

Etrion Corporation

etrion

Powered by the Sun

Developing, building and operating solar
power generation plants

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MINING



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 is listed solar development company focusing on Japan



Downstream solar
developer



Japan focused
5th largest energy
market worldwide



12 solar plants
57MW operational
45MW construction



MCAP US\$66m⁽¹⁾
Fully funded



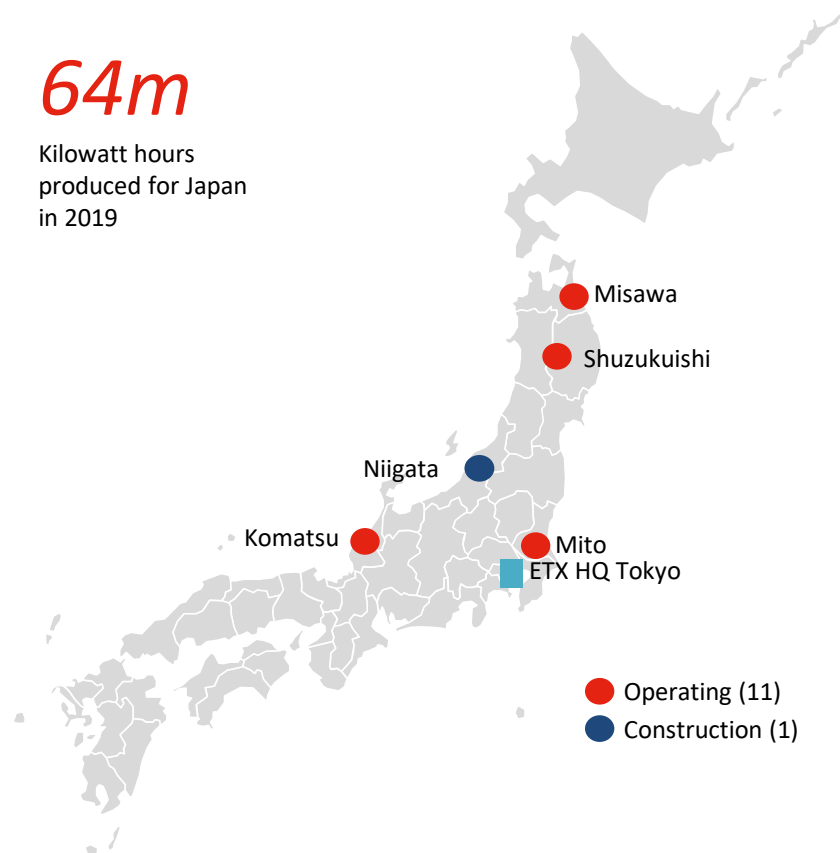
US\$11.4m H1'20 revenue
(US\$21.7m expected
annual revenue plus
US\$ 15.5m from Niigata
after 2021)



36% owned by Lundin
5.7% owned by mgt

64m

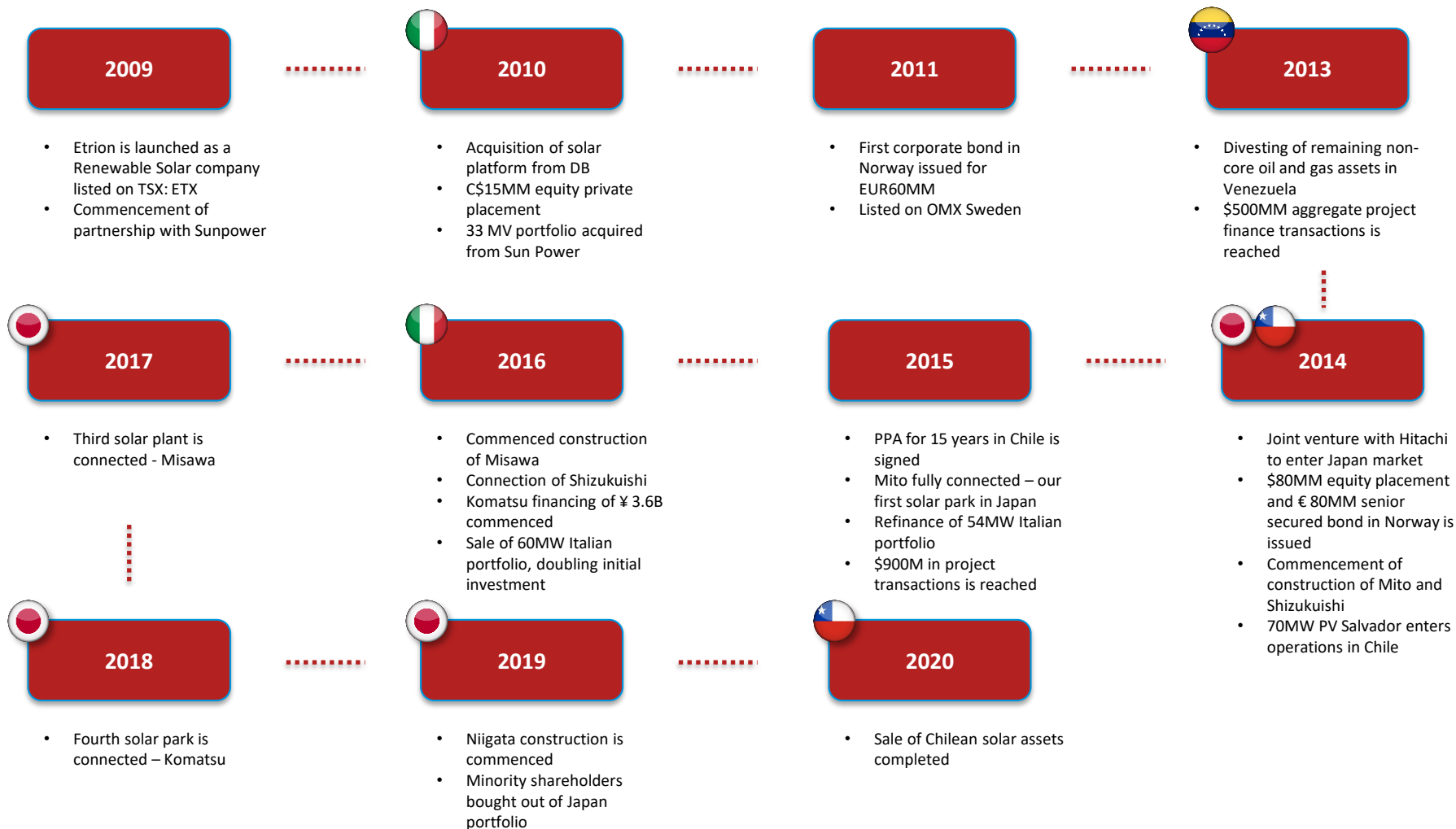
Kilowatt hours
produced for Japan
in 2019



Notes:

(1) ETX share price at closing on October 2, 2020

Our history and milestones



Focus on Japan

Key attractions Japanese power market

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 of financing

6 Energy sector deregulated in 2016

7 Strong institutional demand for yield

Japanese economy is still early in moving to renewable energy

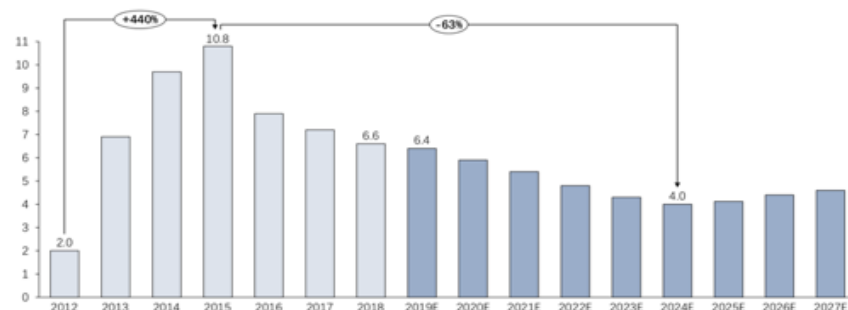


Figure 1: Japan solar PV market growth scenario 2019-2026 (GW)

Source: JPEA

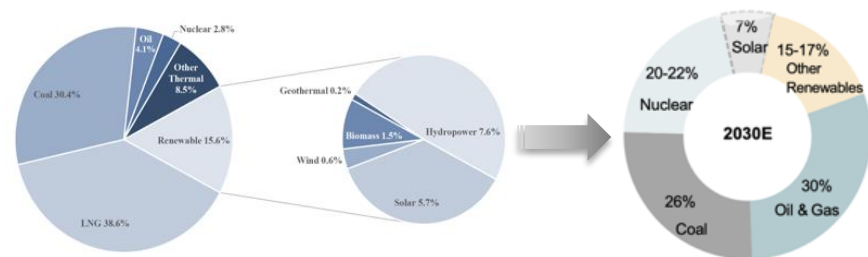


Figure 2: Electricity Generation by Fuel in Japan in 2017

Source: METI

Figure 3: Electricity Generation by Fuel in Japan in 2030

Etrion's strong 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



Our approach to corporate responsibility and sustainability

- 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



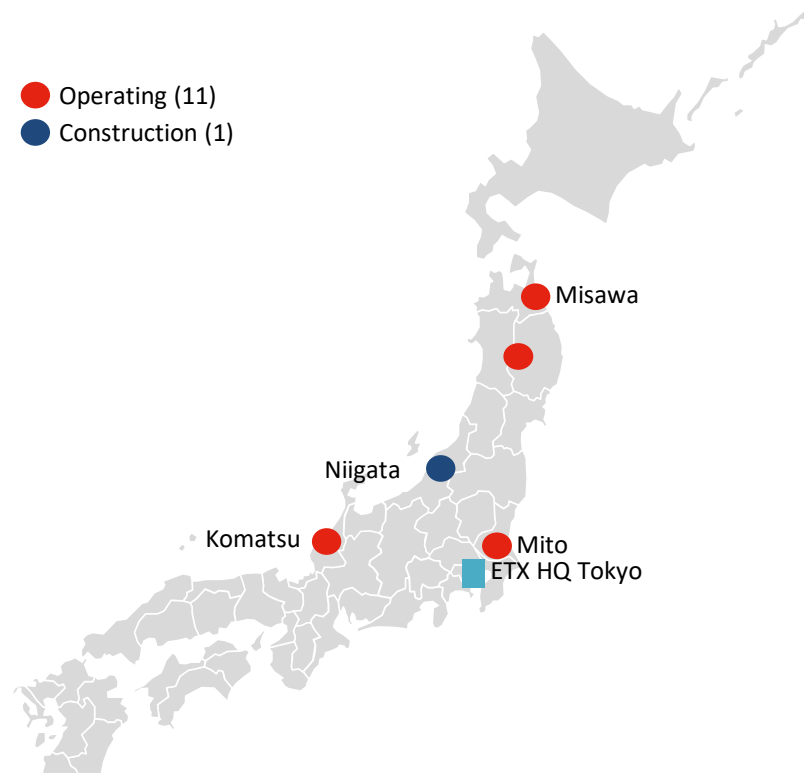
Provided financial assistance to rebuild a school destroyed by a natural disaster in north of Chile



Our presence

PROJECT	Utility	COD	Capacity MWp	Prod. GWh/y	Tariff ¥/kWh	PPA Term years
Misawa	Tohoku	2017	9.5	10.8	36	20
Mito	Tepco	2015	9.3	11.1	40	20
Shizukuishi	Tohoku	2016	24.7	28.0	40	20
Komatsu	Hokuriku	2018	13.2	15.0	32	20
Operational			56.7	64.9		
Niigata	Tohoku	2021e	45.0	46.5	36	18
Total			101.7	111.4		

- Operating (11)
- Construction (1)



Operating Assets – Key Metrics	
Net Capacity	56.7 MWp
Average annual production	64.9 GWh
Average annual revenue	\$21.7m
Average annual EBITDA	\$15.7m
Average annual FCF	\$4.9m

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



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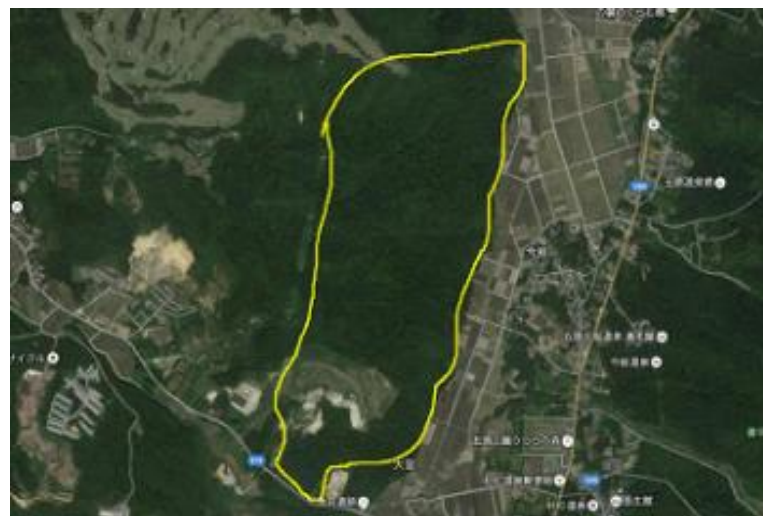
Niigata – Under construction
45 MW solar park

Niigata – 45 MW

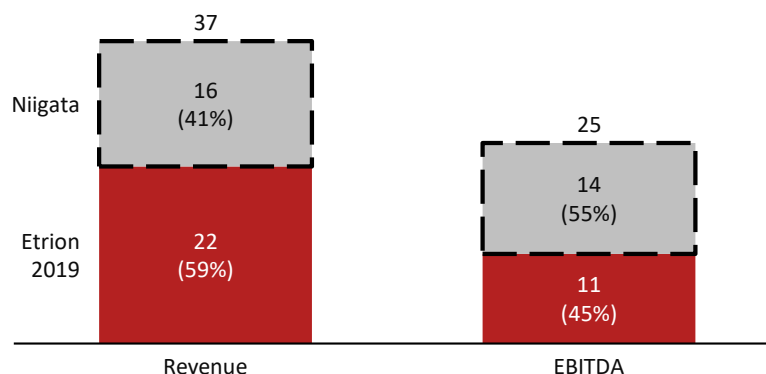
Key project metrics

Niigata	
Utility	Tohoku
Capacity	45 MW
Ownership (as of now)	100%
Technology	Fixed-tilt
Module	Jinko
Inverters	TMEIC
Irradiation Yield	1,050 kWh/kWp
Revenue Stream	FiT: ¥36/kWh Term: 18+ years
Production	10.8 GWh/year
Total Project Capex	US\$ 154.2M
Commencement of Operation	Feb-2017
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\$ 12.7 m/year
Average free cash flow at project level	US\$ 3.6m/ year

Location



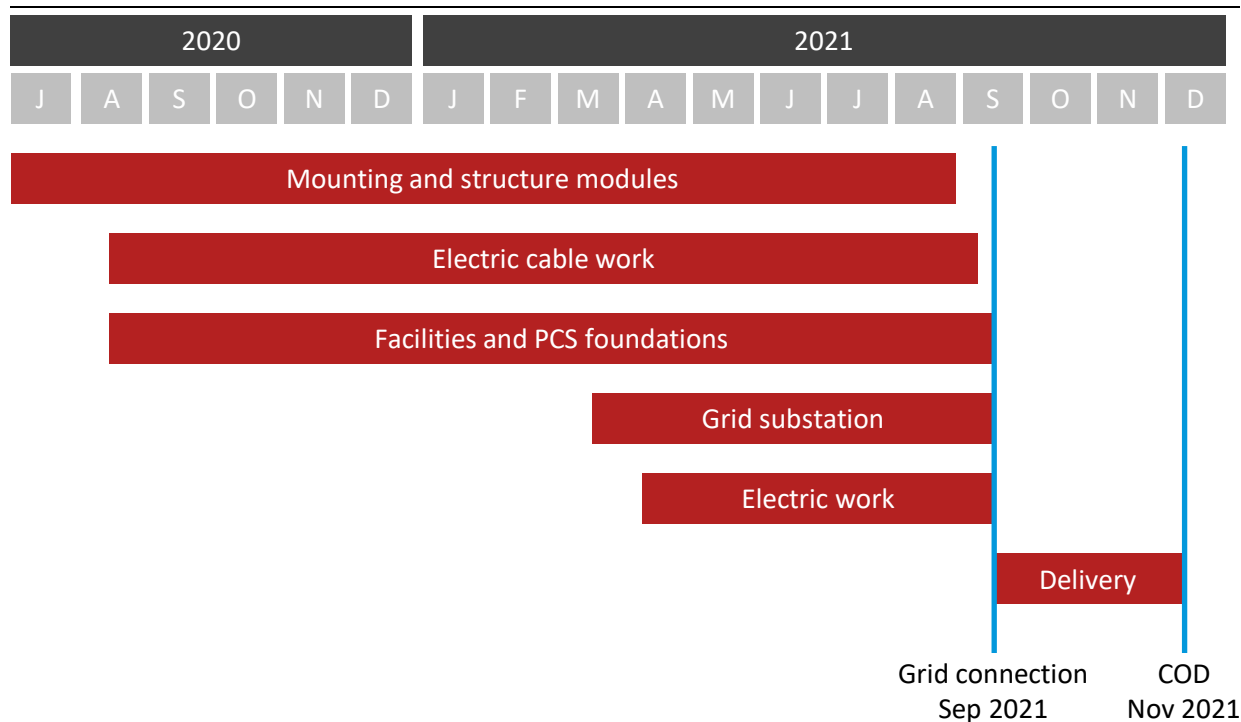
Significant impact on earnings



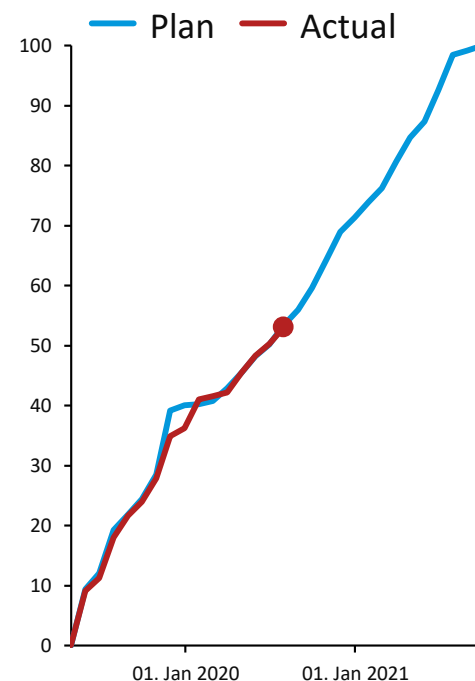
⁽¹⁾ Average refers to the first 5 years of operations based on historical weather forecast. Actual results will depend on actual weather conditions and other operational matters.

Niigata development progressing on time and budget

Process plan



Scheduled process

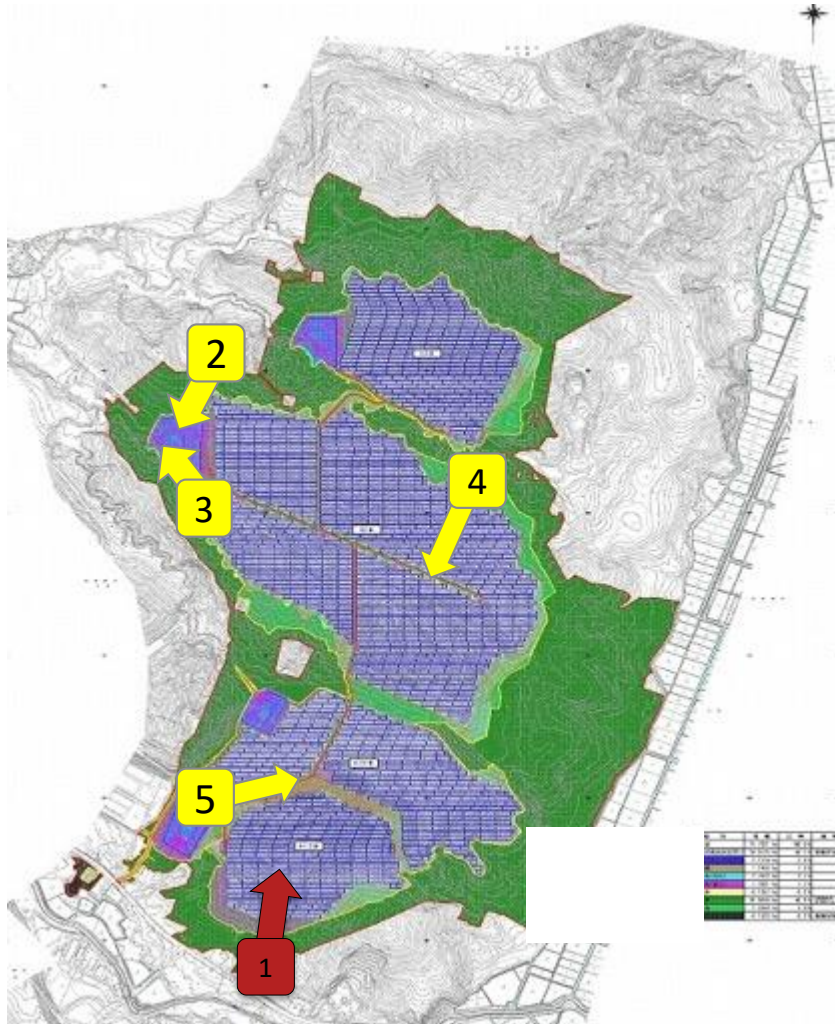


Construction in line with plan

>50% completed to date

In line with budget

Sites Construction status photo (June 2020)



Business Development Update

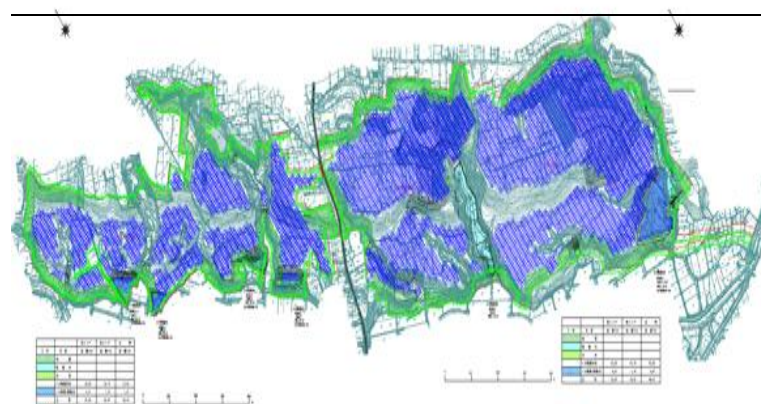
Mie 60 MW

- Etrion signed a development services agreement with Ziva, a Tokyo based developer, in 2015. Under the DSA, Etrion would fund the development of the project and, once completed, it would take over the ownership of the project. In December 2018 the parties entered a dispute regarding the terms of the DSA.
- On September 23, 2020, the parties reached an agreement as follows:
 - Etrion will structure a contractual arrangement with the Mie project operating company, pursuant to which Etrion will have an obligation to make a financial contribution to the project company in line with the pre-approved business plan
 - Ziva will acquire the Etrion's contractual structure and associated economic obligations and benefits for JPY 3.4 billion (US\$32.1 million), and will pay a development fee of JPY 300 million (US\$2.8 million) to Etrion as compensation for all the work performed to date, both by December 28, 2020
 - Etrion will shortly be reimbursed JPY 695 million (US\$ 6.5 million) of funds advanced to Ziva for development of the project.
- If Ziva fails to make the required payments by December 28, 2020, Etrion will have the right to take possession of all the shares in the Mie project operating company and either sell such shares or continue with the development of the project

Key project metrics

Mie	
Size	54-64 MWp
Utility	Chubu EPCO
Ownership (as of now)	100%
PPA price	FIT: ¥36/kWh
Irradiation	1204 kWh/kWp
Expected: NTP / COD	N/A
Land	100 ha in long term lease

Location



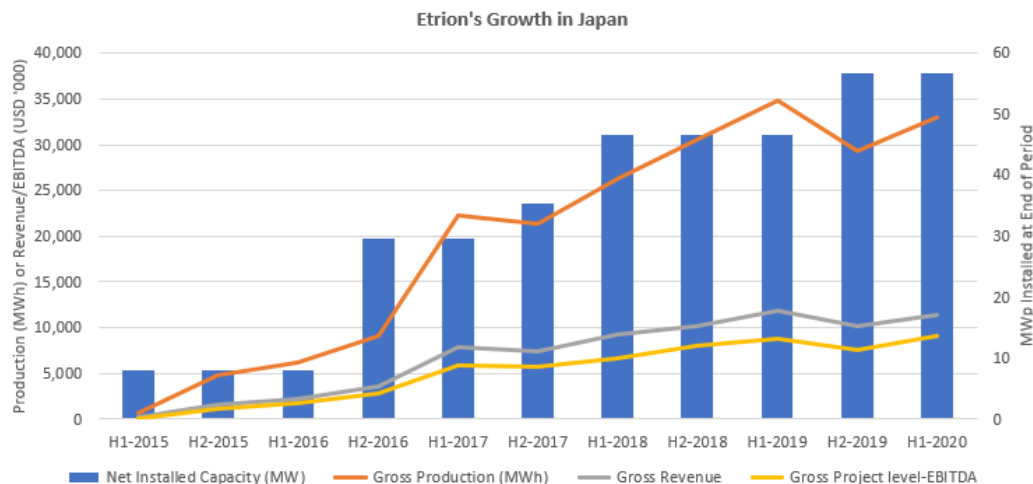
Growth opportunities

- Japan solar sector is going through a transition from a Feed-in-Tariff program to PPAs and auction program. Auctions have been limited with latest prices being in the 15 to 17 Yen/kWh range
- Regulations on PPAs under review. Once regulations are defined the market should develop rapidly
- ESG adoption is rapidly expanding in Japan generating an additional demand for renewable assets
- Outside solar, the wind sector is very early stage of development. Current FIT for off-shore wind is 36 JPY/kWh, which is twice of onshore wind projects in 2020
- We continue to evaluate FiT projects and, as new regulation on PPAs are put in place, Etrion will be well positioned to participate in what could become one of the most exciting PPA markets in the world

Financial Results

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

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
- Niigata 45 MW project on track to be connected by Q4-21 which, once connected will nearly double our capacity with very rich economics
- Fully funded with no additional capital required to complete construction of the Niigata project
- Significant potential upside beyond Niigata with new growth opportunities in the industrial and commercial PPA segment

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