)

Financial results

Etrion consolidated results



Q2-20 Segment information (3M)			
US\$ millions	Japan	Corp	TOTAL
Revenues	7.1	-	7.1
Operating expenses	(1.1)	-	(1.1)
G&A expenses	(0.1)	(2.0)	(2.0)
Gain on disposal of non-core investment	-	3.3	3.3
Other income	0.0	(1.0)	(1.0)
EBITDA	6.0	0.3	6.3
Depreciation and amortization	(2.3)	(0.0)	(2.4)
Net finance costs	(1.1)	(1.1)	(2.3)
Loss before taxes	2.5	(0.8)	1.7
Tax expense	-	(0.0)	(0.0)
Net income (loss)	2.5	(0.9)	1.6

Etrion's solar platform continues to deliver strong operational results without interruption as a result of COVID-19

Financial position

Consolidated Balance Sheet

June 30, 2020			
US\$ millions	Japan	Corp	TOTAL
Property, plant and equipment	213.7	0.0	213.7
Intangible assets	12.1	2.2	14.2
Cash and cash equivalents	79.0	7.6	86.6
Other assets	13.2	7.8	21.0
Total assets	317.9	17.6	335.5
Borrowings	270.1	37.7	307.8
Trade and other payables	3.4	1.4	4.8
Other liabilities	25.7	1.1	26.7
Total liabilities	299.1	40.2	339.3
Net equity	18.84	(22.6)	(3.7)

- Etrion has a working capital of \$46.3 million and a consolidated cash position of \$86.6 million, of which \$7.6 million is unrestricted at corporate level
- As at June 30, 2020, the Japanese assets represent approximately 95% of consolidated assets of the Group

COVID-19 impact on the business

- All IT the systems in place enable the company to run the business remotely. Cloud based accounting, finance, email, file storage and video conference services, enable the company to experience minimum disruption and operate business-as-usual
- All employees have been advised to work from home as much as possible
- All travel are limited to essential travel only
- Operational assets do not require onsite operators except when a repair is required. O&M contractors are operating without disruption
- No impact on revenue stream since all power generation is paid on fixed price.
- Niigata project under construction is on track. Delivery of modules (from China) is currently not affected. Construction labor on site is currently not affected

Summary

Summary

- Etrion well positioned for continued growth in one of the largest solar markets in the world
- Strong financial performance in all key operating metrics demonstrating excellent execution in all operational activities
- Restructuring in 2019 increased net operational capacity by 22%, improved maintenance contracts, simplified corporate structure and optimized future cash flows. Niigata 45 MW project on track to be connected by Q4-21
- Fully funded with no additional capital required to complete construction of the Niigata project
- Significant potential upside beyond Niigata with resolution of 60 MW Mie project litigation and potential Italian tax refund.

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