

The logo for etrion, featuring the word "etrion" in a white, lowercase, sans-serif font centered within a red rounded rectangular background.

etrion

Condensed Consolidated Interim Financial Statements
March 31, 2010
(Unaudited)

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The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Condensed Consolidated Interim Statement of Comprehensive Income

Unaudited – Expressed in US\$

	Note	March 31, 2010 3 months	March 31, 2009 3 months (Note 5)
General and administrative costs	11	(3,016,937)	(1,614,780)
Operating (loss)		(3,016,937)	(1,614,780)
Finance income		-	136,076
Finance costs	12	(760,796)	(99,398)
Finance income (costs) – net		(760,796)	36,678
(Loss) before income tax		(3,777,733)	(1,578,102)
Income tax recovery	17	241,727	-
Total (loss) for the period		(3,536,006)	(1,578,102)
Other comprehensive income:			
Loss on foreign currency translation adjustment	3d	(615,630)	-
Total other comprehensive (loss)		(615,630)	-
Total comprehensive (loss) for the period		(4,151,636)	(1,578,102)
(Loss) attributable to:			
Owners of Etrion Corporation		(3,536,006)	(1,578,102)
Non-controlling interest		-	-
		(3,536,006)	(1,578,102)
Total comprehensive (loss) attributable to:			
Owners of Etrion Corporation		(4,151,636)	(1,578,102)
Non-controlling interest		-	-
		(4,151,636)	(1,578,102)
Basic and diluted loss per share	15	(0.02)	(0.01)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Balance Sheet

Unaudited – Expressed in US\$

	Note	March 31, 2010	December 31, 2009 (Note 5)	January 1, 2009 (Note 5)
ASSETS				
Non-current assets				
Property, plant and equipment	9	1,051,249	855,141	565,926
Intangible assets	10	5,606,468	5,630,985	-
Investments	7	10,000,000	10,000,000	54,046,990
Derivative financial instruments	12	519,447	231,429	-
Trade and other receivables		644,508	753,473	494,564
Total non-current assets		17,821,672	17,471,028	55,107,480
Current assets				
Trade and other receivables		4,010,064	1,330,956	7,123,821
Cash and cash equivalents		16,763,375	23,447,778	26,667,337
Total current assets		20,773,439	24,778,734	33,791,158
Total assets		38,595,111	42,249,762	88,898,638
EQUITY				
Attributable to owners of Etrion Corporation				
Common shares	13	107,556,977	107,556,977	107,556,977
Contributed surplus	14	11,071,126	10,340,555	8,773,958
Cumulative translation adjustment	3d	(990,532)	(374,902)	-
Accumulated deficit		(91,425,156)	(87,889,150)	(28,909,127)
		26,212,415	29,633,480	87,421,808
Non-controlling interest		-	-	-
Total equity		26,212,415	29,633,480	87,421,808
LIABILITIES				
Non-current liabilities				
Borrowings	8	1,213,440	1,279,197	-
Derivative financial instruments	12a	1,215,919	-	-
Deferred income tax liability	17	722,987	772,800	-
Provisions for other liabilities		709,887	700,824	494,564
Total non-current liabilities		3,862,233	2,752,821	494,564
Current liabilities				
Derivative financial instruments	12a	550,302	709,907	62,852
Trade and other payables		7,861,591	9,061,848	919,414
Current income tax liability		108,570	91,706	-
Total current liabilities		8,520,463	9,863,461	982,266
Total liabilities		12,382,696	12,616,282	1,476,830
Total equity and liabilities		38,595,111	42,249,762	88,898,638
Going concern	2			

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

Unaudited – Expressed in US\$

	Notes	Attributable to owners of Etrion Corporation					Total	Non-controlling interest	Total equity
		Share capital	Warrants	Contributed surplus	Cumulative translation adjustment	Accumulated deficit			
Balance at January 1, 2009	5	107,556,977	-	8,773,958	-	(28,909,127)	87,421,808	-	87,421,808
Total comprehensive (loss) for the three month period	5	-	-	-	-	(1,578,102)	(1,578,102)	-	(1,578,102)
Transactions with owners in their capacity as owners:									
Stock-based compensation on outstanding options	11	-	-	47,296	-	-	47,296	-	47,296
		-	-	47,296	-	-	47,296	-	47,296
Balance at March 31, 2009		107,556,977	-	8,821,254	-	(30,487,229)	85,891,002	-	85,891,002
Balance at January 1, 2010	5	107,556,977	-	10,340,555	(374,902)	(87,889,150)	29,633,480	-	29,633,480
Total comprehensive (loss) for the three month period		-	-	-	(615,630)	(3,536,006)	(4,151,636)	-	(4,151,636)
Transactions with owners in their capacity as owners:									
Expiration of warrants	13	-	-	-	-	-	-	-	-
Tax effect of the expiration of warrants	17	-	-	(261,433)	-	-	(261,433)	-	(261,433)
Stock-based compensation on outstanding options	11	-	-	992,004	-	-	992,004	-	992,004
		-	-	730,571	-	-	730,571	-	730,571
Balance at March 31, 2010		107,556,977	-	11,071,126	(990,532)	(91,425,156)	26,212,415	-	26,212,415

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Cash Flows

Unaudited – Expressed in US\$

	March 31, 2010 3 months	March 31, 2009 3 months (Note 5)
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) from the period	(3,536,006)	(1,578,102)
Adjustment for:		
Current tax expense	19,707	-
Depreciation and amortization	40,556	58,199
Interest expense	146,730	-
(Gain) loss on changes in fair value of warrants	(11,385)	3,704
Stock-based compensation expense	992,004	47,296
Net gain (loss) on sale of assets	10,016	-
Deferred tax income	(261,434)	-
Loss on derivative instrument	779,681	-
Decrease / increase in accounts receivable	(2,679,127)	6,644,796
Decrease / increase in trade and other payable	(1,273,331)	(569,778)
Net cash from operating activities	(5,772,589)	4,606,115
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(284,051)	(55,542)
Purchases of intangible assets	(337,826)	-
Net cash used in investing activities	(621,877)	(55,542)
CASH FLOW FINANCING ACTIVITIES		
Interest paid	(115,005)	-
Net cash used in financing activities	(115,005)	-
Net (decrease)/increase in cash and cash equivalents	(6,509,471)	4,568,428
Exchange gains/(losses) on cash and cash equivalents	(174,932)	(17,855)
Cash and cash equivalents at the beginning of the 3 months	23,447,778	26,667,337
Cash and cash equivalents at the end of the 3 months	16,763,375	31,217,910

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2010 and 2009

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1. General information

Etrion Corporation ("Etrion" or the "Company") is incorporated under the laws of the Province of British Columbia, Canada and is based in Geneva, Switzerland with an office in Rome, Italy. The address of its registered office is 1600-925 West Georgia St, Vancouver, BC V6Z 3L2 Canada.

These condensed consolidated interim financial statements were approved for issue on August 10, 2010 by the Board of Directors.

These condensed consolidated interim financial statements have been reviewed, not audited.

Etrion Corporation and its subsidiaries ("the Group") are primarily focused on developing, building, owning and operating electrical power plants based on renewable sources of energy, including solar photovoltaic. Etrion Corporation also continues to hold oil and gas investments in Venezuela through its wholly owned Venezuelan subsidiary, PFC Oil and Gas, C.A. ("PFC Venezuela"), which owns 40% of PetroCumarebo, S.A. ("PetroCumarebo") and 5% of Baripetrol, S.A. ("Baripetrol").

The Group's solar power investments are held through its 90%-owned Luxembourg subsidiary, Solar Resources Holding, Sarl ("SRH"). As at March 31, 2010, all of the Company's solar assets are located in Italy. The Group is currently in the construction phase of the 4 MW power plant project in Puglia, Italy, held by its subsidiary SVE, SRL ("SVE").

The Company is listed on the Toronto Stock Exchange ("TSX"). On February 23, 2010, the TSX announced a review of Etrion's listing status as a result of the Company's change of business focus from oil and gas activities to renewable energy. The TSX review arose in connection with the Company's proposed application for a second listing on the NASDAQ OMX exchange in Sweden.

2. Basis of preparation

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with the option available to early adopt IFRS for periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian securities regulatory authorities.

On June 22, 2010, the Company received a decision of the British Columbia Securities Commission that permits the Company to prepare its financial statements in accordance with IFRS for financial periods beginning on or after January 1, 2010.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee that are effective or available for early adoption on December 31, 2010.

These IFRS condensed consolidated interim financial statements cover part of the period to be covered by the Company's first consolidated annual financial statements to be prepared in accordance with IFRS for the year ending December 31, 2010. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP.

The preparation of interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are

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significant to the condensed consolidated interim financial statements are disclosed in [Note 4](#). These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities (including derivative instruments) that are recognized at fair value through profit or loss.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future. During the three month period ended March 31, 2010, the Company entered into significant commitments and to continue as a going concern, the Company must generate profits in the future through its renewable energy projects, future acquisitions, receipt of dividends from its oil and gas investments, or the Company must secure additional funding. While the Company has significant cash balances, these may not be sufficient to fund the Company's planned capital investment program, acquisitions and working capital requirements. Accordingly, the Company may need to pursue credit facilities, delay discretionary expenditures and/or raise additional equity. There can be no assurance that these initiatives will be successful and, accordingly, raises significant doubt as to the appropriateness of the use of accounting principles applicable to a going concern. These condensed consolidated interim financial statements do not include the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that could result if the Company was unable to continue as a going concern. These adjustments could be material.

3. Summary of significant accounting policies

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual consolidated financial statements at December 31, 2009 prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2009 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in [Note 5](#).

The principal accounting policies are set out below:

a) Changes in accounting policies and disclosures

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted:

- *IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. The Company has yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Company's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss. The Company has not yet decided when to adopt IFRS 9. Once adopted, the investments in oil and gas companies will need to be recognized at fair value under IFRS 9.*

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- *Revised IAS 24, 'Related party disclosures'*, issued in November 2009. This supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011, and earlier application, in whole or in part, is permitted.
- *'Classification of rights issues' (Amendment to IAS 32)*, issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice requires such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after February 1, 2010, and earlier application is permitted.
- *'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14)*, issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning January 1, 2011, and earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- *IFRIC 19, 'Extinguishing financial liabilities with equity instruments'*. This clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010, and earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 was issued in May 2010. The effective dates vary by standard, but most are effective January 1, 2010.

b) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which Etrion has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any assets or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportional share of the acquiree's net assets.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the

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subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.

When acquiring project companies, an assessment is made to determine whether the project company represents a business or is just a corporate wrapper for a specific asset or group of assets such as land and/or licenses. Where the project company is a business, acquisition accounting is applied. Where the project company does not meet the definition of a business, the transaction is treated as an asset acquisition. Key factors in determining whether the definition of a business is met include an assessment of inputs, processes and outputs and the stage of the project development plan at the acquisition date.

Transactions with non-controlling interests

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the differences between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors, which makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

d) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The condensed consolidated financial statements are presented in US dollars, which is the Company's functional currency and its subsidiaries' presentation currency (for those with a functional currency different from the US dollar).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income in "Finance income (costs)-net"

Group companies

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of comprehensive income are translated at average exchange rates

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- All resulting exchange differences are recognized as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates for the relevant currencies of the group with respect to the US dollar are:

	CHF/US\$	EUR/US\$	Bs/US\$	CAD\$/US\$
Closing rate at March 31, 2010	1.03	0.74	7.00	1.02
Closing rate at December 31, 2009	1.02	0.69	5.97	1.05
Three month average rate March 31, 2010	1.06	0.72	6.67	1.04
Three month average rate March 31, 2009	1.14	0.76	5.97	1.24

Note: CHF refers to Swiss Francs, EUR refers to Euros, CAD\$ refers to Canadian dollars and Bs refers to Bolivars, the Venezuelan currency.

e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials, direct labor and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net in the consolidated statement of comprehensive income.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is possible that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of maintenance and repairs of property, plant and equipment are recognized in the consolidated statement of comprehensive income when incurred.

Depreciation

Depreciation is recognized in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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The estimated useful lives are as follows:

	Useful Lives
Solar power plant	20 years
Equipment and furniture	3-5 years
Other	3 years

f) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Licenses

Project permits and licenses acquired in a business combination are recognized at fair value at the date of acquisition. Licenses and project permits also result from the acquisition of a project company accounted for as an asset acquisition as described in (b) above. Project permits and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the permits and licenses over their estimated useful lives, which are usually determined according to the term of the applicable energy supply contract signed with the local grid operator for the solar power projects.

Licenses and project permits also result from the acquisition of a project company accounted for as an asset acquisition as described in (b) above.

g) Impairment of non-financial assets

The carrying amounts of property, plant and equipment, intangible assets and all other non-financial assets are reviewed for impairment if facts and circumstances indicate that impairment may exist. Goodwill is tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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h) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

i) Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Financial assets at fair value through profit or loss* are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current or non-current assets depending upon their maturity.
- *Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet (refer to (m) and (n))
- *Available-for-sale financial assets* are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.
- *Held-to-maturity investments* are financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date (the date on which the group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred, and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value except for available-for-sale assets where the fair value cannot be measured reliably, in which case these assets are carried at cost less impairment. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within "Finance income (costs)" in the period in which they arise.

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When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as “Finance income (costs)”.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of other income.

j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

k) Impairment of financial assets

Assets carried at amortized cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

Impairment testing of trade receivables is described in (m) below.

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Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to for assets carried at amortized cost above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

I) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as:

- Hedges of a particular risk associated with a recognized asset or liability of a highly probable forecast transaction (cash flow hedge) or

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in **Note 13**. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months from maturity, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of comprehensive income within 'Finance income (costs)'. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging is recognized in the consolidated statement of comprehensive income within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of comprehensive income within "Finance income (costs)". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is

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ultimately recognized in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income within “*Finance income (costs)*”.

m) Trade receivables

Trade receivables are recognized initially at fair value, which due to short maturities generally approximates nominal value. They are subsequently measured at amortized cost, using the effective interest rate method. Valuation allowances, included in the reported net carrying amount, are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

o) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

q) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management

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periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, and that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

s) Employee benefits

Pension obligations

The Company's Swiss subsidiary has a funded defined contribution pension plan that is managed through a private fund. Independent actuaries determine the cost of the defined contribution pension plan on an annual basis and the Swiss subsidiary pays the annual insurance premium. The fund provides benefits coverage to the employees in the event of retirement, death or disability. Etrion's Swiss subsidiary and its employees jointly finance retirement and risk benefit contributions. As per the agreement, the Swiss company contributes between 60% and 67% of the monthly pension costs, and the remaining balance is deducted from the employee's payroll. The investment risk is borne by the fund. According to articles of the pension fund regulations, the fund is responsible for remediating any technical underfunding that may exist at any given time. Etrion's Swiss subsidiary only records the pension costs as an expense and liability based on the insurance premium billed by the private fund.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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t) Stock-based compensation

The group operates two equity-settled, share-based compensation plans, under which the entity receives services from employees and non-employees as consideration for equity instruments (options) of the Group. The total amount to be expensed is determined by reference to the fair value of the options granted.

The fair value of stock-based compensation is determined using the Black-Scholes option-pricing model and management's assumptions as disclosed in [Note 14](#). When a stock option is exercised the Company recognizes an increase in its share capital equivalent to the consideration paid by the option holder and the amount previously recognized in contributed surplus. The fair value of any stock options granted to directors, officers and employees of the Company are recorded as an expense over the vesting period of the options with a corresponding increase in contributed surplus.

u) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

v) Revenue recognition

Revenue

Revenue is recognized upon delivery of electricity to the local operator of the grid, which is usually the state owned utilities company. Delivery is deemed complete when all the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues are measured at the fair value of the consideration received or receivable. Revenues reflect the value of volumes supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and the period-end.

Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognized using the original effective interest rate.

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4. Critical accounting estimates and assumptions

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

- *Revenue:* Management estimates the value of the volume supplied to customers between the date of their last meter reading and the period-end.
- *Impairment of non-current assets:* Management estimates the future cash flows and the appropriate discount rates to calculate the value in use that is compared to the net carrying amount to determine if an impairment loss needs to be recognized in the consolidated financial statements. In management's judgment, PFC Venezuela does not exercise control or significant influence over the operating and financial decisions of Baripetrol or PetroCumarebo. The investments are therefore classified as available-for-sale. The Company monitors the value of the investments for impairment using a valuation model. Reasonable changes in the assumptions used in the model, specifically in relation to the probability of future dividends, result in highly significant variations in the fair value estimates. As the range of potential fair values is so significant and the probabilities of the various estimates cannot be reasonably assessed, the Company cannot accurately determine the respective fair values of Baripetrol or PetroCumarebo at March 31, 2010. Therefore the Company has recognized these investments at cost less impairment.
- *Useful lives and residual values of property, plant and equipment:* Management estimates the useful lives and residual values to calculate depreciation expense using the straight-line method.
- *Deferred tax assets:* Management forecasts its profits and cash flows, which are then used to assess whether or not a deferred tax asset can be recognized in the consolidated financial statements
- *Stock-based compensation:* Management estimates some of the inputs used to calculate the stock option expense recognized in the consolidated financial statements.
- *Fair value of financial and derivative instruments:* Management uses projections of cash flows and interest rates to calculate the fair value of the financial instruments and derivative instruments recognized in the consolidated financial statements.
- *Purchase accounting:* Management uses valuation models that include estimates regarding the value and timing of future cash flows to calculate the fair value of assets, contingent liabilities etc acquired in a business combination for the purposes of allocating the purchase price and calculating the resulting goodwill.

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5. Transition to International Financial Reporting Standards

As stated in **Note 2**, these condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in **Note 3** have been applied in preparing these condensed consolidated interim financial statements for the three months ended March 31, 2010, the comparative information for the three months ended March 31, 2009, the financial statements for the year ended December 31, 2009 and the preparation of an opening IFRS balance sheet on the Transition Date, January 1, 2009.

In preparing its opening IFRS balance sheet, comparative information for the three months ended March 31, 2009 and financial statements for the year ended December 31, 2009, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from the previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1, which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemption:

- *Business combinations (IFRS 3 revised)*: Management elected not to apply IFRS 3 (revised) to business combinations that occurred before the date of transition.

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a) Reconciliation of equity at January 1, 2009 (Transition Date)

Ref relates to the references in 5.e)

		<u>January 1, 2009</u>		
		GAAP	Adj.	IFRS
	Reference			
ASSETS				
Non-current assets				
Property, plant and equipment		565,926	-	565,926
Intangible assets		-	-	-
Investments		54,046,990	-	54,046,990
Derivative financial instruments		-	-	-
Trade and other receivables		494,564	-	494,564
Total non-current assets		55,107,480	-	55,107,480
Current assets				
Trade and other receivables		7,123,821	-	7,123,821
Cash and cash equivalents		26,667,337	-	26,667,337
Total current assets		33,791,158	-	33,791,158
Total assets		88,898,638	-	88,898,638
EQUITY				
Attributable to Etrion Corporation				
Ordinary shares		107,556,977	-	107,556,977
Warrants	V	1,867,386	(1,867,386)	-
Contributed surplus	I	8,717,779	56,179	8,773,958
Cumulative translation adjustment		-	-	-
Accumulated deficit	I	(30,657,482)	1,748,355	(28,909,127)
		87,484,660	(62,852)	87,421,808
Non-controlling interest		-	-	-
Total equity		87,484,660	(62,852)	87,421,808
Liabilities				
Non-current liabilities				
Provisions for other liabilities		494,564	-	494,564
Total non-current liabilities		494,564	-	494,564
Current liabilities				
Derivative financial instruments	V	-	62,852	62,852
Trade and other payables		919,414	-	919,414
Current income tax liability		-	-	-
Total current liabilities		919,414	62,852	982,266
Total liabilities		1,413,978	62,852	1,476,830
Total equity and liabilities		88,898,638	-	88,898,638

b) There were no IFRS conversion adjustments affecting other comprehensive income at January 1, 2009

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c) Reconciliation of comprehensive income for the twelve months ended December 31, 2009 and the three months ended March 31, 2009

	Ref	December 31, 2009 12 months			March 31, 2009 3 months		
		GAAP	Adj.	IFRS	GAAP	Adj.	IFRS
GAAP refers to CANADIAN GAAP							
General and administrative costs	I, II, VI	(58,514,300)	(232,094)	(58,746,394)	(1,592,879)	(21,901)	(1,614,780)
Total operating (loss)		(58,514,300)	(232,094)	(58,746,394)	(1,592,879)	(21,901)	(1,614,780)
Finance income	II	304,107	(8,394)	295,713	136,076	-	136,076
Finance costs	III	(754,257)	316,572	(437,685)	(95,694)	(3,704)	(99,398)
Finance income (cost) –net		(450,150)	308,178	(141,972)	40,382	(3,704)	36,678
(Loss) before income tax		(58,964,450)	76,084	(58,888,366)	(1,552,497)	(25,605)	(1,578,102)
Income tax (expense) recovery	II	(92,628)	972	(91,656)	-	-	-
(Loss) for the period		(59,057,078)	77,056	(58,980,022)	(1,552,497)	(25,605)	(1,578,102)
Other comprehensive income:							
Loss on foreign currency translation adjustment	III	-	(374,902)	(374,902)	-	-	-
Total other comprehensive (loss)		-	(374,902)	(374,902)	-	-	-
Total comprehensive (loss)		(59,057,078)	(297,846)	(59,354,924)	(1,552,497)	(25,605)	(1,578,102)
(Loss) attributable to:							
Owners of Etrion Corporation		(59,057,078)	77,056	(58,980,022)	(1,552,497)	(25,605)	(1,578,102)
Total comprehensive (loss) attributable to:							
Owners of Etrion Corporation		(59,057,078)	(297,846)	(59,354,924)	(1,552,497)	(25,605)	(1,578,102)
Basic and diluted (loss) per share		(0.37)		(0.37)	(0.37)		(0.37)

Ref relates to the references in 5.e)

There were no adjustments in other comprehensive income

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d) Reconciliation of net equity at December 31, 2009 and March 31, 2009

Ref relates to the references in 5.e)

		December 31, 2009			March 31, 2009		
	Reference	GAAP	Adj.	IFRS	GAAP	Adj.	IFRS
ASSETS							
Non-current assets							
Property, plant and equipment	II	883,509	(28,368)	855,141	563,269	-	563,269
Intangible assets	IV,II,VI	6,732,330	(1,101,345)	5,630,985	-	-	-
Investments		10,000,000	-	10,000,000	54,046,991	-	54,046,991
Derivative financial instruments		231,429	-	231,429	-	-	-
Trade and other receivables		753,473	-	753,473	-	-	-
Total non-current assets		18,600,741	(1,129,713)	17,471,028	54,610,260	-	54,610,260
Current assets							
Trade and other receivables		1,330,956	-	1,330,956	973,589	-	973,589
Cash and cash equivalents		23,447,778	-	23,447,778	31,217,908	-	31,217,908
Total current assets		24,778,734	-	24,778,734	32,191,497	-	32,191,497
Total assets		43,379,475	(1,129,713)	42,249,762	86,801,757	-	86,801,757
EQUITY							
Attributable to Etrion Corporation							
Ordinary shares		107,556,977	-	107,556,977	107,556,977	-	107,556,977
Warrants	V	1,867,386	(1,867,386)	-	1,867,386	(1,867,386)	-
Contributed surplus	I	10,140,784	199,771	10,340,555	8,743,174	78,080	8,821,254
Other reserves	III	-	(374,902)	(374,902)	-	-	-
Accumulated deficit		(89,714,560)	1,825,410	(87,889,150)	(32,209,979)	1,722,750	(30,487,229)
		29,850,587	(217,107)	29,633,480	85,957,558	(66,556)	85,891,002
Non-controlling interest		-	-	-	-	-	-
Total equity		29,850,587	(217,107)	29,633,480	85,957,558	(66,556)	85,891,002
Liabilities							
Non-current liabilities							
Borrowings		1,279,197	-	1,279,197	-	-	-
Deferred income tax liability	IV,VI	1,696,791	(923,991)	772,800	-	-	-
Provisions for other liabilities		700,824	-	700,824	-	-	-
Total non-current liabilities		3,676,812	(923,991)	2,752,821	-	-	-
Current liabilities							
Derivative financial instruments	V	698,522	11,385	709,907	-	66,556	66,556
Trade and other payables		9,061,848	-	9,061,848	844,199	-	844,199
Current income tax liability		91,706	-	91,706	-	-	-
Total current liabilities		9,852,076	11,385	9,863,461	844,199	66,556	910,755
Total liabilities		13,528,888	(912,606)	12,616,282	844,199	66,556	910,755
Total equity and liabilities		43,379,475	(1,129,713)	42,249,762	86,801,757	-	86,801,757

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e) References to the IFRS conversion adjustments

I. This IFRS conversion adjustment relates to the accounting treatment of stock options granted by the Company. For Canadian GAAP purposes, the Company measured forfeitures based on an estimated number of forfeitures expected to be incurred. In addition, the Company used the straight-line method to recognize the graded-vesting features of the stock option. Under IFRS, the Company made an initial estimation of the expected number of forfeitures and subsequently adjusted it to reflect the actual number of awards vested. In addition, each installment of the graded-vesting features was treated as a separate award because each installment had a different vesting period. This resulted in additional cost that was debited to retained earnings at the Transition Date, plus subsequent adjustments to general and administrative expenses and contributed surplus.

II. This IFRS conversion adjustment relates to the GAAP difference associated with the translation of foreign currency transactions. For Canadian GAAP purposes, foreign subsidiaries were considered to be an extension of the Company's operations (not self-sustaining). Therefore, their functional currency was deemed to be the US dollar and the transactions and balances denominated in a different currency were translated using current rates, historic rates and average rates depending on the nature of the transactions (monetary items, non monetary items and profit and loss items). Under IFRS, the functional currencies of the foreign operations are the currencies where each subsidiary conducts its business (mainly the country where the subsidiary is located) and its financial statements are translated to US dollars (the presentation currency) using the methodology described in **Note 3, (d)**.

III. This IFRS conversion adjustment relates to the reversal of foreign exchange gains and losses resulting from translating the financial statements of a foreign subsidiary. For Canadian GAAP, these exchange differences were recorded in the consolidated statement of comprehensive income as "Finance income (costs)". For IFRS purposes, these foreign exchange gains or losses are an item of other comprehensive income and accumulated in the consolidated statement of changes in equity as a cumulative translation adjustment reserve.

IV. This IFRS conversion adjustment relates to the reversal of deferred tax liabilities recognized from the purchase of SVE and allocated to intangibles under Canadian GAAP. For IFRS purposes, IAS 12 prohibits recognition of a deferred tax liability if it arises from the initial recognition of specified assets or liabilities in a transaction that is not a business combination and did not affect accounting or taxable income at the time of the transaction. SVE was accounted for as an asset acquisition (licenses) as detailed in **Note 10** and consistent with accounting policies described in **Note 3**.

V. The warrants entitle the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of comprehensive income as they arise. The Company has recorded these changes in finance costs. Under Canadian GAAP, the warrants were classified as equity and changes in fair value were not recognized.

VI. IFRS 1 requires that consistent policies are applied from the date of transition onwards. This means that IFRS 3 revised is applicable for both 2009 and 2010. The acquisition accounting for SRH was based upon the original IFRS 3 where acquisition costs were capitalized. The Company has recorded acquisition costs as part of general and administrative costs and also had to record a new amount for the goodwill and deferred tax liability at the time of the acquisition.

f) There were no IFRS conversion adjustments affecting the cash flow statement at January 1, 2009, March 31, 2009, or December 31, 2009.

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6. Segment reporting

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors assesses the business based on the Company's various activities and has identified two reportable segments: 1) the Oil and Gas segment, which includes the passive oil and gas investments; and 2) the Renewable Energy segment, which includes the solar power projects in Europe. The accounting policies of the operating segments are the same as the group's accounting policies described in [Note 3](#). However, IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker for the purposes of performance assessment and resource allocation. For the Company, this measure of profit or loss is earnings before interest, tax, depreciation and amortization expense ("EBITDA"). EBITDA is not a recognized IFRS measure.

The following shows EBITDA and profit or loss by segment for the three month periods ending March 31, 2010 and 2009:

March 31, 2010 - 3 months	Oil and Gas Segment	Oil and Gas Segment	Reconciling item - Corporate	Total
Total segment revenue	-	-	-	-
EBITDA	-	-	(2,976,381)	(2,976,381)
Finance income (costs) – net	-	(1,044,760)	283,964	(790,796)
Depreciation and amortization expense	-	(16,543)	(24,013)	(40,556)
Income tax recovery	-	-	241,727	241,727
Total (loss) for the period	-	(1,059,303)	(2,474,703)	(3,536,006)
March 31, 2009 - 3 months	Oil and Gas Segment	Oil and Gas Segment	Reconciling item - Corporate	Total
Total segment revenue	-	-	-	-
EBITDA	-	-	(1,556,581)	(1,556,581)
Finance income (costs) – net	-	-	36,678	36,678
Depreciation and amortization expense	-	-	(58,199)	(58,199)
Income tax (expenses) recovery	-	-	-	-
Total (loss) for the period	-	-	(1,578,102)	(1,578,102)

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The following shows total assets by segment as at March 31, 2010 and December 31, 2009:

At March 31, 2010	Oil and Gas Segment	Renewable Energy Segment	Reconciling item - Corporate	Total
Property, plant and equipment	-	927,167	124,082	1,051,249
Investments	10,000,000	-	-	10,000,000
Intangible assets	-	5,606,468	-	5,606,468
Other	-	6,760,033	15,177,361	21,937,394
Total assets	10,000,000	13,293,668	15,301,443	38,595,111

At December 31, 2009	Oil and Gas Segment	Renewable Energy Segment	Reconciling item - Corporate	Total
Property, plant and equipment	-	715,774	139,367	855,141
Investments	10,000,000	-	-	10,000,000
Intangible assets	-	5,630,985	-	5,630,985
Other	-	9,630,723	16,132,913	25,763,636
Total assets	10,000,000	15,977,482	16,272,280	42,249,762

7. Investments

	Company's Share	March 31, 2010	December 31, 2009
PetroCumarebo	40%	1,900,000	1,900,000
Baripetrol	5%	8,100,000	8,100,340
Total		10,000,000	10,000,000

The Company's subsidiary, PFC Venezuela, owns 40% of PetroCumarebo, S.A., a Venezuelan company majority owned by Petróleos de Venezuela ("PDVSA"), the Venezuelan national oil company. PetroCumarebo holds the operating rights to the East and West Falcon blocks in northwestern Venezuela and has current onshore production of oil and natural gas.

PFC Venezuela also owns 5% of Baripetrol, S.A., another Venezuelan company majority owned by PDVSA. Baripetrol holds the operating rights to the Colon Block in western Venezuela and has current onshore production of oil and natural gas.

During the three month period ended March 31, 2010, there were no indicators that suggested a decrease in the fair value of the investments.

Notes to the Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2010 and 2009

Unaudited – Expressed in US\$ unless otherwise stated

8. Borrowings

The movement of the Centrobanca loan facility during the three months ended March 31, 2010 is as follows:

	Carrying Value
At December 31, 2009	1,279,197
Three months ended March 31, 2010	
Accrued interest	130,174
Amortization of transaction costs	16,556
Payment of interest	(115,005)
Exchange differences	(97,482)
At March 31, 2010	1,213,440
Less current portion	-
Total non-current at March 31, 2010	1,213,440
Fair value of the credit facility	1,213,440

At March 31, 2010, the Company has drawn \$2.4 million (gross of transaction costs of \$1.2 million) of the credit facility. The interest expense on the loan for the three month period ended March 31, 2010 was \$0.1 million, which includes the amortization of transaction costs (average interest rate of 3.9%).

As at March 31, 2010, the minimum principal repayment obligations are as follows:

	US\$
Less than 6 months	-
6-12 months	-
Between 1 and 2 years	1,213,440
Between 2 and 5 years	-
Over 5 years	-
Total	1,213,440

The Centrobanca credit facility is denominated in Euros.

Notes to the Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2010 and 2009

Unaudited – Expressed in US\$ unless otherwise stated

9. Property, plant and equipment

	Land	Solar power plant	Equipment and furniture	Other	Work in progress	Total
At December 31, 2009						
Cost	184,355	-	806,639	-	453,340	1,444,334
Accumulated depreciation	-	-	(589,193)	-	-	(589,193)
Net book amount	184,355	-	217,446	-	453,340	855,141
Three months ended March 31, 2010						
Opening net book amount	184,355	-	217,446	-	453,340	855,141
Exchange differences	-	-	8,792	-	(46,163)	(37,371)
Transfers	-	-	-	-	-	-
Additions	-	-	90,167	-	193,884	284,051
Acquisition of subsidiary	-	-	-	-	-	-
Disposals – cost	-	-	(25,217)	-	-	(25,217)
Disposals – accumulated depreciation	-	-	15,201	-	-	15,201
Depreciation charge	-	-	(40,556)	-	-	(40,556)
Impairment charge	-	-	-	-	-	-
Closing net book amount	184,355	-	265,833	-	601,061	1,051,249
At March 31, 2010						
Cost	184,355	-	880,381	-	601,061	1,665,797
Accumulated depreciation	-	-	(614,548)	-	-	(614,548)
Net book amount	184,355	-	265,833	-	601,061	1,051,249

10. Intangible assets

	Goodwill	Licenses	Other	Total
At December 31, 2009				
Cost	695,438	4,913,127	22,420	5,630,985
Accumulated amortization	-	-	-	-
Net book amount	695,438	4,913,127	22,420	5,630,985
Three months ended March 31, 2010				
Opening net book amount	695,438	4,913,127	22,420	5,630,985
Exchange differences	(44,750)	(316,150)	(1,443)	(362,343)
Additions	-	323,496	14,330	337,826
Closing net book amount	650,688	4,920,473	35,307	5,606,468
At March 31, 2010				
Cost	650,688	4,920,473	35,307	5,606,468
Accumulated amortization	-	-	-	-
Net book amount	650,688	4,920,473	35,307	5,606,468

Notes to the Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2010 and 2009

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11. Expenses by nature

	Note	March 31, 2010 3 months	March 31, 2009 3 months
Salary and compensation expense	16	987,223	627,000
Stock-based compensation	14	992,004	47,296
Corporate and professional fees		582,404	425,000
Depreciation and amortization	9	40,556	58,199
Office, listing and filing expenses and other expenses		414,750	457,285
Total operating costs and general and administrative expense		3,016,937	1,614,780

12. Financial instruments

a) Derivative instruments

The Company's net position for derivative instruments is as follows:

	At March 31, 2010		At December 31, 2009	
	Asset	Liability	Asset	Liability
Interest rate swap	519,447	1,766,221	231,429	709,907
Total	519,447	1,766,221	231,429	709,907
Less current portion	-	(550,302)	-	(709,907)
Total non-current portion	519,447	1,215,919	231,429	-

The fair market value of the instrument at March 31, 2010 resulted in a net liability of \$1,246,774 due to a lower Euribor forecasted curve in comparison with December 31, 2009. The Company recognized a loss of \$779,681 related to the derivative instrument during the three months ended March 31, 2010, which is included in Finance Cost in the condensed consolidated interim statement of comprehensive income. Additionally the Company recognized a gain of \$11,385 related to the changes in fair value of the warrants during the three months ended March 31, 2010, which is included in Finance Cost in the condensed consolidated interim statement of comprehensive income.

b) Financial assets

	Available for sale	Loans and receivables	Assets at fair value through profit or loss	Total
At December 31, 2009				
Derivative financial instruments	-	-	231,429	231,429
Trade and other receivables excluding prepayments	-	1,974,169	-	1,974,169
Investments	10,000,000	-	-	10,000,000
Cash and cash equivalents	-	23,447,778	-	23,447,778
Total	10,000,000	25,421,947	231,429	35,653,376
At March 31, 2010				
Derivative financial instruments	-	-	519,447	519,447
Trade and other receivables excluding prepayments	-	4,544,312	-	4,544,312
Investments	10,000,000	-	-	10,000,000
Cash and cash equivalents	-	16,763,375	-	16,763,375
Total	10,000,000	21,307,687	519,447	31,827,134

Notes to the Condensed Consolidated Interim Financial Statements

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c) Financial liabilities

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
At December 31, 2009			
Borrowings	-	1,279,197	1,279,197
Derivative financial instruments	709,907	-	709,907
Trade and other payables	-	9,061,848	9,061,848
Total	709,907	10,341,045	11,050,952
At March 31, 2010			
Borrowings	-	1,213,440	1,213,440
Derivative financial instruments	1,766,221	-	1,766,221
Trade and other payables	-	7,861,591	7,861,591
Total	1,766,221	9,075,031	10,841,252

13. Share capital

The Company's authorized share capital comprises an unlimited number of common shares and preferred shares issuable in series. The common shares of the Company are all of the same class, are voting and entitle shareholders to receive dividends as and when declared by the Board of Directors.

On February 1, 2010, Lundin Services BV's 5,000,000 Etrion warrants expired unexercised. According to the Canadian Income Tax Act (subsection 49(2)), the Company is deemed to have a capital gain equal to the proceeds received by it for issuing the warrants. The capital gain is taxed at 50% of the corporate income tax rate of 28%. The tax cost of the expiry has been recorded in contributed surplus, following the original treatment of this equity transaction. As the Company used previously unrecognized capital losses to reduce the current tax liability associated with the warrant expiry, a tax recovery has been recorded in the net tax expense for the quarter.

14. Stock-based compensation

The Company maintains a stock option plan whereby options can be granted to employees. All outstanding stock options have a term of between five and ten years. Stock options generally vest over three years and are exercisable at the market prices for the shares on the dates the stock options were granted. In certain circumstances, the Board of Directors of the Company may authorize different vesting periods for particular stock options granted.

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A summary of changes in the number of outstanding stock options during the period is presented below:

	At March 31, 2010		At December 31, 2009	
	Price CAD\$ (*)	Number of stock options	Price CAD\$ (*)	Number of stock options
Outstanding – beginning of the period	1.17	11,383,640	1.77	9,333,660
Granted	0.61	380,000	0.48	4,510,000
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding – end of the period	1.15	11,763,640	1.17	11,383,640
Exercisable – end of the period	1.47	7,571,972	1.47	7,571,972

(*) Weighted average exercise price

A summary of stock options outstanding as at March 31, 2010 is set out below:

Exercise Price CAD\$	Outstanding Stock Options Number	Exercisable Stock Options Number	Weighted Average Contractual Life Years
0.25	100,000	33,333	3.69
0.35	665,000	665,000	0.94
0.35	1,005,000	-	4.12
0.55	2,540,000	333,333	4.45
0.60	300,000	-	4.56
0.61	380,000	-	4.77
1.00	1,090,000	1,090,000	0.94
1.00	1,680,300	1,680,300	3.20
1.00	600,000	600,000	7.24
1.23	150,000	150,000	6.74
1.30	13,340	13,340	3.50
1.37	100,000	33,333	3.37
1.55	270,000	270,000	5.94
1.59	250,000	83,333	8.08
1.93	390,000	390,000	6.00
2.20	230,000	230,000	4.00
2.35	735,000	735,000	4.21
2.39	665,000	665,000	5.20
3.28	600,000	600,000	4.69
	11,763,640	7,571,972	

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants in the period are as follows:

Risk-free interest rate	2.74%
Expected volatility	105.4%
Dividend yield rate	0.00%
Weighted average expected life of stock options	5 years
Weighted average grant date fair value	CAD\$0.47

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During the three months ended March 31, 2010, the Company recorded \$992,004 in stock-based compensation expense compared to \$47,296 during the three months ended March 31, 2009.

15. Loss per share

	March 31, 2010 3 months	March 31, 2009 3 months
(Loss) for the period	(3,536,006)	(1,578,102)
Weighted average number of outstanding shares	158,501,120	158,501,120
Basic and diluted loss per common share*	(0.02)	(0.01)

*The calculation of diluted loss per common share excludes options, warrants and exchange rights outstanding, as the effect would be anti-dilutive.

16. Related parties

The Company is controlled by Lundin Petroleum AB (incorporated in Sweden), which owns 45% of the Company's share capital. Lundin Petroleum's CEO, Ashley Heppenstall, is a member of the Board of Directors of the Company and owns 1.9% of the Company's share capital. Additional shares are held indirectly by the Lundin family (13%) and former and current Directors of the Company (12%). The remaining of the shares are widely held.

Transactions with related parties	March 31, 2010 3 months	March 31, 2009 3 months
Total revenue and income	-	-
Cost and expenses		
Lundin Services BV	31,495	7,450
Lundin Petroleum SA	12,154	-
Pacific Oil and Gas	-	189,000
Key management compensation	1,133,276	345,824
Total cost and expenses	1,176,925	542,274

Balances with related parties	At March 31, 2010	At December 31, 2009
Liabilities		
Account payable to Lundin Petroleum SA	12,154	-
Account payable to Lundin Services BV	220	-
Account payable to Pacific Oil and Gas	-	36,218
Total liabilities	12,374	36,218

Key management compensation	March 31, 2010 3 months	March 31, 2009 3 months
Salaries and other short-term benefits	254,622	243,392
Bonuses	-	60,000
Pension cost	29,428	-
Stock-based compensation	849,226	42,432
Total cost and expenses	1,133,276	345,824

Key management includes the Directors (executive and non executive), CEO and CFO of the Company.

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a) Lundin Services BV

The Company receives technical services from Lundin Services BV, a wholly owned subsidiary of Lundin Petroleum. Lundin Petroleum indirectly owns 45% of the Company, and Lundin Petroleum's CEO, Ashley Heppenstall, is a member of the Board of Directors of the Company. For the three months ended March 31, 2010 and 2009, the Company paid Lundin Services BV for professional services \$31,495 and \$7,450, respectively. These payments are for professional services, including technical and legal advice. As at March 31, 2010 and 2009, the outstanding balance due to Lundin Services BV amounted to \$220 and nil, respectively.

b) Lundin Petroleum SA

The Company also receives professional services from Lundin Petroleum SA, a wholly owned subsidiary of Lundin Services BV. For the three months ended March 31, 2010 and 2009, the Company paid Lundin Petroleum SA for professional services \$43,848 and nil, respectively. These services include management and administrative services. As at March 31, 2010 and 2009, the outstanding balance due to Lundin Petroleum SA amounted to \$12,154 and nil, respectively.

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

c) Marco Northland's exchange right and the Shareholders Agreement

Guaranteed floor

The SRH Shareholders Agreement provides Northland with a right to exchange his 10% equity interest in SRH, for a period of five years beginning September 11, 2009, for an equivalent fair value of shares in Etrion with a guaranteed floor on the exchange value of his interest of €4.0 million. The Company will continue to recognize the fair value of the exchange right as a liability until such time as it is exercised or deemed to be exercised. As at March 31, 2010, the liability recognized related to this exchange right was €4.0 million (\$5.4 million).

In addition, the Shareholders Agreement also provides for the additional issuance of in substance, in the money stock options on the date of future equity investments above the initial €17.7 million (\$25.7 million at acquisition date) by Etrion to SRH. During the three months ended March 31, 2010, the Company recognized a non-cash compensation expense of \$743,353 and nil, respectively, related to these in substance, in the money options.

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17. Income taxes

	March 31, 2010 3 months	March 31, 2009 3 months
Current tax on profits for the period	(19,706)	-
Deferred tax income		
Tax effect on the expiration of the warrants	261,433	-
Total deferred tax (expense) income	261,434	-
Total income tax (expense) recovery	241,727	-

Deferred tax liability	Fair value of Intangible	Total
At January 1, 2009	-	-
Acquisition of subsidiary	722,800	722,800
At December 31, 2009	722,800	722,800
Exchange difference	187	187
At March 31, 2010	722,987	722,987

On February 15, 2010, SVE received approval for the “Visco Sud” tax credit from the Italian tax authorities. According to local Italian income tax law, companies with solar energy projects with installed capacity of up to 1MW may apply for a tax credit equal to 20% of project costs. SVE’s Visco Sud tax credit is €4.1 million (\$5.5 million) and may be credited against income taxes arising on future taxable income following connection of the solar power plants to the Italian electricity grid. The tax credit does not expire. On March 5, 2010, following receipt of the Visco Sud tax credit approval, SRH paid an additional €240,000 (\$325,968) according to the terms of the SVE share purchase agreement. This additional consideration paid has been allocated to the intangible asset.

18. Commitments

Development pipeline and fees

The operations of the Company require it to enter into share or quota purchase agreements with local developers of renewable energy projects in Europe, pursuant to which, subject to certain conditions, local legal entities undertake to sell the Company one or more project companies following contribution in kind of permitted projects for the construction of solar plants. As at March 31, 2010, the Company had entered into certain agreements with Italian local developers for the acquisition of 100% of the outstanding shares of one or more project companies for a total purchase price of €1.3 million (\$1.75 million), and the Company had advanced to the potential sellers a total of €40,000 (\$53,916). According to the terms and conditions of the share purchase agreements, the advance payments will be deducted from the total purchase price at closing.

Construction costs

The Company enters into engineering, procurement and construction (“EPC”) agreements with large international contractors that design, construct, operate and maintain large-scale solar photovoltaic power plants.

Pursuant to an EPC contract dated November 19, 2009 between the Company’s Italian subsidiary, SVE, and SunPower, SVE is to pay €4.2 million per megawatt for full turn-key construction of the 4 MW power plant in Puglia, Italy. Payments are due

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upon reaching specified milestones in the construction program. The project is scheduled to be finished by August 2010 and operational by September 2010. If construction is delayed or the solar plants are not performing up to the specified standard, SVE will receive pre-specified liquidated damage payments. Furthermore, SVE is protected by a “performance bank guarantee” worth a portion of the contract price as a credit line with SunPower’s bank. If the construction is delayed or cannot be started due to permit or technical issues, SVE can cancel the contract without any penalty.

19. Subsequent events

Acquisition of Deutsche Bank Solar Assets in Italy

On April 2, 2010, the Company signed a definitive sale and purchase agreement to acquire Deutsche Bank’s portfolio of solar assets in Italy for €10.3 million (\$12.6 million) plus a contingent deferred payment of €1.5 million (\$1.8 million). The Deutsche Bank assets acquired include 6.4 MW of operating assets and 10 MW of permitted projects ready for construction plus a pipeline of more than 150 MW in various stages of permitting.

On April 30, 2010, the Company completed the acquisition of the non-operating project companies with 10 MW of permitted projects ready for construction and the development pipeline of more than 150 MW in various stages of permitting from Deutsche Bank for an aggregate purchase price of €6.8 million (\$8.4 million). According to the Company’s accounting policies this transaction qualifies as an asset acquisition.

Acquisition of Helios ITA, Srl (“Helios ITA”)

On June 24, 2010, the Company’s Luxembourg subsidiary, SRH, acquired 90% of the share capital of Helios ITA, an Italian company that owns and operates solar power plants in Italy. The operating assets consist of 6.4 MW of ground-based solar photovoltaic (“PV”) plants in the Puglia region. The goodwill arising from the acquisition of \$21,434 (€17,467) is the excess of the purchase price over the net fair value of acquired assets that was not possible to allocate to identifiable assets that would qualify for separate recognition. There is no goodwill amount expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for Helios ITA at acquisition:

Purchase consideration	EURO	USD
Cash consideration for 90% of the share capital of Helios ITA	1,500,000	1,840,650
Cash replaced	255,125	313,064
Total	1,755,125	2,153,713

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The amounts of assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Helios ITA, are summarized in the following table:

Allocation of the purchase price	PROVISIONAL FAIR VALUE	
	EURO	USD
Cash and cash equivalents	519,126	637,020
Restricted cash	255,125	313,063
Trade and other receivables	4,741,322	5,818,076
Property, plant and equipment	37,044,406	45,457,190
Intangible assets	664,899	815,898
Net deferred tax asset	174,692	214,365
Trade and other payables	(4,235,858)	(5,197,821)
Long-term debt	(32,669,915)	(40,089,253)
Derivative instrument	(3,056,304)	(3,750,391)
Net deferred tax liability	(1,506,762)	(1,848,947)
Net identifiable assets acquired	1,930,731	2,369,200
Non-controlling interest	(193,073)	(236,920)
Goodwill	17,467	21,434
	1,755,125	2,153,713

The revenue included in the consolidated interim statement of comprehensive income for the three and six month period ended June 30, 2010 was entirely contributed by Helios ITA since the acquisition date. The Group's share of Helios ITA's net results from the date of acquisition to June 30, 2010 was a gain of \$0.04 million (\$0.03 million). If the acquisition had occurred on January 1, 2010, consolidated revenue and net loss as for the six months ended June 30, 2010 would have increased by \$2.3 million (€1.9 million) and \$9.0 million (€7.4 million), respectively.

The restricted cash recognized at the acquisition date relates to the cash replaced in a sweep lock-up bank account of \$0.3 million (€0.2 million) funded with the purpose of providing a cash guarantee to the project lender bank in respect of the Company's equity contribution based on the total estimated project costs. Concurrent with the acquisition, the Company provided additional funding to the cash sweep lock-up bank account of \$1.1 million (€0.9 million) to fulfill its equity contribution obligations. This restricted cash is expected to be available to the Company in September 2010 upon confirmation of the total project costs.

The fair value and gross amount of trade and other receivables is \$5.7 million (€4.7 million) and includes trade receivables and VAT receivables with a value of \$1.8 million (€1.5 million) and \$ 2.0 million (€1.7 million), respectively, that are expected to be fully collected.

Obtaining information about acquisition-related costs directly attributable to this business combination was impractical given that amounts incurred related to a portfolio of assets acquired, including those not qualifying for business combinations.

The Company also acquired a shareholder loan in the amount of US\$2.7 million (€2.3 million) in order to repay an equivalent amount advanced to Helios ITA by Deutsche Bank. As at the acquisition date the Company assumed the debt and the intercompany balance was eliminated in the consolidation process.

The provisional values of assets and liabilities are recognized at their estimated fair values at the date of acquisition. IFRS allows up to 12 months for provisional acquisition accounting to be finalized following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition. Currently for Helios ITA, the Group has undertaken a detailed review to determine the fair value of assets and liabilities recognized at the date of acquisition.

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Advanced payment to developers

On April 30, 2010, the Company advanced to a developer in Italy a total of €150,000 (\$199,500). According to the terms of the share purchase agreement, advance payments will be deducted from the total purchase price at closing.

Shareholder loan

On April 12, 2010, the Company received a bridge loan from Lundin Services BV for €20 million (\$26.8 million) bearing interest at Euribor plus 3% and repayable at the earlier of an equity financing or September 30, 2010.

On July 16, 2010, the Company made an additional drawdown under the Lundin Services BV bridge loan facility for \$39.2 million (€32 million) and on August 9, 2010, the loan agreement was further amended to extend the maturity date to October 31, 2011, and to amend the interest rate applicable after March 31, 2011, to Euribor plus 5%. The extension of the maturity date of the bridge loan facility provides an immediate increase in the working capital of the Company to fulfill its current commitments.

EPC contract signed

On July 19, 2010, the Company signed an agreement with Phoenix Solar AG (“Phoenix”) to build a 3.5 MW solar power plant in Borgo Piave in the Lazio region of Italy. Phoenix Solar will design and construct the plant, and provide operations and maintenance services. Construction is targeted to begin in August 2010, and grid connection is expected by the end of 2010. The Phoenix Solar contract price is approximately €10 million (\$11.2 million). Etrion intends to fund the project through a bridge loan from its major shareholder. Etrion expects to re-finance 80-85% of project costs with a long-term non-recourse bank loan before the end of the year.

Acquisition of Montalto 33

On August 5, 2010, the Company signed a definitive sale and purchase agreement and acquired 100% of the share capital of SunRay Italy Holding, S.r.l., an Italian company that owns a 24 MW solar park (the “Montalto 24 Project”) in Lazio, Italy, for cash consideration of €36.1 million (\$44.0 million) plus the assumption of the related non-recourse loan facilities. On August 5, 2010, the Company also signed a definitive sale and purchase agreement for the acquisition of SunRay Italy Holding 2, S.r.l., an Italian company that owns an 8.8 MW solar power project under construction (the “Montalto 9 Project”) on the same site as the Montalto 24 Project, for cash consideration of €13.9 million (\$16.9 million) plus the assumption of the related non-recourse loan facility. For the Montalto 9 Project, 20% of the purchase price or €2.8 million (\$3.4 million) was paid at signing, and the balance is due at closing following grid connection, expected by September 30, 2010.

The Montalto 24 Project has an existing facility agreement with Societe Generale, Banca Infrastrutture Innovazione e Sviluppo (Intesa Sanpaolo Group) and WestLB for €107 million (\$130.5 million). Societe Generale’s participation in the financing is partially guaranteed by SACE, the Italian export credit agency. The Montalto 9 Project has an existing facility agreement with Barclays for €40 million (\$48.8 million).

TSX listing

On May 21, 2010, the TSX conditionally approved the listing of the Company’s common shares in the industrial category. The Company’s continued listing in the industrial category is subject to certain conditions, including the completion of an equity financing resulting in net proceeds to the Company of at least \$15 million. On August 10, 2010, the TSX provided an additional extension until August 29, 2010, for the Company to meet the continued listing requirements.