

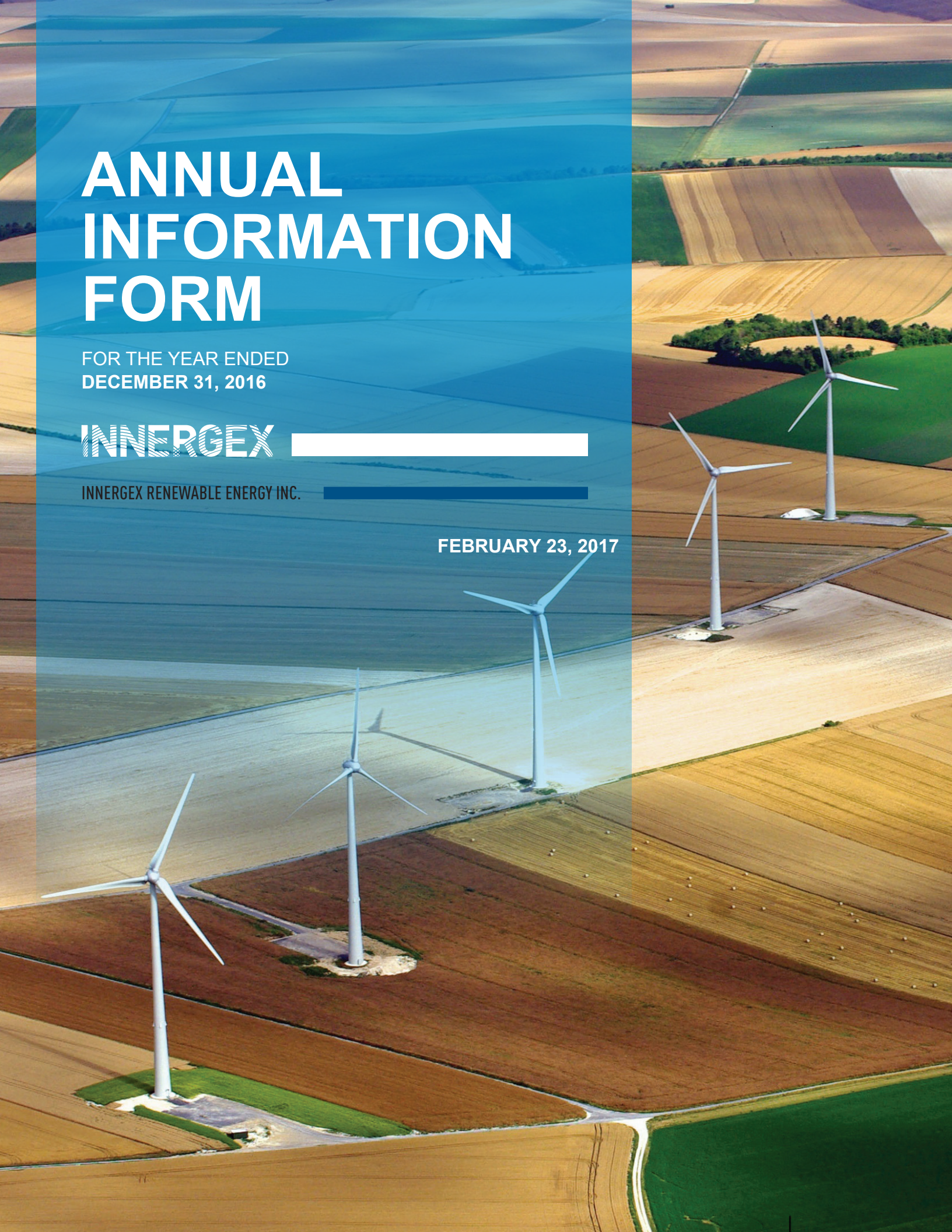
# ANNUAL INFORMATION FORM

FOR THE YEAR ENDED  
DECEMBER 31, 2016

**INNERGEX**

INNERGEX RENEWABLE ENERGY INC.

FEBRUARY 23, 2017



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## INTRODUCTION

The information set out in this Annual Information Form is stated as at December 31, 2016 and all money-related amounts are stated in Canadian dollars, unless otherwise specified.

Unless otherwise indicated or the context otherwise requires, all reference to the “**Corporation**”, to “**Innergex**”, “**we**”, “**our**” and “**us**” refers to Innergex Renewable Energy Inc. and its subsidiaries. Terms not otherwise defined have the meaning set forth in the “Glossary of Terms” included at the end of this document.

## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

To inform readers of the Corporation's future prospects, this Annual Information Form contains forward-looking information within the meaning of applicable securities laws (“**Forward-Looking Information**”). Forward-Looking Information can generally be identified by the use of words such as “approximately”, “may”, “will”, “could”, “believes”, “expects”, “intends”, “should”, “plans”, “potential”, “project”, “anticipates”, “estimates”, “scheduled” or “forecasts”, or other comparable terminology that state that certain events will or will not occur. It represents the projections and expectations of the Corporation relating to future events or results as of the date of this Annual Information Form.

**Future-Oriented Financial Information:** Forward-Looking Information includes future-oriented financial information or financial outlook within the meaning of securities laws, such as expected production and estimated project costs, to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the potential financial impact of the French Acquisitions and the Corporation's ability to fund its growth. Such information may not be appropriate for other purposes.

**Assumptions:** Forward-Looking Information is based on certain key assumptions made by the Corporation, including, without restriction, those concerning hydrology, wind regimes and solar irradiation, performance of operating facilities, financial market conditions and the Corporation's success in developing new facilities.

**Risks and Uncertainties:** Forward-Looking Information involves risks and uncertainties that may cause actual results or performance to be materially different from those expressed, implied or presented by the Forward-Looking Information. These are referred to in the “Risk Factors” section of this Annual Information Form and include, without limitation: the ability of the Corporation to execute its strategy for building shareholder value; its ability to raise additional capital and the state of the capital markets; liquidity risks related to derivative financial instruments; variability in hydrology, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects; the ability to secure new power purchase agreements or renew any power purchase agreement; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtainment of permits; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Corporation may not declare or pay a dividend; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; variability of installation performance and related penalties; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; exposure to many different forms of taxation in various jurisdictions; changes in general economic conditions; regulatory and political risks; ability to secure appropriate land; reliance on PPAs; availability and reliability of transmission line; foreign market growth and development risks; foreign exchange fluctuations; increases in water rental cost or changes to regulations applicable to water use; assessment of water, wind and sun resources and associated electricity production; dam failure; natural disasters and *force majeure*; cybersecurity; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; potential undisclosed liabilities associated with acquisitions; integration of the facilities and projects acquired and to be acquired; failure to realize the anticipated benefits of acquisitions; reliance on shared transmission and interconnection infrastructure and the fact that revenues from the Miller Creek facility will vary based on the spot price of electricity.

Although the Corporation believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this Forward-Looking Information as no assurance can be given that it will prove to be correct. Forward-Looking Information contained herein is made as at the date of this Annual Information Form and the Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law.

The following table outlines the Forward-Looking Information contained in this Annual Information Form which the Corporation considers important, to better inform readers about its potential financial performance, together with the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from this information.

**Expected production**

For each facility, the Corporation determines a long-term average annual level of electricity production over the expected life of the facility, based on engineers' studies that take into consideration a number of important factors: for hydroelectricity, the historically observed flows of the river, the operating head, the technology employed and the reserved aesthetic and ecological flows; for wind energy, the historical wind and meteorological conditions and turbine technology; and for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation. Other factors taken into account include, without limitation, site topography, installed capacity, energy losses, operational features and maintenance. Although production will fluctuate from year to year, over an extended period it should approach the estimated long-term average.

Improper assessment of water, wind and sun resources and associated electricity production  
 Variability in hydrology, wind regimes and solar irradiation  
 Equipment failure or unexpected operations and maintenance activity  
 Natural disaster

**Estimated project costs, expected obtainment of permits, start of construction, work conducted and start of commercial operation for development projects or prospective projects**

For each development project, the Corporation provides an estimate of project costs based on its extensive experience as a developer, directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for the projected costs provided by the engineering, procurement and construction contractor retained for the project.

The Corporation provides indications regarding scheduling and construction progress for its Development Projects and indications regarding its Prospective Projects, based on its experience as a developer.

Performance of counterparties, such as suppliers or contractors  
 Delays and cost overruns in the design and construction of projects  
 Obtainment of permits  
 Equipment supply  
 Interest rate fluctuations and financing risk  
 Relationships with stakeholders  
 Regulatory and political risks  
 Higher-than-expected inflation  
 Natural disaster

**Intention to Submit Projects Under Requests for Proposals**

The Corporation provides indications of its intention to submit projects under requests for proposals ("**Request for Proposals**" or "**RFP**") based on the state of readiness of some of its Prospective Projects and their compatibility with the announced terms of these RFPs.

Regulatory and political risks  
 Ability of the Corporation to execute its strategy for building shareholder value  
 Ability to secure new power purchase agreements ("**PPA**")

**Intention to gain a foothold in target markets internationally**

The Corporation provides indications of its intention to establish a presence in target markets internationally in the coming years, based on its growth strategy.

Regulatory and political risks  
 Ability of the Corporation to execute its strategy for building shareholder value  
 Ability to secure new PPAs  
 Foreign exchange fluctuations

## CORPORATE STRUCTURE

The Corporation was incorporated in Canada under the *Canada Business Corporations Act* by articles of incorporation dated October 25, 2002. The articles of the Corporation were amended as follows:

Dates	Description of the Amendments to the Articles of the Corporation
October 25, 2007	To change its name from Innergex Management Inc. to Innergex Renewable Energy Inc. and its French version, Innergex énergie renouvelable inc.
December 4, 2007	To change the authorized capital of the Corporation and the minimum number of directors of the Corporation from one to three.
December 4, 2007	To amend the authorized share capital of the Corporation and to create an unlimited number of common shares (the “ <b>Common Shares</b> ”) and an unlimited number of preferred shares, issuable in series (the “ <b>Preferred Shares</b> ”).
March 29, 2010	By way of articles of arrangement filed in connection with the Arrangement (as defined below).
September 10, 2010	To create the Cumulative Rate Reset Preferred Shares, Series A (the “ <b>Series A Shares</b> ”) and the Cumulative Floating Rate Preferred Shares, Series B (the “ <b>Series B Shares</b> ”) in connection with the Corporation’s public offering of Series A Shares.
May 12, 2011	To introduce a voting right, in certain limited circumstances, for holders of Preferred Shares of the Corporation.
January 1, 2012	By way of articles of amalgamation filed in connection with the amalgamation between the Corporation and its subsidiary, Cloudworks Energy Inc.
December 6, 2012	To create the Cumulative Redeemable Fixed Rate Preferred Shares, Series C (the “ <b>Series C Shares</b> ”) in connection with the Corporation’s public offering of Series C Shares.

The Corporation’s head and registered office is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4.

A corporate chart of the Corporation and its material subsidiaries as well as certain other material ownership interests of the Corporation as at February 23, 2017 is attached hereto as Schedule A, which excludes however some subsidiaries of the Corporation for which the assets and revenue in the aggregate did not exceed 20% of the total consolidated assets and revenue of the Corporation for the year ended December 31, 2016.

## GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation is a developer, owner and operator of run-of-river hydroelectric facilities, wind energy farms and solar photovoltaic (“**PV**”) farms. The Corporation owns or operates various renewable power generating facilities in the Provinces of Québec, British Columbia (“**BC**”) and Ontario in Canada, in France and in the State of Idaho in the United States.

The Corporation has been active in the renewable power industry since 1990 and has on its own or through various ventures developed and brought to commercial operation 15 hydroelectric facilities, seven wind farms and one solar photovoltaic farm, has acquired and refurbished three hydroelectric facilities and has acquired eleven hydroelectric power facilities and 10 wind farms in France (including the Yonne Wind Farm acquired in the first quarter of 2017) representing a gross aggregate installed capacity of 1,576.2 megawatt (“**MW**”) (net 939.4 MW). The Corporation currently owns, together with its partners, 17 wind farms, 29 hydroelectric facilities and one solar photovoltaic farm in operation with respective net aggregate installed capacities of 418.6 MW (gross 918.2 MW), 487.7 MW (gross 624.8 MW) and 33.2 MW (gross 33.2 MW) and, as of February 23, 2017, 2 development projects for which PPAs have been secured and are under construction with an aggregate net installed capacity of 71.1 MW (gross 106.7 MW). The development projects for which PPAs have been secured are expected to reach the commercial operation stage by the first and second quarter of 2017. The Corporation has also net interests in approximately 3,560 MW (gross 3,940 MW) of prospective power generating projects, which are in various stages of development. See “Description of the Business and Assets of the Corporation - Portfolio of Assets”.

## RECENT DEVELOPMENTS

On February 21, 2017, the Corporation executed a Fifth Amended and Restated Credit Agreement of its existing \$425 million revolving credit facility. These amendments add flexibility to the Corporation to borrow in EURO via EURIBOR loans. The Corporation also extended its revolving term from 2020 to 2021 (except for one lender of \$42.5 million whose commitment remains until 2020) to provide greater financing flexibility. Moreover, a Letter of Credit Facility of an amount of up to \$30 million guaranteed by Export Development Canada (EDC) was added.

On February 21, 2017, the Corporation and Desjardins Group Pension Plan (“**Desjardins**”) completed the purchase of the Yonne Wind Farm, a 44 MW wind park commissioned in early 2017 and part of the French wind projects acquisition concluded in April 2016 (“**Yonne Wind Farm**”). The electricity produced by the Yonne Wind Farm is sold under a power purchase agreement, at fixed price, for an initial term of 15 years, to Électricité de France. The total purchase price amounts to €35.2 million (or \$49 million) is subject to certain adjustments. See “Description of the Business and Assets of the Corporation – Operating Wind Farms – Wind Farms located in France”.

## THREE-YEAR SUMMARY

### Financial Year 2016

On January 7, 2016, the Corporation announced that after having taken into account all election notices received following the December 31, 2015 conversion deadline, in respect to the Series A Shares tendered for conversion into Series B Shares, the holders of Series A Shares were not entitled to convert their shares. There were 357,543 Series A Shares tendered for conversion, which is fewer than the 1,000,000 shares required for the ability to proceed with the conversion, in accordance with the terms of the Series A Shares. The dividend rate of the Series A Shares for the five year period from January 15, 2016 to but excluding January 15, 2021 is 3.608% per annum or \$0.2255 per share per quarter. See “Description of Capital Structure - Preferred Shares – Series A Shares and Series B Shares”.

On February 25, 2016, the Corporation, in partnership with the Cayoose Indian Band, completed the acquisition of the 16 MW Walden North hydroelectric facility (the “**Walden Facility**”) commissioned in 1993 and located on private land in Cayoosh Creek near Lillooet, British Columbia. See “Description of the Business and Assets of the Corporation – Operating Hydroelectric Facilities – Hydroelectric Facilities located in British Columbia”.

On March 21, 2016, the Corporation announced that it has received approval from the Toronto Stock Exchange (“**TSX**”) to renew the normal course issuer bid on its Common Shares and to commence a normal course issuer bid on its Series A Shares and Series C Shares (the “**2016 Bids**”). Under the 2016 Bids, the Corporation may purchase for cancellation up to 2,000,000 Common Shares representing 1.92% of its issued and outstanding Common Shares and, respectively, up to 68,000 and 40,000 Series A Shares and Series C Shares, representing 2% of the issued and outstanding respective series of preferred shares (as at March 24, 2016). The 2016 Bids commenced on March 24, 2016 and will terminate on March 23, 2017. As of the date hereof, the Corporation did not purchase any of its Common Shares, Series A Shares or Series C Shares under the 2016 Bids.

On April 15, 2016, the Corporation completed the acquisition of seven operating wind farms with an installed capacity of 86.8 MW, namely the Porcien, Longueval, Antoigné, Vallottes, Bois d’Anchat, Beaumont and Cholletz wind farms (collectively referred to as, the “**Seven French Entities**”) and committed to acquire the Yonne Wind Farm that was under construction with an installed capacity of 44 MW from a German company, wpd Europe GmbH (the “**Seller**”), for a total of 130.8 MW. Simultaneously, the Corporation completed a private placement of \$50.0 million with three Desjardins Group-affiliated entities. See “Description of the Business and Assets of the Corporation – Operating Wind Farms – Wind Farms located in France”.

The purchase price for the Seven French Entities is a net cash consideration of €64.0 million (or \$94.5 million), subject to certain adjustments and including \$11.9 million of cash and cash equivalents. The purchase price for the Yonne Wind Farm acquired on February 21, 2017 amounts to €35.2 million (or \$49.0 million), which includes the deposit of €10.0 M (or \$13.9 million) paid on April 15, 2016. The project financing totalled €88.2 million (or \$130.2 million) and will remain at the acquired project level. The non-recourse debt related to the eight projects will remain at the acquired project level. The Corporation has reduced its exposure to exchange rate fluctuations with long-term currency hedging instruments.

On June 10, 2016, the Corporation announced the closing of a \$38.4 million investment by Desjardins in the limited partnership that owns the Seven French Entities and the interest in the Yonne Wind Farm. Following the investment, Innergex and Desjardins owns respectively 69.55% interest and 30.45% in Innergex Europe (2015) Limited Partnership.

On July 29, 2016, Big Silver Creek Limited Partnership (“**Big Silver Creek LP**”) began commercial operation of the 40.6 MW run-of-river hydroelectric facility located in British Columbia (the “**Big Silver Creek Facility**”). See “Description of the Business and Assets of the Corporation – Operation Hydroelectric Facility – Hydroelectric Facilities located in British Columbia”.

On December 22, 2016, the Corporation completed the acquisition of the Montjean and Theil Rabier wind farms with a total aggregated capacity of 24 MW located on private land in Nouvelle-Aquitaine, France from French group BayWa r.e. The Corporation owns a 69.55% interest in the Montjean and Theil Rabier wind farms and Desjardins owns the remaining 30.45%. See “Description of the Business and Assets of the Corporation – Operating Wind Farms – Wind Farms located in France”.

On December 30, 2016, Mesgi’g Ugju’s’n Wind Farm, L.P. (“**Mesgi’g Ugju’s’n (MU) LP**”) began commercial operation of the 150 MW Mesgi’g Ugju’s’n wind farm located in the Gaspé Peninsula, in Québec. See “Description of the Business and Assets of the Corporation – Operating Wind Farms – Wind Farms located in Québec”.

#### Financial Year 2015

On March 17, 2015, Boulder Creek Power Limited Partnership (“**Boulder Creek LP**”) and Upper Lillooet River Power Limited Partnership (“**Upper Lillooet LP**”) jointly closed a \$491.6 million non-recourse construction and term project financing for the Boulder Creek and Upper Lillooet River projects located in British Columbia. See “Description of the Business and Assets of the Corporation – Hydroelectric Development Projects – Boulder Creek Project and the Upper Lillooet River Project”.

On March 19, 2015, the Corporation announced that it received approval from the TSX to renew its normal course issuer bid (the “**2015 Bid**”). Under the 2015 Bid, the Corporation was allowed to purchase for cancellation up to 1,000,000 of its Common Shares, which was increased to 2,000,000 as at September 4, 2015 representing approximately 2% of its issued and outstanding Common Shares. The 2015 Bid commenced on March 24, 2015 and terminated on March 23, 2016. Under the 2015 Bid, the Corporation purchased for cancellation a total of 1,190,173 Common Shares.

On June 22, 2015, Big Silver Creek L.P. closed a \$197.2 million non-recourse construction and term project financing for the Big Silver Creek Facility.

On July 4, 2015, the Upper Lillooet River Project construction site in British Columbia was impacted by a forest fire that swept through the region and was evacuated. Construction activities resumed as of mid-September. Damage to the site from the fire was very limited and all structures and equipment remained intact, except for a portion of the transmission line between the two on-site powerhouses. The Corporation expects that insurance proceeds will cover the damage and to suffer no significant adverse financial consequences from the forest fire. On December 23, 2015, the Corporation received a letter from British Columbia Hydro and Power Authority (“**BC Hydro**”) accepting that the event constituted a Force Majeure under the PPA and extending the commercial operation date (“**COD**”) by 98 days. As of the date hereof, the Corporation is still in negotiation with the insurance company regarding its claim for damages resulting from the forest fire.

On August 10, 2015, the Corporation completed on a bought deal basis an offering in the aggregate principal amount of \$100.0 million of 4.25% convertible debentures (the “**4.25% Convertible Debentures**”) at a price of \$1,000 per debenture (the “**4.25% Convertible Debentures Offering**”). The 4.25% Convertible Debentures are unsecured and subordinated, have a maturity date of August 31, 2020, bear interest at a rate of 4.25% per annum, payable semi-annually, and are convertible at the option of the holder into common shares at a conversion price of \$15.00 per common share (the “**Conversion Price**”), the whole as contemplated under the underwriting agreement (the “**4.25% Convertible Debentures Underwriting Agreement**”) dated July 24, 2015 between the Corporation and National Bank Financial Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Desjardins Securities Inc., CIBC World Markets Inc., Scotia Capital Inc. and Industrial Alliance Securities Inc., as underwriters. The 4.25% Convertible Debentures commenced trading on the TSX on August 10, 2015 under the symbol “INE.DB.A”. See “Description of Capital Structure – 4.25% Convertible Debentures”.

On August 20, 2015 the Corporation completed the redemption of all of its outstanding 5.75% Convertible Debentures, which would have matured on April 30, 2017 (the “**5.75% Convertible Debentures**”), in accordance with the terms of the trust indenture dated March 8, 2010 governing these debentures. As at the redemption date on August 20, 2015, there was \$41,591,000 principal amount of 5.75% Convertible Debentures issued and outstanding. The 5.75% Convertible Debentures were delisted from trading on the TSX on August 20, 2015.

On September 28, 2015, Mesgi’g Ugju’s’n (MU) LP closed a \$311.7 million non-recourse construction and term project financing for the 150 MW located in the Gaspé Peninsula, in Québec. See “Description of the Business and Assets of the Corporation – Operating Wind Farms – Wind Farms located in Québec”.

On October 13, 2015, the Corporation announced that it had signed a memorandum of understanding with the Comisión Federal de Electricidad (“**CFE**”) in Mexico, a government enterprise that produces and distributes electricity to more than 38.5 million customers representing 120 million Mexicans, to jointly study a number of renewable energy project opportunities in Mexico, with the aim of jointly developing selected projects. The main purpose of the agreement is to coordinate efforts and develop activities that will allow Innergex and CFE to define their joint participation in the development of prospective renewable energy projects, in particular hydroelectric plants of less than 200 MW.

On October 25, 2015, Tretheway Creek Hydro Limited Partnership (“**Tretheway Creek LP**”) began commercial operation of its 21.2 MW Tretheway Creek run-of-river hydroelectric facility located in British Columbia (the “**Tretheway Creek Facility**”). See “Description of the Business and Assets of the Corporation – Operating Hydroelectric Facilities – Hydroelectric Facilities located in British Columbia”.

On December 15, 2015, the Corporation and the Cayoose Creek Band announced they entered into an agreement for the joint acquisition of the Walden Facility a 16 MW facility located on private land in Cayoosh Creek near Lillooet, British Columbia and formed a limited partnership to jointly acquire the assets of the Walden Facility from FortisBC for \$9.2 million. The closing of the acquisition was completed on February 25, 2016.

#### [Financial Year 2014](#)

On February 18, 2014, the Corporation announced that Kwoiek Creek Resources Limited Partnership (“**Kwoiek Creek LP**”) and BC Hydro reached an agreement to clarify the stipulated capacity level and COD of the Kwoiek Creek run-of-river hydroelectric facility in British Columbia (the “**Kwoiek Creek Facility**”), which changes were subsequently approved by the British Columbia Utilities Commission and, as per such agreement, COD was declared effective as of January 1, 2014. See “Description of the Business and Assets of the Corporation – Operating Hydroelectric Facilities – Hydroelectric Facilities located in British Columbia”.

On March 20, 2014, the Corporation announced that it received approval from the TSX to proceed with a normal course issuer bid (the “**2014 Bid**”). The 2014 Bid commenced on March 24, 2014 and terminated on March 23, 2015. Under the 2014 Bid, the Corporation was allowed to purchase for cancellation up to 1,000,000 of its Common Shares, representing approximately 1.1% of the 95,860,979 issued and outstanding Common Shares of the Corporation as at March 19, 2014. Under the 2014 Bid, which expired on March 23, 2015, the Corporation did not purchase any of its Common Shares.

On March 24, 2014, Mesgi’g Ugju’s’n (MU) LP signed a 20-year power purchase agreement with Hydro-Québec Distribution for the Mesgi’g Ugju’s’n (MU) Wind Farm and on October 16, 2014, Mesgi’g Ugju’s’n (MU) LP obtained a decree from the Québec government for the Mesgi’g Ugju’s’n (MU) Wind Farm. Innergex holds 50% of this entity and the three Mi’gmaq communities of Québec, namely Gesgapegiag, Gespeg and Listuguj (“**Mi’gmaq communities**”), hold the remaining 50% interest. See “Description of the Business and Assets of the Corporation – Operating Wind Farms – Wind Farms located in Québec”.

On June 20, 2014, the Corporation and Desjardins Group Pension Plan announced that Innergex Sainte-Marguerite, S.E.C. completed the acquisition of the Sainte-Marguerite-1 facility (“**SM-1 Facility**”) from Hydrowatt SM-1 Inc. and other related companies (“**Hydrowatt**”). The SM-1 Facility is a 30.5 MW run-of-river hydroelectric facility located on private land near the town of Sept-Îles in Québec. The final purchase price was approximately \$80.1 million of which approximately \$38.4 million was paid in cash and \$41.7 million by the issuance of preferred units of Innergex Sainte-Marguerite, S.E.C. Hydrowatt immediately transferred to Innergex the preferred units of Innergex Sainte-Marguerite, S.E.C. in exchange for 4,027,051 newly issued Common Shares of the Corporation. See “Description of the Business and Assets of the Corporation – Operating Hydroelectric Facilities – Hydroelectric Facilities located in Québec”.

On August 12, 2014, the Corporation and the In-SHUCK-ch Nation announced the joint signing of a partnership agreement regarding the development of hydroelectric projects in British Columbia. The parties agreed on commercial terms for a 50-50 partnership to develop six run-of-river hydroelectric projects totaling approximately 150 MW.

On September 30, 2014, Tretheway Creek LP closed a \$92.9 million non-recourse construction and term project financing for the Tretheway Creek Facility. See “Description of the Business and Assets of the Corporation – Operating Hydroelectric Facilities – Hydroelectric Facilities located in British Columbia”.

On November 6, 2014, the Corporation executed an amending agreement to extend its revolving term credit facility from 2018 to 2019 as well as to temporarily increase its borrowing capacity from \$425 million to \$475 million until June 30, 2015.



## INDUSTRY OVERVIEW AND MARKET TRENDS

### RENEWABLE POWER GENERATION INDUSTRY

Renewable power producers are involved in the generation of electricity from renewable sources of energy, including (i) water; (ii) wind; (iii) sun; (iv) certain waste products, such as biomass (for example: waste wood from forest products operations) and landfill gas; and (v) geothermal sources, such as heat or steam. Demand for renewable power sources in North America and France continues to grow and is largely driven by the long-term trend toward stronger policies for protecting the environment, as well as the growing demand for energy. While traditional regulated utilities continue to dominate the North American and France electricity generation markets, it is recognized that independent power producers play an increasingly important role in the supply of electricity.

There are several factors that explain the growing role played by independent power producers in supplying renewable power in North America and France, including: the growing demand for energy in some territory; increasing awareness of the benefits of renewable energy in addressing the impacts of climate change; the availability of government-sponsored incentives to develop renewable energy capacity; the availability of long-term renewable energy purchase contracts with highly creditworthy counterparties, allowing independent power producers to develop new projects in a low-risk environment with the expectation of stable long-term contractual cash flows; the implementation of non-discriminatory access to transmission systems, providing independent power producers with access to regional electricity markets; and the rapidly improving cost-competitiveness of renewable energy and efficiency of independent power producers. While the plentiful supply of natural gas in recent years has resulted in low market prices that have increased the attractiveness of this source of energy for producing electricity in many parts of the world, technological improvements and economies of scale have significantly reduced the costs of renewable energy procurement, in particular wind and solar power. In many markets, electricity produced from these sources is cost-competitive with energy produced from natural gas and the cost of renewable energy from wind and solar power is significantly more stable over the long run because it is not subject to fluctuations in the price of the underlying resource year over year.

Moreover, push for developing renewable energy worldwide and implementing a global energy transition toward clean and renewable energy came during the 21<sup>st</sup> conference of Parties held in Paris, France in 2015. According to the United Nations Environmental Program, the international political response to climate change began at the Rio Earth Summit in 1992, where the 'Rio Convention' included the adoption of the UN Framework on Climate Change. This convention set out a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases to avoid "dangerous anthropogenic interference with the climate system". The agreement that came out of the 2015 Paris Climate Conference (the "**Paris Agreement**") is universal agreement on climate, with the aim of keeping global warming well below 2°C. The Paris Agreement establishes long-term vision in order to reduce global emissions and phase out carbon from the world's energy sources through deployment of transition to renewable energy within each national energy strategy. On October 5, 2016, the threshold for entry into force of the Paris Agreement was achieved. The Paris Agreement entered into force on November 4, 2016 the first session of the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement took place in Marrakech, Morocco in November 2016. In December 2016, the federal government released the Pan-Canadian Framework on Clean Growth and Climate Change. This framework calls for carbon charges starting in 2018 that would continue to escalate until 2022 to help Canada meet the Paris Agreement.

### RENEWABLE POWER IN CANADA

Over the past few years, the significant growth in renewable power generation in Canada has resulted from public concern over nuclear power generation, air quality and greenhouse gases; improvements in renewable energy technologies; and shorter construction lead times for some renewable energy projects. Renewable electricity generation in Canada is also supported by federal and provincial incentives such as long-term fixed price contracts, accelerated depreciation and renewable portfolio standards ("**RPS**"), which are explained below.

While these favourable underlying fundamental factors should support the growth of renewable power generation over the long term, a number of factors may reduce the short-term demand for renewable power in Canada. These include electricity surpluses of some public utilities and the abundance of shale gas, which has resulted in much lower prices for natural gas, one of the fossil fuel sources of electricity production.

In response to the long-term trend toward stronger environmental protection policies, many provincial governments have introduced RPS, which typically set a target for an increased component of renewable energy in their electricity generation supply mix, in order to reduce greenhouse gas emissions over time. These RPS typically reflect the distinct resource issues associated with electricity generation, given the provinces' respective electricity industry structures and geographical conditions. While RPS are sometimes applied and implemented as goals or targets rather than mandatory requirements, provincial authorities or their utilities are using RPS source renewable generation resources and, in some cases, offer PPAs through competitive bidding processes. The competitive bidding process seeks to ensure that the RPS are achieved at the lowest possible cost and with the highest probability of project completion. By simplifying the negotiation and financing processes and decreasing the transactional costs for obtaining a long-term PPA, these mechanisms can contribute to meeting renewable energy generation goals.

In Canada, provincial governments are responsible for the management of natural resources within their borders. Therefore, most targets for renewable energies are determined by the provinces. Several provinces have set a specific target percentage of electricity to be generated from renewable sources, including:

- British Columbia – 100% of total electricity from clean or renewable resources;
- Alberta – having 30% of the electricity in the Province be sourced from renewable sources by 2030;
- Saskatchewan – to generate 50% of its electricity from renewable energy by 2030;
- Québec – increasing total renewable energy production by 25% by 2030.

Canada enjoys a unique abundance of hydrological resources. With an estimated installed hydroelectric capacity of more than 75,000 MW, it is the third largest hydroelectric energy producer in the world. Furthermore, according to the Canadian Hydropower Association, the country has an undeveloped, technically feasible potential estimated at 160,000 MW. Despite the competition for appropriate sites and the challenges associated with power transmission over great distances, the low operational costs and long project lives of these facilities suggest that hydroelectric power generation will remain a major affordable supply source for many years. Transmission corridors in Canada have traditionally run directly from major generation facilities to major demand centres, meaning that strategic investments in new transmission corridors will play an important role in the development of hydroelectric projects and other isolated renewable energy generation projects.

Over the last few years, according to the National Energy Board, wind power has become commercially viable and has emerged as the fastest growing segment of the renewable power industry in Canada. The Canadian Wind Energy Association ranks Canada as the seventh largest producer of wind energy in the world, with an installed wind power capacity of more than 11,898 MW. In 2016, 21 wind projects were completed in Canada adding 702 MW of new wind energy commissioned in line with its objective to commission 1,500 MW of new wind energy annually over the next few years. Several reasons explain the robustness of the wind energy industry, including the improving cost-competitiveness of wind energy due to economies of scale and technological improvements, provincial RPS, relatively short construction timelines, favourable wind resources, including strong winds across a wide range of rural areas and vast shorelines, and provincial renewable RFPs. The usual challenges of resource availability and transmission exist in Canada and, in some areas, access to transmission lines with available capacity is an economic or regulatory consideration.

A solar energy industry has emerged in Canada in recent years, and future growth is focused on the opportunities in the Prairies. According to CanSIA, by the end of 2015, Canada had more than 2,500 MW of cumulative installed solar electricity capacity. In 2015 alone, a record 700 MW was added, earning Canada a place in the top-ten largest national markets globally. Production costs for solar energy continue to decline rapidly thanks to technological improvements and economies of scale.

#### [RENEWABLE POWER IN SOME OTHER MARKETS](#)

In the United States, the Corporation will continue to selectively assess potential opportunities in light of the existence of RPS in several states and the increasing procurement of renewable energy. According to the US Energy Information Association, electricity generation from renewable energy is expected to rise from 13% in 2013 to 18% by 2040, with nearly 70 GW of new wind and solar PV capacity expected to be added from 2017–2021, encouraged by declining capital costs and the availability of tax credits. In many markets across the US, wind and solar energy are already among the least costly new generation sources, even compared with currently low-cost natural gas.

In developing economies in Latin America, demand for electricity remains strong and governments are seeking to increase the production of renewable energy, of which they have an ample supply. More economically mature countries in Europe have adopted ambitious GHG emissions reduction targets and governments are seeking to reduce their dependency on conventional forms of generation, both of which developments require a greater proportion of renewable energy in these countries' energy portfolios. There are a number of markets to which the Corporation believes it can largely transpose its business model for developing and operating renewable energy assets.

In 2016, the Corporation established its presence in France with the acquisition of nine wind farms and, in 2017, it deployed a local development team to secure projects that could be submitted for Feed-in-Tariff contracts and continues to assess a number of other renewable energy opportunities. Since 2007, France has put in place a strategy for the development of renewable energies within its territory. The French on-shore wind market is very active with the objective announced in October 2016 to reach 22,000 MW to 26,000 MW in 2023 from about 12,000 MW in 2016. The Feed-in-Tariff contract structure will be changed to a premium system under which wind farms will sell their electricity directly in the market and will receive a premium under 20-year premium contract for wind farms of up to 6 turbines. The new base is to be finalized in the first quarter of 2017.

## REGULATORY FRAMEWORK OF AND MARKET FOR RENEWABLE POWER IN THE CORPORATION'S KEY MARKETS

### Québec

Hydro-Québec, a corporate agent of the Government of Québec, is one of the largest electricity utilities in North America. Under its incorporating statute, Hydro-Québec is given broad powers to generate, supply, and deliver electric power throughout Québec. Excluding the territories served by municipal or private electric power systems or by a local cooperative, Hydro-Québec is the holder of exclusive electric power distribution rights throughout the territory of Québec.

The Régie de l'énergie, an economic regulation agency, sets and modifies the rates and conditions for, inter alia, the transmission of electric power by the electricity carrier and the distribution of electric power by the electricity distributors in the Province of Québec. To that end, Hydro-Québec must present to the Régie de l'énergie a forecast of the needs of the Québec market for the next ten years as well as the nature of the contracts that Hydro-Québec intends to enter into in order to meet the demand over and above 165 TWh (being the heritage electricity pool which must be supplied by Hydro-Québec). To meet demand in excess of this 165 TWh, Hydro-Québec must enter into supply contracts after conducting Requests for Proposals with interested power suppliers or, in some exceptions further to specific governmental decree, negotiate and enter into a PPA without RFP. The Régie de l'énergie monitors all Requests for Proposals for the supply of energy in Québec.

In 2016, the government of Québec released its new Energy Policy and although it didn't mention specifics regarding small hydro or wind energy, its objectives are consistent with further development of those energies in the foreseeable future.

The Corporation remains confident in the long-term viability of the small hydro and wind energy sectors in this province and has a number of projects that it continues to advance for future renewable energy procurement opportunities. Furthermore, the prices of the recent request for proposals demonstrate the competitiveness of renewable energy in Québec, even in the context of weak fossil fuel prices and large hydroelectric dam procurement capabilities.

### British Columbia

BC Hydro is one of the largest electric utilities in Canada, supplying the majority of power generating capacity in the province. The remaining capacity is provided by investor-owned utilities, large and small industrial self-generators, and independent power producers. BC Hydro has launched various Requests for Proposals over the last 10 years to acquire electricity supply on a competitive basis from independent power producers.

In 2016, BC Hydro announced a review of the Standing Offer Program, which will impact projects coming online after 2019. The review is currently in process. This Program is intended to encourage the development of small and clean energy projects throughout British Columbia and was broadened under the Clean Energy Act. The current program allows for projects using not only just-proven technologies but also near commercial and prototype technologies, and provides for the award of PPAs to projects with a maximum nameplate capacity of up to 15 MW. BC Hydro also adjusted the pricing for projects awarded PPAs under the Standing Offer Program in line with the projects awarded PPAs under the Clean Power Call, with the pricing for each project being based on the region in which the project is located.

In November 2013, BC Hydro released its Integrated Resource Plan, which calls for a number of measures to meet the expected increase in electricity demand, and a set of actions to support a healthy, diverse clean energy sector and to promote clean energy opportunities for First Nations, but provides no specific procurement targets for renewable energy at this time. The province's goals to develop its mining and liquefied natural gas ("LNG") sectors may provide development opportunities for the renewable energy sector. However, the decline of the resource sector and the postponement of several LNG proposals result in lower than expected demand. Construction has commenced on BC Hydro's 1,100 MW Site-C hydroelectric dam project, which is scheduled to reach commercial operation in 2024 and which may reduce some prospects for independent power producers. Site-C is a component of BC Hydro's Integrated Resource Plan, which is scheduled to be updated in 2018. The Integrated Resource Plan is a flexible long-term strategic plan to meet the growth of the province's demand in electricity over the next 20 years.

### Ontario

The Ontario Energy Board regulates residential pricing for power generated from Ontario Power Generation's ("OPG") nuclear and large hydroelectric generation assets and sets annual revenue limits with respect to OPG's coal and smaller hydroelectric generation. The Independent Electricity System Operator, into which the Ontario Power Authority was merged in January 2015, addresses system planning and security of supply in Ontario by reviewing demand and resource reliability forecasts, facilitating supply source investment and diversification, and promoting conservation.

In Ontario, the government canceled the anticipated competitive procurement process, the Large Renewable Procurement II ("LRP II"). The LRP II process began in mid-2016 and was anticipated to conclude in May 2018. However, in September 2016, the Ontario Government announced that procurement targets of 300 MW of wind energy, 140 MW of solar energy, 75 MW for water power, and 50 MW for bioenergy that were set for LRP II will not be fulfilled at this time and has not indicated when renewable energy procurement will recommence in Ontario. The Corporation

has a number of wind and solar projects that it continues to maintain in order to be prepared for future potential procurements.

## France

The Electricity Transmission System (“RTE”), a subsidiary of Électricité de France, is responsible for managing the public high-voltage electricity transmission network in France. RTE operates, maintains and develops very high-voltage power lines and the associate stations, which transport electricity from French production units to industrial customers and to the electricity distributor network.

In 2016, the Corporation established its presence in France with the acquisition of 9 wind farms and in 2017 it deployed a local development team to secure projects that could be submitted for Feed-in-Tariff contracts and continues to assess a number of other renewable energy opportunities. Since 2007, France has put in place a strategy for the development of renewable energies within its territory. The French on-shore wind market is very active with the objective, announced in October 2016, to reach 22,000 MW to 26,000 MW wind capacity in 2023 from about 12,000 MW in 2016. The Feed-in-Tariff contract structure will be changed to a premium system under which wind farms of up to 6 turbines will sell their electricity directly to the market and will receive a premium under a 20-year premium contract. The new base is to be finalized in the first quarter of 2017.

## METHOD OF PRODUCTION

### Hydroelectric Power Generating Process

Run-of-river hydroelectric generation facilities, unlike traditional hydroelectric facilities, do not require the flooding of large areas of land. Hydroelectric power is generated by harnessing the force created as water falls. The difference in elevation between the headpond and the tailrace is referred to as “head” or “operating head”. The energy in the moving water is ultimately converted into electric energy. The water flows through an intake structure and penstock or a tunnel down to a turbine, which is essentially a water wheel. The water spins the turbine and the hydraulic energy is then converted into mechanical energy which is converted into electricity by the generator. The electricity is sent through a transformer where its characteristics are adjusted so that it can be sent along the transmission system.

There are three principal types of hydraulic turbines:

- Kaplan: generally used where there is a low operating head (the difference in elevation between the intake water level and tailrace water level), varying from a few meters to 30 meters.
- Francis: generally used with a medium head, e.g. approximately 30 meters to 200 meters.
- Pelton: generally used where there is a very large head, usually greater than 200 meters.

Below is a list of the principal advantages of hydroelectric power generation.

- Reliability The equipment involved in producing hydroelectric power has relatively few moving parts, resulting in a long life and low maintenance requirements as compared to other generation technologies. Unplanned outage rates for hydroelectric units are among the lowest in the electricity generation industry.
- Low Operating Costs Other than water royalties and licence fees paid to governmental authorities, hydroelectric facilities have minimal fuel costs and therefore minimize the volatility of their cost structures compared to fossil-fuelled plants. In addition, all facilities are mostly unmanned and are remotely monitored most of the time. As a result of these factors and the reliability of hydroelectric equipment, operating expenses for hydroelectric facilities are low and predictable compared to other types of electricity generation technologies.
- Environmentally Preferable Hydroelectric generation produces virtually no greenhouse gas emissions which have significant negative impacts on the environment. Hydroelectric generation creates none of the thermal, chemical, radioactive, water, and air pollution associated with fossil fuel and nuclear generated power. No substantial amount of residual waste is produced during the power generation process; the water is simply returned to the river.
- Low Environmental Impact Small hydroelectric generating facilities, generally defined in Canada as facilities of less than 50 MW, are typically run-of-river facilities that do not have significant reservoir capacity. This reduces the potentially harmful effect of upstream flooding and other environmental impacts that may change the flow of water within a given area.

### Wind Power Generating Process

Electricity generated from wind is becoming an increasingly important source of energy globally, including in North America. Like hydroelectric generation, wind generation is not subject to fuel price volatility and it produces no greenhouse gas or other emissions. Wind turbines can only generate electricity when the wind blows at speeds within a certain operating range.

Energy is produced from the wind power exerted on the blades of a wind turbine which are attached to a central shaft to rotate a generator. Wind turbines are equipped with a control system which optimizes electrical production and adjusts to varying wind speed and direction.

Below is a list of the principal advantages of wind power generation.

Low Operating Costs	Wind farms do not have any fuel costs and use a remote monitoring system that allows for offsite operation and supervision. In addition, improvements to wind turbine technology have increased the efficiency and reliability of wind energy projects. As a result, operating expenses are low compared to many traditional methods of electricity generation.
Lower Construction Risk	Wind farms are relatively simple to construct compared to more traditional electricity generating facilities. A typical wind farm can be constructed within a much shorter time frame than other power facilities, such as hydro, natural gas, nuclear, or coal facilities, which can take several years to complete. As a result, wind farms are less susceptible to risks associated with construction delays and cost overruns.
Reliability	Modern wind turbines are very reliable. Availability, a measure of an electricity generation system's reliability, is calculated as the percentage of time the system is able to operate relative to total time. The difference between the two is largely attributable to maintenance and repairs. Average availability for modern wind turbines is typically approximately 98%.
Environmentally Preferable	Wind farms do not produce any greenhouse gas emissions which have significant negative impacts on the environment. Wind energy generation does not result in thermal, chemical, radioactive, water, and air pollution associated with fossil fuel and nuclear generated power.
Limited Use of Land	Wind farms require only a small percentage of the land they occupy for road access and foundations. The rest of the project's site is available for other uses, such as agriculture, industry, and recreation.

### Solar Photovoltaic Power Generating Process

Solar PV power generating facilities consist of an array of solar panels. These solar panels are made up of smaller solar cells (encased in glass to protect them from the elements), which convert electromagnetic radiation from the sun into electricity by means of semiconductors. The semiconductors use photons of light to knock electrons into a higher state of energy to create electricity (known as the photovoltaic effect).

The electricity produced by solar PV generating facilities is in the form of direct current (unilateral flow of electricity). An inverter is required to convert the direct current electricity to alternating current, which is the type of current upon which most electricity distribution and transmission grids are based.

Below is a list of the principal advantages of solar PV power generation.

Construction and Operating Costs	Solar power generation by solar PV farms is growing all over the world. Solar PV generation costs remain higher in comparison to hydro or wind and still require government incentives for new projects to be built in Canada. However, costs have been decreasing steadily due to efficiencies in technology and in the supply chain. The cost of solar PV modules is becoming more affordable and their reliability has been proven for projects operating for more than 20 years.
Environmentally Preferable	Solar PV farms do not produce any greenhouse gas emissions which have significant negative impacts on the environment. Solar energy generation does not result in thermal, chemical, radioactive, water, and air pollution associated with fossil fuel and nuclear generated power. The visual impact of solar projects is negligible and the lands occupied are fully rehabilitable without any negative impact after the end of the project and most of the equipment, such as racking and modules, can be fully removed and recycled.
Reliable Resource	The sun's availability, in both duration and intensity, is and has generally been monitored for a long period of time and well documented. The yearly variation of the resource lies in the 3% to 4% range.

Construction,  
Operation, and  
Maintenance

Solar PV farms are relatively easy to build and most costs can be quantified in advance of construction. The construction of a solar farm project consists of standard foundation and racking systems, PV modules, wiring, and connection to the power grid. The civil structures are limited to maintenance access roads, fencing, and a small control building.

The maintenance of a solar farm is relatively simple as there are no mechanical components, such as for turbines. Performance of the PV systems is monitored by a supervisory computer system and maintenance is limited to some cleaning and minor repairs.

#### FACTORS AFFECTING RENEWABLE ELECTRICITY PRODUCTION PERFORMANCE

Renewable energy projects, such as run-of-river hydroelectric facilities, wind farms and solar PV farms depend on “fuel” sources which are, by their very nature, variable. Therefore, the level of production on a day-to-day basis is also variable. However, long-term historical records for hydroelectric energy and site-specific measurements for hydro and wind energy allow for a monthly or annual average or “mean” hydrology or wind speed, which in turn allow for electricity production to be estimated using statistical analysis.

Expected annual production for a turbine is calculated as follows:

$$\text{Annual Production (megawatt per hour "MWh")} = \text{Turbine Capacity (MW)} \times \text{No. hours in one year (Hours)} \times \text{Usage Factor (\%)}$$

Expected annual production for a solar PV generation facility is calculated as follows:

$$\text{Annual Production (MWh)} = \text{Panel Capacity (MW)} \times \text{No. hours in one year (Hours)} \times \text{Usage Factor (\%)}$$

Turbine capacity, measured in megawatts, is an indication of the electricity production capability of a turbine. Turbine capacity multiplied by the number of hours in one year (8,760 hours) gives the maximum theoretical annual production of a turbine measured in MWh. Hydro turbines are typically customized based on the characteristics of the site. Current utility-scale land-based wind turbines have a capacity ranging from less than two MW to over three MW.

As operation of the turbine is dependent on water flow or wind speed, a turbine does not operate every hour of the year. Production from solar farms is dependant of the sunlight. The usage factor is a measure of the productivity of an electricity-generating source. It is defined as the percentage of electricity that an electricity-generating source is expected to produce relative to maximum theoretical production in a given period of time. For example, an energy site that has a theoretical maximum production of 100 MWh per year, but actually only produces an average of 30 MWh per year, has a usage factor of 30%. There are a number of factors that preclude a wind or hydro powered electricity-generating turbine or solar panels from operating at their theoretical maximum. The primary factors are water flow, wind speed and irradiance. Therefore, a turbine or solar panels will operate for significant periods of time at power outputs less than the rated capacity. Other factors also affect the usage factor but are generally much less significant. For example, scheduled annual maintenance will reduce the amount of time that equipment is available for production. In addition, there may be periods of unscheduled non-operation resulting from equipment failure.

In general, hydro projects have usage factors ranging from 40% to 70%, wind energy projects have usage factors ranging from 25% to 40% depending on various site-specific factors, and solar PV projects have usage factors from around 10% for fixed thin film technology applications to more than 20% for monocrystalline modules installed with a double axis tracking system.

#### COMPETITIVE CONDITIONS

The Corporation evolves in different competitive environment, whether its renewable energy facilities are in operation or that it initiates development approaches to pursue growth. In 2016, 94% of the Corporation's hydroelectric, wind power and solar power generation activities were achieved in Canada, namely in Québec, British Columbia and Ontario. All of the Corporation's facilities in Canada, in France and in the USA sell the generated power under long-term power purchase agreements (“PPA”), which include a base price and, in some cases, a price adjustment clause; with the exception of facilities with power purchase agreements up to renewal and the Miller Creek facility PPA which is based on a formula using the Platts Mid-C. Therefore, the Corporation has limited exposure to electricity price fluctuations and electricity demand for power where it operates.

The Corporation intends to pursue growth opportunities in the renewable energy sector. As such, in addition to its traditional Canadian markets, it has identified a number of target markets in other provinces of Canada, in the USA, in France and in Latin America. In all of these geographical areas, the Corporation faces competition from large utilities, coal, nuclear, and natural gas electricity producers, other independent power producers and institutions such as investment management funds. Market prices for natural gas and other commodities are important drivers of electricity prices which influence electricity prices from renewable energy. In addition, the Corporation depends on the sale of its power to provincially owned utilities with long-term PPAs that are generally obtained through a competitive procurement process. It may also face competition while seeking to make acquisitions, as the assets up to sale can attract competing bids from other potential acquirers. The Corporation manages the risks posed by such competitive conditions through

its ongoing strategic planning process. These risks are further mitigated by the Corporation's geographically diverse portfolio of projects, its strategy of focusing on low-impact renewable projects and on entering long-term power purchase agreements with a fixed price, its proven track record and its experienced management team.

The growing awareness and concerns over issues such as climate change, access to clean energy, energy security, energy efficiency and environmental impacts of conventional fossil fuel are leading governments around the world to increase their demand for and commitments to the development of renewable energy supply. Moreover, renewable energy production competitiveness has increased drastically in the last decade mainly due to technological advances and falling costs of the main components. Consequently, the Corporation believes that the outlook for the renewable energy industry is promising.

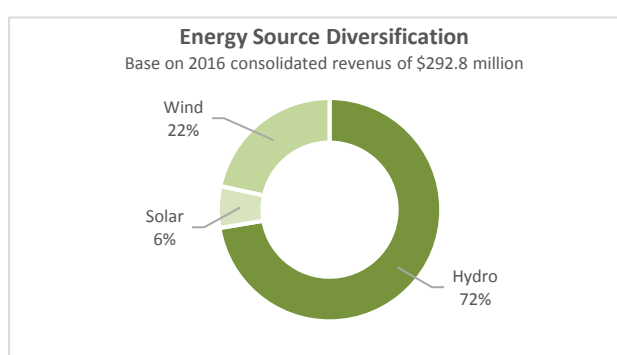
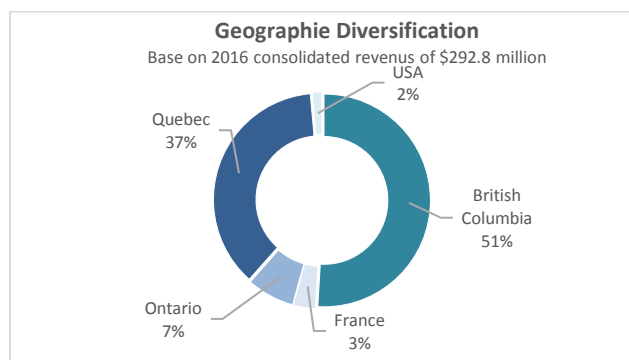
#### ECONOMIC DEPENDENCE

The Corporation does not believe it is substantially dependant on any single contractual agreement. However, the Corporation has identified two major customers. The sales of the Corporation to these two major customers under its various PPAs, represented more than 10% of its 2016 revenues of \$292.8 million (\$246.9 million in 2015):

Major Customer	Credit Rating From Standard & Poor's	Segment	Revenues for the years ended	
			Dec. 31, 2016 \$M	Dec. 31, 2015 \$M
BC Hydro	AAA	Hydroelectric generation	139.1	104.3
Hydro-Québec	A+	Hydroelectric and wind power generation	102.9	104.1

#### SEASONALITY AND CYCLICALITY

The renewable power industry is inherently seasonal due to the industry's dependence on weather for the availability of water, wind and sunlight resources for electrical generation. The Corporation has reduced its exposure to the seasonality of the industry by virtue of the fact that its facilities and projects are geographically diversified (spanning the provinces of Québec, British Columbia and Ontario in Canada, in France and the State of Idaho in the United States). These facilities and projects also offer a mix of energy sources, providing further diversification and thereby reducing the Corporation's dependence on any one resource and any one region.



The renewable power industry is also inherently cyclical due to the high degree of correlation between demand for electricity and general economic conditions. The Corporation has reduced its exposure to the cyclical nature of the industry by virtue of the fact that it has entered into PPAs with terms of 40 years or more with respect to all of its projects under development. Furthermore, the remaining weighted-average life of PPAs for the Corporation's operating facilities was 18.8 years as of December 31, 2016, thereby reducing the Corporation's exposure to variations in the demand for and the price of electricity.

## DESCRIPTION OF THE BUSINESS AND ASSETS OF THE CORPORATION

### GENERAL OVERVIEW - SEGMENT INFORMATION

As of December 31, 2016, the Corporation had four reportable segments: hydroelectric generation, wind power generation, solar power generation and site development. Through its hydroelectric generation, wind power generation and solar power generation segments, the Corporation sells electricity produced by its hydroelectric facilities, wind farms and solar farm in operation to publicly-owned utilities. Through its site development segment, the Corporation analyses potential sites and develops hydroelectric facilities, wind and solar farms up to commissioning stage.

Operation revenues of Corporation by reportable segments, excluding the site development segment which does not generate operation revenues:

Reportable Segments	2016 Operation Revenues		2015 Operation Revenues	
	\$k	% of total revenues	\$k	% of total revenues
Hydroelectric generation	211,881	72%	173,567	70%
Wind power generation	63,238	22%	56,691	23%
Solar power generation	17,666	6%	16,611	7%

### PORTFOLIO OF ASSETS

As of February 23, 2017, the Corporation's portfolio is comprised of interests in three groups of power generating projects: (i) 46 facilities that are in commercial operation (the "**Operating Facilities**"); (ii) two projects for which PPAs have been secured and which are under construction (the "**Development Projects**"); and (iii) numerous projects that are in preliminary development stages, some of which are targeted toward specific current and future Requests for Proposals or standard offer programs or are targeted toward negotiated PPAs with public utilities (the "**Prospective Projects**").

The Corporation intends to continue to own and operate its Development Projects and Prospective Projects as they become operational.

The Corporation's net capacity, measured on an ownership-weighted basis, represents 71.1 MW out of the 106.7 MW gross capacity of its Development Projects and approximately 3,560 MW out of 3,940 MW gross capacity of its Prospective Projects.

The Corporation often teams up with a strategic partner when investigating prospective projects, potential acquisitions or preparing projects in response to a Request for Proposals. When this is the case, the Corporation and the strategic partner will typically share in the ownership of such projects. Some of our current strategic partners are:

- Kanaka Bar Indian Band: owner of 50% of the Kwoiek Creek Facility;
- Ledcor Power Group Ltd. ("**Ledcor**"): owner of 33.3% of the Fitzsimmons Creek Facility, the Boulder Creek and Upper Lillooet Development Projects and various other prospective projects;
- The three Mi'gmaq communities of Québec: owner of 50% of the interest in the Mesgi'g Ugu's'n (MU) Wind Farm;
- Ojibways of the Pic River First Nation; owner of 51% of the Umbata Falls Facility;
- Regional County Municipality of Rivière-du-Loup: owner of 50% of the Viger-Denonville Wind Farm;
- Regional County Municipality of Minganie: owner of 30% of the voting rights of Magpie Limited Partnership;
- TransCanada Energy Ltd. ("**TransCanada**"): undivided co-owner of 62% of the Cartier Wind Farms;
- CC&L Harrison Hydro Project Limited Partnership, LPF (Surfside) Development L.P. and Cloudworks Holdings Inc. respectively own: 34.9891%, 14.9985% and 0.01% of Harrison Hydro Limited Partnership;
- Cayoose Creek Development Corporation: owner of 49% of the interest in the Walden Facility;
- Desjardins Group Pension Plan: owner of 30.45% of the interest in the wind farms located in France and of 49.99% of the SM-1 Facility.



## OPERATING FACILITIES

Our Operating Facilities are located in five regional markets: the provinces of British Columbia, Ontario, and Québec, in France and the State of Idaho. In each of these regional markets, the sole power purchasers for all the power produced by the Corporation are respectively, BC Hydro, Hydro One Network Inc. and its affiliates, Hydro-Québec, Idaho Power Company, Électricité de France and S.I.C.A.E. Oise, all of which are investment grade counterparties except for S.I.C.A.E. Oise which is not rated. The interests in 19 of our operating facilities are solely owned by the Corporation. All the other facilities are held through various ventures with strategic partners or investors. The table beside shows the Corporation's operating facilities gross and net capacity as at February 23, 2017. Net capacity represents the proportional share of the total capacity attributable to Innergex, based on its ownership interest in these facilities. The remaining capacity is attributable to the partners' ownership share.

### OPERATING FACILITIES AS AT FEBRUARY 23, 2017

<b>Hydro</b>	
Gross Capacity	624.8 MW
Net Capacity	487.7 MW
<b>Wind</b>	
Gross Capacity	918.2 MW
Net Capacity	418.6 MW
<b>Solar</b>	
Gross Capacity	33.2 MW
Net Capacity	33.2 MW
<b>Total:</b>	
Gross Capacity	1,576.2 MW
Net Capacity	939.4 MW

All operating facilities of the Corporation are operating under long-term fixed price PPAs, with the exception of the Miller Creek PPA price which is based on the Platts Mid C Index, the Saint-Paulin Facility and the Windsor Facility PPAs which have reached the end of their respective initial 20-year term in November 2014, January 2016 and the Brown Lake PPA which has reached the end of its 20-year term in December 2016. The Corporation pursues negotiations with BC Hydro for a PPA renewal of the Brown Lake Facility and has sent to Hydro-Québec a notice of automatic renewal of the Saint-Paulin and the Windsor PPAs for an additional 20-year term. Following initial discussions, the Corporation and Hydro-Québec could not reach an agreement on the renewal terms and conditions of the Saint-Paulin and Windsor PPAs and the Corporation subsequently filed notices of arbitration. The Corporation has agreed with Hydro-Québec to suspend its arbitration proceeding of the Saint-Paulin PPA until a decision is made in another arbitration proceeding already under way between Hydro-Québec and other independent power producers. In the meantime, Hydro-Québec has agreed to maintain the terms and conditions of the Saint-Paulin PPA until 30 days following the decision in this other arbitration proceeding.

## OPERATING HYDROELECTRIC FACILITIES

The Corporation owns interests in 29 operating hydroelectric facilities which have an aggregate net installed capacity of 487.7 MW (gross 624.8 MW) out of which nine are located in the Province of Québec, three in Ontario, 16 in British Columbia and one in Idaho, USA. They are all fully automated and may be operated locally or remotely, except for the Walden Facility which was acquired on February 25, 2016.

### Hydroelectric Facilities Located in Québec

The nine run-of-river hydroelectric power generating facilities of the Corporation located in the Province of Québec have an aggregate capacity of 136.6 MW and are further described in the following table.

HYDROELECTRIC FACILITIES LOCATED IN QUÉBEC							
Name of the facilities	Gross Capacity (MW)	Equity Interest	Estimated Long Term Average Production (MWh)	COD	PPA term (years)	PPA Expiry	Average Price of Electricity in 2016 (\$ per MWh)
Saint-Paulin <sup>(1)</sup>	8.0	100%	41,082	1994	20	2034	80.36
Windsor <sup>(2)</sup>	5.5	100%	31,000	1996	20	2036	58.36
Chaudière <sup>(3)</sup>	24.0	100%	116,651	1999	20	2019	97.32
Montmagny <sup>(3)</sup>	2.1	100%	8,000	1996	25	2021	97.67
Portneuf - 1 <sup>(3)</sup>	8.0	100%	40,822	1996	25	2021	88.41
Portneuf - 2 <sup>(3)</sup>	9.9	100%	68,496	1996	25	2021	88.41
Portneuf - 3 <sup>(3)</sup>	8.0	100%	42,379	1996	25	2021	88.41
Magpie <sup>(3)</sup>	40.6	99.996%	185,000	2007	25	2032	58.19 <sup>(4)</sup>
SM-1 <sup>(3) (5)</sup>	8.5 22.0	50.01%	166,500	1993 2002	25 25	2018 2027	74.22
<b>Total:</b>	<b>136.6</b>		<b>699,930</b>				

- (1) The PPA for the 8.0 MW Saint-Paulin Facility reached the end of its initial 20-year term in November 2014. The Corporation sent to Hydro-Québec a notice of automatic renewal of the PPA for an additional 20-year term. Following initial discussions, the Corporation and Hydro-Québec could not reach agreement on the renewal terms and conditions and the Corporation subsequently filed a notice of arbitration. The Corporation has agreed with Hydro-Québec to suspend its arbitration proceeding until a decision is made in another arbitration proceeding already under way between Hydro-Québec and other independent power producers. In the meantime, Hydro-Québec has agreed to maintain the terms and conditions of the Saint-Paulin PPA until 30 days following the decision in this other arbitration proceeding.
- (2) The Windsor Facility PPA reached the end of its initial 20-year term in January 2016 and the Corporation sent to Hydro-Québec a notice of automatic renewal of the PPA for an additional 20-year term. Following initial discussions, the Corporation and Hydro-Québec could not reach an agreement on the renewal terms and conditions and subsequently filed a notice of arbitration which is following its course.
- (3) The price of the delivered electricity payable by Hydro-Québec is based on a formula with a base price set forth in each of the PPAs and is adjusted annually in accordance with the inflation rate of the consumer price index for Canada ("CPI"), subject to a minimum increase of 3% per annum and a maximum increase of 6% per annum, except the one for the Magpie Facility which is adjusted annually at a rate of 1% and for the second PPA of SM-1 which is adjusted annually at a rate of 2%.
- (4) The Magpie Facility is certified by EcoLogo and benefit from the ecoENERGY Initiative from the Federal Government for renewable energy providing for an incentive payment of \$10 per MWh for its first ten years of operations ("ecoENERGY Initiative"), which is included in the price.
- (5) The SM-1 Facility has two PPAs totalling 30.5 MW.

### Additional specific information regarding certain facilities described above

#### PPA and Leases renewal clauses

- Both the Chaudière Facility lease and PPA are renewable for a further period not to exceed 20 years.
- The Portneuf Facilities PPA is renewable for a further period not to exceed 25 years.
- The SM-1 Facility has two PPAs. The PPAs are renewable for an additional period not to exceed 25 years.

*Ownership transfer of facility upon termination of leases or end of PPA*

- The Saint-Paulin Facility site is subject to a superficies lease (the initial period of which expired in November 2014, which was renewed for an additional period ending in 2034) and upon termination of the lease and other improvements erected on the site will become the ownership of the beneficial owner of the Site.
- The Windsor Facility site and the hydraulic forces are subject to an emphyteutic lease ending in 2036 and upon termination of the emphyteutic lease and other improvements erected on the site will become the ownership of the owner of the land.
- The Portneuf Facilities are subject to an emphyteutic lease expiring in December 2025 and which may be renewed for an additional 25-year period and upon expiry or other termination of the emphyteutic lease, the Portneuf Facilities and other improvements erected on the premises will become the ownership of the landlord.
- Upon termination of the lease, the Magpie Facility and other improvements located on the site will become the property of the Minister of Natural Resources and Wildlife and the Minister of Sustainable Development, Environment and Parks, unless such ministers waive such right.

*Shared ownership of equity interest*

- The Minganie RCM holds 30% of the voting units and 0,004% of the common units of Magpie Limited Partnership, as well as an interest bearing convertible debenture which entitles the Minganie RCM to a 30% interest in the Magpie Facility upon its conversion on or before January 1, 2025.
- The SM-1 Facility is owned by Innergex Sainte-Marguerite, S.E.C., of which the Corporation and the Desjardins Group Pension Plan respectively own 50.01% and 49.99% of its common units.

Hydroelectric Facilities Located in Ontario

The Corporation holds interests in three run-of-river hydroelectric power generating facilities located in Ontario with a total aggregate capacity of 36 MW out of which two facilities are solely owned by the Corporation.

HYDROELECTRIC FACILITIES LOCATED IN ONTARIO							
Name of the facilities	Gross Capacity (MW)	Equity Interest	Estimated Long Term Average Production (MWh) <sup>(1)</sup>	COD	PPA term (years)	PPA Expiry	Average Price of Electricity in 2016 <sup>(2)</sup> (\$ per MWh)
Glen Miller	8.0	100%	41,606	2005	20	2025	68.48
Umbata Falls	23.0	49%	53,461	2008	20	2028	84.93 <sup>(3)</sup>
Batawa	5.0	100%	32,938	1999	30	2029	62.97
<b>Total:</b>	<b>36</b>		<b>128,005</b>				

- (1) The Umbata Falls Facility represents 49% of the long-term average.  
 (2) The price of the delivered electricity payable by the Ontario Power Authority ("OPA") or its affiliates is based on a formula with a base price set forth in each of the PPAs and is adjusted annually in accordance with a formula based on a portion of the inflation rate of the CPI.  
 (3) The Umbata Falls Facility is certified by EcoLogo and benefits from the ecoENERGY Initiative providing for an incentive payment of \$10 per MWh for its first ten years of operations included in the price.

**Additional specific information regarding certain facilities described above**

*PPA and Leases renewal clauses*

- The Glen Miller Facility is subject to a lease expiring in 2035 with a 15-year extension option subject to renewal of the Glen Miller Facility's PPA for such period.
- The Batawa Facility is subject to a licence to occupy land and it holds a licence to occupy land and use of surplus water ending in 2030, which is renewable on conditions to be determined 4-6 years prior to the expiry and following the end of its initial term, the Batawa Facility PPA will remain valid until one year following a termination notice.

*Ownership transfer of facility upon termination of leases or end of PPA*

- Upon expiration of the lease agreement, the Glen Miller Facility will be transferred to the landlord for no further consideration.
- 25 years following COD, Umbata Falls LP will be dissolved and its property and assets will be transferred to the Ojibways of the Pic River First Nation.

*Shared ownership of equity interest*

- The Umbata Falls Facility is owned by Umbata Falls LP, 49% of which is indirectly owned by the Corporation and the remaining 51% is owned by the Ojibways of the Pic River First Nation.

Hydroelectric Facilities Located in British Columbia

The Corporation owns interests in sixteen hydroelectric run-of-river generating power facilities in British Columbia with a combined installed capacity of 442.7 MW out of which five facilities are solely owned by the Corporation. The other facilities interests are held through various ventures.

HYDROELECTRIC FACILITIES LOCATED IN BRITISH COLUMBIA							
Name of the facilities	Gross Capacity (MW)	Equity Interests	Estimated Long Term Average Production (MWh) <sup>(1)</sup>	COD	PPA term (years)	PPA Expiry	Average Price of Electricity in 2016 <sup>(2)(3)</sup> (\$ per MWh)
Brown Lake	7.2	100%	51,800	1996	20	2016 <sup>(4)</sup>	76.29
Miller Creek	33.0	100%	102,795	2003	20	2023	23.07
Rutherford Creek	49.9	100%	180,000	2004	20	2024	58.18
Ashlu Creek	49.9	100%	265,000	2009	40	2039	71.16
Douglas Creek	27.0	50.0024%	92,610	2009	40	2049	90.08
Fire Creek	23.0	50.0024%	94,175	2009	40	2049	91.69
Lamont Creek	27.0	50.0024%	105,173	2009	40	2049	90.70
Stokke Creek	22.0	50.0024%	87,990	2009	40	2049	90.44
Tipella Creek	18.0	50.0024%	69,942	2009	40	2049	91.47
Upper Stave River	33.0	50.0024%	144,406	2009	40	2049	90.88
Fitzsimmons Creek	7.5	66.67%	33,000	2010	40	2050	95.19
Kwoiek Creek	49.9	50%	223,400	2014	40	2054	75.19
Northwest Stave River	17.5	100%	63,300	2013	40	2053	105.25
Tretheway Creek	21.2	100%	81,000	2015	40	2055	100.84
Walden	16.0	51%	35,000	1993	ND <sup>(5)</sup>	ND <sup>(5)</sup>	63.25
Big Silver Creek	40.6	100%	139,800	2016	40	2056	142.16
<b>Total:</b>	<b>442.7</b>		<b>1,769,391</b>				

(1) In accordance with revenue recognition accounting rules under IFRS.

(2) The price of the delivered electricity payable by BC Hydro is fixed in each of the PPAs and is adjusted annually in accordance with a formula based on a portion of the inflation rate of the CPI, except for the Brown Lake PPA which was provided with an annual power rate increase of 3% and the Miller Creek PPA which is based on a formula using the Platts Mid-C pricing index.

(3) The Ashlu Creek, Fitzsimmons Creek, Douglas Creek, Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River hydroelectric facilities are certified by EcoLogo and benefit from the ecoENERGY Initiative providing for an incentive payment of \$10 per MWh for their first ten years of operations.

(4) The Brown Lake Facility PPA reached the end of its initial 20-year term in December 2016. The Corporation and BC Hydro signed a temporary extension agreement while it pursues negotiations with BC Hydro as part of the normal course of a PPA renewal.

(5) ND means not disclosed.

### **Additional specific information regarding certain facilities described above**

Water Rights: In British Columbia the rights for the use of water to operate hydro electricity production facilities are mainly granted pursuant to conditional water licences issued by the Minister of Forest, Land and Natural Resources Operations to the beneficial owner of the land, under the Water Act (British Columbia), for a duration generally in accordance with the PPA.

#### *PPA and Leases renewal clauses*

- The Brown Lake Facility which has reached the end of its 20-year term in December 2016. The Corporation pursues negotiations with BC Hydro for a PPA renewal of the Brown Lake Facility.
- The Miller Creek Facility is subject to a lease expiring in January 2038 and statutory right of ways and following the end of its initial term, the Miller Creek Facility PPA is subject to two consecutive five-year renewals at BC Hydro's option.

#### *Ownership transfer of facility upon termination of leases or end of PPA*

- The assets of the Ashlu Creek Facility will be transferred to the Squamish First Nation for a nominal price after 40 years from COD.
- Ownership of the Douglas Creek Facility will be transferred, on the 60<sup>th</sup> anniversary of COD to the Douglas First Nation band ("**DFN**") for no further consideration.
- Ownership of the Tipella Creek Facility will be transferred, on the 60<sup>th</sup> anniversary of COD to the DFN for no further consideration.
- Forty years after COD of the Kwoiek Creek Facility, the Corporation's ownership interests will be transferred to Kwoiek Creek Resources Inc. Subsequently, the Corporation will receive a royalty based on a percentage of the gross revenues less operation costs.
- Upon expiry of the Tretheway Creek Facility PPA, the Corporation will transfer its 50% interest to the Chehalis Indian Band.
- In 2056, the Corporation will sell to the Cayoose Creek Development Corporation for a consideration of 1\$ 50% of the common units it holds in the Cayoose Creek Power Limited Partnership and its interests in the general partner, Cayoose Creek Power Inc.

#### *Shared ownership of equity interest*

- The Fitzsimmons Creek Facility is owned by Fitzsimmons Creek Hydro Limited Partnership which is indirectly held by the Corporation at 66.7% and 33.3% by Ledcor.
- The Kwoiek Creek Facility is owned by Kwoiek Creek Resources Limited Partnership, of which Kwoiek Creek Resources Inc. and the Corporation each own 50% of the limited partnership common units.

#### *The Harrison Operating Facilities*

The Corporation indirectly owns a 50.0024% interest in the Douglas Creek, Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River operating hydroelectric facilities having a combine gross installed capacity of 150 MW (the "**Harrison Operating Facilities**") through ownership of 50.0024% of limited partnership units of Harrison Hydro Limited Partnership ("**HHLP**"), and of 50% of the shares of Cloudworks Holdings Inc. ("**CHI**"), the sole shareholder of Harrison Hydro Inc. the general partner of HHLP. The balance of the limited partnership units of HHLP are owned by CC&L Harrison Hydro Project Limited Partnership ("**CC&L**") (34.9891%), LPF (Surfside) Development L.P. (14.9985%) and CHI (0.01%). The balance of the shares of CHI (50%) is owned by the general partner of CC&L. All of the Harrison Operating Facilities connect to BC Hydro's high voltage transmission system at a shared substation they collectively own (the "**Shared Substation**") located next to BC Hydro's Upper Harrison Terminal (the "**UHT**"). The Northwest Stave River, the Tretheway Creek and the Big Silver Creek Facilities also interconnect at the Shared Substation to the UHT pursuant to an Interconnection Agreement entered into between Northwest Stave River Hydro Limited Partnership, Tretheway Creek Power LP, Big Silver Creek LP and all of the Harrison Operating Facilities and other related parties.

The Shared Substation is located on Douglas Indian Band Reserve No. 8 and the land rights for the Shared Substation are secured pursuant to a sublease from an entity owned by the Douglas Indian Band which expires in August 2104.

### [Hydroelectric Facility located in Idaho, USA](#)

The Corporation holds interests in one run-of-river hydroelectric facility located in Idaho with a total aggregate capacity of 9.5 MW which is solely owned by the Corporation.

HYDROELECTRIC FACILITY LOCATED IN IDAHO, USA							
Name of the facility	Gross Capacity (MW)	Equity Interests	Estimated Long Term Average Production (MWh)	COD	PPA term (years)	PPA Expiry	Average Price of Electricity in year 2016 <sup>(1)</sup> (\$ per MWh)
Horseshoe Bend	9.5	100%	46,800	1995	35	2030	90.18

(1) The price of the delivered electricity payable by the Idaho Power Company is set forth in the PPA and is adjusted based on a formula provided therein.

### Additional specific information regarding the facility described above

#### *PPA and Leases renewal clauses*

- The Horseshoe Bend Facility's water rights are licenced by the Idaho Department of Water Resources and are subject to review on or after May 21, 2036.

### OPERATING WIND FARMS

As of February 23, 2017, the Corporation owns interests in 17 operating wind farms which have an aggregate net installed capacity of 418.6 MW (gross 918.2 MW) out of which 7 are located in the Province of Québec and ten in France.

### [Wind Farms Located in Québec](#)

The Corporation owns interests in seven wind farms in the Province of Québec, with an aggregate net installed capacity of 310.9 MW (gross 764.1 MW).

WIND FARMS LOCATED IN QUÉBEC							
Name of the wind farms	Gross Capacity (MW)	Equity Interests	Estimated Long Term Average Production (MWh) <sup>(1)</sup>	COD	PPA term (years)	PPA Expiry	Average Price of Electricity in year 2016 <sup>(2)</sup> (\$ per MWh)
Baie-des-Sables	109.5	38%	113,360	2006	20	2026	87.79
L'Anse-à-Valleau	100.5	38%	113,240	2007	20	2027	87.54
Carleton	109.5	38%	129,398	2008	20	2028	89.72
Montagne Sèche	58.5	38%	73,492	2011	20	2031	74.43
Gros-Morne	211.5	38%	247,000	2011 2012 <sup>(3)</sup>	21	2032	70.26
Viger-Denonville	24.6	50%	36,200	2013	20	2033	149.47
Mesgi'g Ugu's'n	150.0	50%	562,500	2016	20	2036	33.49
<b>Total:</b>	<b>764.1</b>		<b>1,275,190</b>				

(1) In accordance with revenue recognition accounting rules under IFRS, except for Viger-Denonville Wind Farm where it represents 50% of long-term average.

(2) The price payable by Hydro-Québec under each of the seven Québec Wind Farms PPAs is fixed and calculated in accordance with their respective terms and conditions with an annual increase formula based on a portion of the CPI. The Baie-des-Sables, L'Anse-à-Valleau and Carleton wind farms benefit from the ecoENERGY Initiative providing for an incentive payment of \$10 per MWh for their first ten years of COD and are included in the average price of electricity. As per the PPA of the Baie-des-Sables, L'Anse-à-Valleau and Carleton wind farms, the Corporation must transfer 75% of the wind energy farms subsidies to Hydro-Québec. Gross ecoENERGY subsidies are included in the average price of electricity.

(3) Construction of the Gros-Morne Wind Farm was performed in two phases: phase I for 100.5 MW was brought to COD in 2011 and phase II 111 MW in 2012.

## Additional specific information regarding certain wind farms described above

### Shared ownership of equity interest

- The Corporation and TransCanada respectively own, through various single purpose entities, as undivided co-owners, 38% and 62% of the Carleton, L'Anse-à-Valleau, Baie-des-Sables, Montagne Sèche Wind Farm and Gros-Morne Wind Farms (collectively, the "Cartier Wind Farms").
- The Corporation and the Municipalité régionale de comté de Rivière-du-Loup each own a 50% equity interest in the Viger-Denonville Wind Farm.
- The Mesgi'g Ugju's'n (MU) Wind Farm is owned by Mesgi'g Ugju's'n (MU) LP, the general partner is Mesgi'g Ugju's'n (MU) Wind Farm Inc. Each of the Corporation and Mesgi'g Ugju's'n Energies Inc. (a corporation held by the Mi'gmaq communities of Québec) owns 50% of the voting units of the Mesgi'g Ugju's'n (MU) LP and of its general partner.

### Wind Farms Located in France

As of February 23, 2017, the Corporation owns interests in ten wind farms all located in France, with an aggregate net installed capacity of 107.7 MW (gross 154.8 MW).

WIND FARMS LOCATED IN FRANCE							
Name of the wind farms	Gross Capacity (MW)	Equity Interests	Estimated Long Term Average Production (MWh)	COD	PPA term (years)	PPA Expiry	Average Price of Electricity in year 2016 <sup>(1)</sup> (€ per MWh)
Antoine	8.0	69.55%	16,000	2010	15	2025	132.09
Beaumont	25.0	69.55%	47,100	2015	15	2030	122.14
Bois d'Anchat	10.0	69.55%	22,000	2014	15	2029	122.34
Cholletz	11.8	69.55%	21,800	2015	15	2030	122.12
Longueval	10.0	69.55%	18,350	2009	15	2024	132.68
Porcien	10.0	69.55%	19,050	2009	15	2024	133.73
Vallottes	12.0	69.55%	25,100	2010	15	2025	128.72
Montjean	12.0	69.55%	36,400	2016	15	2031	122.52
Theil-Rabier	12.0	69.55%	37,600	2016	15	2031	122.52
Yonne	44.0	69.55%	100,400	2017	15	2032	-
<b>Total:</b>	<b>154.8</b>		<b>343,800</b>				

(1) The Wind farms located in France benefit from the 2008 Feed-in Tariff. The tariff that applies at the effective date of the contract is 8.2 c / KWh, multiplied by the evolution of the index of French hourly labour costs in the mechanical and electrical industries (50%) and the index of French industrial production costs (50%), both as of the last known values of each on January 1st of the year of the request of the contract. Thereafter, 60% of this tariff is further indexed every November 1st- 40% to the evolution of the index of French hourly labour costs in the mechanical and electrical industries and 20% to the evolution of the index of French industrial production costs, both as of the last known values of each on November 1st of the given year. After the tenth year of operation, there is a potential downward adjustment to the tariff if the adjusted average annual full load hours for the last median eight years (eliminating the highest and lowest years) exceeds 2400 hours (equivalent to a capacity factor of 27.4%).

## Additional specific information regarding certain wind farms described above

### Shared ownership of equity interest

- The ten wind farms located in France are owned by wholly owned foreign subsidiaries of Innergex Europe (2015) Limited Partnership. The Corporation and Desjardins respectively own 69.55% and 30.45% interest in Innergex Europe (2015) Limited Partnership.

## OPERATING SOLAR FARM

### [Solar Farm Located in Ontario](#)

The Corporation holds interests in one solar farm located in Ontario with a total aggregate capacity of 33.2 MW, which is solely owned by the Corporation.

SOLAR FARM LOCATED IN ONTARIO							
Name of the solar farm	Gross Capacity (MW)	Equity Interests	Estimated Long Term Average Production (MWh)	COD	PPA term (years)	PPA Expiry	Average Price of Electricity in year 2016 (\$ per MWh)
Stardale	33.2	100%	37,892	2012	20	2032	420.00

## DEVELOPMENT PROJECTS

As of the date of this Annual Information Form, the Corporation had interests in 2 projects: the Upper Lillooet River and Boulder Creek, which are expected to reach commercial operation in the first and second quarter of 2017, respectively. The Development Projects represent an aggregate potential net installed capacity of 71.1 MW (gross 106.7 MW). All of the Development Projects are set forth in the following table and further described below:

Province	Projects	Expected gross installed Capacity (MW)	Equity Interest	Estimated Construction Costs <sup>(1)</sup> (\$M)	Power Purchaser	Estimated Gross Long Term Average <sup>(1)</sup> (MWh)	Expected Commercial in Service Date	PPA Term (years)
<b>Hydroelectric Projects</b>								
BC	Boulder Creek	25.3	66.67%	124.1	BC Hydro	92,500	2017	40
BC	Upper Lillooet River	81.4	66.67%	327.1	BC Hydro	334,000	2017	40
<b>Total:</b>		<b>106.7</b>		<b>451.2</b>		<b>426,500</b>		

(1) This information is intended to inform the reader of the project's potential impact on the Corporation's results. The actual results may vary. See "Forward-Looking Information".

## HYDROELECTRIC DEVELOPMENT PROJECTS

### [Boulder Creek Project \(BC - 66.67% ownership\)](#)

#### Description

Boulder Creek Project is a run-of-river hydroelectric project owned by Boulder Creek LP with a potential installed capacity of 25.3 MW and an expected yearly output of approximately 92,500 MWh (the "**Boulder Creek Project**"). It is located on Boulder Creek in the Lillooet River drainage basin, approximately 60 km northwest of Pemberton, British Columbia.

The Boulder Creek Project will divert partial flows from the creek through an intake structure to a 2.9 kilometer ("**km**") sloped tunnel including approximately 640 m of steel liner followed by approximately 25 m long pressure penstock to two 12.7 MW vertical Pelton turbines and generating equipment located in the powerhouse. The powerhouse will also contain all necessary ancillary equipment including protection, controls, switchgear and communications.

The transmission line consists of a line approximately 0.5 km long that taps into a 230 kV line constructed for the use of both the Boulder Creek Project and the Upper Lillooet Project.

Construction of the Boulder Creek Project commenced in 2013 and commercial operation is expected to commence in second quarter of 2017.

Forty years after the COD of the Boulder Creek Project, Boulder Creek LP will transfer to Mount Currie Indian Band, at no cost, forty percent of the participation in the Boulder Creek Project.



### Site and Water Rights

Licences of occupation for the lands in the project area, water licence and the majority of all permits necessary for the construction of the project have been obtained. Upon completion of the project, Boulder Creek LP expects to lease the area of land upon which the powerhouse is located and to obtain statutory right of ways for the substation, penstock, tunnel, intake, and transmission line areas. Once each of the lease and right of way tenures are in place, the corresponding licence of occupation will be released.

### Power Purchase Agreement

The Boulder Creek Project has a PPA with BC Hydro for all the power that it will produce, expiring 40 years following the COD and subject to customary termination provisions in the event of material breach of the agreement. Initially, BC Hydro had the right to terminate the PPA in the event the Boulder Creek Project has not reached commercial operation by July 1, 2017, subject to any extensions for force majeure as provided in the PPA, not to exceed 180 days. On December 23, 2015, BC Hydro extended this July 1, 2017 date by 98 days, due to a forest fire that affected the Boulder Creek Project in July 2015. For more details, see "General Development of the Business – Three-Year Summary – Financial Year 2015".

The price payable by BC Hydro under the PPA is calculated in accordance with the PPA and provides for an increase equal to the CPI on January 1<sup>st</sup> of each year up to the commercial operation occurs and, thereafter, for an increase equal to 10% of the CPI. Under the PPA, BC Hydro is entitled to all rights, titles and interests in and to any environmental attributes which the Boulder Creek Project may receive.

### [Upper Lillooet River Project \(BC - 66.67% ownership\)](#)

#### Description

Upper Lillooet River Project is a run-of-river hydroelectric project owned by Upper Lillooet LP with a potential installed capacity of 81.4 MW and an expected yearly output of approximately 334,000 MWh (the "**Upper Lillooet River Project**"). It is located on the Lillooet River, a tributary of the Fraser River, approximately 60 km northwest of Pemberton, British Columbia.

The Upper Lillooet plant will divert partial flows from the river, through an intake structure directly into a 2.5 km long tunnel followed by a 1.6 km high pressure penstock to the three 24.5 MW horizontal Francis turbines and a smaller turbine of 8 MW and generating equipment located in the powerhouse. The powerhouse also contains all necessary ancillary equipment including protection, controls, switchgear and communications.

The transmission line is approximately 72 km long (approximately 68 km of such transmission line will share use with Boulder Creek Project).

Construction of the Upper Lillooet River Project commenced in 2013 and commercial operation is expected to commence in the first quarter of 2017.

Forty years after COD of the Upper Lillooet River Project, Upper Lillooet LP will transfer to Mount Currie Indian Band, at no cost, forty percent of the participation (shares and/or units) in the Upper Lillooet River Project.

### Site and Water Rights

Licences of occupation for the lands in the project area, water licence and the majority of all permits necessary for the construction have been obtained. Upon completion of the Upper Lillooet River Project, Upper Lillooet LP expects to lease the area of land upon which the powerhouse is located and to obtain statutory right-of-ways for the substation, penstock, tunnel, intake, and transmission line areas. Once each of the lease and right of way tenures are in place, the corresponding licence of occupation will be released.

### Power Purchase Agreement

The Upper Lillooet River Project has a PPA with BC Hydro for all the power that it will produce, expiring 40 years following COD and subject to customary termination provisions in the event of material breach of the agreement. Initially, BC Hydro had the right to terminate the PPA in the event the Upper Lillooet River Project has not reached commercial operation by November 1<sup>st</sup>, 2017, subject to any extensions for force majeure as provided in the PPA, not to exceed 180 days. On December 23, 2015, BC Hydro extended this November 1<sup>st</sup>, 2017 date by 98 days, due to a forest fire that affected the Upper Lillooet River Project in July 2015. For more details, see "General Development of the Business – Three Year Summary – Financial Year 2015"

The price payable by BC Hydro under the PPA is calculated in accordance with the PPA and provides for an increase equal to the CPI on January 1<sup>st</sup> of each year, before commercial operation occurs and, thereafter, for an increase equal to 10% of the CPI. Under the PPA, BC Hydro is entitled to all rights, titles and interests in, and to any environmental attributes which the Upper Lillooet River Project may receive.

## PROSPECTIVE PROJECTS

With a combined potential net installed capacity of 3,560 MW (gross 3,940 MW), all the Prospective Projects are in the preliminary development stage. Some Prospective Projects are targeted toward specific future Requests for Proposals such as the current request for expression of interests from Aboriginal business for a total of up to 40 MW of renewable generation projects in the Provinces of New-Brunswick, Alberta and Saskatchewan. Other Prospective Projects are maintained or continue to be advance and will be available for future requests for proposals yet to be announced or are targeted toward negotiated power purchase agreements with public utilities or other creditworthy counterparties in the Province of Québec, British Columbia and Ontario or in other countries such as France and the United States. There is no certainty that any Prospective Project will be realized.

Although the Prospective Projects are mainly 100% owned by the Corporation, it is probable that the Corporation's interests in one or more of these Prospective Projects could ultimately be shared with a strategic partner.

## INTANGIBLE ASSETS

The intangible assets of the Corporation consist mainly of various PPAs, permits and licences. The Corporation reported \$544.9 million in intangible assets as at December 31, 2016. The Corporation's intangible assets are related to the following segments:

Segments	Hydroelectric Generation \$k	Wind Farm Power Generation \$k	Solar Power Generation \$k	Site Development \$k	Total \$M
Net Value as at December 31, 2016	407.6	130.0	7.3	-	544.9

## FINANCIAL AND OPERATIONAL EFFECTS OF ENVIRONMENTAL PROTECTION REQUIREMENTS

The majority of costs associated with environmental protection requirements are incurred by the Corporation at the development and construction phases of a renewable energy project. Therefore, these costs are capitalized to the project, when a PPA is secured for the project or if the project is eligible under a SOP and sufficiently advanced to have a high degree of confidence that it will be realized and amortized once the project is operational, or they are charged to earnings if the project does not go ahead. These costs will vary from project to project; however, in order for management to proceed with any project, it must support a pre-determined return on the capital costs invested, including capitalized environmental protection costs. The Corporation does incur ongoing costs associated with environmental protection requirements on operational plants, which are charged to operating costs as incurred.

## EMPLOYEES

As of December 31, 2016, the Corporation has 156 employees. This workforce includes 65 employees in operations and maintenance, 30 employees in development and construction and 61 employees in administration, accounting, finance and legal. The operations of the Corporation's reportable segments are conducted by different teams, as each segment has different skill requirements. The Corporation's employees have the specialized knowledge and skills to carry out its business and the Corporation has a proven ability to complement this internal capacity with an efficient use of external consultants, when required.

## SOCIAL AND ENVIRONMENTAL PROTECTION POLICIES

Innergex is a leading Canadian independent renewable power producer committed to produce renewable energy exclusively. We develop, own, and operate run-of-river hydroelectric facilities, wind farms, and solar photovoltaic farms, with operations in Canada in the provinces of Quebec, Ontario and British Columbia, in France and in the state of Idaho in the United States. Our management team has been involved in the renewable power industry since 1990. Our success has been founded on developing good projects that are accepted by the local community, respectful of the environment and economically viable.

*Our Mission* - Our mission is to increase our production of renewable energy by developing, operating and owning high quality facilities while respecting the environment and balancing the best interests of the host communities, our partners, and our investors.

Our growth is solidly rooted in a long-term vision and strict adherence to our mission and our values. Going forward, our time-tested approach will continue to guide us in achieving our vision of providing sustainable energy for a greener future.

*Code of Conduct and Health, Safety & Environmental Mission Statement* - The Corporation has adopted and implemented a Code of Conduct and a Health & Safety and Environmental Mission Statement. This Code and Mission Statement have been communicated to employees through various training sessions and communications. All directors, officers and employees of the Corporation have to sign and acknowledge the Code of Conduct.

The purpose of the Code of Conduct is to provide guidelines to ensure that Innergex's reputation for integrity and good corporate citizenship is maintained through the adherence to high ethical standards, backed by open and honest relations among employees, shareholders, directors, suppliers, host communities, partners and other stakeholders.

The Code of Conduct provides that all employees shall ensure that the activities of the Corporation are integrated harmoniously into the community with regard to natural heritage and, in particular observe applicable environmental laws and regulations at all times, support the economic, social and cultural development of the communities in which the Corporation carries on its activities, cooperate, to the extent possible, with programs established for the betterment of the community, mitigate the environmental impact of the Corporation's activities, to the extent reasonably possible and implement remedial measures, when necessary. It also aims to prevent harassment and bullying at the work place, to foster a work environment without discrimination, health and safety. It addresses situations such as conflict of interest anti-corruption measures and maintaining information security among other things.

*Environment and Health & Safety Teams* - The Corporation has an environmental team consisting of employees with specialized skills and knowledge and have implemented procedures that involve long-term environmental monitoring programs, reporting and the development and implementation of emergency action plans as related to environmental matters. The Corporation has a Health and Safety working teams with specialized knowledge and skills responsible for developing safety policies and program, developing and delivering environmental and safety training, conducting internal audits of safety performance, monitoring and reporting safety risks, events or issues and implementation of an emergency action plan. The Board of Directors monitors compliance with the Corporation Code of Conduct and the Health & Safety and Environment corporate policies through regular reporting from Management.

*Sustainable Development Policy* - On March 18, 2015, Innergex adopted a Sustainable Development Policy which articulates Innergex's commitment to integrating sustainable development considerations in all aspects of its business, including its strategic planning, decision-making, management and operations.

The Sustainable Development Policy statement is as follows:

At Innergex, we believe that the three pillars of sustainability – economic development, social development and environmental protection – are mutually reinforcing. In conducting our business we strive to achieve a balance between economic, social and environmental consideration and we commit to plan, decide, manage, and operate through the lens of sustainability. We recognize this to be a continuous improvement process, rooted in transparency of our purpose, our action, and our results.

Innergex adheres to key principles in order to provide a solution to the energy challenges of both today and tomorrow, to protect the environment while optimizing the use of natural resources to produce electricity, and to earn and sustain its social acceptability.

Innergex follows eight key principles in its efforts to provide a solution to the energy challenges of both today and tomorrow, to protect the environment while optimizing the use of natural resources to produce electricity, and to earn and sustain its social acceptability.

1. We believe that people should have access to reliable, affordable, clean and renewable energy.
2. Climate change is real. We believe that renewable energy is part of the solution to climate change.
3. We believe in a level playing field in electricity procurement. We support carbon pricing or any other means of internalizing environmental and social costs in the price of electricity.
4. We believe in the protection of our environment and in the responsible development of natural resources. We support a comprehensive and efficient regulatory and planning framework.
5. We believe that social acceptance is the cornerstone of successful project development and that strong projects are built on long-term cooperation with stakeholders and by working in collaboration with First Nations and local communities.
6. We believe in long-term sustainable development that balances social, environmental, and economic imperatives.
7. We believe in lasting relations with our employees, our partners, and our external stakeholders built on respect, transparency, and integrity.
8. We believe that Innergex can effect change.

The Corporation's commitment is to integrate sustainable development considerations into all aspects of its business, encourage employees to do the same in performing their work, and promote sustainable development practices among its partners and service providers.

The Corporation wishes to build genuine and respectful relations with its stakeholders and partners, by engaging and interacting regularly.

The Corporation also strives to continuously improve its sustainable development practices, by measuring, managing, and reporting with transparency on key issues that are material to the Corporation.

## **RISK FACTORS**

The following are certain risk factors relating to the Corporation. It only represents a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form.

### **The Ability of the Corporation to Execute its Strategy for Building Shareholder Value**

The Corporation's strategy for building shareholder value is to acquire or develop high-quality power production facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital, and to distribute a stable dividend. However, there is no certainty that the Corporation will be able to acquire or develop high-quality power production facilities at attractive prices to supplement its growth.

The successful execution of this strategy requires careful timing and business judgment, as well as the resources to complete the development of power generating facilities. The Corporation may underestimate the costs necessary to bring power generating facilities into commercial operation or may be unable to quickly and efficiently integrate new acquisitions into its existing operations.

### **The Ability to Raise Additional Capital and the State of the Capital Market**

Future development and construction of new facilities and the development of the Development Projects and the Prospective Projects and other capital expenditures will be financed out of cash generated from the Corporation's operating facilities, borrowing or the issuance and sale of additional equity. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make necessary capital investments to construct or maintain existing or future facilities would be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion. There are numerous renewable energy projects to be constructed in the coming years that will result in competition for capital. In addition, payment of dividends may impair the Corporation's ability to finance its ongoing and future projects.

Furthermore, the Corporation's capital-raising efforts could involve the issuance and sale of additional Common Shares, or debt securities convertible into its Common Shares, which, depending on the price at which such shares or debt securities are issued or converted, could have a material dilutive effect on holders of the Corporation's Common Shares and adversely impact the trading price of the Corporation's Common Shares.

### **Liquidity Risks Related to Derivative Financial Instruments**

Derivative financial instruments are entered into with major financial institutions and their effectiveness is dependent on the performance of these institutions. Failure by one of them to perform its obligations could involve a liquidity risk. Liquidity risks related to derivative financial instruments also include the settlement of bond forward contracts on their maturity dates and the early termination option included in some interest rate swap contracts and foreign exchange contracts. The Corporation uses derivative financial instruments to manage its exposure to the risk of an increase in interest rates on its debt financing or of foreign currency variation. The Corporation does not own or issue financial instruments for speculation purposes.

### **Variability in Hydrology, Wind Regimes and Solar Irradiation**

The amount of energy generated by the Corporation's hydroelectric facilities depends on the availability of water flows. There is no certainty that the long-term availability of such resources will remain unchanged. The Corporation's revenues may be significantly affected by events that impact the hydrological conditions of the Corporation's hydroelectric project facilities such as low and high water flows within the watercourses on which the Corporation's hydroelectric facilities are located. In the event of severe flooding, the Corporation's hydroelectric facilities may be damaged. Similarly, the amount of energy generated by the Corporation's wind farms will depend upon the availability of wind, which is naturally variable. A reduced or increased amount of wind at the location of one of the wind farms over an extended period may reduce the production from such facility and may reduce the Corporation's revenues and profitability. Finally, the amount of energy to be generated by the Corporation's solar farm will depend on the availability of solar radiation, which is naturally variable. Lower solar irradiation levels at only Corporation's solar farm over an extended period may reduce the production from such facility and the Corporation's revenues and profitability.

### **Delays and Cost Overruns in the Design and Construction of Projects**

Delays and cost over-runs may occur in completing the construction of the Development Projects, the Prospective Projects and future projects that the Corporation will undertake. A number of factors which could cause such delays or cost over-runs include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the

availability of financing. Even when complete, a facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. In addition, if the Development Projects are not brought into commercial operation within the delay stipulated in their PPA, the Corporation may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

### **The Ability to Secure New Power Purchase Agreements or Renew Any Power Purchase Agreement**

Securing new PPAs, which is a key component of the Corporation's growth strategy, is a risk factor in light of the competitive environment faced by the Corporation. The Corporation expects to continue to enter into PPAs for the sale of its power, which PPAs are mainly obtained through participation in competitive Requests for Proposals processes. During these processes, the Corporation faces competitors ranging from large utilities to small independent power producers, some of which have significantly greater financial and other resources than the Corporation. There is no assurance that the Corporation will be selected as power supplier following any particular Request for Proposals in the future or that existing PPAs will be renewed or will be renewed on equivalent terms and conditions upon the expiry of their respective terms.

### **Health, Safety and Environmental Risks**

The ownership, construction and operation of the Corporation's power generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licences, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licences, permits and other approvals remain material to the Corporation's business. The Corporation has incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licences, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, the Corporation may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licences, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

### **The Uncertainties Surrounding Development of New Facilities**

The Corporation participates in the construction and development of new power generating facilities. These facilities have greater uncertainty surrounding future profitability than existing operating facilities with established track records. In certain cases many factors affecting costs are not yet determined, such as land royalty payments, water royalties, or municipal taxes. The Corporation is in some cases required to advance funds and post-performance bonds in the course of development of its new facilities. In the event that some of these facilities are not completed or do not operate to the expected specifications, or unforeseen costs or taxes are incurred, the Corporation could be adversely affected.

### **Obtainment of Permits**

The Corporation does not currently hold all the approvals, licences and permits required for the construction and operation of the Development Projects or the Prospective Projects, including environmental approvals and permits necessary to construct and operate the Development Projects or the Prospective Projects. The failure to obtain or delays in obtaining all necessary licences, approvals or permits, including renewals thereof or modifications thereto, could result in construction of the Development Projects or the Prospective Projects being delayed or not being completed or commenced. There can be no assurance that any one Prospective Project will result in any actual operating facility.

In addition, delays may occur in obtaining necessary government approvals required for future power projects.

From time to time, and in order to secure long lead times required for ordering equipment, the Corporation may place orders for equipment and make deposits thereon or advance projects prior to obtaining all requisite permits and licences. The Corporation only takes such actions where it reasonably believes that such licences or permits will be forthcoming in due course prior to the requirement to expend the full amount of the purchase price. However, any delay in permitting could adversely affect the Corporation.

Environmental permits to be issued in connection with any of the Development Projects or the Prospective Projects may contain conditions that need to be satisfied prior to obtaining a PPA, to start construction, during construction and during and after the operation of the Development Projects. It is not possible to predict the conditions imposed by such permits or the cost of any mitigating measures required by such permits.

### **Equipment Failure or Unexpected Operations and Maintenance Activity**

The Corporation's facilities are subject to the risk of equipment failure due to deterioration of the asset from use or age, latent defect and design or operator error, among other things. To the extent that a facility's equipment requires longer than forecasted down times for maintenance and repair, or suffers disruptions of power generation for other reasons, the Corporation's business, operating results, financial condition or prospects could be adversely affected.

### **Interest Rate Fluctuations and Refinancing Risk**

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. The Corporation faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities used for construction and long-term financings. The Corporation's ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict.

### **Financial Leverage and Restrictive Covenants Governing Current and Future Indebtedness**

The Corporation's and its subsidiaries' operations are subject to contractual restrictions contained in the instruments governing any of their current and future indebtedness. The degree to which the Corporation and its subsidiaries are leveraged could have important consequences to shareholders, including: (i) the Corporation's and its subsidiaries' ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Corporation's and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; (iii) certain of the Corporation's and its subsidiaries' borrowings will be at variable rates of interest, which exposes the Corporation and its subsidiaries to the risk of increased interest rates; and (iv) the Corporation and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures.

The Corporation and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Corporation's and its subsidiaries' ability to, among other things, incur additional debt, provide guarantees for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit the Corporation's and its subsidiaries' ability to obtain additional financing, withstand downturns in the Corporation's and its subsidiaries' business and take advantage of business opportunities. Moreover, the Corporation and its subsidiaries may be required to seek additional debt financing on terms that include more restrictive covenants, require repayment on an accelerated schedule or impose other obligations that limit the Corporation's or its subsidiaries' ability to grow the business, acquire assets or take other actions the Corporation or its subsidiaries might otherwise consider appropriate or desirable.

### **Possibility that the Corporation May Not Declare or Pay a Dividend**

Holders of Common Shares, Series A Shares and Series C Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if the Corporation's cash available for distribution is not sufficient or if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

### **Changes in Governmental Support to Increase Electricity to be Generated from Renewable Sources by Independent Power Producers**

Development and growth of renewable energy is dependent on governmental support, policies and incentives. Many provincial governments have introduced portfolio standards to increase the portion of renewable energy in their electricity generation supply mix in order to reduce greenhouse gas emissions over time. There is a risk that governmental support providing incentives for renewable energy could change at any time and that additional increase in the procurement of renewable energy projects from independent power producers be reduced or suspended at any time. As a result, the Corporation may face reduced ability to develop its prospective projects and may suffer material write-offs of prospective projects.

### **Variability of Installation Performance and Related Penalties**

The ability of the Corporation's facilities to generate the maximum amount of power which can be sold to Hydro-Québec, BC Hydro, the OPA and Électricité de France or other purchasers of electricity under PPAs is an important determinant of the revenues of the Corporation. If one of the Corporation's facilities delivers less than the required quantity of electricity in a given contract year or is otherwise in default under its respective PPA, penalty payments may be payable to the relevant purchaser by the Corporation. The payment of any such penalties by the Corporation could adversely affect the revenues and profitability of the Corporation.

### **The Ability to Attract New Talent or to Retain Officers or Key Employees**

The Corporation's officers and other key employees play a significant role in the Corporation's success. The conduct of the Corporation's business and the execution of the Corporation's growth strategy rely heavily on teamwork and the Corporation's future performance and development depend to a significant extent on the abilities, experience and efforts of its management team. The Corporation's ability to retain its management team or attract suitable replacements should key members of the management team leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management team or a limitation in their availability could adversely impact the Corporation's prospects, financial condition and cash flow.

Further, such a loss could be negatively perceived in the capital markets. The Corporation's success also depends largely upon its continuing ability to attract, develop and retain skilled employees to meet its needs from time to time.

### **Litigation**

In the normal course of its operations, the Corporation may become involved in various legal actions, typically involving claims relating to contract disputes, personal injuries, property damage, property taxes and land rights. The Corporation maintains adequate provisions for its outstanding or pending claims. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on the financial position or results of operation of the Corporation in a particular quarter or financial year. See "Legal Proceedings".

### **Performance of Major Counterparties**

The Corporation enters into purchase orders with third-party suppliers for generation equipment for projects under construction, which involve deposits prior to equipment being delivered and it also enters into construction agreements with contractors. Should one or more of these suppliers or contractors be unable to meet their obligations under the contracts, this would result in possible loss of revenue, delay in construction and increase in construction costs for the Corporation. Failure of any equipment supplier or contractor to meet its obligations to the Corporation may result in the Corporation not being able to meet its commitments and thus lead to potential defaults under PPAs.

### **Social Acceptance of Renewable Energy Projects**

The social acceptance by local stakeholders, including, in some cases, First Nations and other aboriginal peoples, and local communities is critical to our ability to find and develop new sites suitable for viable renewable energy projects. Failure to obtain proper social acceptance for a project may prevent the development and construction of a project and lead to the loss of all investments made in the development and the write-off of such prospective project.

### **Relationships with Stakeholders**

The Corporation enters into various types of arrangements with communities or joint venture partners for the development of its projects. Certain of these partners may have or develop interests or objectives which are different from or even in conflict with the objectives of the Corporation. Any such differences could have a negative impact on the success of the Corporation's projects. The Corporation is sometimes required through the permitting and approval process to notify and consult with various stakeholder groups, including landowners, First Nations and municipalities. Any unforeseen delays in this process may negatively impact the ability of the Corporation to complete any given project on time or at all.

### **Equipment Supply**

The Corporation's development and operation of power facilities is dependent on the supply of equipment from third parties. Equipment pricing may rapidly increase depending, among others, on the equipment availability, the raw material prices and on the market for such product. Any significant increase in the price of supply of equipment could negatively affect the future profitability of the Corporation's facilities and the Corporation's ability to develop other projects. There is no guarantee that manufacturers will meet all of their contractual obligations. Failure of any supplier of the Corporation to meet its commitments would adversely affect the Corporation's ability to complete projects on schedule and to honour its obligations under PPAs.

### **The Exposure to Many Different Forms of Taxation in Various Jurisdictions**

The Corporation is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, income tax, withholding tax, tax on capital, property tax, sales tax, transfer tax, social security and other payroll related taxes, which may be amended or may lead to disagreements with tax authorities regarding the application of tax law. Tax law and administration is extremely complex and often requires the Corporation to make subjective determinations. The computation of taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which the Corporation is or may become subject to tax assessments. The Corporation's estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax rates in various jurisdictions, the effect of tax treaties between

jurisdictions and taxable income projections. To the extent that such assumptions differ from actual results, the Corporation may have to record additional tax expenses and liabilities, including interest and penalties.

#### **Changes in General Economic Conditions**

Most of the PPAs of the Corporation have fixed price adjusted annually for inflation on a CPI formula basis.

If the inflation is lower than expected or if it decreases, the Corporation's expected revenues and projected adjusted EDITDA and free cash flow may be lower than expected or reduced which would respectively impact the payout ratio.

#### **Regulatory and Political Risks**

The development and operation of power generating facilities are subject to changes in governmental regulatory requirements and the applicable governing statutes, including regulations related to the environment, unforeseen environmental effects, general economic conditions and other matters beyond the control of the Corporation.

Moreover, the operation of power generating facilities is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. There is always the risk of changes being made in government policies and laws which may result in increased rates, such as for water rentals, and for income, capital and municipal taxes.

The Corporation holds permits and licences from various regulatory authorities for the construction and operation of its facilities. These licences and permits are critical to the operation of the Corporation's business. The majority of these permits and licences are long-term in nature, reflecting the anticipated useful life of the facilities. In some cases these permits may need to be renewed prior to the end of the anticipated useful life of such facilities and there is no guarantee that such renewals will be granted or on which conditions they will be renewed. These permits and licences require the Corporation's compliance with the terms thereof.

#### **The Ability to Secure Appropriate Land**

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

#### **Reliance on PPAs**

The power generated by the Corporation is mostly sold under long-term PPAs. If, for any reason, any of the purchasers of power under such PPAs were unable or unwilling to fulfill their contractual obligations under the relevant PPA or if they refuse to accept delivery of power pursuant to the relevant PPA, the Corporation's business, operating results, financial condition or prospects could be adversely affected. If the Development Projects are not brought into commercial operation within the delay stipulated in their respective PPA, the Corporation may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

#### **Availability and Reliability of Transmission Systems**

The Corporation's ability to sell electricity is impacted by the availability of the various transmission systems in each jurisdiction. The failure of existing transmission facilities or the lack of adequate transmission capacity would have a material adverse effect on the Corporation's ability to deliver electricity to its various counterparties, thereby affecting the Corporation's business, operating results, financial condition or prospects.

#### **Foreign Market Growth and Development risks**

The Corporation may, in connection with any international expansion of its activities, face risks related to (i) its ability to effectively consummate future acquisitions, create new partnerships and develop, construct and operate projects in an unfamiliar regulatory and procurement market (ii) competing with more established competitors, (iii) foreign exchange fluctuations, (iv) lack of knowledge of foreign market and (v) changes in international and local taxation.

#### **Foreign Exchange Fluctuations**

The Corporation occasionally purchases equipment from foreign suppliers. As such, the Corporation may be exposed to changes in the Canadian dollar in relation to the foreign currency denominated equipment purchases.

Some of our revenue and costs might be denominated in currencies other than the Canadian dollar. Foreign exchange fluctuations may impact our results as they are reported in Canadian dollars.

Our functional and reporting currency is the Canadian dollar. As such, our foreign investments, operations and assets will be exposed to net change in currency exchange rates. Volatility in exchange rates could have an adverse effect on our business, financial condition and results of our operations.



### **Increase in Water Rental Cost or Changes to Regulations Applicable to Water Use**

The Corporation is required to make rental payments for water rights once its projects are in commercial operation. Significant increases in water rental costs in the future or changes in the way that the governments of Québec, British Columbia, Ontario and Idaho, USA regulate water supply or apply such regulations could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

### **Assessment of Water, Wind and Sun Resources and Associated Electricity Production**

The strength and consistency of the water, wind and sun resources at power facilities of the Corporation may vary from what the Corporation anticipates. Electricity production estimates of the Corporation are based on assumptions and factors that are inherently uncertain, which may result in actual electricity production being different from the estimates of the Corporation, including (i) the extent to which the limited time period of the site-specific wind data accurately reflects long-term wind speeds; (ii) the extent to which historical data accurately reflects the strength and consistency of the water, wind and sun in the future; (iii) the strength of the correlation between the site-specific water, wind and sun data and the longer-term regional data; (iv) the potential impact of climatic factors; (v) the accuracy of assumptions on a variety of factors, including but not limited to weather, icing and soiling of water and wind turbines and snow on solar panels, site access, wake and line losses and wind shear; (vi) the accuracy with which anemometers measure wind speed, and the difference between the hub height of the wind turbines and the height of the meteorological towers used for data collection; (vii) the potential impact of topographical variations, turbine placement and local conditions, including vegetation; (viii) the inherent uncertainty associated with the specific methodologies and related models, in particular future-orientated models, used to project the water, wind and sun resource; and (ix) the potential for electricity losses to occur before delivery.

### **Dam Failure**

The occurrence of dam failures at any of the Corporation's hydroelectric power facilities could result in a loss of generating capacity and repairing such failures could require the Corporation to incur significant expenditures of capital and other resources. Such failures could result in the Corporation being exposed to significant liability for damages. There can be no assurance that the dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Safety regulations relating to dam safety could change from time to time, potentially impacting a facility's costs and operations. The consequences of dam failures could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

### **Natural Disasters and Force Majeure**

The Corporation's facilities, operations and project under development are exposed to potential damage, partial or full loss, resulting from environmental disasters (e.g. floods, high winds, fires, and earthquakes), equipment failures or other unforeseen event. The occurrence of a significant event which disrupts or delay the ability of the Corporation's power generation assets to produce or sell power for an extended period, including events which preclude existing customers under PPAs from purchasing electricity, could have a material negative impact on the business of the Corporation. The Corporation's generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident. The occurrence of such an event may not release the Corporation from performing its obligations pursuant to PPAs or other agreements with third parties. Furthermore, force majeure event affecting our assets could result in damages to the environment or harm third parties. In addition, many of the Corporation's projects are located in remote areas which make access for repair of damage difficult.

### **Cybersecurity**

The Corporation is dependent on various information technologies to carry out multiple business activities. A successful cyber intrusion, such as, and not limited to, unauthorized access, malicious software or other violations on the system that control generation and transmission at any of our offices or facilities could severely disrupt or otherwise affect business operations or diminish competitive advantages. These attacks on our information base systems through theft, alteration or destruction could generate unexpected expenses to investigate and repair security breaches or system damage and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to our reputation. A breach of our cyber/data security measures could have a material adverse effect on the Corporation's business, operations, financial condition and results of operations.

### **Sufficiency of Insurance Coverage Limits and Exclusions**

While the Corporation maintains insurance coverage, it is subject to limits and exclusions and there is no certainty that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving our activities or assets.

### **Credit Rating May Not Reflect Actual Performance of the Corporation or a Lowering (Downgrade) of the Credit Rating**

The credit ratings applied to the Corporation, the Series A and Series C Shares (the “**Credit Ratings**”) are an assessment, by the rating agencies, of the Corporation’s ability to pay its obligations. The Credit Ratings are based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the Corporation. Changes in the Credit Ratings in the future may affect the market price or value and the liquidity of the securities of the Corporation. There is no assurance that any Credit Ratings will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the rating agencies.

### **Potential Undisclosed Liabilities Associated with Acquisitions**

There may be liabilities and contingencies that management of the Corporation did not discover in its due diligence prior to consummation of acquisitions and the Corporation may not be indemnified for these liabilities and contingencies. The discovery of any material liabilities or contingencies relating to the shares, assets or business acquired following such acquisitions could have a material adverse effect on the Corporation’s business, financial condition and results of operations.

### **Integration of the Facilities and Projects Acquired and to be Acquired**

The integration of facilities and assets acquired or to be acquired through the acquisitions of the Corporation may result in significant challenges, and management of the Corporation may be unable to accomplish the integration successfully or without spending significant amounts of money. There can be no assurance that management will be able to integrate successfully the assets acquired or to be acquired through acquisitions or fully realize the expected benefits of any such acquisitions.

### **Failure to Realize the Anticipated Benefits of Acquisitions**

The Corporation believes that the acquisitions recently completed and to be completed will provide benefits for the Corporation. However, there is a risk that some or all of the expected benefits may fail to materialize, or may not occur within the time periods anticipated by the management of the Corporation. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Corporation.

### **Reliance on Shared Transmission and Interconnection Infrastructure**

The six Harrison Operating Facilities, the Northwest Stave River Facility, the Tretheway Creek Facility and the Big Silver Creek Facility (the “**Sharing Facilities and Project**”) all share or will share joint transmission and interconnection infrastructure to transmit their electrical energy generation to a joint substation, which then interconnects to the common point of interconnection for the Sharing Facilities and Project at the adjacent BC Hydro Upper Harrison terminal substation. Therefore damage to or a failure of the shared transmission and interconnection infrastructure may result in the Sharing Facilities and Project being unable to deliver their electrical energy generation to the point of interconnection with BC Hydro’s transmission system in accordance with the requirements for sale of energy under the PPAs with BC Hydro in respect of the six Harrison Operating Facilities, the Northwest Stave River Facility, Tretheway Creek Facility and the Big Silver Creek Facility. All six Harrison Operating Facilities also share one common interconnection agreement with BC Hydro and act as agent for the Northwest Stave Facility, the Tretheway Creek Facility and the Big Silver Creek Facility. Therefore, a default by any one of the Sharing Facilities and Project of its obligations under the interconnection agreement may result in BC Hydro disconnecting all the Sharing Facilities and Project from the BC Hydro transmission system.

### **Revenues from the Miller Creek Facility Vary Based on the Spot Price of Electricity**

Because the price for electricity purchased from the Miller Creek Facility is based on a formula using the Platts mid-C spot price for electricity, revenues under the applicable power purchase agreement will vary. If the Platts mid-C index declines from its current levels, the Miller Creek Facility’s revenues and adjusted EBITDA will be negatively impacted. An increase in the volatility of the Platts mid-C spot price would add uncertainty to the determination of potential revenues and adjusted EBITDA of the Miller Creek Facility and could have an adverse impact on the Corporation’s results.

## DIVIDENDS

The declaration and payment of dividends on the Corporation's shares is within the discretion of the Board of Directors. The Board of Directors will determine if and when dividends should be paid in the future based on all relevant circumstances, including the desirability of maintaining capital to finance further growth of the Corporation and the Corporation's financial position at the relevant time. As publicly disclosed, the Corporation intends to pay a dividend of \$0.66 per Common Share per annum, payable on a quarterly basis and to pay the dividend rate applicable to the Series A Shares and Series C Shares. See "Description of Capital Structure" – General Description of Capital Structure - Preferred Shares – Series A Shares and Series B Shares and Series C Shares".

The following table sets forth the dividends declared by the Corporation to its shareholders of Common Shares during its financial years 2014, 2015 and 2016.

Date Declared	Amount paid per Common Share	Dividend Payment	Aggregate Dividend Amount
<b>2014</b>			
February 25	\$0.150	April 15, 2014	\$14,379,146
May 13	\$0.150	July 15, 2014	\$15,012,881
August 7	\$0.150	October 15, 2014	\$15,055,930
November 6	\$0.150	January 15, 2015	\$15,100,800
<b>2015</b>			
February 24	\$0.155	April 15, 2015	\$15,664,483
May 13	\$0.155	July 15, 2015	\$15,696,676
August 5	\$0.155	October 15, 2015	\$16,174,353
November 10	\$0.155	January 15, 2016	\$16,110,488
<b>2016</b>			
February 24	\$0.160	April 15, 2016	\$16,641,088
May 10	\$0.160	July 15, 2016	\$17,275,538
August 4	\$0.160	October 17, 2016	\$17,298,588
November 9	\$0.160	January 16, 2017	\$17,309,054

The following table sets forth the dividends declared by the Corporation to its shareholders of Series A Shares during its financial years 2014, 2015 and 2016.

Date Declared	Amount paid per Series A Share	Dividend Payment	Aggregate Dividend Amount
<b>2014</b>			
February 25	\$0.3125	April 15, 2014	\$1,062,500
May 13	\$0.3125	July 15, 2014	\$1,062,500
August 7	\$0.3125	October 15, 2014	\$1,062,500
November 6	\$0.3125	January 15, 2015	\$1,062,500
<b>2015</b>			
February 24	\$0.3125	April 15, 2015	\$1,062,500
May 13	\$0.3125	July 15, 2015	\$1,062,500
August 5	\$0.3125	October 15, 2015	\$1,062,500
November 10	\$0.3125	January 15, 2016	\$1,062,500
<b>2016</b>			
February 24	\$0.2255	April 15, 2016	\$766,700
May 10	\$0.2255	July 15, 2016	\$766,700
August 4	\$0.2255	October 17, 2016	\$766,700
November 9	\$0.2255	January 16, 2017	\$766,700

The following table sets forth the dividends declared by the Corporation to its shareholders of Series C Shares during its financial years 2014, 2015 and 2016.

Date Declared	Amount paid per Series C Share	Dividend Payment	Aggregate Dividend Amount
<b>2014</b>			
February 25	\$0.359375	April 15, 2014	\$718,750
May 13	\$0.359375	July 15, 2014	\$718,750
August 7	\$0.359375	October 15, 2014	\$718,750
November 6	\$0.359375	January 15, 2015	\$718,750
<b>2015</b>			
February 24	\$0.359375	April 15, 2015	\$718,750
May 13	\$0.359375	July 15, 2015	\$718,750
August 5	\$0.359375	October 15, 2015	\$718,750
November 10	\$0.359375	January 15, 2016	\$718,750
<b>2016</b>			
February 24	\$0.359375	April 15, 2016	\$718,750
May 10	\$0.359375	July 15, 2016	\$718,750
August 4	\$0.359375	October 17, 2016	\$718,750
November 9	\$0.359375	January 16, 2017	\$718,750

## DESCRIPTION OF CAPITAL STRUCTURE

### GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Corporation's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series. As of February 23, 2017, 108,375,159 Common Shares, 3,400,000 Series A Shares, 2,000,000 Series C Shares were issued and outstanding and \$100.0 million of 4.25% Convertible Debentures were issued and outstanding. The Corporation's Common Shares, Series A Shares, Series C Shares, and the 4.25% Convertible Debentures are listed on the TSX under the symbols "INE", "INE.PR.A", "INE.PR.C" and "INE.DB.A" respectively.

#### Common Shares

Holders of Common Shares are entitled to one vote per share on all matters to be voted on at all meetings of shareholders of the Corporation except meetings at which only the holders of a specified class or series of the share capital of the Corporation are entitled to vote.

Subject to the prior rights of the holders of Preferred Shares, the holders of Common Shares are entitled to receive, as and when declared by the Board of Directors out of the moneys of the Corporation properly applicable to the payment of dividends, dividends in such amounts and payable at such times as the Board of Directors will determine.

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, after payment to the holders of Preferred Shares to the amounts they are entitled to in such event, the remaining assets of the Corporation will be paid to or distributed equally and rateably among the holders of the Common Shares.

There are no rights of pre-emption, redemption or conversion in respect of the Common Shares.

#### Preferred Shares

Preferred Shares are issuable in series. The Board of Directors has the right to fix the number of and to determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series.

The Preferred Shares of each series, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, rank on a parity with the Preferred Shares of every other series and are entitled to a preference and priority over the Common Shares.

The holders of any series of Preferred Shares are entitled to receive, in priority to the holders of Common Shares, as and when declared by the Board of Directors, dividends in the amounts specified or determinable in accordance with the rights, privileges, restrictions and conditions attaching to the series of which such Preferred Shares form part.

The holders of Preferred Shares are not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of holders of Series A Shares, Series B Shares or Series C Shares as a series, as applicable) entitled to receive notice of, attend, or vote at, any meetings of shareholders of the Corporation, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Series A Shares, the Series B Shares or Series C Shares. In the event of such non-payment, and for only so long as the dividends remain in arrears, the holders of the Series A Shares, the Series B Shares or the Series C Shares, as applicable, will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote in respect of each Series A Share, Series B Share or Series C Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease.

The Corporation, subject to any rights attached to any particular series of Preferred Shares, may, at its option, redeem all or from time to time any part of the outstanding Preferred Shares on payment to the holders thereof, for each share to be redeemed, of the redemption price per share, together with all dividends declared thereon and unpaid. If entitled pursuant to the conditions attached to any particular series of Preferred Shares, a holder of Preferred Shares is entitled to require the Corporation to redeem at any time and from time to time after the date of issue of any Preferred Shares, upon giving notice, all or any number of the Preferred Shares registered in the name of such holder on the books of the Corporation, at the redemption price per share, together with all dividends declared thereon and unpaid.

The Corporation may at any time and from time to time purchase for cancellation the whole or any part of the Preferred Shares outstanding at the lowest price at which, in the opinion of the directors of the Corporation, such shares are obtainable, provided that such price or prices does not in any case exceed the redemption price current at the time of purchase for the shares of the particular series purchased, plus costs of purchase together with all dividends declared thereon and unpaid.

### **Series A Shares and Series B Shares**

On September 14, 2010, the Corporation completed the Series A Shares offering (the "**Series A Offering**"), which resulted in the issuance of a total of 3,400,000 Series A Shares. The rights and privileges attached to Series A Shares and Series B Shares are set forth in the Certificate of Amendment dated September 10, 2010 issued by Industry Canada in connection with the Series A Offering (the "**Series A and Series B Shares Terms**"). The following text is a description of the terms of the Series A Shares and the Series B Shares, a copy of which has been filed with the Canadian securities regulatory authorities on SEDAR at [sedar.com](http://sedar.com). The following summary of certain provisions of the Series A and Series B Shares Terms is subject to, and is qualified in its entirety by reference to the Series A and Series B Shares Terms available on SEDAR at [sedar.com](http://sedar.com).

For the initial five-year period from and including the date of issuance of the Series A Shares to, but excluding January 15, 2016 (the "**Initial Fixed Rate Period**"), holders of Series A Shares were entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15<sup>th</sup> day of January, April, July and October in each year at an annual rate equal to \$1.25 per Series A Share. For each five-year period after the Initial Fixed Rate Period (each a "**Subsequent Fixed Rate Period**"), holders of Series A Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15<sup>th</sup> day of January, April, July and October in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate (as defined in the Series A Shares Prospectus) applicable to such Subsequent Fixed Rate Period by \$25. The Annual Fixed Dividend Rate for each Subsequent Fixed Rate Period will be equal to the sum of the Government of Canada Yield (as defined in the Series A Shares Prospectus) on the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period plus 2.79%. For the five-year period from January 15, 2016 to but excluding January 15, 2021, the dividend on the Series A Shares will be \$0.902 per share per annum.

Each holder of Series A Shares had the right, at its option, to convert all or any of its Series A Shares into Series B Shares on the basis of one Series B Share for each Series A Share converted, subject to certain conditions, January 15, 2016 and will have the right, at its option, to effect such conversion on January 15 every five years thereafter (the "**Series A Conversion Date**"). The holders of Series B Shares are entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15<sup>th</sup> day of January, April, July and October in each year, in the annual amount per Series B Share determined in accordance with the formula set out in the short form prospectus for the Series A Shares dated September 7, 2010 (the "**Series A Shares Prospectus**"). As at January 15, 2016, no Series A Shares were converted into Series B Shares as the number of Series A Shares tendered for conversion were fewer than the 1,000,000 shares required for the ability to proceed with the conversion.

In addition, the Series A Shares are not redeemable by the Corporation prior to January 15, 2021. On January 15 every five years thereafter, subject to certain other restrictions set out in the Series A Shares Prospectus, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem for cash all or any number of the outstanding Series A Shares for \$25 per Series A Share, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation).

The Series B Shares are not redeemable by the Corporation on or prior to January 15, 2021. Subject to certain other restrictions set out in the Series A Shares Prospectus, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series B Shares by payment in cash of a per share sum equal to (i) \$25 in the case of redemptions on January 15, 2021 and on January 15 every five years thereafter (each a “**Series B Conversion Date**”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series B Conversion Date after January 15, 2021, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation).

### **Series C Shares**

On December 11, 2012, the Corporation completed the Series C Offering, which resulted in the issuance of a total of 2,000,000 Series C Shares. The rights and privileges attached to Series C Shares are set forth in the Certificate of amendment dated December 6, 2012 issued by Industry Canada in connection with the Series C Offering (the “**Series C Shares Terms**”). The following text is a description of the terms of the Series C Shares, a copy of which has been filed with the Canadian securities regulatory authorities on SEDAR at [sedar.com](http://sedar.com). The following summary of certain provisions of the Series C Shares Terms is subject to, and is qualified in its entirety by reference to the Series C Shares Terms available on SEDAR at [sedar.com](http://sedar.com).

The holders of Series C Shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15<sup>th</sup> day of January, April, July and October in each year at an annual rate equal to \$1.4375 per Series C Share.

The Series C Shares are not redeemable by the Corporation prior to January 15, 2018. On or after January 15, 2018, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of outstanding Series C Shares by payment in cash of a per share sum equal to (i) \$26 if redeemed on or prior to January 15, 2019; (ii) \$25.75 if redeemed thereafter and on or prior to January 15, 2020; (iii) \$25.50 if redeemed thereafter and on or prior to January 15, 2021; (iv) \$25.25 if redeemed thereafter and on or prior to January 15, 2022; and (v) \$25 if redeemed thereafter, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption.

The Series C Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof.

### **4.25% Convertible Debentures**

On August 10, 2015, the Corporation completed the offering of the 4.25% Convertible Debentures (the “**4.25% Convertible Debentures**”) in the aggregate principal amount of \$100.0 million.

The 4.25% Convertible Debentures were issued under an indenture, dated August 10, 2015, between the Corporation and Computershare Trust Company of Canada (the “**4.25% Convertible Debentures Indenture**”). The following summary of certain provisions of the 4.25% Convertible Debentures Indenture is subject to, and is qualified in its entirety by reference to, the provisions of the 4.25% Convertible Debentures Indenture, available on SEDAR at [sedar.com](http://sedar.com).

The 4.25% Convertible Debentures have a maturity date of August 31, 2020 (the “**Maturity Date**”) and bear interest at a rate of 4.25% per annum, payable semi-annually not in advance, on February 28 and August 31 in each year, and are convertible at the option of their holders into Common Shares at a conversion rate of 66.6667 Common Shares per \$1,000 principal amount of 4.25% Convertible Debentures, which is equal to the Conversion Price.

On or after August 31, 2018 and prior to August 31, 2019, the 4.25% Convertible Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price (the “**Current Market Price**”).

On or after August 31, 2019 and prior to the Maturity Date, the 4.25% Convertible Debentures may be redeemed, in whole or in part, at the option of the Corporation on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest. Subject to required regulatory approval and provided that there is not a current event of default (as defined in the 4.25% Convertible Debentures Indenture), the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the 4.25% Convertible Debentures on redemption or at maturity, in whole or in part, through the issuance of freely tradable Common Shares upon at least 40 days and not more than 60 days prior notice, by delivering that number of Common Shares obtained by dividing the principal amount of the 4.25% Convertible Debentures which are to be redeemed or have matured by 95% of the Current Market Price. Any accrued or unpaid interest will be paid in cash.

## RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities.

The table to the right sets out the ratings of the Corporation, of its Series A Shares and of its Series C Shares received from Standard & Poor's ("**S&P**") as at February 23, 2017.

	S&P
Innergex Renewable Energy Inc.	BBB-
Series A Shares	P-3
Series C Shares	P-3

The Corporation is rated BBB- with a stable rating outlook by S&P. An S&P's issuer credit rating is a forward-looking opinion about an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. Such opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. S&P ratings for long-term debt instrument range from a high of AAA to a low of CC. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. According to S&P rating system, an obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). The outlook may be qualified as Positive, Negative, Stable, Developing or N.M. (not meaningful). A Stable rating outlook means that a rating is not likely to change.

The Series A Shares and the Series C Shares have each been given a Canadian scale rating of P-3 by S&P. Such P-3 rating is the tenth of twenty ratings used by S&P in its Canadian preferred share rating scale (the first rating being the highest and the twentieth rating being the lowest). According to S&P, such a P-3 rating indicates that although the obligation is considered to be less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

The Corporation has paid applicable service fees to S&P for the rating of the Corporation, of the Series A Shares and the Series C Shares and the annual review thereof. The Corporation has not paid any other amounts for other services provided by S&P within the last two years.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

## MARKET FOR SECURITIES

### COMMON SHARES

The Common Shares are listed for trading on the TSX under the symbol "INE".

The following table sets forth the price range and daily average trading volume, in Canadian dollars, of the Common Shares on the TSX for each month of the most recently completed financial year and the first two months of 2017.

	Highest price	Lowest price	Daily Average Volume
January 2016	11.95	9.98	163,580
February 2016	13.12	11.10	194,400
March 2016	14.31	12.55	287,814
April 2016	14.14	13.45	167,810
May 2016	14.97	13.79	173,728
June 2016	14.80	13.76	163,443
July 2016	15.80	14.30	113,445
August 2016	15.64	14.21	107,606
September 2016	15.34	14.02	135,324
October 2016	15.05	14.05	108,999
November 2016	14.98	12.43	196,150
December 2016	14.43	13.63	134,689
January 2017	14.18	13.64	99,270
February 1 to 22, 2017	14.20	13.60	125,861

### SERIES C SHARES

The Series C Shares are listed on the TSX under the symbol "INE.PR.C".

The following table sets forth the price range, in Canadian dollars and daily average trading volume, of the Series C Shares on the TSX for each month of the most recently completed financial year and the first two months of 2017.

	Highest price	Lowest price	Daily Average Volume
January 2016	18.71	16.90	881
February 2016	18.55	17.40	1,850
March 2016	19.25	17.96	819
April 2016	19.78	19.23	464
May 2016	20.10	19.40	1,166
June 2016	20.70	20.20	689
July 2016	21.88	20.10	1,193
August 2016	22.70	21.70	1,611
September 2016	22.11	21.53	994
October 2016	22.01	21.40	949
November 2016	21.94	20.29	1,113
December 2016	21.20	20.45	1,684
January 2017	21.89	20.61	1,317
February 1 to 22, 2017	22.30	21.80	1,221

### SERIES A SHARES

The Series A Shares are listed on the TSX under the symbol "INE.PR.A".

The following table sets forth the price range, in Canadian dollars and daily average trading volume, of the Series A Shares on the TSX for each month of the most recently completed financial year and the first two months of 2017.

	Highest price	Lowest price	Daily Average Volume
January 2016	13.47	11.75	3,609
February 2016	12.90	11.45	4,581
March 2016	14.00	12.19	2,171
April 2016	14.50	13.65	3,206
May 2016	14.50	13.75	2,930
June 2016	14.48	13.90	3,054
July 2016	14.69	14.00	8,041
August 2016	15.38	14.25	1,935
September 2016	15.51	14.76	1,773
October 2016	15.28	14.55	2,174
November 2016	15.22	14.33	3,020
December 2016	16.00	14.81	2,990
January 2017	16.44	15.50	2,811
February 1 to 22, 2017	16.20	15.50	4,987

### 4.25% CONVERTIBLE DEBENTURES

The 4.25% Convertible Debentures are listed on the TSX under the symbol "INE.DB.A".

The following table sets forth the price range and daily average trading volume, in Canadian dollars, of the 4.25% Convertible Debentures on the TSX for each month of the most recently completed financial year and the first two months of 2017.

	Highest price	Lowest price	Daily Average Volume
January 2016	100.65	87.00	127,550
February 2016	100.00	97.50	79,300
March 2016	104.00	99.50	109,417
April 2016	105.00	102.10	82,333
May 2016	108.00	104.00	111,333
June 2016	108.00	105.60	181,909
July 2016	113.12	107.49	122,750
August 2016	112.00	108.00	57,136
September 2016	112.00	107.00	260,305
October 2016	111.99	107.32	106,350
November 2016	110.00	101.98	105,864
December 2016	107.01	104.50	37,900
January 2017	107.00	104.99	28,524
February 1 to 22, 2017	106.8	104.8	421



## DIRECTORS AND EXECUTIVE OFFICERS

### DIRECTORS

The following table sets forth the name, municipality, province or state and country of residence of each director of the Corporation as of the date of this Annual Information Form, his principal occupation, the period during which each has acted as a director and the Common Shares in number and percentage each director holds. Each director is elected until the next annual meeting of shareholders or until a successor is elected by shareholders, unless the director resigns or his or her office becomes vacant by removal, death or other cause.

Name and Municipality of Residence	Director since	Principal Occupation	Common Shares Beneficially Owned or Controlled or Directed <sup>(1)</sup>	% of Common Shares
JEAN LA COUTURE <sup>(2)(3)</sup> Montréal, Québec, Canada	2010	President, Huis Clos Ltée, business management consultants and dispute advisors	45,676	0.042%
RICHARD LAFLAMME <sup>(3)(4)</sup> St-Laurent-de-l'Île-d'Orléans, Québec, Canada	2010	Corporate Director	15,333	0.014%
DANIEL LAFRANCE <sup>(3)(5)</sup> Kirkland, Québec, Canada	2010	Corporate Director	43,000	0.040%
WILLIAM A. LAMBERT <sup>(6)</sup> Toronto, Ontario, Canada	2007	Corporate Director	147,000	0.136%
MICHEL LETELLIER, St-Lambert, Québec, Canada	2002	President and Chief Executive Officer of the Corporation	630,127	0.581%
DALTON MCGUINTY <sup>(8)(9)</sup> Ottawa, Ontario, Canada	2015	Senior Advisor (consultant) for Desire2 Learn	0	0
MONIQUE MERCIER <sup>(9)(10)</sup> Vancouver, British Columbia, Canada	2015	Executive Vice President, Corporate Affairs, Chief Legal and Governance Officer of TELUS Corporation	4,022	0.003%

(1) The information as to Common Shares beneficially owned, controlled or directed by each director has been furnished by the respective directors individually.

(2) Chairman of the Board of Directors, Chair of the Nominating committee and member of all other committees of the Corporation.

(3) Jean La Couture, Richard Laflamme and Daniel Lafrance were appointed directors of the Corporation on March 29, 2010 upon completion of the strategic combination of the Corporation and Innergex Power Income Fund by way of reverse take-over bid (the "Arrangement"). Prior to the Arrangement, they were, since 2003, trustees of Innergex Power Trust, which was a wholly-owned subsidiary of the Fund which was itself a publicly-traded TSX listed issuer.

(4) Chair of the Human Resources Committee and member of the Corporate Governance and the Nominating committees.

(5) Chair of the Audit Committee and member of the Human Resources and the Nomination committees.

(6) Member of the Audit and the Nominating committees.

(7) Member of the Human Resources and Nominating committees.

(8) Member of the Human Resources, the Corporate Governance and Nomination committees.

(9) As of the date hereof, Dalton Mcguinty and Monique Mercier respectively hold 4,627 and 1,601 in deferred shares units ("DSU"). The DSU are granted pursuant to the Corporation's Deferred Share Unit Plan which allows the election to receive all or a portion of the directors' fees or the officers' salary in DSU.

(10) Chair of the Corporate Governance committee and member of the Nominating committee.

During the past five years, each of the above directors has held his or her present principal occupation or other management positions with the same firm or with other associated companies or firms, including affiliates and predecessors, indicated beside his or her name, except for Richard Laflamme who was, prior to December 2012 General Manager, Université du Québec Pension Funds, Daniel Lafrance who was, prior to August 2013, Senior Vice President Finance and Procurement, Chief Financial Officer and Secretary of Lantic Inc., and Dalton Mcguinty who was, prior to (i) September 2015, a Senior Advisor (consultant) to PwC Canada and (ii) February 2013, Premier of the Province of Ontario, member of Parliament until June 2013 and who has been, since July 2014, a Senior Advisor (consultant) to Desire2 Learn.

## Executive Officers

The following table sets forth the name, municipality, province or state and country of residence of each executive officer, his or her office and principal occupation and the period of service as an executive officer of the Corporation.

Name and Municipality of Residence	Officer since	Office/Principal Occupation
MICHEL LETELLIER, MBA St-Lambert, Québec, Canada	2003	President and Chief Executive Officer
JEAN PERRON, CPA, CA Brossard, Québec, Canada	2003	Chief Financial Officer
JEAN TRUDEL, MBA Montréal, Québec, Canada	2003	Chief Investment Officer
FRANÇOIS HÉBERT Bromont, Québec, Canada	2003	Senior Vice President - Operations and Maintenance
RICHARD BLANCHET, P. Eng., M.Sc. North Vancouver, British Columbia, Canada	2004	Senior Vice President – Development, Western Canada and Latin America
PETER GROVER, Eng. St-Bruno, Québec, Canada	2005	Senior Vice President – Wind and Solar Projects Management
RENAUD DE BATZ DE TRENQUELLÉON, P.Geo., M.Sc., MBA North Vancouver, British Columbia, Canada	2005	Senior Vice President – Hydroelectric Projects Management
MATTHEW KENNEDY, M.Sc., R.P.Bio. Vancouver, British Columbia, Canada	2011	Vice President – Environment
ANNE CLICHE Laval, Québec, Canada	2011	Vice-President – Human Resources
CLAUDE CHARTRAND, P.Eng. B.A.Sc. Vancouver, British Columbia, Canada	2012	Vice President - Engineering
NATHALIE THÉBERGE, LL.B Montréal, Québec, Canada	2010	Vice President - Corporate Legal Affairs and Secretary
YVES BARIBEAULT, Eng., LL.B., MBA Montréal, Québec, Canada	2015	Vice President – Legal Affairs, Operations and Projects

During the past five years, each of the above executive officers has held his present principal occupation or other management positions with the Corporation.

The directors and executive officers of the Corporation as a group beneficially own, directly or indirectly, or exercise control or direction over 1,922,047 Common Shares, representing 1.77% of the Corporation's total issued and outstanding Common Shares as of February 23, 2017.

## BANKRUPTCY, INSOLVENCY, CEASE TRADE ORDER AND PENALTIES

As a director of Quebecor Inc., the controlling shareholder of Quebecor World Inc., Jean La Couture was asked to join the Board of Directors of Quebecor World Inc. on December 10, 2007. On January 21, 2008, Quebecor World Inc. filed for protection under the *Companies Creditors Arrangement Act* in Canada and Chapter 11 of the U.S. Bankruptcy Code. Jean La Couture resigned as Director of Quebecor World Inc. on December 16, 2008. In July 2009, Quebecor World Inc. emerged from Canadian and U.S. bankruptcy proceedings.

With the exception of the foregoing, to the knowledge of the Corporation, none of the directors and executive officers of the Corporation (a) is, as of the date of this Annual Information Form, nor has been within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of a corporation that (i) was subject to an order issued while such director or executive officer of the Corporation was acting in the capacity of director, chief executive officer or chief financial officer, or (ii) was subject to an order that was issued after such director or executive officer of the Corporation ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, (b) is not, as of the date of this Annual Information Form, nor has been within ten years before the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal

under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) has, within ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director or executive officer of the Corporation.

For the purposes of the paragraph above, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

## **CONFLICTS OF INTEREST**

There are no existing or potential material conflicts of interest between the Corporation or any of its subsidiaries and their respective directors and officers. Certain of the Corporation’s directors and officers also serve as directors or officers of other corporations. Such associations may give rise to conflicts of interest from time to time. Management of the Corporation and the Board of Directors will address any such conflict of interest which may arise in the future in accordance with reasonable expectations and objectives of the Corporation and will act in accordance with any duty of care and any duty to act in good faith owed to the Corporation.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Neither the Corporation nor its properties is, nor was during the year ended December 31, 2016, subject to any legal proceedings that would have a material adverse effect on it. To the Corporation’s knowledge, no such legal proceedings involving the Corporation or its property are contemplated.

However, on January 14, 2014, Harrison Hydro Project Inc., Fire Creek Project Limited Partnership, Lamont Creek Project Limited Partnership, Stokke Creek Project Limited Partnership, Tipella Creek Project Limited Partnership and Upper Stave Project Limited Partnership filed appeals with the Environmental Appeal Board challenging a determination by the Comptroller of the Water Rights respecting the water rental rates to be charged under the Water Act R.S.B.C. 1996, c. 483 in respect of the Fire Creek Facility, the Lamont Creek Facility, the Stokke Creek Facility, the Tipella Creek Facility and the Upper Stave River Facility. On December 8, 2015, the Environmental Board Decision issued its decision denying the appeal. On January 20, 2016, an application for judicial review was filed, the hearing in court was held in December 2016, and the outcome of the judicial review could affect the expenses of these entities on an annual basis going forward which would represent an approximately \$1.6 million aggregate increase for water rights. The amount for such potential increase water rentals was included in the years 2013, 2014, 2015 and 2016 results of the Corporation which owns a 50.0024% indirect interest in those facilities.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of any category of shares of the Corporation or known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or during the current financial year or in any proposed transaction, that has materially affected or will materially affect the Corporation.

However, on March 17, 2015, Upper Lillooet River Power Limited Partnership and Boulder Creek Power Limited Partnership, which are affiliates of the Corporation, closed a \$491.6 million non-recourse construction and term financing for the Upper Lillooet River and Boulder Creek Projects and on June 22, 2015, Big Silver Creek LP, which is an affiliate of the Corporation, closed a \$197.2 million non-recourse construction and term financing for the Big Silver Creek Facility. These financings were arranged through competitive selection process by the Manufacturers Life Insurance Company, as agent, *inter alia*, with syndicates of lenders which included Caisse de dépôt et placement du Québec. Based on public filings, as at April 5, 2016, the Caisse de dépôt et placement du Québec held 10,905,827 Common Shares of the Corporation, representing 10.10% of its issued and outstanding Common Shares.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar of the Corporation is Computershare Investor Services Inc., for the Common Shares, the Series A Shares, the Series B Shares and the Series C Shares and Computershare Trust Company of Canada for the 4.25% Convertible Debentures at their offices in Toronto and Montréal.

## MATERIAL CONTRACTS

During financial year 2014, the Corporation did not enter into any material contracts.

During financial year 2015, the Corporation entered into the following material contracts in connection with the 4.25% Convertible Debentures Offering:

- 4.25% Convertible Debentures Indenture; and
- 4.25% Convertible Debentures Underwriting Agreement.

During financial year 2016, the Corporation entered into the following material contracts in connection with the acquisitions in France:

- A Subscription Agreement;
- Amendment No. 1 to the Subscription Agreement.

All of these material contracts are available on SEDAR at [sedar.com](http://sedar.com)

## INTEREST OF EXPERTS

Deloitte LLP is the independent auditor of the Corporation and has advised that it is independent with respect to the Corporation within the meaning of the Code of ethics of the *Ordre des comptables professionnels agréés du Québec*.

## AUDIT COMMITTEE DISCLOSURE

The Audit Committee is composed entirely of directors who meet the independence and experience requirements of *Regulation 52-110 Respecting Audit Committees* adopted under the *Securities Act* (Québec). Daniel Lafrance is Chair of the Audit Committee and Jean La Couture and William A. Lambert are its other current members. Each of them is independent and financially literate within the meaning of *Regulation 52-110 Respecting Audit Committees*. The charter of the Audit Committee is attached hereto as Schedule B.

In addition to being operationally literate (having substantial experience in the execution of day to day business decisions and strategic business objectives acquired as a result of meaningful past experience with a broad responsibility for operations), the members of the Board of Directors who serve on the Corporation's Audit Committee must be financially literate in the sense of having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally compared to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements, and otherwise in keeping with applicable governance standards under applicable securities laws and regulations. All members of the Audit Committee are operationally as well as financially literate.

The education and related experience of each of the members of Audit Committee is described below.

**Jean La Couture** - Jean La Couture is President of Huis Clos Ltd., a management and mediation firm. He is a Fellow of the *Ordre des Comptables professionnels agréés du Québec* and member of the *Ordre des Comptables professionnels agréés du Québec* since 1967. Jean La Couture headed Le Groupe Mallette (an accounting firm) before becoming President and Chief Executive Officer of The Guarantee Company of North America. In 1995, Jean La Couture founded Huis Clos Ltd., which specializes in management and mediation as well as in civil and commercial negotiations. He is Chairman of the Board of Groupe Pomerleau and director and Chairman of the Audit Committee of Québecor Inc., a reporting issuer. He is also a director at the Caisse de dépôt et placement du Québec.

**Daniel Lafrance (Chair)** - Daniel Lafrance has acted as a corporate director as his principal occupation since August 2013. Prior to that, he was Senior Vice President Finance and Procurement, Chief Financial Officer and Secretary of Lantic Inc., wholly-owned by Rogers Sugar Inc. from February 1992 to August 2013. He holds a bachelor's degree in accounting (1977) from the University of Ottawa. Daniel Lafrance is a member of the Institute of Chartered Accountants of Ontario since 1980. He currently acts as a director and Chair of the Audit Committee for Rogers Sugar Inc., a reporting issuer and for Lantic Inc.

**William A. Lambert** - William A. Lambert has acted as a corporate director as his principal occupation since December 2009. He was a partner of Birch Hill Equity Partners from August 2005 to December 2009 and was an officer of TD Capital Group Limited from 1987 to January 2006. William A. Lambert received an MBA from York University and a Bachelor's of Science in Electrical Engineering from the Massachusetts Institute of Technology. He currently acts as a director of Ag Growth International Inc. and Biox Corporation, both of which are reporting issuers.

The aggregate fees paid, including the Corporation's pro rata share of the fees paid by its joint ventures, for professional services rendered by Deloitte LLP and its affiliates for the year ended December 31, 2016 and for the year ended December 31, 2015, are presented below.

Fees	Financial Year Ended December 31, 2016	Financial Year Ended December 31, 2015
Audit fees	\$631,100	\$604,645
Audit-related fees	∅	\$85,000
Tax fees	\$61,999	\$151,767
All other fees	∅	\$29,014
<b>Total fees<sup>(1)</sup>:</b>	<b>\$693,099</b>	<b>\$870,426</b>

(1) The aggregate fees paid to Deloitte LLP, irrespective of the Corporation's proportionate interest in its joint ventures, totalled \$693,099 in 2016 and \$870,426 in 2015.

In the above table, the terms in the column "**Fees**" have the following meanings: "**Audit fees**" refer to all fees for professional services rendered for the audit of the annual financial statements. They also comprise fees for audit services provided in connection with other statutory and regulatory filings, such as the audit of the financial statements of the subsidiaries of the Corporation, as applicable, as well as services that generally only the Corporation's, auditors can provide, such as comfort letters, consents and assistance with and review of documents filed with the securities commissions; "**Audit-related fees**" refer to the fees for due diligence related to potential mergers and acquisitions and are not reported under "Audit fees"; "**Tax fees**" refer to the aggregate fees for income, consumption and other tax compliance, advice and planning services relating to domestic and international taxation; and "**All other fees**" refer to the aggregate fees billed for products and services provided by the Corporation's external auditor, other than "Audit fees", "Audit-related fees" and "Tax fees".

Once a year, the Audit Committee performs an assessment and comprehensive review of the external auditors and communicates the results of such annual assessment to the Board of directors

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's information circular prepared in connection with the Corporation's most recent annual shareholders' meeting and is available on SEDAR at [sedar.com](http://sedar.com).

Additional financial information on the Corporation is provided in its audited financial statements and its management's discussion and analysis of financial condition and results of operations for the most recently completed financial year which are available on SEDAR at [sedar.com](http://sedar.com).

All requests for the above-mentioned documents must be addressed to the Secretary of Innergex Renewable Energy Inc. at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4 or by email at [legal@innergex.com](mailto:legal@innergex.com) or by fax at 450-928-2544.

## GLOSSARY OF TERMS

**"4.25% Convertible Debentures"** has the meaning attributed under "Description of Capital Structure – 4.25% Convertible Debentures";

**"4.25% Convertible Debentures Offering"** has the meaning attributed under "Description of Capital Structure – 4.25% Convertible Debentures";

**"4.25% Convertible Debentures Indenture"** has the meaning attributed under "Description of Capital Structure – 4.25% Convertible Debentures";

**"4.25% Convertible Debentures Underwriting Agreement"** has the meaning attributed under "General Development of the Business – Three Year Summary – Financial Year 2015".

**"5.75% Convertible Debentures"** has the meaning attributed under "General Development of the Business – Three Year Summary – Financial Year 2015";

**"Antoigné Wind Farm"** means the 8 MW wind farm located in Maine-et-Loire, France;

**"Arrangement"** means the definitive arrangement agreement entered into on January 31, 2010 between the Corporation and the Fund to undertake a strategic combination of the two entities whereby the Fund acquired the Corporation by way of a reverse takeover, thereby effecting at the same time the conversion of the Fund to a corporation;

**"Ashlu Creek Facility"** means the 49.9 MW hydroelectric power facility located on Ashlu Creek in British Columbia;

**"Batawa Facility"** means the 5 MW hydroelectric power generating facility located on the Trent-Severn Waterway near Trenton, Province of Ontario;

**"BC"** means the Province of British Columbia;

**"BC Hydro"** means British Columbia Hydro and Power Authority;

**"Beaumont Wind Farm"** means the 25 MW wind farm located in Berlise and Le Thuel, Aisne, France

**"Big Silver Creek Facility"** means the 40.6 MW hydroelectric facility located approximately 40 km north of Harrison Hot Springs in British Columbia;

**"Big Silver Creek LP"** means Big Silver Creek Limited Partnership;

**"Bois d'Anchat Wind Farm"** means the 10 MW wind farm located in Beauce-la-Romaine (previous name Ouzouer-le-Marché), Loir-et-Cher, France;

**"Boulder Creek LP"** means Boulder Creek Power Limited Partnership

**"Boulder Creek Project"** means the 25.3 MW hydroelectric power project located 56 km northwest of Pemberton, British Columbia;

**"Brown Lake Facility"** means the 7.2 MW hydroelectric power generating facility located on the Ecstall River, near Prince Rupert, British Columbia;

**"Carleton Wind Farm"** means the 109.5 MW wind farm located in the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure, Québec;

**"Cartier Wind Farms"** has the meaning attributed thereto under "Description of the Business and Assets of the Corporation - Operating Facilities - Operating Wind Farms – Wind Farms located in Québec";

**"CFE"** means the Comisión Federal de Electricidad or Federal Electricity Commission is a productive government enterprise in Mexico that produces and distributes electricity for more than 38.5 million customers representing 120 million Mexicans.

**"Chaudière Facility"** means the 24 MW hydroelectric power generating facility located on the Chaudière River near Lévis, Province of Québec;

**"CHI"** has the meaning attributed thereto under "Description of the Business and Assets of the Corporation - Operating Facilities - Operating Hydroelectric Facilities - Operating Facilities located in British Columbia";

**"Cholletz Wind Farm"** means the 11.8 MW wind farm located in Conchy-les-Pots, Oise, France;

**"COD"** means commercial operation date in respect of a project in accordance with its PPA;

**"Common Shares"** has the meaning attributed thereto under "Corporate Structure";

**"Conversion Price"** has the meaning attributed under "Three-Year Summary – Financial Year 2015";

**"Corporation"** means Innergex Renewable Energy Inc. and includes its subsidiaries, unless the context requires otherwise;

**"CPI"** means the consumer price index for Canada;

**"Credit Ratings"** has the meaning attributed thereto under sub-section "Credit rating may not reflect actual performance of the Corporation or a lowering of (downgrade) the credit rating may occur" under "Risk Factors".

**"Current Market Price"** has the meaning attributed thereto under "Description of Capital Structure - 4.25% Convertible Debentures";

**"DFN"** means the Douglas First Nation band;

**"Desjardins"** has the meaning attributed thereto under "General Development of the Business – Three-Year Summary – Financial Year 2016";

**"Development Projects"** has the meaning attributed thereto under "Description of the Business and Assets of the Corporation - Portfolio of Assets";

**"Douglas Creek Facility"** means the 27 MW hydroelectric power project located nearby the confluence of Douglas Creek with Little Harrison Lake in British Columbia;

**"ecoENERGY Initiative"** means an initiative from the Federal Government for renewable energy providing

for an incentive payment of \$10 per MWh for its first ten years of operations;

**"Fire Creek Facility"** means the 23 MW hydroelectric power project located nearby the confluence of Fire Creek with State River in British Columbia;

**"Fitzsimmons Creek Facility"** means the 7.5 MW hydroelectric power facility located on Fitzsimmons Creek in the resort municipality of Whistler in British Columbia;

**"Glen Miller Facility"** means the 8 MW hydroelectric power facility located on the Trent River in Trenton, Ontario;

**"Gros-Morne Wind Farm"** means the 211.5 MW wind power facility located in the Municipalities of Mont-Louis and Sainte-Madeleine-de-la-Rivière-Madeleine, Québec;

**"Harrison Operating Facilities"** means the six run-of-river hydroelectric facilities having a combined installed gross capacity of 150 MW, namely the Douglas Creek Facility, the Fire Creek Facility, the Stokke Creek Facility, the Tipella Creek Facility, the Upper Stave River Facility and the Lamont Creek Facility;

**"HHLP"** means Harrison Hydro Limited Partnership;

**"Horseshoe Bend Facility"** means the 9.5 MW hydroelectric power generating facility located on the Payette River, in the State of Idaho in the United States;

**"km"** means kilometer;

**"kV"** means one kilovolt or 1,000 volts;

**"Kwoiek Creek Facility"** means the 49.9 MW hydroelectric power project located on Kwoiek Creek in British Columbia;

**"Kwoiek Creek LP"** means Kwoiek Creek Resources Limited Partnership;

**"Lamont Creek Facility"** means the 27 MW hydroelectric power project located near Harrison Lake in south-western British Columbia on Lamont Creek;

**"Ledcor"** means Ledcor Power Group Ltd.;

**"Longueval Wind Farm"** means the 10 MW wind farm located in Son and Ecly, Ardennes, France;

**"LRP II"** refer to the first and second rounds thereof;

**"Magpie Facility"** means the 40.6 MW hydroelectric power generating station located on the Magpie River, in the municipality of Rivière-Saint-Jean and approximately 150 km east of Sept-Îles, Québec;

**"Maturity Date"** has the meaning attributed under "Description of Capital Structure – 4.25% Convertible Debentures";

**"Mesgi'g Ugju's'n (MU) Wind Farm"** means the 150 MW wind farm located in the Gaspé Peninsula, in Québec;

**"Mesgi'g Ugju's'n (MU) LP"** means Mesgi'g Ugju's'n (MU) Wind Farm, L.P.;

**"Mi'gmaq communities"** means the communities located in Gespe'gewa'gi Gespeg, Gesgapegiag and Listuguj;

**"Miller Creek Facility"** means the 33 MW hydroelectric power generating facility located on Miller Creek, near Pemberton, British Columbia, approximately 30 km northeast of the Resort Municipality of Whistler, British Columbia;

**"Montjean Wind Farm"** means the 12 MW wind farm located in Nouvelle-Aquitaine, France;

**"Montagne Sèche Wind Farm"** means the 58.5 MW wind power facility located in the Municipality of the Canton of Cloridorme, Québec;

**"Montmagny Facility"** means the 2.1 MW hydroelectric power generating facility located on Rivière du Sud in the City of Montmagny, Québec;

**"MW"** means one million watts or one megawatt;

**"MWh"** means one million watts per hour or one megawatt per hour;

**"Northwest Stave River Facility"** means the 17.5 MW hydroelectric power project located approximately 35 km north of Mission, British Columbia;

**"OPA"** means Ontario Power Authority;

**"Operating Facilities"** has the meaning attributed thereto under "Description of the Business and Assets of the Corporation - Portfolio of Assets";

**"Porcien Wind Farm"** means the 10 MW wind farm located in Château-Porcien and Saint Fergueux, Ardennes, France;

**"Portneuf Facilities"** means the three Portneuf Facilities namely, Portneuf – 1 of 8 MW, Portneuf – 2 of 9.9 MW and Portneuf – 3 of 8 MW located the Portneuf River in Sainte-Anne-de-Portneuf and Saint-Paul-du-Nord-Sault-au-Mouton within the Seigneurie des Milles-Vaches, Province of Québec;

**"PPA"** means a power purchase agreement, an electricity supply agreement, an electricity purchase agreement or a renewable energy supply contract;

**"Preferred Shares"** has the meaning attributed thereto under "Corporate Structure";

**"Prospective Projects"** has the meaning attributed thereto under "Description of the Business and Assets of the Corporation - Portfolio of Assets";

**"PV"** means photovoltaic;

**"Request for Proposals"** or **"RFP"** means a request for proposals issued by a provincial government or an entity created by such government for such purpose;

**"RPS"** has the meaning attributed thereto under "Industry Overview and Market Trends - Renewable Power in Canada";

**"Rutherford Creek Facility"** means the 49.9 MW hydroelectric facility located near Pemberton, British Columbia;

**"S&P"** means Standard & Poor's;

**"Saint-Paulin Facility"** means the 8 MW hydroelectric power-generating facility located in the Municipality of Saint-Paulin, Province of Québec;

**"Seller"** means wpd europe GmbH a German company and seller of the Wpd Projects;

**“Series A Shares”** has the meaning attributed thereto under “Corporate Structure”;

**“Series B Shares”** has the meaning attributed thereto under “Corporate Structure”;

**“Series C Shares”** has the meaning attributed thereto under “Corporate Structure”.

**“Seven French Entities”** has the meaning attributed thereto under “General Development of the Business – Three-Year Summary – Financial Year 2016”;

**“Shared Substation”** means all six of the Harrison Operating Facilities connect to BC Hydro’s high voltage transmission system at a shared substation they collectively own located next to BC Hydro’s Upper Harrison Terminal;

**“SM-1 Facility”** means the 30.5 MW hydroelectric power generating station located on private land near the town of Sept-Îles, Québec.

**“Standing Offer Program”** or **“SOP”** means a program or mechanism, established by a provincial government or an entity created by such government for such purpose, through which a standard and simplified contracting process and contractual terms are provided for independent power producers to enter into PPAs for relatively small renewable electricity generating projects;

**“Stardale Solar Farm”** means a 33.2 MW<sub>DC</sub> (27 MW<sub>DC</sub>) solar farm located in East Hawkesbury, in Ontario Canada;

**“Stokke Creek Facility”** means the 22 MW hydroelectric power project located near Harrison Lake in south-western British Columbia on Stokke Creek;

**“Theil Rabier Wind Farm”** means the 12 MW wind farm located in Nouvelle-Aquitaine, France;

**“Tipella Creek Facility”** means the 18 MW hydroelectric power project located near Harrison Lake in south-western British Columbia on Tipella Creek;

**“TransCanada”** means TransCanada Energy Ltd.;

**“Tretheway Creek LP”** means Tretheway Creek Hydro Limited Partnership;

**“Tretheway Creek Facility”** means the 21.2 MW hydroelectric facility located approximately 50 km north of Harrison Hot Springs in British Columbia;

**“TSX”** means the Toronto Stock Exchange;

**“TWh”** means 1,000 gigawatts per hour or one million megawatts per hour;

**“UHT”** has the meaning attributed thereto under “Description of the Business and Assets of the Corporation - Operating Facilities - Operating Hydroelectric Facilities – Hydroelectric Facilities located in British Columbia”;

**“Umbata Falls Facility”** means the 23 MW Umbata Falls hydroelectric power facility located on the White River in Ontario;

**“Upper Lillooet LP”** means Upper Lillooet River Power Limited Partnership;

**“Upper Lillooet River Project”** means the 81.4 MW hydroelectric power project located on Lillooet River northwest of Pemberton, British Columbia;

**“Upper Stave River Facility”** means the 33 MW hydroelectric power project located near Harrison Lake in south-western British Columbia on Stave River;

**“Vallottes Wind Farm”** means the 12 MW wind farm located in Bovée-sur-Barboure and Broussey-en-Blois, Meuse, France;

**“Viger-Denonville Wind Farm”** means the 24.6 MW wind power facility located in the Municipalities of Saint-Paul-de-la-Croix and Saint-Épiphanie, Québec;

**“Walden Facility”** means a 16 MW facility located on private land in Cayoosh Creek near Lillooet, British Columbia;

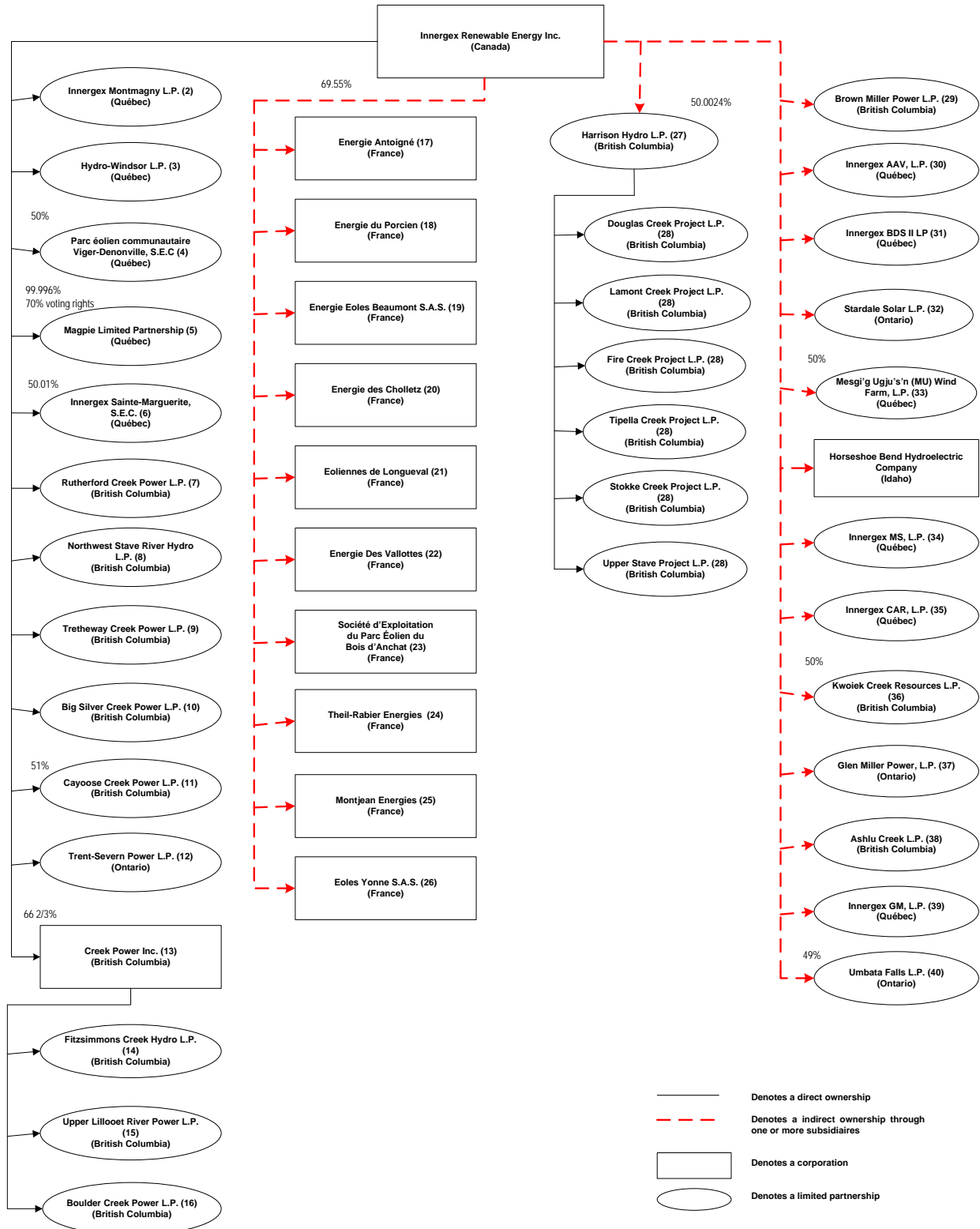
**“Windsor Facility”** means the 5.5 MW hydroelectric power generating facility located on the St-François River, near Windsor, Province of Québec;

**“Yonne Wind Farm”** means the 44 MW wind farm located in the region of Bourgogne in France;



## SCHEDULE A CORPORATE STRUCTURE

The following chart outlines the corporate structure of the Corporation and its material subsidiaries <sup>(1)</sup> as well as certain other material ownership interests held by the Corporation as at the date of this Annual Information Form.



————— Denotes a direct ownership  
 - - - - - Denotes an indirect ownership through one or more subsidiaries  
 □ Denotes a corporation  
 ○ Denotes a limited partnership

- (1) Unless otherwise indicated, the Corporation has a 100% direct or indirect interest in the entity. The Corporation has a 100% direct or indirect interest in the general partners of the limited partnership unless described otherwise in the following notes [**? depicted herein unless a general partner is not directly or indirectly wholly-owned by the Corporation**].
- (2) Innergex Montmagny, L.P. owns the Montmagny Facility.
- (3) Hydro-Windsor, L.P. owns the Windsor Facility.
- (4) Parc éolien communautaire Viger-Denonville, S.E.C. owns the Viger-Denonville Wind Farm and its general partner is Parc éolien communautaire Viger-Denonville Inc., which is 50% owned by Innergex Inc.
- (5) Magpie Limited Partnership owns the Magpie Facility.
- (6) Innergex Sainte-Marguerite, S.E.C. owns the SM-1 Facility.
- (7) Rutherford Creek Power L.P. owns the Rutherford Creek Facility.
- (8) Northwest Stave River Hydro Limited Partnership owns the Northwest Stave Facility.
- (9) Tretheway Creek Power Limited Partnership owns the Tretheway Creek Facility.
- (10) Big Silver Creek Power Limited Partnership owns the Big Silver Creek Facility.
- (11) Cayoose Creek Power L.P. owns the Walden Facility and its general partner is Cayoose Creek Power Inc., which is 80% owned by the Corporation.
- (12) Trent-Severn Power, LP owns the Batawa Facility.
- (13) The Corporation holds 66.7% of all issued and outstanding common shares of Creek Power Inc. and 100% of all the issued and outstanding Series 1 preferred shares of Creek Power Inc.
- (14) Fitzsimmons Creek Hydro LP owns the Fitzsimmons Creek Facility.
- (15) Upper Lillooet River Power Limited Partnership owns the Upper Lillooet River Project.
- (16) Boulder Creek Power Limited Partnership owns the Boulder Creek Project.
- (17) The Corporation owns 69.55% of Energie Antoigné which owns the Antoigné Wind Farm;
- (18) The Corporation owns 69.55% of Energie du Porcien which owns the Porcien Wind Farm;
- (19) The Corporation owns 69.55% of Energie Eoles Beaumont S.A.S. which owns the Beaumont Wind Farm;
- (20) The Corporation owns 69.55% of Energie des Cholletz which owns the Cholletz Wind Farm;
- (21) The Corporation owns 69.55% of Eoliennes de Longueval which owns the Longueval Wind Farm;
- (22) The Corporation owns 69.55% of Energie des Vallottes which owns the Vallottes Wind Farm;
- (23) The Corporation owns 69.55% of Société d'Exploitation du Parc Éolien du Bois d'Anchat which owns the Bois d'Anchat Wind Farm;
- (24) The Corporation owns 69.55% of Theil-Rabier Energies which owns the Theil-Rabier Wind Farm;
- (25) The Corporation owns 69.55% of Montjean Energies which owns the Montjean Wind Farm.
- (26) The Corporation owns 69.55% of Éoles Yonne S.A.S. which owns the Yonne Wind Farm;
- (27) Harrison Hydro Limited Partnership owns the limited partnership units of each of the 6 Harrison Operating Facilities. The general partner of Harrison Hydro Limited Partnership is Harrison Hydro Inc., wholly-owned by Cloudworks Holdings Inc., which is 50% owned by the Corporation.
- (28) The 6 Harrison Operating Facilities consisting of Douglas Creek Project Limited Partnership, Fire Creek Project Limited Partnership, Lamont Creek Project Limited Partnership, Stokke Creek Project Limited Partnership, Tipella Creek Project Limited Partnership and Upper Stave Project Limited Partnership own their respective projects and their general partner is Harrison Hydro Project Inc., which is wholly-owned subsidiary of Harrison Hydro Limited Partnership.
- (29) Brown Miller Power Limited Partnership owns the Brown Lake and the Miller Creek Facilities.
- (30) Innergex AAV, L.P. owns a 38% undivided co-ownership interest in the L'Anse-à-Valleau Wind Farm.
- (31) Innergex BDS II LP owns a 38% undivided co-ownership interest in the Baie-des-Sables Facility.
- (32) Stardale Solar LP owns the Stardale Solar Farm.
- (33) Mesgi'g Uguju's'n (MU) Wind Farm, L.P., owns the Mesgi'g Uguju's'n (MU) Wind Farm and its general partner is Mesgi'g Uguju's'n (MU) Wind Farm Inc., which is 50% owned by Innergex.
- (34) Innergex MS, L.P. owns a 38% undivided co-ownership interest in the Montagne Sèche Wind Farm.
- (35) Innergex CAR, L.P. owns a 38% undivided co-ownership interest in the Carleton Wind Farm.
- (36) Kwoiek Creek Resources L.P. owns the Kwoiek Creek Facility and its general partner is Kwoiek Creek Resources GP Inc., which is 50% owned by Innergex.
- (37) Glen Miller Power, LP owns Glen Miller Facility.
- (38) Ashlu Creek Investments L.P. owns the Ashlu Creek Facility.
- (39) Innergex GM, L.P. owns a 38% undivided co-ownership interest in the Gros-Morne Facilities.
- (40) Umbata Falls L.P. owns the Umbata Falls Facility and its general partner is Begetekong Power Corporation, which is 49% owned by Innergex.

## SCHEDULE B

### CHARTER OF THE AUDIT COMMITTEE

This Charter prescribes the role of the Audit Committee of the Board (the "**Committee**") of Innergex Renewable Energy Inc. (the "**Corporation**"). This Charter is subject to the provisions of the Corporation's Articles and By-Laws and to applicable laws.

#### 1. Role

In addition to the powers and authorities conferred upon the Directors in the Corporation's Articles and By-Laws and as prescribed by applicable laws, the mandate of the Committee is to oversee the:

- A. *Compliance of the Corporation with respect to applicable governmental and authorities' legislation and regulation pertaining to financial information disclosure;*
- B. *Adequacy of the accounting principles and decisions regarding the presentation of financial statements, in accordance with generally accepted accounting principles;*
- C. *Fair presentation of the Corporation's financial situation in its quarterly and annual financial statements;*
- D. *Timely disclosure of relevant information to shareholders and to the general public; and*
- E. *Implementation of efficient internal controls for all of the Corporation's transactions and review of such controls on a regular basis.*

#### 2. Composition

##### 2.1 Number and criteria

The Committee must be constituted as required under Regulation 52-110 – *Respecting Audit Committees*, as it may be amended from time to time ("**Regulation 52-110**"). The Committee is comprised only of members who are qualified as independent (as that term is defined in Regulation 52-110) and are financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements).

The Committee shall consist of at least three members.

##### 2.2 Selection and Chair

The members of the Committee and its Chair shall be appointed by the Board on an annual basis after the shareholders' annual meeting at which the directors are elected, or until their successors are duly appointed. The Chair shall designate from time to time a person who may, but not necessarily, be a member of the Committee to act as secretary.

Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee Membership.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a director of the Corporation. The Board may fill vacancies on the Committee by appointing from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of its powers so long as a quorum remains.

##### 2.3 Remuneration

Members of the Committee and its Chair shall receive such remuneration for their services as the Board may determine from time to time.

#### 3. Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances require.

Quorum for the transaction of business at any meeting of the Committee shall be a majority of members of the Committee or such greater number as the Committee shall determine by resolution.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members, which shall not be less than 48 hours. The notice period may be waived by all members of the Committee.

The Committee shall determine any desired agenda items.

The Committee should record minutes of its meetings and the Chair shall report to the whole Board on a timely basis.

The Chair may ask members of Management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation and others as they consider appropriate.

In order to foster open communication, the Committee or its Chair shall meet at least quarterly with Management and the external auditor, in separate sessions, to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or its Chair should meet with Management quarterly in connection with the Corporation's quarterly financial statements.

#### **4. Responsibilities**

Without limiting the generality of its role as described in section 1 above, the Committee shall, inter alia:

##### *4.1 Relationship with external auditor*

- Recommend to the Board the appointment and compensation of the external auditor;
- Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable;
- Oversee the work of the external auditor, including the resolution of any issues between the external auditor and Management;
- Pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation or its subsidiaries by the external auditor;
- Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Corporation to assess their independence;
- Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant;
- Periodically consult with the external auditor without Management about significant risks or exposures, internal controls and other steps that Management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper;
- Arrange for the external auditor to be available to the Committee and the Board as needed; and
- Consider the external auditor's judgment about the quality, transparency, appropriateness and not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

##### *4.2 Financial information and public disclosure*

- Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related to third party transactions;
- Consider any proposed major changes to the Corporation's accounting principles and practices;
- If considered appropriate, establish separate systems of reporting to the Committee by the Management and the external auditor;
- Review and recommend the approval of the annual and quarterly financial statements, related management discussion and analysis, annual and interim earnings press releases and Annual Information Form before such information is publicly disclosed;
- Oversee the implementation of adequate procedures for the review of the Corporation's public disclosure of financial information, other than those described in the above paragraph, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;
- Review the public disclosure regarding the Committee required by Regulation 52-110;
- Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor;
- Periodically consider the need for an internal audit, if not already provided for;
- Following completion of the annual audit and, if applicable, quarterly reviews, review separately with the Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews; and
- Review with the external auditor and Management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.

#### 4.3 *Other matters*

- Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters, and (ii) the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- Review and approving the Corporation's hiring policies regarding current or former partners or employees of the current and former auditors of the Corporation or its subsidiaries;
- Review activities, organizational structure and qualifications of the Chief Financial Officer and the staff in the financial reporting area and see to it that matters related to succession planning are raised for consideration by the Board; and
- Review Management's program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance and, in particular, assess the Corporation's financial risks and supervise Management's program to address such risks.

Notwithstanding the foregoing, it is not the duty of the Committee to prepare financial statements, to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with International Financial Reporting Standards, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of Management and in certain cases the external auditor, as the case may be.

#### 5. **Advisors**

The Committee may hire outside advisors at the expense of the Corporation in order to assist the Committee in the performance of its duties and set and pay the compensation for such advisors.

The Committee is authorized to communicate directly with the external (and, if applicable, internal) auditor as it sees fit.

If considered appropriate, the Committee is authorized to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, and to perform any other activities as the Committee deems necessary or appropriate.

The Board has determined that any committee who wishes to hire a non-management advisor to assist on matters involving the committee members' responsibilities at the expense of the Corporation, should review the request with, and obtain the authorization of, the Chairman of the Board.

#### 6. **Assessment**

On an annual basis the Committee shall follow the process established by it (and approved by the Board) for assessing performance and effectiveness of the Committee.

#### 7. **Charter review**

The Committee should review this Charter on an annual basis and recommend to the Board changes, as considered appropriate from time to time.

#### 8. **General**

The Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.



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Sustainable Development.

