No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom. See "Plan of Distribution".

Initial Public Offering and Secondary Offering
(if the Over-Allotment Option is Exercised)

November 28, 2007

PROSPECTUS

[INNERGEX LOGO]

$115,005,000

10,455,000 Common Shares

This prospectus qualifies the distribution (the "Offering") of 10,455,000 common shares (the "Common Shares") of Innergex Renewable Energy Inc. (the "Corporation") . The offering price of the Common Shares was determined by negotiation between the Corporation and BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., Desjardins Securities Inc., National Bank Financial Inc., Canaccord Capital Corporation and Dundee Securities Corporation (collectively, the "Underwriters"). See "Plan of Distribution".

Price: $11.00 per Common Share

	Price to the Public	Underwriters' Fee	Net Proceeds to the Corporation(1)	Net Proceeds to the Selling Shareholders(2)
Per Common Share	$ 11.00	$ 0.5775	$ 10.4225	$ 11.00
Total Offering(2)	$ 115,	$ 6,	$ 108,967,237	$ 0.00

(1) Before deducting the expenses of the Offering, estimated to be approximately $6,000,000.

(2) The Selling Shareholders have granted the Underwriters an option (the "Over-Allotment Option") to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30-day period following the closing of the Offering and entitles the Underwriters to purchase from the Selling Shareholders up to 1,045,000 Common Shares at the Offering price hereunder (being approximately 10% of the Common Shares offered hereunder). The Corporation will pay the Underwriters' fee in respect of Common Shares sold hereunder by the Selling Shareholders if the Over-Allotment Option is exercised. If the Over-Allotment Option is exercised in full, the total price to the public will be $126,500,000, the Underwriters' fee will be $6,641,250 and the net proceeds to the Corporation and the Selling Shareholders will be $108,363,750 and $11,495,000 respectively. This prospectus also qualifies for distribution the Over-Allotment Option and up to 1,045,000 Common Shares to be sold by the Selling Shareholders upon exercise of the Over-Allotment Option. See "Plan of Distribution".

Concurrently with the closing of the Offering, the Institutional Investors (as defined below) will effectively exchange all their equity interests in Innergex II Income Fund for Common Shares and will as well subscribe for additional Common Shares at the Offering price hereunder, the whole as described under "Transactions to be Completed at the Closing of the Offering" and "Use of Proceeds". Such Common Shares are being issued on a private placement basis pursuant to exemptions from prospectus requirements in accordance with Canadian securities laws, provided that any Common Shares that are sold by the Selling Shareholders pursuant to the exercise of the Over-Allotment Option will be qualified by this prospectus. See "Transactions to be Completed at the Closing of the Offering — Innergex II Acquisition" and "Plan of Distribution".

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell Common Shares purchased under this prospectus. The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Common Shares to be issued pursuant to the Offering and that may be sold pursuant to the exercise of the Over-Allotment Option under the symbol "INE". Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX.

In connection with the Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Any such transaction, if commenced, may be discontinued at any time. See "Plan of Distribution".

An investment in the Common Shares involves certain risks that are described in the "Risk Factors" section of, and elsewhere in, this prospectus and should be considered by any prospective purchaser of the Common Shares.

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued, sold and delivered by the Corporation to, and accepted by, the Underwriters in accordance with the conditions contained in an underwriting agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by McCarthy Tétrault LLP and, on behalf of the Underwriters, by Borden Ladner Gervais LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. One or more book-entry only certificates representing the Common Shares will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") or its nominee and will be deposited with CDS on the date of the closing of the Offering, which is expected to occur on or about December 6, 2007, or such later date as the Corporation and the Underwriters may agree, but in any event not later than December 28, 2007. A purchaser of Common Shares will receive only a customer confirmation from the registered dealer through which the Common Shares are purchased. See "Book Entry System".

BMO Nesbitt Burns Inc. and TD Securities Inc. are indirect wholly owned subsidiaries of financial institutions that are lenders to the Corporation. Consequently, the Corporation may be considered a "connected issuer" of such Underwriters under applicable Canadian securities laws. See "Plan of Distribution".

TABLE OF CONTENTS

ABOUT THE PROSPECTUS	2
INDUSTRY AND MARKET DATA	2
ELIGIBILITY FOR INVESTMENT	3
NON-GAAP MEASURES	3
FORWARD-LOOKING STATEMENTS	3
PROSPECTUS SUMMARY	5
GLOSSARY OF TERMS	15
INNERGEX RENEWABLE ENERGY INC.	19
INDUSTRY OVERVIEW	20
BUSINESS OVERVIEW	30
INVESTMENT IN THE FUND	56
TRANSACTIONS TO BE COMPLETED AT THE CLOSING OF THE OFFERING	58
USE OF PROCEEDS	59
SELECTED *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION	60
SELECTED FINANCIAL INFORMATION	60
MANAGEMENT'S DISCUSSION AND ANALYSIS	61
DIVIDENDS	80
PRIOR SALES	80
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	80
DESCRIPTION OF CAPITAL REORGANIZATION	81
DESCRIPTION OF SHARE CAPITAL	81
OPTIONS	82
PRO FORMA CAPITALIZATION	82
DESCRIPTION OF INDEBTEDNESS	83
PRINCIPAL AND SELLING SHAREHOLDERS	84
DIRECTORS AND EXECUTIVE OFFICERS	85
EXECUTIVE COMPENSATION	91
PLAN OF DISTRIBUTION	94
RISK FACTORS	96
MATERIAL CONTRACTS	103
BOOK ENTRY SYSTEM	104
LEGAL PROCEEDINGS	104
EXPERTS	104
AUDITORS, TRANSFER AGENT AND REGISTRAR	104
PURCHASERS' STATUTORY RIGHTS	104
INDEX TO FINANCIAL STATEMENTS	F-1
AUDITORS' CONSENT	F-2
CERTIFICATE OF THE CORPORATION	C-1
CERTIFICATE OF THE UNDERWRITERS	C-2

ABOUT THE PROSPECTUS

All references in this prospectus to the "Corporation" refer to Innergex Renewable Energy Inc. and its subsidiaries, unless the context requires otherwise.

The Corporation prepares its financial statements in Canadian dollars and in conformity with Canadian GAAP. All references to $ are to Canadian dollars.

Unless otherwise indicated or the context otherwise requires, the disclosure contained in this prospectus assumes that (i) the transactions described under "Transactions to be Completed at the Closing of the Offering" have been completed (collectively referred to as the "Closing Transactions"), (ii) the capital reorganization described under "Description of Capital Reorganization" has been completed, and (iii) the Over-Allotment Option has not been exercised. Investors should rely only on the information contained in this prospectus. The Corporation has not, and the Underwriters have not, authorized anyone to provide investors with additional or different information. The Corporation is not, and the Underwriters are not, offering to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus,

regardless of the time of delivery of this prospectus or any sale of the Common Shares. The Corporation's business, financial conditions, results of operations and prospects may have changed since the date of this prospectus.

Certain terms and phrases used in this prospectus are defined in the "Glossary of Terms".

INDUSTRY AND MARKET DATA

Market data and certain industry statistical information used throughout this prospectus were obtained or derived from market research, publicly available information and independent industry publications. Certain data is also based on management estimates, which are derived from the Corporation's internal surveys and review and discussion thereof with independent engineering consultants, as well as independent industry publications, government publications, reports by market research firms or other published independent sources. None of these publications, studies or surveys were prepared for use in connection with this prospectus or at the Corporation's expense. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and neither the Corporation nor the Underwriters have independently verified any of the data from third party sources. Similarly, internal surveys and management estimates, while believed to be reliable, reflect various assumptions and have not been independently verified and should be considered in that context.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and of Borden Ladner Gervais LLP, counsel to the Underwriters, provided that the Common Shares are listed on a prescribed stock exchange (which includes the TSX), the Common Shares will be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act.

NON-GAAP MEASURES

References in this prospectus to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization and reference to "EBITDA margin" means EBITDA divided by total revenue. Management believes that, in addition to net earnings, EBITDA and EBITDA margin are useful supplemental measures as they provide management and investors with an indication of cash available prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA and EBITDA margin should not be construed as an alternative to net earnings determined in accordance with Canadian GAAP as an indicator of the performance of the Corporation, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA and EBITDA margin are not recognized measures under Canadian GAAP and do not have a standardized meaning prescribed by Canadian GAAP and the method used by the Corporation to calculate EBITDA and EBITDA margin may differ from the method used by other issuers. Accordingly, EBITDA and EBITDA margin may not be comparable to similar measures used by other issuers.

In connection with the Corporation's 16.1% interest in Innergex Power Income Fund (the "Fund"), references are made in this prospectus to the Fund's "distributable cash" as used by the Fund in its continuous disclosure documents. Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indicator of the trust's ability to generate cash that could be used for distributions to unitholders and it should not be seen as a measure of cash flows or a substitute for comparable metrics prepared in accordance with GAAP. The Fund's calculation of distributable cash may differ from similar calculations as reported by other similar entities and accordingly may not be comparable to distributable cash as reported by such entities. Management believes that the Fund's distributable cash calculated from cash flows from operations is the most appropriate measure to help readers evaluate the cash flows that the Corporation may receive from its investment in the Fund. References to "EBITDA" of the Fund are to earnings before interest, provision for income taxes, depreciation and amortization, other revenues and expenses, and non-controlling interest. Other revenues and expenses include investment income, unrealized loss or gain on derivative financial instruments, exchange loss or gain, write-off of capital assets, and loss or gain on capital asset disposals.

INFORMATION CONCERNING THE FUND

The information concerning the Fund contained in this Prospectus has been taken from or is based upon publicly available documents and records on file with Canadian securities regulatory authorities. Although the Corporation has no knowledge that would indicate that any financial information contained herein relating to the Fund taken from or based upon such documents and records are

untrue or incomplete, the Corporation does not assume any responsibility for the accuracy or completeness of such financial information, including any of the Fund's financial highlights contained herein, or for any failure by the Fund to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to the Corporation.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the Corporation's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this prospectus, such statements use such words as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this prospectus. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this prospectus are based upon what management believes are reasonable assumptions, neither the Corporation nor the Underwriters can assure investors that the Corporation's actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this prospectus and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except in accordance with applicable law.

PROSPECTUS SUMMARY

The following summary of the principal features of the Offering should be read in conjunction with the full text of this prospectus and is qualified in its entirety by the more detailed information and financial data and statements contained elsewhere in this prospectus. Investors should carefully read this prospectus, including the section "Risk Factors" in its entirety.

Unless otherwise indicated or the context otherwise requires, disclosure contained in this prospectus assumes that (i) the Closing Transactions have been completed, (ii) the Capital Reorganization has been completed, and (iii) the Over-Allotment Option has not been exercised.

INNERGEX RENEWABLE ENERGY INC.

The Corporation is an independent developer and operator of renewable power generating facilities with a focus on the hydroelectric and wind power sectors. The Corporation has approximately 56 employees, including 11 employees of Innergex Power Income Fund (the "Fund") who are under the supervision of the Corporation. The Corporation operates, on its own behalf or on behalf of the Fund, power generating facilities in the Provinces of Québec, Ontario and British Columbia and in the State of Idaho. The Corporation's portfolio of projects consists of interests in 13 Operating Facilities, nine Development Projects with PPAs and 21 Prospective Projects. The Corporation has offices in Longueuil, Québec (head office) and Vancouver, British Columbia.

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) certain waste products, such as biomass (e.g., waste wood from forest products operations) and landfill gas; (iv) geothermal sources, such as heat or steam; and (v) the sun. While traditional regulated utilities continue to dominate the North American electricity generation markets, it is recognized that independent power producers will play an increasingly important role in the supply of electricity needs in the future. In recent years, governmental authorities and other policymakers have increasingly recognized the benefits of power generated by independent power producers.

The trend towards increased reliance on independent power producers for the supply of renewable power in North America is fuelled by a number of initiatives, including (i) the increase in government-sponsored incentives, (ii) the availability of long-term contracts for the purchase of renewable energy with highly creditworthy counterparties, allowing independent power producers to develop new projects in a low-risk environment with the expectation of long-term stable contractual cash flows, (iii) the implementation of non-discriminatory access to transmission systems, providing independent power producers access to regional electricity markets, and (iv) the efficiency of independent power producers.

Renewable Power in Canada

Significant recent growth in renewable power generation in Canada has been influenced by rising electricity prices, certain competitive provincial markets, rising fossil fuel prices, increased costs of large-scale hydroelectric sites, public concern over nuclear power generation, air quality and greenhouse gases, improvements in renewable energy technologies and shorter construction lead times for certain renewable projects. Renewable electricity generation in Canada is also supported by federal and provincial incentives such as production tax credits, accelerated depreciation and RPSs. Several provinces are also making the necessary transmission grid investments and are focusing on conservation and demand reduction.

Canada's hydrological resources are abundant and unique in the world. Despite the competition for appropriate sites and the challenges associated with long transmission distances, the low operational costs and long project lives of these facilities suggest hydroelectric power generation will continue to be a major affordable base-load supply source for some time. Transmission corridors in Canada have traditionally run directly from major generation facilities to major demand centres, meaning that strategic investments in new transmission will play an important role in the development of large hydroelectric projects and other isolated renewable energy generation projects.

The National Energy Board reports that wind power generation in Canada has reached a stage of commercial development and is now the fastest growing source of renewable energy in the country. According to the Canadian Wind Energy Association, approximately 1,600 MW of wind power capacity has been installed to date. Installed wind power capacity in Canada has increased substantially in each of the last three years, due largely to provincial RPSs, relatively short construction timelines, good wind

resources, including vast shorelines and strong winds throughout a wide range of rural areas, and numerous RFPs for renewable energy. The customary challenges of resource availability and transmission exist in Canada and in certain areas access to transmission lines with available capacity is an economic or regulatory consideration. Nevertheless, the Canadian Wind Energy Association has proposed a target for the construction of 7,000 MW of wind generation capacity by 2013.

Natural Resources Canada reports that total generating capacity in Canada is anticipated to grow from 113,000 MW in 2005 to 131,000 MW by 2020. A significant portion of this 18,000 MW of additional capacity, in addition to the capacity required to replace the capacity of non-renewable energy generating facilities to be decommissioned during that period, is expected to come from renewable power sources.

In response to the long-term trend toward stronger policies for protecting the environment, many provincial governments have introduced RPSs, which are generally being applied and implemented as goals or targets rather than mandatory requirements. These RPSs typically reflect the distinct resource issues associated with electricity generation within that particular provincial electricity industry structure and geography. RPSs typically set a target for an increased component of renewable generation in the electricity generation supply mix in order to reduce greenhouse gas emissions over time. In order to meet these targets, RFPs have been developed by provincial authorities or their utilities to source renewable generation resources and, in some cases, offer PPAs through competitive bidding processes. The competitive bidding process seeks to ensure that the RPSs are achieved at the lowest possible cost and with the highest probability of project completion. Standard Offer Programs have also been employed or planned in some provinces as a mechanism to allow smaller projects to contribute to meeting the renewable generation goals by simplifying the negotiating and financing process and decreasing the transactional costs of obtaining a relatively small but long-term and certain PPA.

Several provinces have recently released, or are currently preparing, significant new RFPs or Standard Offer Programs with the objective of procuring additional installed electricity generation capacity from renewable sources.

BUSINESS OF THE CORPORATION

Overview

The Corporation is an independent developer and operator of renewable power generating facilities. The Corporation is one of the most active in the Canadian renewable power industry with a focus on hydroelectric and wind power projects which benefit from low operating and management costs and simple and proven technology. The Corporation's management team has been active in the renewable power industry since 1990 and has developed and brought to commercial operation or refurbished, through different ventures, 11 hydroelectric and two wind power facilities, representing an aggregate installed capacity of 347.9 MW. The Corporation owns one 8 MW facility currently in operation and, together with its partners, nine projects with an aggregate of 565 MW of power generating capacity for which PPAs have been secured. These projects are either under construction or are expected to be under construction over the next five years and are anticipated to reach commercial operation between 2008 and 2012.

In order to finance the development of its projects, the Corporation's management team has partnered over the years with a number of financial institutions and private investors. As a way to gain access to additional capital, the Corporation's management team also created the Fund, which completed its initial public offering in July 2003, to acquire operating hydroelectric power generating facilities developed or refurbished by the Corporation's management team. Concurrently with the closing of the Offering and pursuant to the Facilities Disposition, the Fund will indirectly acquire from the Corporation interests in two wind power facilities developed jointly by the Corporation's management team and TransCanada, bringing the total number of facilities owned by the Fund to 12. The Fund will ultimately satisfy the purchase price payable to the Corporation by the issuance of approximately 4.7 million units of the Fund to the Corporation and by assuming approximately $107.6 million of non-recourse debt which is expected to be outstanding as of December 31, 2007. As a result of these transactions, the Corporation will hold 16.1% of the outstanding units of the Fund which will own interests in 10 hydroelectric facilities and two wind power generating facilities having an aggregate installed capacity of 339.9 MW. All such facilities are operating under long-term fixed price PPAs. See "Transactions to be Completed at the Closing of the Offering" and "Investment in the Fund".

The Corporation has been managing the Fund and supervising the operation of its facilities since the Fund's initial public offering in 2003 and will continue to provide such services pursuant to the Management Agreements. See "Business Overview — Relationship with the Fund — Management of the Fund's Facilities".

Organization Structure

The Corporation's portfolio is comprised of interests in three groups of power generating projects: (i) facilities that have reached commercial operation (the "Operating Facilities"), (ii) projects for which PPAs have been secured and are either under construction or have planned dates for commencement of commercial operations (the "Development Projects with PPAs"), and (iii) projects that have secured certain land rights, for which an application for an investigative permit has been filed or with respect to which a proposal has been submitted under an RFP (the "Prospective Projects"). The Corporation's portfolio of projects consists of interests in 13 Operating Facilities, nine Development Projects with PPAs and 21 Prospective Projects.

The following chart describes the Corporation's direct and indirect interests in the Operating Facilities, the Development Projects with PPAs and the Prospective Projects.

[GRAPH]

---

(1) Net capacity represents the proportional share of the total capacity attributable to the Corporation based on its ownership interest in these facilities and projects, with the remaining capacity being attributable to the ownership of strategic partners.

Competitive Strengths

Established Track Record in the Development of Renewable Power Projects

The Corporation's management team has over 16 years of experience as a developer and operator of hydroelectric and wind power facilities. The Corporation's management team has brought to commercial operation or has refurbished approximately 347.9 MW of renewable energy projects and is currently developing, either solely or with its partners, nine new facilities representing a further 565 MW of total capacity. The vast experience of the Corporation's management team provides it with a strong reputation and credibility in the industry.

The Corporation's management team has a proven track record of completing projects by the commencement date of commercial operations provided in its PPAs due to its careful management of the construction process. It has also been very successful in obtaining regulatory approvals on time due to its thorough feasibility assessments, power resource evaluations, and identification of the most suitable renewable power generating sites. The Corporation's management team has also had a high success rate in being awarded projects for which it has bid pursuant to RFPs. For instance, in 2004, the Corporation and its partner, TransCanada, were awarded the 740 MW for which they bid in the 1,000 MW wind RFP issued by Hydro-Québec. See "Business Overview — Description of Development Projects with PPAs — Wind Projects".

The Corporation's management team has a steady track record of not incurring any significant cost overruns in the development or operation of its power projects. Once a PPA is entered into, the Corporation outsources the construction of the projects while maintaining a pro-active management and supervisory role in the process. The Corporation believes that its combination of in-house resources with selective outsourcing and its vast experience in the development of renewable power generating facilities results in cost efficiencies and high success rates at the development stage.

The Corporation's ability to manage operational assets effectively is evidenced by the strong financial performance of the Fund. The Corporation's management team has, through its management services, contributed to the growth of the Fund's EBITDA and net earnings from $18.7 million and $9.1 million, respectively, for the first 12 months of operations ended June 30, 2004 to $32.4 million and $11.9 million, respectively, for the year ended December 31, 2006. The Fund's EBITDA is expected to increase to $47 million for the year ending December 31, 2008, assuming completion of the acquisition of the Anse-à-Valleau Facility and the Baie-des-Sables Facility at the closing of the Offering and based on the assumptions described under "Recently Completed Wind Projects", representing a CAGR of 22.9% since the Fund's initial public offering. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

Attractive Mix of Long-Term Contracts with Highly Credit Worthy Counterparties

The Glen Miller Facility and all of the Development Projects with PPAs (other than the Matawin Project) are subject to fixed price PPAs with investment grade counterparties, all of which are provincially owned utilities, including Hydro-Québec (Moody's: Aa2

Stable, DBRS: AH Stable, Fitch: AA- Stable), OPA (Moody's: Aa1 Stable, and DBRS: AA Stable) and BC Hydro (Moody's: Aa1 Stable, DBRS: AAH Stable). In the case of the Matawin Project, a PPA with Hydro-Québec is being finalized. See "Business Overview — Description of Development Projects with PPAs — Matawin Project". All of the PPAs entered into by the Corporation have a term of at least 20 years. The long-life, low-cost attributes of the Corporation's generating assets, combined with attractive power rates under the PPAs, position the Corporation to generate stable and sustainable cash flows.

Long-Term Sustainable Cost Advantage

Since hydroelectric and wind power assets are not exposed to rising fossil fuel costs and do not rely on maintaining high-efficiency combustion of fossil fuels, they have significantly lower operating expenses than other types of electricity generating technologies and are expected to maintain their operating cost advantage over the long-term.

Long-Life Assets with High Operational Reliability

Hydroelectric assets have initial useful lives in excess of 50 years, while wind turbines have initial useful lives in excess of 20 years. All of the Development Projects with PPAs are expected to be constructed over the next five years and the Operating Facilities have been in commercial operation for a weighted average of six years. The Corporation will therefore benefit from state-of-the-art facilities which are expected to have long operational lives with minimal maintenance costs.

The facilities managed and supervised by the Corporation's management team have, during the last ten years, maintained average availability rates of over 96%, leading to stable cash flows.

Stable Stream of Cash Flows from the Operating Facilities

At the closing of the Offering, the Corporation will have a 16.1% direct interest in the Fund. The Corporation expects to receive distributions and an incentive fee (pursuant to the Management Agreement) from the Fund as well as cash flows from the Glen Miller Facility in the aggregate amount of approximately $6.8 million in 2008. The Corporation expects that the stream of cash flows from the Fund and Glen Miller LP will be recurring in nature as the projects in which these entities own interests are supported by long-term PPAs with investment grade counterparties and are derived from a diversified asset base of long-life hydroelectric and wind generating assets located in various geographic areas. In addition, the Fund has a SR-2 (Stable) stability rating from Standard & Poor's. The Corporation also expects its cash flow to increase as it brings the Development Projects with PPAs and the Prospective Projects into commercial operation. See "Investment in the Fund".

Longstanding Strategic Relationships

The successful development of renewable power generating facilities requires a network of strong relationships with other operators, financial sponsors, suppliers, subcontractors and governmental representatives. The Corporation's strong relationship with these industry participants and its favourable reputation in the industry gives the Corporation preferred access to a dedicated group of participants for the development of new projects and for securing contracts through RFPs. Furthermore, the Corporation's proven track record of building projects on time and within budget is an asset in its dealings with financial institutions, provincial utilities and governments. The Corporation recently announced a partnership initiative with the Fédération Québécoise des Municipalités, creating an entity designed to help municipalities in Québec in the development of wind power projects and to bid for wind projects in the recently announced Québec Municipal Wind RFP.

Positive Relationship with Communities

The Corporation believes it has positive relationships with the communities in which it has developed renewable power projects, including many projects with First Nations communities. The Kwoiek Creek Project and the Umbata Falls Project are examples of successful joint ventures with First Nations communities. The Corporation considers landowners and communities to be value-added partners in its projects and in return the Corporation will generally direct a portion of the operating profits of a particular project back to the local community.

Growth, Development and Financing Strategies

Development of Existing Projects

The Corporation currently has interests in 565 MW of Development Projects with PPAs with anticipated commercial in-service dates ranging from 2008 to 2012. The Corporation's proportional share of this capacity is 293 MW with the remaining MW being attributable to the ownership of strategic partners. It is the Corporation's intention to continue to own and operate these assets once they have reached profitable commercial operation.

Pre-Selection of Development Sites

The Corporation is pro-active in seeking out development opportunities and prospective sites and has employees dedicated to this end. The Corporation is also frequently approached with development opportunities by third parties due to its reputation and high profile in the industry. Once it has secured access to potentially suitable renewable power generating sites, the Corporation conducts, through a combination of in-house resources and selective outsourcing, feasibility assessments and power resource evaluations. Once a potential site is selected, the Corporation applies for required regulatory approvals. The Corporation has currently identified and secured certain rights for or applied for investigative permits with respect to the development of sites representing more than 1,600 MW of potential additional capacity to be built. See "Description of Prospective Projects" below.

Bidding on Future RFPs

The Corporation is confident that future RFP opportunities will continue to arise, especially in Québec, British Columbia, Ontario and Manitoba, as these provinces continue to increase their targets for renewable power generation.

The Corporation has historically been focused on bidding on RFPs issued in the provinces of Québec and British Columbia where it has experienced a high level of success. The Corporation has submitted bids for 322.5 MW in the Québec 2,000 MW RFP, the awards of which are expected to be announced in February 2008. The Corporation also intends to submit bids in the recently announced Québec Municipal Wind RFP. In British Columbia, the Corporation intends to bid for the 9.9 MW Kaipit Project and the 9.9 MW Kokish Project pursuant to BC Hydro's Standard Offer Program for clean power projects with a nameplate capacity of less than 10 MW. The Corporation also intends to participate in BC Hydro's RFP for clean power which is expected to be issued in the spring of 2008 with a target of approximately 5,000 GWh, representing 1,250 MW (assuming an average capacity rate of 45% for the various clean energy sources). See "Description of Prospective Projects — Wind Projects — British Columbia Wind Prospects". The Corporation intends to be more active in responding to RFPs in Ontario, where the Corporation's management has brought two facilities to commercial operation and is currently developing a third.

Power Development Projects in the United States

The Corporation is also focused on expanding its development of wind power projects into the United States. The United States is currently the third largest producer of wind power in the world, hosting 15.6% of the world's capacity with 11,575 MW of installed capacity. This industry is expanding rapidly with new installations boosting the country's wind power generating capacity by 27% in 2006. The United States wind industry is currently supported through production tax credits generally available for 10 years after a facility is originally placed in service. In 2003, the Corporation's management team was involved in the acquisition and refurbishment by Innergex II of a 9.5 MW hydroelectric power plant in the state of Idaho. Innergex II's interests in the Horseshoe Bend facility were sold to the Fund in 2004. The Corporation's management team views the U.S. environment as a very attractive market and will continue to assess opportunities in this market.

Acquisition and Other Growth Opportunities

The Corporation may also expand through the acquisition of suitable power assets that have already reached commercial operation. As a public company, the Corporation will be able to use its equity to finance potential acquisitions. As it has done in the past, the Corporation will continue to focus on wind and hydroelectric power generation facilities, although the Corporation may seek to grow through expansion into other forms of renewable energy production, including solar and geothermal power, if profitable opportunities in those sectors develop for the Corporation. Future projects may be located in any region where profitable opportunities exist, although the Corporation expects such projects will mostly be located in Canada and the United States. While the Corporation intends to continue to focus upon the sale of power through long-term PPAs, it may also consider entering into the merchant wholesale power market if profitable opportunities are identified.

Financing Strategy

In the past, the Corporation and its predecessors have financed the development of their projects up to their construction stage through equity and indebtedness provided by the Institutional Investors and certain other financial institutions. Once having secured a PPA and obtained the required permits for a project, the Corporation has traditionally financed 70% to 85% of its construction costs through non-recourse and long-term debt financing.

SELECTED *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION

The following selected unaudited *pro forma* consolidated financial information reflects the Closing Transactions and is derived from and should be read in conjunction with (i) the Corporation's audited financial statements for the year ended December 31, 2006 and unaudited financial statements for the six-month period ended June 30, 2007, (ii) Innergex II's audited consolidated financial statements for the year ended December 31, 2006 and unaudited consolidated financial statements for the six-month period ended June 30, 2007, and (iii) the unaudited *pro forma* consolidated financial statements of the Corporation.

	Six-month period ended June 30, 2007	Year ended December 31, 2006
	(in $)	
Statement of Earnings Data		
Revenues	(3,134,738)	7,402,154
Earnings (loss) from continuing operations	(8,073,859)	2,220,797
Per share (basic and diluted)	(0.34)	0.09
Net earnings (loss)	(8,073,859)	2,220,797
Per share (basic and diluted)	(0.34)	0.09
Balance Sheet Data		
Cash	34,227,965	
Total assets	297,548,548	
Total long-term debt	42,515,000	
Shareholders' equity	225,035,127	

SELECTED FINANCIAL INFORMATION

The following table presents financial information derived from, and which should be read in conjunction with, the Corporation's audited and unaudited financial statements at pages F-3 to F-14 of this prospectus. The financial information should also be read in conjunction with the "Management's Discussion and Analysis" included elsewhere in this prospectus. In order to get a better view of the financial profile of the Corporation upon closing of the Offering, historical financial information of the Corporation should be read in conjunction with the unaudited *pro forma* consolidated financial statements prepared by management to give effect to the completion of the initial public offering of the Corporation and its acquisition of the interests in Innergex II, as described under the heading "Transactions to be completed at the Closing of the Offering" as well as in conjunction with the "Management's Discussion and Analysis" all included elsewhere in this prospectus.

	Six-month periods ended June 30		Years ended December 31		
	2007	2006	2006	2005	2004
			(in $)		
Statement of Earnings Data					
Revenues	3,504,563	2,991,152	6,236,995	4,733,663	3,413,961
Earnings from continuing operations	98,137	93,348	178,763	1,876,296	17,027
Per share (basic and diluted)	14.28	16.50	31.60	11,258.39	1,418.92
Net earnings and comprehensive earnings	98,137	93,348	178,763	1,876,296	17,027
Per share (basic and diluted)	14.28	16.50	31.60	11,258.39	1,418.92

	As at June 30, 2007	As at December 31, 2006	2005
		(in $)	
Balance Sheet Data			
Total assets	4,979,200	3,	3,
Total long-term debt	600,000	600,	250,

THE OFFERING

Issuer: Innergex Renewable Energy Inc.

Offering Size: $115,005,000 (10,455,000 Common Shares).

If the Over-Allotment Option is exercised in full, the Selling Shareholders will sell up to an additional 1,045,000 Common Shares. See “Plan of Distribution”.

Offering Price: $11.00 per Common Share.

Over-Allotment Option: The Selling Shareholders have granted the Underwriters an option (the ”Over-Allotment Option”) to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30-day period following the closing of the Offering and entitles the Underwriters to purchase from the Selling Shareholders up to 1,045,000 Common Shares at the Offering price hereunder (being approximately 10% of the number of Common Shares offered hereunder). If the Over-Allotment Option is exercised in full, the total price to the public will be $126,500,000, the Underwriters’ fee will be $6,641,250 and the net proceeds to the Corporation and the Selling Shareholders will be $108,363,750 and $11,495,000 respectively. The Corporation will not receive any proceeds from the exercise of the Over-Allotment Option.

Shares Outstanding: There will be 23,500,000 Common Shares issued and outstanding immediately following the closing of the Offering and the Concurrent Re-Investment. See “*Pro Forma* Capitalization”. Immediately following the closing of the Offering and the Concurrent Re-Investment and without giving effect to the Over-Allotment Option, the Institutional Investors will hold an aggregate of 11,102,999 Common Shares, representing 47.2% of the total Common Shares outstanding, and the Founding and Existing Shareholders will hold an aggregate of 1,942,001 Common Shares, representing 8.3% of the total Common Shares outstanding. See “Principal and Selling Shareholders”.

Use of Proceeds: The Corporation expects to receive $102,967,237 in net proceeds from the Offering, after deducting fees payable by the Corporation to the Underwriters and the estimated expenses of the Offering. If the Over-Allotment Option is exercised, the Corporation will not receive any proceeds from the sale of Common Shares by the Selling Shareholders and the Corporation has agreed to pay the Underwriters’ fee in respect of the Common Shares sold thereunder.

Concurrently with the closing of the Offering, the Institutional Investors will re-invest in cash an aggregate amount of $58,768,822 into the Corporation by subscribing for 5,342,620 Common Shares. See “Summary — Concurrent Re-Investment” and “Transactions to be completed at the Closing of the Offering”.

The Corporation intends to apply the net proceeds of the Offering, combined with the aggregate cash re-investment referred to above, as follows: (i) as to $123,875,000, to fund the repayment or purchase, as applicable, of outstanding indebtedness owed by Innergex II to the Institutional Investors, (ii) as to approximately $30,000,000, to fund the Corporation’s *pro rata* share of the equity required for the construction of its current portfolio of Development Projects with PPAs, (iii) as to $3,781,079 to pay a dividend on the Common Shares to be declared to the Founding and Existing Shareholders further to the gain realized by the Corporation in connection with the Facilities Disposition, and (iv) as to remaining proceeds, for working capital and general corporate purposes.

Concurrent Re-Investment: At the closing of the Offering, the Corporation will acquire from each of the Institutional Investors its equity interests in Innergex II, such that Innergex II will be

wholly-owned by the Corporation, for a purchase price of $63,364,165, which will effectively be paid by the issue to the Institutional Investors of 5,760,379 Common Shares at the Offering price hereunder (the "Innergex II Acquisition").

Also at the Closing of the Offering, the Institutional Investors will subscribe for an additional 5,342,620 Common Shares of the Corporation at the Offering Price hereunder for an aggregate amount of $58,768,822, by re-investing (i) $11,618,822 from distributions to be paid to them by Innergex II further to the gain realized by Innergex II from the disposition of the Rutherford Creek Facility in December 2005 and (ii) an additional $47,150,000 in cash (collectively with the Innergex II Acquisition, the "Concurrent Re-Investment").

All such 11,102,999 Common Shares will be issued pursuant to the Concurrent Re-Investment to the Institutional Investors on a private placement basis pursuant to exemptions from prospectus requirements in accordance with Canadian securities laws, provided that any Common Shares that are sold by the Selling Shareholders pursuant to the exercise of the Over-Allotment Option will be qualified by this prospectus.

Selling Shareholders: Each of the Selling Shareholders has agreed to sell a maximum number of 261,250 Common Shares pursuant to the Over-Allotment Option, being 1,045,000 Common Shares in the aggregate, representing approximately 4.4% of the outstanding Common Shares following closing of the Offering. After giving effect to the Offering and the Concurrent Re-Investment, each of the Selling Shareholders will own approximately 10.8% of the issued and outstanding Common Shares if the Over-Allotment Option is not exercised and 9.7% if the Over-Allotment Option is exercised in full.

Lock-Up Agreements: The Corporation, the Institutional Investors and the Founding and Existing Shareholders have, subject to certain exceptions, agreed that they will not, without the prior consent of BMO Nesbitt Burns Inc. and CIBC World Markets Inc. (on behalf of the Underwriters), which consent may not be unreasonably withheld, sell or issue Common Shares, or grant any options, warrants or other rights to acquire any Common Shares for (i) in the case of the Corporation and Caisse de Dépôt et Placement du Québec, a period of six months following the closing of the Offering, (ii) in the case of the other Institutional Investors, a period of 12 months following the closing of the Offering, and (iii) in the case of the Founding and Existing Shareholders, a period of 12 months following the closing of the Offering in respect of one half of the Common Shares and a period of 24 months following the closing of the Offering in respect of the other half of the Common Shares. See "Plan Distribution".

Anticipated TSX Symbol: INE

Risk Factors: An investment in the Corporation's Common Shares is speculative and involves a high degree of risk. Prospective purchasers should carefully consider the "Risks Related to the Corporation's Business and Industry" and the "Risks Related to the Structure of the Corporation and the Offering" under "Risk Factors" and the other information in this prospectus before purchasing Common Shares.

Voting Rights: The Common Shares will entitle the holders thereof to one vote per share at meetings of shareholders. See "Description of Share Capital".

GLOSSARY OF TERMS

"**Administration Agreement"** has the meaning attributed thereto under "Business Overview — Relationship with the Fund — Management of the Fund's Facilities";

"**Anse-à-Valleau Facility**" means the 100.5 MW wind power facility located in L'Anse-à-Valleau, Québec, all of Innergex II's interests in which will be transferred to the Fund as part of the series of transactions described under "Transactions to be Completed at the Closing of the Offering";

"**Ashlu Creek LP**" means Ashlu Creek Investments Limited Partnership;

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

"**Baie-des-Sables Facility**" means the 109.5 MW wind power facility located in Baie-des-Sables and Métis-sur-Mer, Québec, all of Innergex II's interests in which will be transferred to the Fund as part of the series of transactions described under "Transactions to be Completed at the Closing of the Offering";

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

"**BCTC**" means British Columbia Transmission Corporation;

"**CAGR**" means compound annual growth rate;

"**Canadian GAAP**" means Canadian generally accepted accounting principles;

"**Capital Reorganization**" means the reorganization of the share capital of the Corporation completed immediately prior to the closing of the Offering, as described under "Description of Capital Reorganization";

"**Carleton Project**" means the 109.5 MW wind power project located in the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure, Québec;

"**Cartier Wind Energy**" means Cartier Wind Energy Inc., a corporation jointly owned by the Corporation and TransCanada to develop the Cartier Wind Projects;

"**Cartier Wind Owners**" means the single purpose limited partnerships through which each of TransCanada, the Corporation and the Fund (upon completion of the Facilities Disposition) indirectly hold their respective participations in each Cartier Wind Project;

"**Cartier Wind Projects**" means the Carleton Project, the Gros Morne Projects, the Les Méchins Project, the Montagne-Sèche Project, the Anse-à-Valleau Facility and the Baie-des-Sables Facility;

"**CBCA**" means the *Canada Business Corporations Act;*

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Closing Transactions**" means the transactions described under "Transactions to be Completed at the Closing of the Offering";

"**Club des Hauteurs Project**" means the prospective wind power project with a capacity of up to 195.5 MW located in the Municipality of L'Anse-Saint-Jean, Québec;

"**Common Shares**" means the common shares in the share capital of the Corporation and includes those common shares issued pursuant to the Offering;

"**Concurrent Re-Investment**" has the meaning attributed thereto under "Transactions to be Completed at the Closing of the Offering".

“**Cooperation Agreement**” has the meaning attributed thereto under “Business Overview — Relationship with the Fund — Cooperation Agreement”;

“**Corporation**” means Innergex Renewable Energy Inc., formerly known as Innergex Management Inc., a corporation incorporated under the CBCA, and includes its subsidiaries, unless the context requires otherwise;

“**CPI**” means the consumer price index for Canada;

“**Development Projects with PPAs**” means the hydroelectric and wind power generating projects of the Corporation described in this prospectus for which PPAs have been secured and which are either under construction or have planned dates for the commencement of commercial operations;

“**ecoENERGY Initiative**” has the meaning attributed thereto under “Business Overview — Canadian Electric Industry — Federal Government Support for Renewable Power in Canada”;

“**Facilities Disposition**” has the meaning attributed thereto under “Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement”;

“**Financial Trust**” means Innergex Financial Trust;

“**Founding and Existing Shareholders**” means, collectively, Gilles Lefrançois and Michel Letellier, the founding shareholders of the Corporation, and Jean Perron, Jean Trudel, Michèle Beauchamp, François Hébert, Normand Bouchard, Guy Dufort, Renaud de Batz, Peter Grover and Richard Blanchet, being the other shareholders of the Corporation immediately prior to the closing of the Offering;

“**Fund**” means Innergex Power Income Fund and its subsidiaries;

“**GE**” means General Electric Company;

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

“**Glen Miller LP**” means Glen Miller Power, Limited Partnership;

“**Gros Morne Projects**” means, collectively, the Gros Morne Phase I Project and the Gros Morne Phase II Project;

“**Gros Morne Phase I Project**” means the 100.5 MW wind power project located in the Municipalities of Mont-Louis and Sainte-Madeleine-de-la-Rivière-Madeleine, Québec;

“**Gros Morne Phase II Project**” means the 111 MW wind power project located in the Municipalities of Mont-Louis and Sainte-Madeleine-de-la-Rivière-Madeleine, Québec;

“**GW**” means one billion watts, 1,000 MW or one gigawatt;

“**GWh**” means one gigawatt per hour;

“**Haute-Côte-Nord Est Project**” means the prospective wind power project with a planned installed capacity of up to 170 MW, located in the Regional Municipal County of Haute-Côte-Nord, Québec;

“**Haute-Côte-Nord Ouest Project**” means the prospective wind power project with a planned installed capacity of up to 168 MW, located in the Regional Municipal County of Fjord-du-Saguenay, Québec;

“**Hydro-Québec**” means Hydro-Québec and its subsidiaries and divisions, including Hydro-Québec Distribution, Hydro-Québec Production and Hydro-Québec TransÉnergie Inc.;

“**II Inc.**” means Innergex II Inc.;

“**Innergex II**” means Innergex II Income Fund and its subsidiaries;

“**Innergex II Acquisition**” has the meaning attributed thereto under “Transactions to be Completed at the Closing of the Offering — Innergex II Acquisition”;

“**Innergex GP**” means Innergex GP Inc.;

“**Innergex LP**” means Innergex, Limited Partnership;

“**Institutional Investors**” means, collectively, Régime de Rentes du Mouvement Desjardins, Caisse de Dépôt et Placement du Québec, Sun Life Assurance Company of Canada, TD Capital Group Limited and Kruger Inc. Master Trust;

“**IPT II**” means Innergex II Power Trust;

“**Kaipit Project**” means the prospective 9.9 MW hydroelectric power project on the Kaipit River in British Columbia;

“**Kamouraska Project**” means the prospective 124.5 MW wind power project located in the unorganized territory of Picard, in the Regional Municipal County of Kamouraska, Québec;

“**Kipawa Project**” means the prospective 42 MW hydroelectric power project located on Gordon Creek in Québec;

“**Kokish Project**” means the prospective 9.9 MW hydroelectric power project located on the Kokish River in British Columbia;

“**kV**” means one kilovolt or 1,000 volts;

“**KWh**” means one kilowatt per hour or 1,000 watts per hour;

“**Kwoiek Creek LP**” means Kwoiek Creek Resources Limited Partnership;

“**Kwoiek Creek Project**” means the 49.9 MW hydroelectric power project located on Kwoiek Creek in British Columbia;

“**Les Méchins Project**” means the prospective 150 MW wind power project located in the Municipalities of Grosse-Roche and Les Méchins, Québec;

“**Management Agreement**” has the meaning attributed thereto under “Business Overview — Relationship with the Fund — Management of the Fund’s Facilities”;

“**Management Agreements**” means, collectively, the Management Agreement, the Administration Agreement and the Services Agreement;

“**Massif-du-Sud Project**” means the prospective 90 MW wind power project located in the Municipalities of Saint-Luc-de-Bellechasse, Saint Magloire, Notre-Dame-Auxiliatrice-de-Buckland and Saint-Philemon, Québec;

“**Matawin Project**” means the 15 MW hydroelectric power project located on the Matawin River in Québec;

“**Mkw’Alts LP**” means Mkw’Alts Energy Limited Partnership;

“**Mkw’Alts Project**” means the 47.7 MW hydroelectric power project located on Ure Creek in British Columbia;

“**Montagne-Sèche Project**” means the 58.5 MW wind power project located in the Municipality of the Canton of Cloridorme, Québec;

“**MRN**” means the Ministère des Ressources naturelles et de la Faune du Québec;

“**MW**” means one million watts or one megawatt;

“**Offering**” means the offering of Common Shares under this prospectus, as described under “Plan of Distribution”;

“**OPA**” means Ontario Power Authority;

“**Operating Facilities**” means the power generating facilities in which the Corporation has an economic interest and which have reached the stage of commercial operation;

“**Over-Allotment Option**” means the option granted by the Selling Shareholders to the Underwriters pursuant to the Underwriting Agreement to purchase a maximum of 1,045,000 additional Common Shares at the Offering price solely to cover over-allotments, if any, and for market stabilization purposes, as described under “Plan of Distribution”;

“**Power Facilities Sale Agreement**” has the meaning attributed thereto under “Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement;

“**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 “Description of Capital Reorganization”;

“**Prospective Projects**” means the hydroelectric or wind power projects of the Corporation which have secured certain land rights or for which an application for an investigative permit has been submitted or for which a proposal has been submitted under an RFP;

“**Purchase Agreement**” has the meaning attributed thereto under “Transactions to be completed at the closing of the Offering — Innergex II Acquisition”;

“**Québec 2,000 MW RFP**” has the meaning attributed thereto under “Industry Overview — Québec Regulatory Framework”;

“**Québec Municipal Wind RFP**” has the meaning attributed thereto under “Business Overview — Other Opportunities — Québec Municipal Wind RFP”;

“**Renewable Portfolio Standards**” or “**RPS**” means such standards, policies, goals or regulations, established by the respective government or entity established by the government for such purpose, targeting or mandating the development of, increase in, or purchase of renewable forms of electricity generation in such province;

“**RFP**” means a request for proposals;

“**Rivière-au-Renard Project**” means the prospective wind power project with a capacity of up to 25 MW located within the territory of the Municipality of Gaspé, Québec;

“**Roussillon Project**” means the prospective 108 MW wind power project located in the Municipalities of Saint-Philippe, La Prairie and Saint-Jacques-Le Mineur, Québec;

“**Saint-Constant Project**” means the prospective wind power project with a capacity of up to 70 MW located in the Municipalities of Saint-Constant and Saint-Mathieu, Québec;

“**Selling Shareholders**” means, collectively, Régime de Rentes du Mouvement Desjardins, Caisse de Dépôt et Placement du Québec, TD Capital Group Limited and Kruger Inc. Master Trust;

“**Services Agreement**” has the meaning attributed thereto under “Business Overview — Relationship with the Fund — Management of the Fund’s Facilities”;

“**Standard Offer Program**” 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;

“**Stock Option Plan**” means the stock option plan of the Corporation to be adopted prior to the closing of the Offering;

"**subsidiary**" has the meaning ascribed thereto in Section 1.1 of National Instrument 45-106 — *Prospectus and Registration Exemptions* as in effect on the date hereof;

"**TransCanada**" means TransCanada Energy Ltd.;

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

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

"**Umbata Falls LP**" means Umbata Falls, Limited Partnership;

"**Umbata Falls Project**" means the 23 MW Umbata Falls hydroelectric power project located on the White River in Ontario;

"**Underwriters**" means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., Desjardins Securities Inc., National Bank Financial Inc., Canaccord Capital Corporation and Dundee Securities Corporation; and

"**Underwriting Agreement**" has the meaning attributed thereto under "Plan of Distribution".

INNERGEX RENEWABLE ENERGY INC.

The Corporation was incorporated in Canada under the *Canada Business Corporations Act* (the "CBCA") by Articles of Incorporation dated October 25, 2002. On October 25, 2007, the articles of the Corporation were amended to change its name from Innergex Management Inc. to Innergex Renewable Energy Inc. The Corporation's head and registered office is located at 1111, Saint-Charles West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4. The Corporation also has an office in Vancouver, British Columbia. The Corporation is an independent developer and operator of renewable power generating facilities with a focus on the hydroelectric and wind power sectors. The Corporation has approximately 56 employees, including 11 employees of Innergex Power Income Fund (the "Fund") who are under the supervision of the Corporation. The Corporation operates, on its own behalf or on behalf of the Fund, power generating facilities in the Provinces of Québec, Ontario and British Columbia and in the State of Idaho. See "Business Overview".

The following chart outlines the corporate structure of the Corporation and its material subsidiaries(1) as well as certain other material ownership interests of the Corporation upon completion of the Closing Transactions. The Corporation did not have any subsidiaries prior to the completion of the Closing Transactions.

---

(1) Unless otherwise indicated, the Corporation has a 100% direct or indirect interest in the entity.

(2) Innergex CAR, L.P. owns a 38% undivided co-ownership interest in the Carleton Project and its general partner is Innergex CAR Inc., a wholly-owned subsidiary of Innergex II.

(3) Innergex GM, L.P. owns a 38% undivided co-ownership interest in the Gros Morne Projects and its general partner is Innergex GM Inc., a wholly-owned subsidiary of Innergex II.

(4) Innergex LM, L.P. owns a 38% undivided co-ownership interest in the Les Méchins Project and its general partner is Innergex LM Inc., a wholly-owned subsidiary of Innergex II.

(5) Innergex MS, L.P. owns a 38% undivided co-ownership interest in the Montagne-Sèche Project and its general partner is Innergex MS Inc., a wholly-owned subsidiary of Innergex II.

(6) Glen Miller LP owns a 100% interest in the Glen Miller Facility and its general partner is Glen Miller Power Inc., a wholly-owned subsidiary of Innergex II.

(7) Mkw'Alts LP owns 100% of the Mkw'Alts Project and its general partner is Mkw'Alts Energy Inc., a wholly-owned subsidiary of Innergex II.

(8) Kwoiek Creek LP owns 100% of the Kwoiek Creek Project and its general partner is Kwoiek Creek Resources GP Inc., which is 50% owned by Innergex II.

(9) Umbata Falls LP owns 100% of the Umbata Falls Project and its general partner is Begetekong Power Corporation, which is 49% owned by Innergex II.

(10) The Corporation holds a 16.1% interest in the Fund, a publicly traded income fund, the units of which are listed on the TSX.

(11) Ashlu Creek LP owns 100% of the Ashlu Creek Project and its general partners are 675729 British Columbia Ltd., which is 50% owned by Innergex II and 888645 Alberta Ltd., the shares of which Innergex II is in the process of purchasing.

INDUSTRY OVERVIEW

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) certain waste products, such as biomass (e.g., waste wood from forest products operations) and landfill gas; (iv) geothermal sources, such as heat or steam; and (v) the sun.

Demand for renewable power sources in North America continues to grow and is largely driven by the long-term trend toward stronger policies for protecting the environment. The combustion of fossil fuels such as coal, oil, and natural gas to produce electricity emits greenhouse gases, and is acknowledged internationally as being a major contributor to global warming. These environmental concerns, combined with increases in electricity demand, low levels of growth in electricity supply, and near all-time high energy

commodity prices, are enticing electricity providers to diversify their mix of power generation sources to include a larger share of renewable power.

In the traditional market structure of the electricity industry, vertically-integrated monopoly utilities have (i) generated (production of electricity); (ii) transmitted (transport of electricity from generation facilities to transformer stations); and (iii) distributed electricity (transport from transformer stations to consumers). A number of factors, including rising electricity rates and fossil fuel prices, technological advances, and concerns about cost controls in funding future investments in generation and transmission have led several jurisdictions to restructure their electricity markets to move towards full competition or regulated competition. An integral part of the restructuring effort has been the introduction of new generation supply from third parties, or "independent power producers", that are independent of government and differ from traditional vertically-integrated and regulated utilities.

While traditional regulated utilities continue to dominate the North American electricity generation markets, it is recognized that independent power producers will play an increasingly important role in the supply of electricity needs in the future. In recent years, governmental authorities and other policymakers have increasingly recognized the benefits of power generated by independent power producers.

The trend towards increased reliance on independent power producers for the supply of renewable power in North America is fuelled by a number of factors, including (i) the increase in government-sponsored incentives; (ii) the availability of long-term contracts for the purchase of renewable energy with highly creditworthy counterparties, allowing independent power producers to develop new projects in a low-risk environment with the expectation of long-term stable contractual cash flows; (iii) the implementation of non-discriminatory access to transmission systems, providing independent power producers access to regional electricity markets; and (iv) the efficiency of independent power producers.

Canadian Electricity Industry

In Canada, provincial governments have jurisdiction over their respective intra-provincial electricity markets and the federal government has jurisdiction over inter-provincial and international transmission and export permitting. There is significant regional diversity among provinces in terms of the sources of supply and market structure. Thermal generation (coal, oil and natural gas) plays a large role in Nova Scotia, Alberta, Saskatchewan, Ontario, Prince Edward Island, New Brunswick, and to a lesser extent in the Yukon Territory and Northwest Territories and Nunavut, where localized generation is important. Hydroelectric generation plays a large role in British Columbia, Manitoba, Québec, Newfoundland and Labrador, and is an important part of the supply mix in Ontario and Saskatchewan. Nuclear generation contributes significantly to the supply mix in Ontario and to some extent in New Brunswick. Despite having a diversified mix of energy supply, all provinces are now developing or endorsing renewable sources of power to some degree.

In addition to fuel diversity, the pace and extent of electricity market deregulation has also been varied and reflective of the unique circumstances and challenges faced by each province. In recent years there has been a shift to retail and wholesale competition in Alberta and Ontario, and some other provinces have undertaken varying degrees of sector unbundling through the granting of PPAs to independent power producers and greater access to transmission and distribution lines. As a result, there is an increase in the number of independent power producers across Canada. Some provinces are experiencing supply adequacy challenges during demand peaks and are focused on immediate generation and transmission investments for both short-term reliability and long-term security of supply.

Renewable Power in Canada

Significant recent growth in renewable power generation in Canada has been influenced by rising electricity prices, certain competitive provincial markets, rising fossil fuel prices, increased costs of large-scale hydroelectric sites, public concern over nuclear power generation, air quality and greenhouse gases, improvements in renewable energy technologies and shorter construction lead times for certain renewable projects. Renewable electricity generation in Canada is also supported by federal and provincial incentives such as production tax credits, accelerated depreciation, and Renewable Portfolio Standards. Several provinces are also making the necessary transmission grid investments and are focusing on conservation and demand reduction.

Canada's hydrological resources are abundant and unique in the world. Despite the competition for appropriate sites and the challenges associated with long transmission distances, the low operational costs and long project lives of these facilities, suggest hydroelectric power generation will continue to be a major affordable base-load supply source for some time. Transmission corridors in Canada have traditionally run directly from major generation facilities to major demand centres, meaning that strategic investments

in new transmission will play an important role in the development of large hydroelectric projects and other isolated renewable energy generation projects.

The National Energy Board reports that wind power generation in Canada has reached a stage of commercial development and is now the fastest growing source of renewable energy in the country. According to the Canadian Wind Energy Association, approximately 1,600 MW of wind power capacity has been installed to date. Installed wind power capacity in Canada has increased substantially in each of the last three years, due largely to provincial RPSs, relatively short construction timelines, good wind resources, including vast shorelines and strong winds throughout a wide range of rural areas, and numerous RFPs for renewable energy. The customary challenges of resource availability and transmission exist in Canada, and in certain areas access to transmission lines with available capacity is an economic or regulatory consideration. Nevertheless, the Canadian Wind Energy Association has proposed a target for the construction of 7,000 MW of wind generation capacity by 2013.

Electricity Demand & Supply

Demand for electricity is expected to continue to increase significantly in Canada. Natural Resources Canada estimates that in 2020, Canadian annual electricity consumption will exceed 2005 consumption levels by 105 TWh.

This forecasted increase in electricity consumption is driven principally by continued population growth and economic expansion. Population growth is a key determinant of electricity demand for housing, services and transportation. Its impact is magnified by changes in per capita consumption, which is often a reflection of economic growth, among other factors. Over the past several decades, economic expansion has led to increased demand for electricity due to factors such as the proliferation of electric household devices, larger homes, larger television sets and more frequent use of commercial establishments. This trend has been mitigated somewhat by advances in technology which have led to more energy efficient appliances and buildings.

Natural Resources Canada reports that total generating capacity in Canada is anticipated to grow from 113,000 MW in 2005 to 131,000 MW by 2020. A significant portion of this 18,000 MW of additional capacity, in addition to the capacity required to replace the capacity of non-renewable energy generating facilities to be decommissioned during that period, is expected to come from renewable power sources.

Federal Government Support for Renewable Power in Canada

The Canadian federal government is supportive of the generation of electricity from renewable resources, as evidenced by the provision of incentives to renewable power producers. The approved 2007 Canadian federal budget has allocated $4.5 billion to support ecoENERGY programs. One such program is the $1.5 billion Renewable Power Program (the “ecoENERGY Initiative”), which is intended to support the development of 4,000 MW of renewable energy investments across Canada over the next 14 years (subject to annual budgetary approval) and which is designed to encourage the production of approximately 14.3 TWh of electricity from low-impact renewable energy sources such as wind, hydro, biomass, solar, and ocean energy. As part of the ecoENERGY Initiative, there is a one cent per KWh ($10 per MWh) incentive, available over a ten-year period, for projects that are commissioned between April 1, 2007 and March 31, 2011.

Provincial Renewable Portfolio Standards and Requests for Proposals

In response to the long-term trend toward stronger policies for protecting the environment, many provincial governments have introduced RPSs, which are generally being applied and implemented as goals or targets rather than mandatory requirements. These RPSs typically reflect the distinct resource issues associated with electricity generation within that particular provincial electricity industry structure and geography. RPSs typically set a target for an increased component of renewable generation in the electricity generation supply mix in order to reduce greenhouse gas emissions over time. In order to meet these targets, RFPs have been developed by provincial authorities or their utilities to source renewable generation resources and, in some cases, offer PPAs through competitive bidding processes. The competitive bidding process seeks to ensure that the RPSs are achieved at the lowest possible cost and with the highest probability of project completion. Standard Offer Programs have also been employed or planned in some provinces as a mechanism to allow smaller projects to contribute to meeting the renewable generation goals by simplifying the negotiating and financing process and decreasing the transactional costs of obtaining a relatively small but long-term and certain PPA.

Several provinces have recently released, or are currently preparing, significant new RFPs or Standard Offer Programs with the objective of procuring additional installed electricity generation capacity from renewable sources. Through provincial RPSs, several provinces have targeted a percentage of electricity to be generated from renewable sources. The current provincial targets for clean or

renewable energy in their supply mix include: British Columbia requiring renewables or clean energy to continue to account for at least 90% of total generation; Saskatchewan requiring 50% by 2025; Nova Scotia requiring 20% by 2013; Prince Edward Island requiring 30% by 2016; Ontario requiring 10% to be contracted for by 2010; and Québec seeking 4,000 MW of installed wind generation capacity by 2015.

The following table outlines the Renewable Portfolio Standards in each of the provinces of Canada, milestones that have been achieved, and information on upcoming or pending RFPs.

Province	RPS	Market Update
Québec	• Provincial Energy Strategy plans approximately 4,000 MW of installed wind generation capacity by 2015 • One of three main priority areas is the complementary development of hydroelectricity and wind power	• Approximately 1,400 MW of wind capacity installed or contracted • RFP for 2,000 MW of wind power closed in September 2007 and awards are expected February 2008 • Also increasing hydroelectric generation by accelerating the completion of existing projects and adding 4,500 MW of new projects
British Columbia	Under BC Energy Plan: • Clean or renewable electricity generation to continue to account for approximately 90% of total generation • All new electricity generation projects to have zero net greenhouse gas emissions • No nuclear electricity generation projects • Goal to achieve electricity self-sufficiency by 2016	• 2006 Call for Power awarded 325 MW of PPAs for wind projects, and 842 MW of PPAs for hydroelectric projects • Small Power Standing Offer for projects less than 10 MW from clean energy sources or high efficiency cogeneration is in the process of being developed • The 2007/08 Call for Clean Power is currently being designed, and scheduled to be issued early 2008 with a target of approximately 5,000 GWh of energy per year. BC Hydro also has plans for a 2009 call for tender with a target of approximately 5,000 GWh of energy per year for delivery by 2015
Ontario	• Supply Mix Directive from Minister setting a target of an additional 2,700 MW (from 2003 base year) installed capacity from new renewables by 2010 and increased total capacity of renewable energy sources to 15,700 MW by 2025 • Policy to contract for 5% (1,350 MW) of Ontario's total energy capacity from renewable resources by December 2007 and 10% (2,700 MW) by 2010 • Proposed target date of 2014, or as early as practical, to eliminate all of Ontario's coal generation facilities	• 2004 RFP ("RES I") for 300 MW of renewable energy capacity, which resulted in 395 MW of contracts • 2005 RFP ("RES II") for 1,000 MW of renewable energy capacity from projects between 20 MW and 200 MW, which resulted in just over 975 MW of contracts • 2006 Renewable Energy Standard Offer Program ("RESOP") launched seeking renewable energy from projects under 10 MW • In August 2007, a Province of Ontario directive to the OPA to procure an additional 2,000 MW of renewable energy from projects greater than 10 MW, and directing the OPA to begin such procurement of 500 MW by the end of 2007
Alberta	• No formal RPS or fuel use policy; government does not support one type of generation over another but will allow competitive market to determine supply mix • 2002 proposal to increase	• Alberta expects to surpass 500 MW of installed wind energy capacity in 2007 • 900 MW cap on wind power development in Alberta lifted in September of 2007

	renewable generation capacity to 3.5% (approximately 560 MW) of provincial total by 2008 will be met, encouraged by minimum government green power procurement standards	• Certain transmission line upgrades in the major wind resource area of Alberta have received regulatory approval and others are pending now that the 900 MW threshold has been removed
Saskatchewan	• Green Power Portfolio ("GPP") to ensure all new electricity needs until 2010 are met from "environmentally friendly sources" that do not add to greenhouse gas emissions • GPP proposes 100 MW of new wind power capacity by 2012 • Environmentally Preferred Power Program ("EPP") to solicit 45 MW of small scale projects to help meet GPP short term requirements	• Current portfolio of 150 MW of wind power, and 45 MW of EPP run-of-river hydroelectric power • Received recommendations in December 2006 to establish a Renewable Energy and Conservation Portfolio Standard, requiring a minimum of 50% of Saskatchewan's electricity from renewable energy sources and conservation by 2025, and to make large scale wind power an important part of future electrical generation, with a target of 500 MW of wind power by 2015
Manitoba	• Targeting 1,000 MW of wind power to be developed over a ten-year period (2014)	• Currently more than 100 MW of installed wind power • RFP for 300 MW of wind power closed in July 2007 • Three further allocations of 200 MW each (600 MW in total) expected for 2013/14, 2015/16 and 2017/18 based on economic viability
Newfoundland and Labrador	• Comprehensive provincial Energy Plan being developed, including draft target of 150 MW of wind energy development	• Currently studying wind potential and RFP issued in 2006 to determine how wind generation capacity can be added cost-effectively • Considering proposals for expansion of the Lower Churchill River hydroelectric facility for an additional 2,800 MW (increase of approximately 50% above current capacity)
Nova Scotia	• Mandatory Renewable Energy Standard requirement that 5% of electricity generation to come from renewable energy sources built after 2001 by 2010, 10% by 2013, and (in addition to renewables already in the system as of 2001), for almost 20% of electricity generation to come from renewable energy sources by 2013 • Nova Scotia Power will be required by 2013 to at least double its purchases of renewable energy supplied from independent power producers	• Nova Scotia Power currently has approximately 400 MW of renewable generation capacity installed, including over 60 MW of wind generation operational from past RFPs • Current RFP for 130 MW of renewable generation with bids submitted in August 2007 • Currently developing a 23 year (2007-2029) Integrated Resource Plan, which will be subject to regulatory approval
New Brunswick	• Seeking to purchase up to 400 MW of wind energy to be installed by 2016 • 10% of electricity sold by New Brunswick Power to be from renewable sources by 2016	• Agreements signed in January and March of 2007 for 96 MW of wind generation capacity • Current RFP for up to 300 MW of wind-powered generation by November 2010 and acceleration of acquisition of wind generation capacity
Prince Edward Island	• Mandatory requirement that 15% of electricity consumed in Prince Edward Island by 2010 be acquired by on-Island renewable resources, but because goal has already been met Minister has	• Evaluating having 100% of electricity acquired from renewable energy by 2015

increased target to 30% by 2016

Québec Regulatory Framework

Hydro-Québec, a corporate agent of the Québec government, is one of the largest electricity utilities in North America. Under its incorporation 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 certain cooperative, Hydro-Québec is the holder of exclusive electric power distribution rights throughout the territory of Québec. In anticipation of a significant increase in demand for electricity generated in Québec, the Québec Government, through Hydro-Québec, began seeking generating capacity from independent power producers in the early 1990's and committed to a number of long-term agreements to buy electricity from third parties, typically under the terms of a PPA.

In 1996, the Québec Government created the Régie de l'énergie, an economic regulation agency. The mission of the Régie de l'énergie is to foster the conciliation of the public interest, consumer protection and the fair treatment of the electricity carriers and distributors. The Régie de l'énergie fixes 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. 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 RFPs with interested power suppliers. The Régie de l'énergie monitors all RFPs for the supply of energy in Québec. In 2003, Hydro-Québec issued an RFP for the supply of nearly 1,000 MW of wind energy. In 2005, another RFP was issued for the supply of 2,000 MW of wind energy, which closed recently and for which Hydro-Québec received 66 bids for a combined total of 7,724 MW (the "Québec 2,000 MW RFP"). Hydro-Québec is expected to award projects under the Québec 2,000 MW RFP in February 2008.

Hydro-Québec is currently purchasing all the electric power produced by independent power producers in Québec, other than the electricity used by certain producers in their own operations.

British Columbia Regulatory Framework

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.

The restructuring of the electricity industry in British Columbia began with the announcement by the Government of British Columbia in 2002 of their "Energy for our Future: A Plan for BC". The plan had four primary elements: (i) continuing public ownership of BC Hydro; (ii) developing a secure and reliable supply of energy; (iii) providing greater private sector opportunities; and (iv) enhancing conservation and new investment in clean energy sources. Under the new plan, BC Hydro was restructured into two separate Crown corporations: BC Hydro for generation and distribution and BC Transmission Corporation to operate and provide open access to BC Hydro's transmission system. BC Hydro's distribution division is required to acquire all new power on a least-cost basis from all potential sources. All generation is to be provided by independent power producers with BC Hydro being limited to undertaking efficiency improvements at existing facilities and only undertaking development of new generation with British Columbia Utility Commission approval.

In 2002 and 2003, BC Hydro commenced a procurement process for green power generation that resulted in 16 projects being awarded PPAs (although most of these projects have not proceeded). This was followed in 2006 by another RFP which resulted in independent power producers being awarded contracts for 38 projects. In February 2007, the province announced a new energy plan comprising a number of policies including a target of zero net greenhouse gas emissions for all new electricity projects, ensuring clean or renewable electricity generation continues to account for at least 90% of total generation (over 90% of generation in British Columbia currently derives from hydroelectric resources), acquiring 50% of BC Hydro's incremental resource needs through conservation and establishing a Standard Offer Program for clean energy projects under 10 MW. BC Hydro is currently working on the design for a 2007 Call for Power to purchase new electricity supply from independent power producers, which is expected to be issued late in 2007.

Ontario Regulatory Framework

Ontario's electricity market is structured around the five entities which resulted from the break-up of Ontario Hydro in 1999, namely: the Ontario Electricity Financial Corporation, Ontario's Hydro's legal successor with the mandate to manage and retire Ontario Hydro's debt and contractual obligations with independent power producers; Ontario Power Generation ("OPG"), the generating company; Hydro One Inc., the transmission and rural distribution company; the Independent Electricity System Operator ("IESO"), the grid operator which ensures security of supply, operates the spot market, and schedules and dispatches generating units; and the Electrical Safety Authority, the safety standards body. Following this restructuring, in May 2002 Ontario's electricity market opened to wholesale and retail competition, providing open access to regulated transmission systems, and requiring OPG to reduce its share of generation capacity in the market. The market opening was almost immediately followed by sustained hot temperatures and resulting demand peaks, combined with supply constraints. This resulted in high prices and reliance on imports, leading the Government of Ontario to reassess the implementation of the new market, cap the price of electricity for certain customers, and freeze distribution rates and IESO charges.

In 2003, the Government of Ontario took steps which further transformed the electricity market into what is now described as a "hybrid market", including raising the price cap, directing the Ontario Energy Board ("OEB") to regulate residential pricing for power generated from OPG's nuclear and large hydroelectric generation assets and setting annual revenue limits with respect to OPG's coal and smaller hydroelectric generation facilities. In late 2004, the Ontario Power Authority ("OPA") was established to address system planning and security of supply in Ontario by reviewing demand and resource reliability forecasts, facilitating supply source investment and diversification, and promoting conservation. To date, both the Ontario Ministry of Energy and the OPA pursuant to Ministerial directives have procured new renewable generation sources through RFPs and through the "Renewable Energy Standard Offer Program" ("RESOP"), under which the OPA awards 20-year power purchase contracts for projects under 10 MW.

In August 2007, the OPA filed with the OEB a comprehensive Integrated Power System Plan ("IPSP") identifying the conservation, generation and transmission investments required in Ontario from 2007 to 2027. Pending OEB approval, the IPSP will authorize the OPA to procure generation without the need for Ministerial directives, in order to meet Ontario's RPS targets of 10,400 MW (which is 2,700 MW above 2003 levels) of installed renewable energy sources by 2010 and 15,700 MW by 2025. Ontario currently has approximately 8,300 MW of renewable generation sources installed, including major hydroelectric facilities such as Niagara Falls. Most of the renewable sources required to meet the 2010 target are now committed, however the 2025 target will require almost 6,500 MW of yet uncommitted generation capacity from renewable sources, including over 2,900 MW of hydroelectric, and over 3,000 MW of wind. In order to meet this target the OPA anticipates that all feasible hydroelectric resources must be considered, beyond which RESOP procurements and larger wind sites will be required to provide the balance. The IPSP anticipates approximately $60 billion in investments in Ontario over the 20-year period, including approximately $6 billion for wind and $8.4 billion for hydroelectric supply.

U.S. Renewable Power Generation Industry

Regulatory Framework

The Federal Energy Regulatory Commission ("FERC"), an independent agency of the United States Department of Energy, regulates the interstate transmission of electricity and the sale of electricity at the wholesale level. The *Public Utility Regulatory Policies Act of 1978* ("PURPA") introduced dramatic new levels of competition into the U.S. wholesale power industry by creating a new class of non-utility power plant owners and operators. As a result, since 1978, many states have restructured their electric regulatory systems to foster competition and allow individual customers to transact directly with wholesale power producers. At the same time, many states have required their vertically integrated, regulated electric utilities to sell some or all of their generation businesses. Along with requiring open access transmission services and promoting increasing numbers of non-utility power generators, federal regulators have encouraged the formation of regional transmission operators ("RTOs") to allow non-utility generators greater access to transmission services. In August 2005, the federal government enacted the *Energy Policy Act of 2005* ("EPACT 2005"), which repealed the *Public Utility Holding Company Act,* replacing its heavy handed securities regulation with disclosure requirements and conferring new authority for FERC to act to limit wholesale market power if required. EPACT 2005 also expanded the range of power plant transactions that do not require prior FERC approval to include those involving $10 million or less. In addition, EPACT 2005 expanded and extended the availability of federal tax credits to a variety of renewable energy technologies, including wind, solar, geothermal, small hydro power, landfill gas, and biomass-based generators.

The U.S. North American Electric Reliability Council (the "NERC") has stated that demand for electricity is increasing faster than new committed generation resources. As a result, the NERC observed that New England, the Rocky Mountain region and Texas may see available capacity margins fall below minimum target levels at some point in the 2008-2009 timeframe. In order to fulfill its need

for new sources of generation while addressing the challenges of energy security and reducing emissions, the U.S. has turned to renewable power as a potential solution.

Wind power continues to be a favoured form of renewable power generation in the United States. In 2006, according to the United States Department of Energy, the United States installed more wind power than any other country in the world, accounting for 2,454 MW of the 15,016 MW that were installed worldwide. Further, from 2000 to 2006, wind generation capacity in the United States has grown, on average, 24% annually.

Conversely, the Energy Information Administration expects hydroelectric power generation to grow at a very modest rate in the U.S. with a forecast compound annual growth rate of 0.6% from 2004 to 2030. Such modest growth is forecasted due to environmental and permitting challenges associated with new hydroelectric projects.

Finally, it is anticipated that the majority of new renewable generation in the U.S. will be constructed by non-utility power generators. From 1996 to 2004, according to the Federal Energy Regulatory Commission, roughly 74% of all new generation capacity, including renewable power generation, in the U.S. was built by independent power producers. As a result, the electric generation market share for utilities has fallen from a high of 97% in 1979 to about 63% in 2004. Independent power producers currently provide over 30% of the power supply in the U.S. and are expected to play an increasingly important role in the coming years.

Federal Government Support for Renewable Power in the U.S.

The Production Tax Credit ("PTC") is a federal incentive which was previously only available to taxpayers that place a wind facility in service prior to 2008, but was recently extended to taxpayers that place a wind facility in service prior to 2009. The PTC initiative generally provides a two cent per KWh tax credit for electricity generated with wind turbines for ten years after a facility is originally placed in service. Congress may also consider a longer-term extension in the upcoming legislation. This more stable planning horizon provides the U.S. wind energy industry with welcome relief from previous expiration and extension cycles and with the opportunity to plan ahead and ramp up its investments.

State Government Support for Renewable Power in the U.S.

24 U.S. states and the District of Columbia, collectively representing the majority of U.S. electricity sales and customers, have adopted RPSs that mandate either a percentage or an amount of electricity to be generated from renewable sources. According to the United States Department of Energy, the current leaders in state RPSs are: Illinois (25% by 2025), Minnesota (25% by 2025), Oregon (25% by 2025), New York (24% by 2013), Connecticut (23% by 2020), New Jersey (22.5% by 2021), California (20% by 2010), Colorado (20% by 2020), Delaware (20% by 2019), Hawaii (20% by 2020), New Mexico (20% by 2020) and Nevada (20% by 2015).

The American Wind Energy Association ("AWEA"), U.S. Department of Energy and other key stakeholder groups are evaluating the goal of supplying 20% of the nation's electricity with wind, following the statement by President Bush on that topic. AWEA believes that producing 20% of the nation's electricity from wind is feasible and affordable.

Overview of Run-of-River Hydroelectric Generation

Run-of-river hydroelectric generation facilities are unique in that, unlike traditional hydroelectric facilities which require a dam and the flooding of large areas of land, run-of-river projects do not require any damming of water. Instead, a portion of the water is diverted from a river into a pipe called a penstock which feeds the water downhill to a generating station. The natural force of gravity creates the kinetic energy required to spin turbines that in turn generate electricity which is sent via a transmission line to the provincial electricity grid. The water leaves the generating station and is returned to the river without altering the existing flow or water levels. Because run-of-river projects do not have the ability to store water, they do not have the ability to generate electricity on demand. Run-of-river projects are often located on streams with waterfalls that act as natural barriers for fish, thus greatly minimizing negative impacts on fish and wildlife habitat. Environmental attributes of run-of-river hydroelectric facilities include:

- Zero greenhouse gas emissions;
- No pollution or waste created;
- Small environmental footprint;

- Low visual impact; and
- Little, if any, impact on fish, vegetation, bird or wildlife habitat

Pictured below is a schematic diagram of a typical run-of-river hydroelectric power generating station.

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 license fees paid to governmental authorities, hydroelectric facilities have no fuel costs and therefore minimize the volatility of their cost structures compared to fossil-fuelled plants. As well, most facilities can be operated remotely from a control centre. As a result of these factors, operating expenses for hydroelectric facilities are comparatively low and predictable compared to other types of electricity generation technologies.

Environmentally Preferred

Hydroelectric generation produces virtually no greenhouse gas emissions or emissions that create acid rain, both of which have significant negative impacts on the environment. Instead of producing substantial amounts of residual wastes during the power generation process, hydroelectric generation simply returns the water to the river.

Low Environmental Impact

Small hydroelectric generating facilities, as generally defined in Canada as facilities with 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 seasonality of flow of water within a given area.

Overview of Wind Generation

Electricity generated from wind is becoming an increasingly important source of power 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 the propeller of a wind turbine, which then activates a generator. Wind turbines are equipped with a control system which optimizes electrical production and maintains it during unfavourable climatic conditions. Pictured below is a schematic diagram of a typical wind turbine.

Advantages of Wind Energy

Low Operating Costs

Wind energy projects do not have any fuel costs and use a remote monitoring system that permits their operation and supervision to be conducted offsite. In addition, improvements to wind turbine technology have increased the efficiency and reliability of wind energy projects. As a result, operating expenses for a wind energy project are low when compared to many other traditional methods of energy production.

Construction Flexibility

Wind energy facilities are relatively simple to construct when compared to more traditional electricity producing facilities. A typical wind energy facility can be constructed within a much shorter time frame than other electricity generation facilities such as

hydro, natural gas, nuclear or coal facilities, which can take several years to complete for larger scale facilities. As a result, wind energy facilities are susceptible to far fewer 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 that an energy system is able to operate relative to total time available. The difference between the two is largely attributable to annual scheduled maintenance. According to the Canadian Wind Energy Association, availability for modern wind turbines is typically approximately 98%.

Environmentally Preferred

Wind energy facilities do not produce any greenhouse gas emissions or acid rain, both of 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 turbine projects 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.

Factors Affecting Renewable Energy Production Performance

Renewable energy projects, such as wind and run-of-river hydro, depend on "fuel" sources that are naturally 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 allowing energy production to be estimated using statistical analysis. Expected annual production for a turbine is calculated as:

Annual Production (MWh) = Turbine Capacity (MW) × No. hours in one year (Hours) × Capacity Factor (%)

"Turbine Capacity", measured in megawatts, is an indication of the energy 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. Current utility-scale land-based wind turbines have a capacity ranging from less than one MW to over two MW. Hydro turbines are typically custom fit based on the characteristics of the site.

As operation of the turbine is dependent on wind speed and water flow, a turbine does not operate every hour of the year. "Capacity 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 capacity factor of 30%. There are a number of factors that preclude a wind or hydro powered electricity-generating turbine from operating at its theoretical maximum. The primary factor is mean wind speed and water flow.

Therefore, a turbine will be operating for significant periods of time at power outputs less than the rated capacity. Other factors also affect the Capacity Factor but are generally much less significant. For example, scheduled annual maintenance of electricity-generating equipment will reduce the amount of time that the equipment is available for production. In addition, there is usually an amount of unscheduled non-operation resulting from equipment failure.

In general, wind energy projects have capacity factors ranging from 25% to 40% depending on various site-specific factors and hydro projects have capacity factors ranging from 40% to 70%.

BUSINESS OVERVIEW

Overview

The Corporation is an independent developer and operator of renewable power generating facilities. The Corporation is one of the most active in the Canadian renewable power industry with a focus on hydroelectric and wind power projects which benefit from low operating and management costs and simple and proven technology. The Corporation's management team has been active in the renewable power industry since 1990 and has developed and brought to commercial operation or refurbished, through different ventures, 11 hydroelectric and two wind power facilities, representing an aggregate installed capacity of 347.9 MW. The Corporation owns one 8 MW facility currently in operation, and, together with its partners, nine projects with an aggregate of 565 MW of power generating capacity for which PPAs have been secured. These projects are either under construction or will be under construction over the next five years and are anticipated to reach commercial operation between 2008 and 2012.

In order to finance the development of its projects, the Corporation's management team has partnered over the years with a number of financial institutions and private investors. As a way to gain access to additional capital, the Corporation's management team also created Innergex Power Income Fund (the "Fund"), which completed its initial public offering in July 2003, to acquire operating hydroelectric power generating facilities developed or refurbished by the Corporation's management team. Concurrently with the closing of the Offering and pursuant to the Facilities Disposition, the Fund will indirectly acquire from the Corporation interests in two wind power facilities developed jointly by the Corporation's management team and TransCanada, bringing the total number of facilities owned by the Fund to 12. These 12 facilities, together with the Glen Miller Facility which will be owned by the Corporation at the closing of the Offering, will represent an aggregate of 347.9 MW in installed capacity. All such facilities are operating under long-term fixed price PPAs with investment grade counterparties. At the closing of the Offering, the Corporation will also hold 16.1% of the outstanding units of the Fund. See "Transactions to be Completed at the Closing of the Offering" and "Investment in the Fund".

The Corporation has been managing the Fund and supervising the operation of its facilities since the Fund's initial public offering in 2003 and will continue to provide such services pursuant to the Management Agreements. See "Business Overview — Relationship with the Fund — Management of the Fund's Facilities".

Portfolio of Assets

The Corporation's portfolio is comprised of interests in three groups of power generating projects: (i) facilities that have reached commercial operation (the "Operating Facilities"); (ii) projects for which PPAs have been secured and are either under construction or have planned dates for commencement of commercial operations (the "Development Projects with PPAs"); and (iii) projects that have secured certain land rights, for which an application for an investigative permit has been filed or with respect to which a proposal has been submitted under an RFP (the "Prospective Projects"). The Corporation's portfolio of projects consists of interests in 13 Operating Facilities, nine Development Projects with PPAs and 21 Prospective Projects.

The Corporation's interests in the 13 Operating Facilities consist of a 100% interest in the Glen Miller Facility and interests in the 12 other Operating Facilities held through its 16.1% direct interest in the Fund. The Corporation intends to continue to own and operate the Development Projects with PPAs and the Prospective Projects as these projects become operational.

The Corporation often teams up with a strategic partner when bidding for projects under an RFP. When this is the case, the Corporation and the strategic partner will typically share in the ownership of such projects. Current partners are TransCanada (owner of 62% of the Cartier Wind Projects), the Kanaka Bar Indian Band (owner of 50% of the Kwoiek Creek Project) and the Ojibways of the Pic River First Nation (owner of 51% of the Umbata Falls Project). The Corporation's expected capacity measured on an ownership weighted basis represents 293 MW out of the 565 MW capacity of its Development Projects with PPAs and 1,510.5 MW out of the 1,637.8 MW capacity of its Prospective Projects.

The tables below summarize the Operating Facilities, the Development Projects with PPAs and the Prospective Projects in which the Corporation has interests.

Operating Facilities

Province	Type	Plant	Capacity (MW)	Equity Interest(1)	Direct Construction Costs(2) ($mms)	Power Purchaser	Estimated Long Term Average Generation (MWh)	Remaining PPA Term(3) (years)
Directly Owned								
Ontario	Hydro	Glen Miller	8.0	100.00%	22.5	Ontario Power Authority	41,500	19
Indirect Interests								
Québec	Hydro	St-Paulin	8.0	12.49%	12.4	Hydro-Québec	41,082	7
Québec	Hydro	Portneuf - 1	8.0	12.49%	54.7	Hydro-Québec	40,822	14
Québec	Hydro	Portneuf - 2	9.9	12.49%	—	Hydro-Québec	68,496	14
Québec	Hydro	Portneuf - 3	8.0	12.49%	—	Hydro-Québec	42,379	14
Québec	Hydro	Chaudière	24.0	12.49%	47.6	Hydro-Québec	116,651	12
Québec	Hydro	Montmagny	2.1	16.10%	3.9	Hydro-Québec	8,000	14
Québec	Hydro	Windsor	5.5	16.10%	13.0	Hydro-Québec	31,000	9
Québec	Wind	Baie-des-Sables	109.5	6.12%	185.5	Hydro-Québec	298,317	19
Québec	Wind	Anse-à-Valleau	100.5	6.12%	185.3	Hydro-Québec	298,000	20
Ontario	Hydro	Batawa	5.0	16.10%	14.9	Ontario Power Authority	32,938	22
B.-C.....................	Hydro	Rutherford Creek	49.9	16.10%	72.3	BC Hydro	180,000	17
Idaho	Hydro	Horseshoe Bend	9.5	16.10%	9.3	Idaho Power	46,800	23
Total			**347.9**		**621.3**		**1,245,985**	

Development Projects with PPAs

Province	Type	Plant	Expected Capacity (MW)	Equity Interest	Direct Construction Costs ($mms)	Power Purchaser	Estimated Long Term Average Generation (MWh)	Expected Commercial-in-Service Date	PPA Term(4) (years)
Ontario	Hydro	Umbata Falls	23.0	49%	59.0	Ontario Power Authority	109,102	2008	20
Québec	Wind	Carleton	109.5	38%	181.2	Hydro-Québec	340,523	2008	20
B.C	Hydro	Ashlu Creek	49.9	100%	132.0	BC Hydro	265,000	2009	30
Québec	Hydro	Matawin	15.0	100%	24.6	Hydro-Québec	62,529	2009	25
B.C	Hydro	Kwoiek Creek	49.9	50%	152.1	BC Hydro	215,000	2010	40
B.C	Hydro	Mkw'Alts	47.7	100%	87.3	BC Hydro	156,000	2010	20
Québec	Wind	Montagne Sèche	58.5	38%	103.0	Hydro-Québec	182,743	2011	20
Québec	Wind	Gros Morne Phase I	100.5	38%	169.80	Hydro-Québec	312,535	2011	21
Québec	Wind	Gros Morne Phase II	111.0	38%	178.70	Hydro-Québec	345,188	2012	20
Total			**565.0**		**1,087.7**		**1,988,620**		

Prospective Projects

Province	Type	Plant	Expected Capacity (MW)	Equity Interest	Expected Power Purchaser
Québec........	Wind	Roussillon	108	100%	Hydro-Québec
Québec........	Wind	Kamouraska	124.5	100%	Hydro-Québec
Québec........	Wind	Massif-du-Sud	90	100%	Hydro-Québec
Québec........	Wind	Saint-Constant	70	100%	Hydro-Québec
Québec........	Wind	Club des Hauteurs	195.5	100%	Hydro-Québec
Québec........	Wind	Haute-Côte-Nord Est	170	100%	Hydro-Québec
Québec........	Wind	Haute-Côte-Nord Ouest	168	100%	Hydro-Québec
Québec........	Wind	Rivière-aux-Renards	25	50%	Hydro-Québec
Québec........	Wind	Les Méchins	150	38%	Hydro-Québec
B.C	Wind	Nine Various Projects	475	100%	BC Hydro
B.C	Hydro	Kaipit	9.9	100%	BC Hydro
B.C	Hydro	Kokish	9.9	100%	BC Hydro
Quebec........	Hydro	Kipawa	42	48%	Hydro-Québec
Total...........			**1,637.8**		

(1) The Corporation directly owns the Glen Miller Facility. The Corporation has a 16.1% direct interest in the Fund, which owns interests in the 12 other Operating Facilities.

(2) The total direct construction cost for the three Portneuf facilities was $54.7 million.

(3) For most Operating Facilities, PPAs are renewable at the expiry of their initial term for an additional 20 to 25 years. The PPAs of the Baie-des-Sables, Anse-à-Valleau, Rutherford Creek and Horseshoe Bend Facilities are not renewable. The PPA for the Batawa Facility is renewable at maturity and on each one year anniversary date thereafter for successive one-year periods.

(4) The PPAs for the Development Projects with PPAs do not contain provisions regarding their renewal. At their expiry, management will explore opportunities to renew these PPAs. The Matawin Project was awarded to the Corporation by the MRN pursuant to an RFP in 2002 and a 25-year PPA is being finalized with Hydro-Québec. See "Description of Development Projects with PPAs — Hydroelectric Projects — Matawin Project (100% ownership)" below. Negotiations are ongoing with BC Hydro to extend the term of the Mkw'Alts PPA to 30 years.

Assuming the completion of the Development Projects with PPAs, the Corporation's management team will have developed and brought to commercial operation or refurbished, through different ventures, 16 hydroelectric and six wind power generating facilities, representing an aggregate installed capacity of 912.9 MW at a total development cost of approximately $1.7 billion.

Organization Structure

The following chart describes the Corporation's direct and indirect interests in the Operating Facilities, the Development Projects with PPAs and the Prospective Projects.

---

(1) Net capacity represents the proportional share of the total capacity attributable to the Corporation based on its ownership interest in these facilities and projects, with the remaining capacity being attributable to the ownership of strategic partners.

Competitive Strengths

Established Track Record in the Development of Renewable Power Projects

The Corporation's management team has over 16 years of experience as a developer and operator of hydroelectric and wind power facilities. The Corporation's management team has brought to commercial operation or has refurbished 347.9 MW of renewable energy projects and is currently developing, either solely or with its partners, nine new facilities representing a further 565 MW of total capacity. The vast experience of the Corporation's management team provides it with a strong reputation and credibility in the industry.

The Corporation's management team has a proven track record of completing projects by the commencement date of commercial operations provided in its PPAs due to its careful management of the construction process. It has also been very successful in obtaining regulatory approvals on time due to its thorough feasibility assessments, power resource evaluations and identification of the most suitable renewable power generating sites. The Corporation's management team has also had a high success rate in being awarded projects for which it has bid pursuant to RFPs. For instance, in 2004, the Corporation and its partner, TransCanada, were awarded the 740 MW for which they bid in the 1,000 MW wind RFP issued by Hydro-Québec. See "Business Overview — Description of Development Projects with PPAs — Wind Projects".

The Corporation's management team has a steady track record of not incurring any significant cost overruns in the development or operation of its power projects. Once a PPA is entered into, the Corporation outsources the construction of the projects while maintaining a pro-active management and supervisory role in the process. The Corporation believes that its combination of in-house resources with selective outsourcing and its vast experience in the development of renewable power generating facilities results in cost efficiency and high success rates at the development stage.

The Corporation's ability to manage operational assets effectively is evidenced by the strong financial performance of the Fund. The Corporation's management team has, through its management services, contributed to the growth of the Fund's EBITDA and net earnings from $18.7 million and $9.1 million, respectively, for the first 12 months of operations ended June 30, 2004 to $32.4 million and $11.9 million, respectively, for the year ended December 31, 2006. The Fund's EBITDA is expected to increase to $47 million for the year ending December 31, 2008, assuming completion of the acquisition of the Anse-à-Valleau Facility and the Baie-des-Sables Facility at the closing of the Offering and based on the assumptions described under "Recently Completed Wind Projects", representing a CAGR of 22.9% since the Fund's initial public offering. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

Attractive Mix of Long-Term Contracts with Highly Credit Worthy Counterparties

The Glen Miller Facility and all of the Development Projects with PPAs (other than the Matawin Project) are subject to fixed price PPAs with investment grade counterparties, all of which are provincially owned utilities, including Hydro-Québec (Moody's: Aa2 Stable, DBRS: AH Stable, Fitch: AA- Stable), OPA (Moody's: Aa1 Stable, and DBRS: AA Stable) and BC Hydro (Moody's: Aa1 Stable, DBRS: AAH Stable). In the case of the Matawin Project, a PPA with Hydro-Québec is being finalized. See "Business Overview — Description of Development Projects with PPAs — Matawin Project". All of the PPAs entered into by the Corporation have a term of at least 20 years. The long-life, low-cost attributes of the Corporation's generating assets, combined with attractive power rates under the PPAs, position the Corporation to generate stable and sustainable cash flows.

Long-Term Sustainable Cost Advantage

Since hydroelectric and wind power assets are not exposed to rising fossil fuel costs and do not rely on maintaining high-efficiency combustion of fossil fuels, they have significantly lower operating expenses than other types of electricity generating technologies and are expected to maintain their operating cost advantage over the long-term.

Long-Life Assets with High Operational Reliability

Hydroelectric assets have initial useful lives in excess of 50 years, while wind turbines have initial useful lives in excess of 20 years. All of the Development Projects with PPAs are expected to be constructed over the next five years and the Operating Facilities have been in commercial operation for a weighted average of six years. The Corporation will therefore benefit from state-of-the-art facilities which are expected to have long operational lives with minimal maintenance costs.

The facilities managed and supervised by the Corporation's management team have, during the last ten years, maintained average availability rates of over 96%, leading to stable cash flows.

Stable Stream of Cash Flows from the Operating Facilities

At the closing of the Offering, the Corporation will have a 16.1% direct interest in the Fund. The Corporation expects to receive distributions and an incentive fee (pursuant to the Management Agreement) from the Fund as well as cash flow from the Glen Miller Facility in the aggregate amount of approximately $6.8 million in 2008. The Corporation expects that the stream of cash flows from the Fund and Glen Miller LP will be recurring in nature as the projects in which these entities own interests are supported by long-term PPAs with investment grade counterparties and are derived from a diversified asset base of long-life hydroelectric and wind generating assets located in various geographic areas. In addition, the Fund has a SR-2 (Stable) stability rating from Standard & Poor's. The Corporation also expects its cash flow to increase as it brings the Development Projects with PPAs and the Prospective Projects into commercial operation. See "Investment in the Fund".

Longstanding Strategic Relationships

The successful development of renewable power generating facilities requires a network of strong relationships with other operators, financial sponsors, suppliers, subcontractors and governmental representatives. The Corporation's strong relationship with these industry participants and its favourable reputation in the industry gives the Corporation preferred access to a dedicated group of participants for the development of new projects and for securing contracts through RFPs. Furthermore, the Corporation's proven track record of building projects on time and within budget is an asset in its dealings with financial institutions, provincial utilities and governments. The Corporation recently announced a partnership initiative with the Fédération Québécoise des Municipalités, creating an entity designed to help municipalities in Québec in the development of wind power projects and to bid for wind projects in the recently announced Québec Municipal Wind RFP.

Positive Relationship with Communities

The Corporation believes it has positive relationships with the communities in which it has developed renewable power projects, including many projects with First Nations communities. The Kwoiek Creek Project and the Umbata Falls Project are examples of successful joint ventures with First Nations communities. The Corporation considers landowners and communities to be value-added partners in its projects and in return the Corporation will generally direct a portion of the operating profits of a particular project back to the local community.

Growth, Development and Financing Strategies

Development of Existing Projects

The Corporation currently has interests in 565 MW of Development Projects with PPAs with anticipated commercial in-service dates ranging from 2008 to 2012. The Corporation's proportional share of this capacity is 293 MW with the remaining MW being attributable to the ownership of strategic partners. It is the Corporation's intention to continue to own and operate these assets once they have reached profitable commercial operation.

Pre-Selection of Development Sites

The Corporation is pro-active in seeking out development opportunities and prospective sites and has employees dedicated to this end. The Corporation is also frequently approached with development opportunities by third parties due to its reputation and high profile in the industry. Once it has secured access to potentially suitable renewable power generating sites, the Corporation conducts, through a combination of in-house resources and selective outsourcing, feasibility assessments and power resource evaluations. Once a potential site is selected, the Corporation applies for required regulatory approvals. The Corporation has currently identified and secured certain rights for or applied for investigative permits with respect to the development of sites representing more than 1,600 MW of potential additional capacity to be built. See "Description of Prospective Projects" below.

Bidding on Future RFPs

The Corporation is confident that future RFP opportunities will continue to arise, especially in Québec, British Columbia, Ontario and Manitoba, as these provinces continue to increase their targets for renewable power generation.

The Corporation has historically been focused on bidding on RFPs issued in the provinces of Québec and British Columbia where it has experienced a high level of success. The Corporation has submitted bids for 322.5 MW in the Québec 2,000 MW RFP, the awards of which are expected to be announced in February 2008. The Corporation also intends to submit bids in the recently announced Québec Municipal Wind RFP. In British Columbia, the Corporation intends to bid for the 9.9 MW Kaipit Project and the 9.9 MW Kokish Project pursuant to BC Hydro's Standard Offer Program for clean power projects with a nameplate capacity of less than 10 MW. The Corporation also intends to participate in BC Hydro's RFP for clean power which is expected to be issued in the spring of 2008 with a target of approximately 5,000 GWh, representing 1,250 MW (assuming an average capacity rate of 45% for the various clean energy sources). See "Description of Prospective Projects — Wind Projects — British Columbia Wind Prospects". The Corporation intends to be more active in responding to RFPs in Ontario, where the Corporation's management has brought two facilities to commercial operation and is currently developing a third.

Power Development Projects in the United States

The Corporation is also focused on expanding its development of wind power projects into the United States. The United States is currently the third largest producer of wind power in the world, hosting 15.6% of the world's capacity with 11,575 MW of installed capacity. This industry is expanding rapidly with new installations boosting the country's wind power generating capacity by 27 % in 2006. The United States wind industry is currently supported through production tax credits generally available for 10 years after a facility is originally placed in service. In 2003, the Corporation's management team was involved in the acquisition and refurbishment by Innergex II of a 9.5 MW hydroelectric power plant in the state of Idaho. Innergex II's interests in the Horseshoe Bend facility were sold to the Fund in 2004. The Corporation's management team views the U.S. environment as a very attractive market and will continue to assess opportunities in this market.

Acquisition and Other Growth Opportunities

The Corporation may also expand through the acquisition of suitable power assets that have already reached commercial operation. As a public company, the Corporation will be able to use its equity to finance potential acquisitions. As it has done in the past, the Corporation will continue to focus on wind and hydroelectric power generation facilities, although the Corporation may seek to grow through expansion into other forms of renewable energy production, including solar and geothermal power, if profitable opportunities in those sectors develop for the Corporation. Future projects may be located in any region where profitable opportunities exist, although the Corporation expects such projects will mostly be located in Canada and the United States. While the Corporation intends to continue to focus upon the sale of power through long-term PPAs, it may also consider entering into the merchant wholesale power market if profitable opportunities are identified.

Financing Strategy

In the past, the Corporation and its predecessors have financed the development of their projects up to their construction stage through equity and indebtedness provided by the Institutional Investors and certain other financial institutions. Once having secured a PPA and obtained the required permits for a project, the Corporation has traditionally financed 70% to 85% of its construction costs through non-recourse and long-term debt financing.

In the future, the Corporation intends to continue using non-recourse project financing and long-term debt financing to finance the construction of its projects. For example, the Corporation has entered into (i) a five-year $17 million non-recourse term loan with a recognized Canadian financial institution for the construction of the $22.5 million Glen Miller Facility, (ii) a 15-year $110 million non-recourse construction and term loan with a syndicate of Canadian financial institutions for the construction of the $132 million Ashlu Creek Project, and (iii) a five-year $51 million non-recourse construction and term loan with a Canadian financial institution for the construction of the $59 million Umbata Falls Project. As at June 30, 2007, amounts of $17 million, $14 million and $11.5 million have been drawn under these financings, respectively.

The Corporation intends to repay or purchase, as applicable, from the net proceeds of the Offering and pursuant to the Concurrent Re-Investment, all amounts owed to the Institutional Investors which were borrowed by the Corporation in the past to finance its current pipeline of projects, for an amount of $123,875,000. As at June 30, 2007, such indebtedness totalled $117.9 million, bearing interest at 8%. See “Transactions to be Completed at the Closing of the Offering — Innergex II Acquisition”.

Out of the proceeds of the Offering, $30 million will be used by the Corporation as equity to finance its *pro rata* share of equity required for the construction of its current portfolio of Development Projects with PPAs. The Corporation estimates that its *pro rata* share of the construction costs of these nine projects will amount to $589.2 million. Management expects that this $30 million of equity will be sufficient to complete the construction of these projects when combined with the distributions to be received from the Fund, cash flow generated by present and future operating facilities in which the Corporation has an economic interest and additional non-recourse construction and long-term financing.

The Corporation has also secured a $20 million credit facility with a syndicate of Canadian financial institutions that can be used for general corporate purposes, including the issuance of letters of credit in connection with the development, construction and operation of power generating facilities. The Corporation is currently considering seeking an increase of the amounts available under such credit facility. See “Description of Indebtedness”.

The Corporation’s management expects that the Prospective Projects will be financed from cash generated from operations, additional non-recourse project debt financings and, if required, the raising of additional capital.

Recently Completed Wind Projects

The Corporation, as a manager of Innergex II, has, with TransCanada, recently completed the development of the first two Cartier Wind Projects, namely the Baie-des-Sables Facility and the Anse-à-Valleau Facility. The Baie-des-Sables Facility and the Anse-à-Valleau Facility were successfully completed within their respective construction schedules and budgets and the interests of Innergex II in these facilities will be sold to the Fund concurrently with the closing of the Offering. The Fund will ultimately satisfy the purchase price payable to the Corporation by the issuance of approximately 4.7 million units of the Fund to the Corporation and by assuming approximately $107.6 million of non-recourse debt which is expected to be outstanding as of December 31, 2007. See “Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement”.

The Baie-des-Sables Facility

The Baie-des-Sables Facility is a 109.5 MW wind power facility located in Baie-des-Sables and Métis-sur-Mer, Québec, which Innergex II developed jointly with TransCanada. Construction of the Baie-des-Sables Facility commenced in March 2006 and was completed, as scheduled, in November 2006. The aggregate construction cost of the Baie-des-Sables Facility was $185.5 million, which was in line with budget. Electricity produced by the Baie-des-Sables Facility is sold to Hydro-Québec pursuant to a PPA at a current price of $75.46 per MWh and is indexed annually in accordance with the provisions of such PPA. Based on its own analysis and in consultation with wind power experts, management believes that the Baie-des-Sables Facility will generate 298,317 MWh in 2008. At the indexed purchase price under the Baie-des-Sables PPA and combined with the ecoENERGY Initiative incentive

(excluding the 75% portion due to Hydro-Québec pursuant to such PPA), this would result in $23.4 million in annual gross revenues for the Baie-des-Sables Facility and, respectively, an anticipated EBITDA and EBITDA margin of $19.9 million and 85.2%, for 2008. Production levels at the Baie-des-Sables Facility for 2007 have to date exceeded management estimates by approximately 13.8% due to winds being proportionately stronger than expected for that period. Concurrently with the closing of the Offering, Innergex II's interests in the Baie-des-Sables Facility will be sold to the Fund for a purchase price of $81.8 million, payable by the issuance of units of the Fund and the assumption of $53.1 million of non-recourse debt expected to be outstanding as of December 31, 2007. See "Transaction to be Completed at Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

The Anse-à-Valleau Facility

The Anse-à-Valleau Facility is a 100.5 MW wind power facility located in Anse-à-Valleau, Québec, which Innergex II developed jointly with TransCanada. Construction of the Anse-à-Valleau Facility commenced in October 2006 and was completed, as scheduled, in November 2007. The aggregate construction cost of the Anse-à-Valleau Facility was $185.3 million, which was in line with budget. Electricity produced by the Anse-à-Valleau Facility will be sold to Hydro-Québec pursuant to a PPA at a current price of $75.45 per MWh and is indexed annually in accordance with the provisions of the PPA. Based on its own analysis and in consultation with wind power experts, management believes that the Anse-à-Valleau Facility will generate 298,000 MWh in 2008. At the indexed purchase price under the Anse-à-Valleau Facility PPA and combined with the ecoENERGY Initiative incentive (excluding the 75% portion due to Hydro-Québec pursuant to the PPA), this would result in $24.1 million in annual gross revenues and an anticipated EBITDA and EBITDA margin of $20.8 million and 86.2%, respectively, for 2008. Concurrently with the closing of the Offering, Innergex II's interests in the Anse-à-Valleau Facility will be sold to the Fund for a purchase price of $87.4 million, payable by the issuance of units of the Fund and the assumption of $54.5 million of non-recourse debt expected to be outstanding as of December 31, 2007. See "Transaction to be Completed at Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

Competitive Conditions

The Corporation operates mostly in the Canadian power sector, which is affected by the supply of and demand for power in the provinces in which it operates, the availability of import/export transmission lines and overall economic conditions in Canada and the United States. Within this sector, the Corporation faces competition ranging from large utilities to small independent power producers. Some competitors have significantly greater financial and other resources than the Corporation. The Corporation depends upon the sale of its power to provincially owned utilities through long-term PPAs which are generally obtained through an RFP process which can attract bids from many of the Corporation's competitors. There is no assurance that the Corporation will be selected as a power supplier following any particular RFP in the future. The Corporation manages the risk posed by such competitive conditions through its annual and ongoing strategic planning process. In addition, the Corporation's geographically diverse portfolio of projects, its strategy of focusing on low-impact, renewable projects, its proven track record and the experience of its management team mitigate this risk.

Employees

The Corporation has approximately 56 employees (including 11 employees of the Fund which are under the supervision of the Corporation pursuant to the Management Agreements). This workforce includes 15 employees in operations and maintenance, 13 employees in development and construction and 25 employees in finance and legal. 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. In addition, the Corporation uses the services of several independent engineering firms to assist it with the feasibility analysis of its projects.

Description of the Fully-Owned Operating Facility

Glen Miller Facility

The Glen Miller Facility is an 8 MW run-of-river hydroelectric facility located on the Trent River in Trenton, Ontario, at the site of a paper mill and a small power plant operated by Sonoco Canada Corporation ("Sonoco") until October of 2001. Construction of the Glen Miller Facility commenced in January 2004 and was completed in December 2005.

The generating equipment of the Glen Miller Facility is composed of two 4 MW “Ecobulb” groups with simple regulated Kaplan type turbines to maximize output of approximately 8 MW, with an estimated average energy output of 41,500 MWh per year. The Trent River has a mean annual runoff of 148 cubic metres per second and the Glen Miller Facility has a design flow of 142 cubic metres per second. The Glen Miller Facility includes a dam, which was rehabilitated and improved during renovation by raising the crest, increasing the spill capacity by installing four new automated gates and building a new dyke to prevent any flooding of adjacent properties as had occasionally occurred in the past.

The approximate total construction cost of the Glen Miller Facility was $22.5 million and was principally financed through a $17 million construction loan subsequently converted into a term loan provided by a Canadian financial institution. This financing is secured by all the assets of the Glen Miller Project and by a pledge of the interests in Glen Miller LP and Glen Miller Power Inc., its general partner.

The Glen Miller Facility site is located on a site owned by Sonoco and leased to Glen Miller LP under a 30-year long-term lease, expiring in 2034, with a 15-year extension option. The lease provided for an initial payment of $2.5 million, which was paid in 2004, and requires an annual rent of $85,000 (indexed annually at CPI). No water power lease is required for this site, as Sonoco has held title to the bed of the river on a continuous basis since the 19th century and as such has acquired the right to generate electricity at this site, with no payments due to provincial or federal authorities which would otherwise control hydraulic rights on the river. Such river bed rights are included in Glen Miller LP’s long-term lease from Sonoco. Pursuant to a registered agreement of encroachment dated November 16, 2004, the City of Quinte West granted Glen Miller LP permission to encroach on a municipal roadway for the purpose of maintaining a retaining wall in accordance with the registered site plan.

Glen Miller LP holds a licence of occupation from Parks Canada, expiring on August 1, 2025, authorizing the Glen Miller Facility to occupy a tract of the Trent-Severn Waterway reserve land for the purpose of flooding in the context of the hydroelectric power generation. A 20-year fixed nominal annual rent of 0.7% of the initial PPA contract price (indexed for a 15% portion to the CPI) is payable annually under this Licence of Occupation.

The Glen Miller Facility has a PPA with the OPA with respect to all the power produced by the Glen Miller Facility during the 20 years following December 19, 2005. The Glen Miller PPA is subject to customary termination provisions in the event of a material breach of the agreement. The price for electricity purchased in the first year under this PPA is slightly over $66 per MWh. On January 1st of each year, a portion equal to 15% of the price of electricity purchased under the Glen Miller PPA is indexed to the percentage of increase or decrease of the CPI since January 1st of the prior year.

Description of Development Projects with PPAs

Hydroelectric Projects

Umbata Falls Project (49% ownership) — Under Construction

The Umbata Falls Project is a run-of-river hydroelectric power generating facility currently under construction with a planned installed capacity of 23 MW and an estimated yearly energy output of 109,102 MWh. It is located on the White River, a tributary to Lake Superior, approximately 30 kilometres southeast of Marathon, Ontario. Construction of the Umbata Falls Project commenced in June 2006 and it is expected to commence commercial operations in July 2008. The generating equipment will be composed of two Sam Kaplan 11.8 MW horizontal axis turbine units with a combined rated flow of 75 cubic metres per second.

The Umbata Falls Project is owned by Umbata Falls LP. The general partner of Umbata Falls LP is Begetekong Power Corporation, 49% of which is indirectly owned by the Corporation and the remaining 51% of which is owned by the Ojibways of the Pic River First Nation. The limited partners of Umbata Falls LP are the Ojibways of the Pic River First Nation (51% interest) and a subsidiary of the Corporation (49% interest). Pursuant to a management agreement entered into between the Corporation, Begetekong Power Corporation and Umbata Falls LP dated December 31, 2006, the Corporation has agreed to provide management services for the Umbata Falls Project, which include administrative, construction, operation, maintenance and other related services.

The estimated project cost of the Umbata Falls Project is $59 million, which is expected to be principally financed with (i) a $51 million non-recourse term loan provided by a recognized Canadian financial institution, and (ii) cash received from the proceeds of the Offering and the cash flows generated by the Corporation’s operations from time to time. The non-recourse term loan is secured by all of the assets of Umbata Falls LP and a pledge by the Ojibways of the Pic River First Nation and a subsidiary of the Corporation of their partnership and equity interests in Umbata Falls LP and Begetekong Power Corporation (“Begetekong”).

In accordance with a permit issued by the Ministry of the Environment pursuant to the *Ontario Water Resources Act,* the Umbata Falls Project is authorized to take water for storage in the Umbata Falls head pond for power generation. This permit expires on May 31, 2016 and the Corporation expects such permit to be renewed upon maturity. The Corporation has obtained all material regulatory approvals for the construction and is currently in the process of obtaining all approvals for the operation of the Umbata Falls Project.

The Umbata Falls Project is located on public land in respect of which a Crown lease dated June 5, 2007 was granted in favour of Begetekong, the general partner of Umbata Falls LP. The lease requires the payment of a nominal annual rent of $1,000 and expires on December 31, 2011 or upon the execution of a waterpower lease. The water power lease is expected to be entered into upon completion of the construction of the Project and is expected to have an initial 30-year term. Umbata Falls LP also holds an electricity generation licence pertaining to the Umbata Falls Project issued by the OEB which is valid until September 8, 2025.

The Umbata Falls Project has a PPA with the OPA with respect to all the power that will be produced by the facility during the 20 years following the commencement of commercial operations of the Umbata Falls Project. The Umbata Falls Project PPA is subject to customary termination provisions in the event of a material breach of the agreement. The OPA has the right to terminate the PPA in the case that commercial operations of the Umbata Falls Project have not commenced by December 31, 2009, subject to certain events of *force majeure*. The price for electricity generated by the Umbata Falls Project established at the time of execution of the Umbata Falls Project PPA was slightly over $73 per MWh. On January 1 of each year during the term of the Umbata Falls Project PPA, a portion equal to 15% of the price of electricity purchased under the PPA is indexed to the percentage of increase or decrease of the CPI effective as of January 1 of the prior year.

The Corporation expects the Umbata Falls Project to be eligible for the ecoENERGY Initiative providing for an incentive payment of $10 per MMWh for its first ten years of operations. See "Industry Overview — Canadian Electricity Industry — Federal Government Support for Renewable Power in Canada".

Matawin Project (100% ownership)

The Matawin Project is a proposed hydroelectric power generating facility with an installed capacity of 15 MW and an estimated yearly energy output of 62,529 MWh. It is located on the Matawin River, a tributary of the Saint-Maurice River, in Québec. Construction of the Matawin Project is expected to commence in the spring of 2008 and it is expected to commence commercial operations in December 2009. The facility will contain a single vertical "Kaplan Frontospiral" turbine with a rated flow of 90 cubic metres per second and a maximum gross head of 21 metres.

The Matawin Project will make use of an existing dam operated by Hydro-Québec. The dam, constructed in 1931, created the Taureau Reservoir, which was originally used for timber activities and for water storage by Hydro-Québec. Hydro-Québec will continue to be the unique water manager of the Taureau Reservoir after the construction of the Matawin Project.

The estimated project cost of the Matawin Project is approximately $24.6 million, which is expected to be financed with (i) an anticipated $18 million non-recourse project financing which would be convertible into long-term financing, and (ii) cash received from the proceeds of the Offering and cash flow generated from the Corporation's operations from time to time.

Applications have been made to the relevant governmental authorities for the necessary permits to allow construction and operation of the Matawin Project.

The Corporation was selected for the Matawin Project pursuant to an RFP issued jointly by Hydro-Québec and the MRN in 2002. The Corporation is currently finalizing with Hydro-Québec the standard form of PPA under this RFP for an expected 25-year term PPA. Although the Matawin Project was awarded in 2002, the Corporation only recently resumed discussions with Hydro-Québec in respect of the Matawin Project given the incremental profitability resulting from the ecoEnergy Initiative. Pursuant to the terms of the RFP governing the Matawin Project, the Corporation expects that, following the execution of the PPA, it will secure with the MRN the required water lease and land rights for the operation of the Matawin Project for a term equal to the term of the Matawin Project PPA.

The price for electricity generated by the Matawin Project in its first year of operation was $39.40 per MWh at the time the Corporation submitted its bid and is indexed by 0.6% following the date of commencement of commercial operation. This is a favourable price for Hydro-Québec in light of the current market price for electricity, which continues to rise. The Corporation is

therefore confident that it will be able to finalize a PPA with Hydro-Québec with respect to the Matawin Project and, for this reason, considers it as one of its Development Projects with PPAs despite the fact that the PPA with respect to the Matawin Project has yet to be executed. The facility will be transferred to Hydro-Québec 25 years after the commencement of commercial operations.

The Corporation expects the Matawin Project to be eligible for the ecoENERGY Initiative providing for an incentive payment of $10 per MWh for the first ten years of operations. See "Industry Overview — Canadian Electricity Industry — Federal Government Support for Renewable Power in Canada".

Ashlu Creek Project (100% ownership) — Under Construction

The Ashlu Creek Project is a run-of-river hydroelectric power generating facility currently under construction with a nameplate capacity of 49.9 MW and an estimated yearly energy output of 265,000 MWh. It is located on Ashlu Creek, a tributary to the Squamish River, approximately 35 kilometres northwest of Squamish, British Columbia. Construction of the Ashlu Creek Project commenced in August 2006 and it is expected to commence commercial operations in February 2009. The generating equipment of the Ashlu Creek Project is expected to be composed of three 16.6 MW Francis turbines. The 230kV transmission line is approximately three kilometres long and taps into an existing BCTC line.

The Ashlu Creek Project is owned by Ashlu Creek LP. Ashlu Creek LP has two general partners, namely (i) 675729 British Columbia Ltd., 50% of which is owned by a subsidiary of the Corporation and the remaining 50% of which is owned by Ledcor Investments Inc. and (ii) 888645 Alberta Ltd., which is owned by Ledcor Development Inc. Pursuant to an option to purchase dated August 30, 2006, a subsidiary of the Corporation has an option, exercisable at any time during the 20-year option period from the date of the option, to purchase the shares of 675729 British Columbia Ltd., held by Ledcor Investments Inc., for a nominal price. The same subsidiary also has an option exercisable before November 2, 2007 to purchase all the shares of 888645 Alberta Ltd. from Ledcor Developments Ltd. for a nominal price. The Corporation has indicated to Ledcor Developments Ltd. that it is exercising this latter option and the parties are in the process of preparing the necessary documents to carry out such transaction.

The estimated cost of the Ashlu Creek Project is $132 million, which will be principally financed with (i) a non-recourse construction facility in the principal amount of up to $110 million arranged with a syndicate of recognized Canadian financial institutions, which is expected to be converted into a long-term loan for that amount; and (ii) cash received from the proceeds of the Offering and the cash flows generated by the Corporation's operations from time to time. The credit facilities are secured by all the assets of the Ashlu Creek Project and a pledge of the interests in Ashlu Creek LP and its general partners.

The Ashlu Creek Project is authorized to divert and use water up to a maximum of 29 cubic metres per second from Ashlu Creek in accordance with a water licence issued pursuant to the *Water Act* (British Columbia) on July 10, 2006. The water licence has been issued for a term of 40 years expiring on July 9, 2046. The Ashlu Creek Project is located on public land which is subject to a Licence of Occupation pursuant to the *Land Act* (British Columbia). The licence commenced on January 1, 2005 and has a term of five years, expiring on January 1, 2010. Management believes that such Licence of Occupation, or a lease in replacement thereof, will be renewed for as long as the water licence described above remains in full force and effect.

The Squamish First Nation is entitled to a royalty based on revenues of the Ashlu Creek Project from the date of commencement of commercial operations. The Squamish First Nation is also entitled to an incremental share of gross revenues exceeding a yearly threshold of gross revenues set out in the agreement. The agreement also requires the assets of the Ashlu Creek Project to be transferred to the Squamish First Nation for a nominal price after 40 years of commercial operation.

The Ashlu Creek Project has a PPA with BC Hydro with respect to all the power that will be produced by the Ashlu Creek Project, expiring 30 years following its commencement of commercial operations and subject to customary termination provisions in the event of a material breach of the agreement. BC Hydro has the right to terminate the PPA in the event that commercial operations of the Ashlu Creek Project have not commenced by February 28, 2010, subject to any extensions for *force majeure* provided in the PPA. The base price for electricity purchased from the Ashlu Creek Project is $56.36 per MWh, with such price to be adjusted by a percentage equal to 50% of the increase or decrease in the CPI during the preceding 12 months starting on January 1, 2005 and on each January 1 thereafter during the term of the Ashlu Creek Project PPA.

The Corporation expects the Ashlu Creek Project to be eligible for the ecoENERGY Initiative providing for an incentive payment of $10 per MWh for the first ten years of operations. See "Industry Overview — Canadian Electricity Industry — Federal Government Support for Renewable Power in Canada".

Kwoiek Creek Project (50% ownership)

The Kwoiek Creek Project is a proposed run-of-river hydroelectric power generating facility with a nameplate capacity of 49.9 MW and an estimated yearly energy output of 215,000 MWh. It is located at the confluence of the Kwoiek Creek with the Fraser River, approximately 14 kilometres south of Lytton, British Columbia. Construction of the Kwoiek Creek Project is expected to commence in August 2008 and it is expected to commence commercial operations in November 2010. The generating equipment, which will be fed by a 7.2 kilometre-long penstock, is planned to be composed of two vertical shaft six-jet Pelton turbines, each with a maximum designed flow of 7.9 cubic metres per second, a design head of 506 metres and a rated capacity of 24.95 MW. The Kwoiek Creek Project will include a 85 kilometre-long 138kV transmission line from the substation to the Highland Valley Substation at the North End of Manit Lake.

The Kwoiek Creek Project is owned by Kwoiek Creek LP, the sole general partner of which is Kwoiek Creek Resources GP Inc. Kwoiek Creek Resources Inc. (a company wholly-owned and controlled by the Kanaka Bar Indian Band) and a subsidiary of the Corporation each own 50% of the limited partnership units and 50% of the interests of Kwoiek Creek Resources GP Inc.

The estimated project cost of the Kwoiek Creek Project is $152.1 million, which is expected to be financed with (i) an anticipated $128 million non-recourse project financing which would be convertible into long-term financing, and (ii) cash received from the proceeds of the Offering and the cash flow generated by the Corporation's operations from time to time.

Kwoiek Creek LP has applied for a water licence to divert and use water from Kwoiek Creek. The initial application was made in February 1990. The powerhouse of the Kwoiek Creek Project will be located on reserve lands of the Kanaka Bar Indian Band known as Whyeek Indian Reserve Number 4. The Kanaka Bar Indian Band has applied to the Minister of Indian and Northern Affairs for the grant of a lease of such lands to Kwoiek Creek Resources Inc. and for a sublease of those lands from Kwoiek Creek Resources Inc. to Kwoiek Creek LP. The Corporation expects the lease and sublease to be granted and to be renewed for as long as the water licence in respect of the Kwoiek Creek Project remains in full force and effect.

Kwoiek Creek Resources Inc. is entitled to a royalty which is based on a percentage of the gross revenues less project costs for the first 20 years after the date of commencement of commercial operations of the Kwoiek Creek Project and an increased royalty for the 20 years thereafter. 40 years following the commencement of commercial operations, Kwoiek Creek Resources Inc. will be entitled to purchase the interest of the Corporation in Kwoiek Creek LP and Kwoiek Creek Resources GP Inc. for a nominal price.

The Kwoiek Creek Project has a PPA with BC Hydro with respect to all the power that will be produced by the Kwoiek Creek Project, expiring 40 years following the commercial in-service date of the facility and subject to customary termination provisions in the event of material breach of the agreement. BC Hydro has the right to terminate the PPA in the event that commercial operation of the Kwoiek Creek Project has not commenced by May 5, 2011, subject to any extensions for *force majeure* as provided in the PPA. The effective price of power supplied pursuant to the Kwoiek Creek Project PPA is $81.68 per MWh, with 30% of such price to be adjusted according to the increase or decrease in the CPI during the preceding 12 months starting on January 1, 2006 and on each January 1 thereafter during the term of the Kwoiek Creek Project PPA.

Mkw'Alts Project (100% ownership)

The Mkw'Alts Project is a proposed run-of-river hydroelectric power generating facility with a nameplate capacity of 47.7 MW and an estimated yearly energy output of 156,000 MWh. It is located on Ure Creek, a tributary to Lillooet Lake, approximately 11 kilometres south of the village of Mount Currie, British Columbia. Construction of the Mkw'Alts Project is expected to commence in the fall of 2008 and it is expected to commence commercial operations in October 2010. The generating equipment is planned to be composed of two "Pelton" 23.85 MW turbines fed by a 5.5 kilometre long penstock.

The Project will include a 26 kilometre-long 69 kV transmission line to be constructed from the powerhouse substation to the Rutherford Creek Project.

The estimated project cost of the Mkw'Alts Project is $87.3 million, which is expected to be financed with (i) an anticipated $70 million non-recourse project financing which would be convertible into long-term financing, and (ii) cash received from the proceeds of the Offering and the cash flow generated by the Corporation's operations from time to time.

The Mkw'Alts Project is authorized to divert and use water up to 15.5 cubic metres per second from Ure Creek in accordance with a water licence issued pursuant to the *Water Act* (British Columbia) on August 31, 2005. The water licence will expire on August 31,

2045 but may be renewed upon application to the Regional Water Manager as long as the Mkw'Alts Project continues to use water as authorized under the licence, pays the annual rental and complies with the terms and conditions of the water licence and the *Water Act* (British Columbia). The Mkw'Alts Project is located on public land which is subject to a Licence of Occupation under the *Land Act* (British Columbia). The Licence of Occupation commenced on November 1, 2004 and expired on November 1, 2007. The province of British Columbia has issued a new Licence of Occupation to replace the expired Licence of Occupation with a term of one year commencing on November 1, 2007 and expiring on November 1, 2008. It is anticipated that the licence will be further renewed at the beginning of the construction period and that the right to use the Crown land will continue for as long as the water licence described above remains in full force and effect.

Although the Mkw'Alts Project is entirely located on public lands, consistent with the Corporation's policy to maintain strong relationship with local communities, the Corporation expects to negotiate with Mount Currie Indian Band the payment of a royalty from the gross revenues of the Mkw'Alts Project to ensure the support and commitment of the Mount Currie Indian Band for the development of the Mkw'Alts Project.

The Mkw'Alts Project has a PPA with BC Hydro with respect to all of the power that will be produced by the Mkw'Alts Project, expiring 20 years following its commencement of commercial operations and subject to customary termination provisions in the event of a material breach of the agreement. Since the deadline for the commencement of commercial operations of the Mkw'Alts Project under the PPA, being September 30, 2007, has passed, the Corporation will seek to postpone the deadline for the commencement of commercial operations to December 2010. The Corporation will also seek to extend the term of the PPA to 30 years in the course of such negotiations. The Corporation has had success in renegotiating similar terms with BC Hydro with respect to the Ashlu Creek Project and believes that BC Hydro will agree to such amendments as the price at which electricity is sold pursuant to the Mkw'Alts Project PPA is favourable for BC Hydro in light of the current market price for electricity, which continues to rise. The base price for electricity supplied pursuant to the Mkw'Alts Project PPA is $50.78 per MWh, plus a system upgrade adjustment of $6.48, for a total rate of $57.26 per MWh, with such price to be adjusted by a percentage equal to 50% of the increase or decrease in the CPI during the preceding 12 months starting on January 1, 2004 and on each January 1 thereafter during the term of the Mkw'Alts Project PPA.

The Corporation expects the Mkw'Alts Project to be eligible for the ecoENERGY Initiative providing for an incentive payment of $10 per MWh for the first ten years of operations. See "Industry Overview — Canadian Electricity Industry — Federal Government Support for Renewable Power in Canada"**.**

Wind Projects

Cartier Wind Projects

The Corporation and TransCanada respectively own, as undivided co-owners, 38% and 62% of the following wind power generating projects: (i) the 109.5 MW Carleton Project; (ii) the 58.5 MW Montagne-Sèche Project; (iii) the 100.5 MW Gros Morne Phase I Project; (iv) the 111 MW Gros Morne Phase II Project; (v) the 150 MW Les Méchins Project; (vi) the 100.5 MW Anse-à-Valleau Facility and (vii) the 109.5 MW Baie-des-Sables Facility (collectively, the "Cartier Wind Projects"). Innergex II will, concurrently with the closing of the Offering, transfer to the Fund its interest in the Anse-à-Valleau Facility and the Baie-des-Sables Facility. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

The Corporation and TransCanada each hold, as undivided co-owners, their respective interests in the Cartier Wind Projects through single purpose limited partnerships (each, a "Cartier Wind Owner"). For each Cartier Wind Project, the respective Cartier Wind Owners have, pursuant to a management agreement, appointed an operator, which is owned equally by the Corporation and TransCanada for the management of the construction, operation and maintenance of these projects.

Cartier Wind Owners and Owners Agreement

Each of the Cartier Wind Owners have entered into an owners agreement for their respective Cartier Wind Project, all of which are dated February 25, 2005 and were amended and restated as of September 1, 2005, to govern their respective rights and obligations as owners of an undivided portion of the assets of each of the Cartier Wind Projects (each, an "Owners Agreement"). The Owners Agreements are substantially the same in all material respects. Under each Owners Agreement, each Cartier Wind Owner is liable for the payment of its indebtedness and the performance of its obligations to the extent of such owner's interest in a Cartier Wind Project. Each Cartier Wind Owner has agreed to limit its activities to the development, design, construction, ownership, operation and maintenance of electric power generating facilities, including its respective Cartier Wind Project, and all other incidental activities.

After the commencement date of delivery of electricity generated by a Cartier Wind Project pursuant to a PPA and, subject to certain conditions, each Cartier Wind Owner holds a right of first refusal for the purchase of the other Cartier Wind Owner's interest in such Cartier Wind Project as well as a right of first offer which requires the other Cartier Wind Owner to offer its interest in the Cartier Wind Project before offering it to any third party.

Upon the occurrence of an event of default under an Owners Agreement in respect of a Cartier Wind Project: (i) the voting rights of the defaulting Cartier Wind Owner will be suspended (other than for unanimous decisions of the Cartier Wind Owners) and the defaulting Cartier Wind Owner and its representative will neither vote nor participate in any decision of the Cartier Wind Owners; (ii) the non-defaulting Cartier Wind Owner may, under certain circumstances, enforce its cross security granted pursuant to the Owners Agreement; and (iii) the non-defaulting Cartier Wind Owner may exercise its compulsory acquisition right to acquire the other Cartier Wind Owner's participation in the Cartier Wind Project at 85% of its fair market value, subject to adjustments for indebtedness and other liabilities of the defaulting Cartier Wind Owner.

Separation Agreement

The Cartier Wind Owners have also entered into a Separation Agreement dated as of February 25, 2005 (the "Separation Agreement"), which sets forth the procedure should any of the Cartier Wind Owners request the separation of the Cartier Wind Projects between their respective owners. After two Cartier Wind Projects have reached final completion, the Separation Agreement allows any of the Cartier Wind Owners, within 60 days after the final completion date for the second Cartier Wind Project, to request the separation of all of the Cartier Wind Projects. However, pursuant to an agreement between the Fund and the Corporation to be entered into concurrently with the closing of the Offering, the Fund will undertake not to request the separation of the Cartier Wind Projects without the prior written consent of the Corporation. Upon a request for separation, the two completed Cartier Wind Projects would be allocated based on their respective fair market values, with the facility with the highest value being allocated to TransCanada and the other facility being allocated to the Corporation or the Fund, as the case may be. The remaining Cartier Wind Projects would be allocated between the Cartier Wind Owners, on the basis of the total number of MW of the projects and anticipated completion dates, such that following the separation process, each individual Cartier Wind Project will be owned indirectly in its entirety by either the Corporation or the Fund, as the case may be, or TransCanada. In such circumstances, given the likelihood that the Anse-à-Valleau Facility and the Baie-des-Sables Facility will be the first two Cartier Wind Projects to reach final completion, they would be the first two facilities allocated pursuant to such request, the facility with the highest fair market value being allocated to TransCanada and the other one to the Fund.

The Cartier Wind Owner which elects to require the separation of the Cartier Wind Projects must give a 30-day written notice to all of the other Cartier Wind Owners. If the Cartier Wind Owners fail to agree on the fair market value of all of the Cartier Wind Projects within a specified delay, the valuation of the fair market value of each of the Cartier Wind Projects in respect of which they have not reached agreement will be determined by three independent valuators. Within 21 days of the later of the determination by the Cartier Wind Owners of the fair market value of all of the Cartier Wind Projects and the determination by the independent valuators of the fair market value of a Cartier Wind Project, the Cartier Wind Owners will allocate all of the Cartier Wind Projects among themselves in accordance with the following principles: the first two Cartier Wind Projects to reach final completion will be allocated in the manner described above and the total MW of the remaining projects will be allocated in a manner reflecting as closely as possible the undivided right of ownership of the Corporation and TransCanada in the Cartier Wind Projects and the anticipated completion dates will remain as similar as possible. If the Cartier Wind Owners fail to reach an agreement on the allocation of the remaining Cartier Wind Projects, the Cartier Wind Owners will each prepare and submit to an arbitrator their respective proposals for allocation of the remaining Cartier Wind Projects and the corresponding adjustments for the fair market value differences, and the arbitrator will select the most reasonable proposal.

Following the allocation of the Cartier Wind Projects between the Cartier Wind Owners, the Cartier Wind Owner of a specific Cartier Wind Project which was attributed to it will owe to the other Cartier Wind Owner of that Cartier Wind Project the difference between the fair market value of its previous undivided right of ownership in such Cartier Wind Project and the fair market value of such Cartier Wind Project.

Carleton Project (38% ownership) — Under Construction

The Carleton Project is a wind power facility under construction in the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure, Québec. It has a planned installed capacity of 109.5 MW and an estimated yearly energy output of 340,523 MWh. Construction of the Carleton Project commenced in October 2007 and it is expected to commence commercial

operations in December 2008. The generating equipment will consist of 73 GE wind turbines, each with a capacity of 1.5 MW. The turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80 metre rolled steel towers to be operated in wind speeds of 3.5 to 25 metres per second. Each turbine will have a three-bladed 77-metre diameter rotor. The turbines benefit from a two-year warranty and the Corporation has elected to purchase a three-year extended warranty period. During the warranty period, GE has guaranteed that the aggregate average annual availability of the turbines will be 96% or greater. The Carleton Project will connect to the transmission system via a 34.5 kV substation tapping into an approximately 10-kilometre long 230 kV transmission line to be constructed by Hydro-Québec.

The estimated project cost of the Carleton Project is $181.2 million. The Corporation's 38% portion of the cost of the development and construction of the Carleton Project is expected to be financed with (i) a non-recourse project financing which would be convertible into a long-term financing and (ii) cash received from the proceeds of the Offering and the cash flow generated by the Corporation's operations from time to time.

Environmental regulatory approval for the Carleton Project was recently secured and the regulatory approvals for completing the construction and operation of the Carleton Project are in the process of being obtained. The Carleton Project site is located entirely on public lands of an approximate total area of 4,445 hectares. The Cartier Wind Owners of the Carleton Project have secured access to the public lands by obtaining a letter of intent pursuant to the *Wind Farm Construction Program* of the MRN. Pursuant to the letter of intent with the MRN, leases or other land rights are expected to be granted by the MRN if conditions are fulfilled to its satisfaction. Royalties payable to the Québec government under such leases or land rights agreements will be based on the established rates pursuant to applicable regulation.

The Corporation holds a 50% interest in Cartier Wind Energy (CAR) Inc., which is the manager of the Carleton Project. Cartier Wind Energy (CAR) Inc. has entered into an agreement with each of the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure with respect to the development of the wind power industry, voluntary contributions and the dismantling of wind turbines at the end of their useful life. Pursuant to these agreements, Cartier Wind Energy (CAR) Inc. agreed to remove the wind turbines within two years following the definitive termination of operations of the Carleton Project. In order to guarantee such obligation, Cartier Wind Energy (CAR) Inc. agreed to provide to the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure, an irrevocable standby letter of credit or other form of guarantee from the 11th year of operation of the Carleton Project in the amount of $5,000 per year per turbine. Pursuant to these agreements, Cartier Wind Energy (CAR) Inc. has made various undertakings, including: (i) the creation of a follow-up committee for the Carleton Project, and (ii) hiring local employees, contractors and suppliers, subject to equal skills and competitive conditions. Cartier Wind Energy (CAR) Inc. has also agreed to give (i) a one-time contribution, and (ii) an annual voluntary contribution of $1,000 per installed MW to each of the Town of Carleton-sur-Mer and the Regional County Municipality of Bonaventure with respect to turbines installed on their respective territories. Cartier Wind Energy (CAR) Inc. has, in addition, agreed to help certain non-profit organizations located in the Town of Carleton-sur-Mer and on the territory of the Regional County Municipality of Bonaventure by creating a "Fonds de visibilité", to which it would contribute an annual amount of $30,377 per year, which amount will be indexed in accordance with the indexation provisions of the Carleton Project PPA.

The Carleton Project has a PPA with Hydro-Québec with respect to all the electricity that will be produced by the Carleton Project, expiring 20 years after the commencement of commercial operations of the Carleton Project and subject to customary termination provisions in the case of a material breach of the agreement. The Cartier Wind Owners of the Carleton Project are subject to penalty payments under the PPA in the case that commercial operation of the Carleton Project has not commenced by December 1, 2008, subject to certain delays caused by Hydro-Québec or other third parties or any extensions due to *force majeure* provided in the PPA. Pursuant to the Carleton Project PPA, the Cartier Wind Owners have agreed to deliver and sell 344,840 MWh per year. The price of the delivered electricity payable by Hydro-Québec is determined pursuant to a formula set forth in the Carleton Project PPA, which is based, up to a certain quantity, on the price as at January 1, 2004, being $73.32 per MWh, and adjusted annually in accordance with the CPI and other factors specified therein.

The Corporation expects the Carleton Project to be eligible for the new ecoENERGY Initiative providing for an incentive payment of $10 per MWh for the first ten years of operations (see "Industry Overview, — Canadian Electricity Industry — Federal Government Support for Renewable Power in Canada"). Under the Carleton Project PPA, Hydro-Québec is entitled to receive 75% of the total incentive payments which the Cartier Wind Owners of the Carleton Project receive under the ecoENERGY Renewable Initiative or any similar program.

Gros Morne Projects (38% ownership)

The Gros Morne Phase I Project and the Gros Morne Phase II Project (collectively, the "Gros Morne Projects") are the two phases of development of a proposed wind power facility located in the Municipality of Mont-Louis and the Municipality of Sainte-Madeleine-de-la-Rivière-Madeleine, Québec. The Gros Morne Projects have a planned aggregate installed capacity of 211.5 MW (100.5 MW for Phase I and 111 MW for Phase II) and an expected aggregate yearly energy output of 657,723 MWh (312,535 MWh per year for Phase I and 345,188 MWh per year for Phase II). It is expected that the Gros Morne Phase I Project and the Gros Morne Phase II Project will commence commercial operations in December 2011 and December 2012, respectively. The Gros Morne Phase I Project is expected to consist of 67 GE wind turbines, each with a capacity of 1.5 MW, and the Gros Morne Phase II Project is expected to consist of 74 GE wind turbines, each with a capacity of 1.5 MW. The GE turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, 11 of which will be mounted on 65-metre rolled towers and 130 of which will be mounted on 80-metre rolled towers. The turbines will operate in wind speeds of 3.5 to 25 metres per second. Each turbine will have a three bladed, 77-metre diameter rotor. The turbines benefit from a two-year warranty and the Corporation has an option to purchase a three-year extended warranty. In connection with operation and maintenance services, GE has guaranteed that the aggregate average annual availability of the turbines will be 96% or greater. The Gros Morne Projects will connect to the transmission system via a 34.5 kV substation tapping into an approximately 230 kV transmission line to be constructed by Hydro-Québec.

The estimated cost of the Gros Morne Projects is $348.5 million. The Corporation's 38% portion of the cost of the development and construction of the Gros Morne Project is expected to be financed with (i) non-recourse project financing which would be convertible into a long-term financing and (ii) cash balances, including cash received from the proceeds of the Offering and the cash flow generated by the Corporation's operations from time to time.

The Cartier Wind Owners of the Gros Morne Projects are currently initiating the process of securing the necessary regulatory approvals for the construction and operation of the Gros Morne Projects. Any delays may impact the ultimate date of commencement of commercial operations and capital costs of the project. The total area of the Gros Morne Projects site is approximately 6,707 hectares, of which 90% is located on public lands. The Cartier Wind Owners of the Gros Morne Projects are in the process of securing the access rights with respect to the private lands comprised in the Gros Morne Projects. Although the Corporation does not expect any difficulties in securing such access rights, any delays may impact the ultimate commercial in-service date and capital costs of the project. As for public lands, a letter of intent has been issued in favour of the Cartier Wind Owners of the Gros Morne Projects by the MRN pursuant to the *Québec Wind Farm Construction Program*. Pursuant to the letter of intent with the MRN, leases or other land rights are expected to be granted by the MRN if conditions are fulfilled to its satisfaction and royalties payable to the Québec government under such leases or land rights agreements will be based on the established rates pursuant to applicable regulation.

The Gros Morne Projects have the same PPA with Hydro-Québec with respect to all electricity that will be produced by the Gros Morne Projects, expiring 21 years after the commencement of commercial operations of the Gros Morne Phase I Project and subject to customary termination provisions in the case of a material breach of the agreement. The Cartier Wind Owners of the Gros Morne Projects are subject to penalty payments under the PPA in the case that commercial operations of the Gros Morne Phase I Project have not commenced by December 1, 2011 and if commercial operations of Gros Morne Phase II Project have not commenced by December 1, 2012, subject to certain delays caused by Hydro-Québec or third parties or any extensions due to *force majeure* provided in the PPA. Pursuant to the Gros Morne Projects PPA, the Cartier Wind Owners of the Gros Morne Projects have agreed to deliver and sell a minimum of 683,071 MWh per year after the commencement of commercial operations for the Gros Morne Phase II Project. The price of the delivered electricity payable by Hydro-Québec pursuant to the Gros Morne Projects PPA was established at $65.58 per MWh as at January 1, 2004 and is adjusted in accordance with CPI and certain other factors provided in such PPA and is further adjusted for the Gros Morne Phase II Project.

The Corporation expects to apply under any program similar to the ecoENERGY Initiative, if available, in respect of the Gros Morne Projects. Under the Gros Morne Projects PPA, Hydro-Québec would nonetheless be entitled to receive 75% of the total incentive payments, if any, which the Cartier Wind Owners of the Gros Morne Projects receive under the ecoENERGY Initiative or any similar program.

Montagne-Sèche Project (38% ownership)

The Montagne-Sèche Project is a proposed wind power facility located in the Municipality of the Canton of Cloridorme, Québec. It has a planned installed capacity of 58.5 MW and an expected yearly energy output of 182,743 MWh. Construction of the Montagne-Sèche Project is expected to commence in April, 2011 and it is expected to commence commercial operations in December 2011. The Montagne-Sèche Project is expected to consist of 39 GE wind turbines, each with a capacity of 1.5 MW. The turbines will

be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers and operate in wind speeds of 3.5 to 25 metres per second. Each turbine has a three-bladed, 77-metre diameter rotor. The turbines benefit from a two-year warranty and the Corporation has an option to purchase a three-year extended warranty. In connection with operation and maintenance services, GE has guaranteed that the aggregate average annual availability of the turbines will be 96% or greater. The Montagne-Sèche Project will connect to the transmission system via a 34.5 kV substation tapping into an approximately 161 kV transmission line constructed by Hydro-Québec.

The estimated construction cost of the Montagne-Sèche Project is $103 million. The Corporation's 38% portion of the cost of the development and construction of the Montagne-Sèche Project is expected to be financed with (i) non-recourse project financing which would be convertible into a long-term financing and (ii) cash received from the proceeds of the Offering and the cash flow generated by the Corporation's operations from time to time.

The Cartier Wind Owners expect to initiate the process of securing the necessary regulatory approvals for the construction and operation of the Montagne-Sèche Project by June 2009. Any delays may impact the ultimate date of commencement of commercial operations and capital costs of the project. The total area of the Montagne-Sèche Project site is approximately 1,747 hectares, 100% of which are located on public lands. The MRN has issued a letter of intent in favour of the Cartier Wind Owners of the Montage-Sèche Project in conformity with the *Québec Wind Farm Construction Program*. Pursuant to the letter of intent with the MRN, leases or other land rights are expected to be granted by the MRN if conditions are fulfilled to its satisfaction and royalties payable to the Québec government under such leases or land rights agreements will be based on the established rates pursuant to applicable regulation.

The Montagne-Sèche Project has a PPA with Hydro-Québec with respect to all electricity that will be produced by the Montagne-Sèche Project, expiring 20 years after the commencement of commercial operations and subject to customary termination provisions in the case of a material breach of the agreement. The Cartier Wind Owners of the Montagne-Sèche Project are subject to penalty payments in the event that commercial operations have not commenced by December 1, 2011, subject to certain delays caused by Hydro-Québec or third parties or any extensions due to *force majeure* as provided in the PPA. Pursuant to the Montagne-Sèche Project PPA, the Cartier Wind Owners of the Montagne-Sèche Project have agreed to deliver and sell a minimum quantity of energy of 191,711 MWh per year. The price of the delivered electricity payable by Hydro-Québec is determined pursuant to a formula set forth in the Montagne-Sèche Project PPA, which is based on the price at January 1, 2004, being an amount of $68.80 per MWh, and adjusted annually in accordance with the CPI and certain factors specified therein.

The Corporation expects to apply under any program similar to the ecoENERGY Initiative, if available, in respect of the Montagne-Sèche Project. Under the Montagne-Sèche Project PPA, Hydro-Québec would nonetheless be entitled to receive 75% of the total incentive payments, if any, which the Cartier Wind Owners of the Montagne-Sèche Project receive under the ecoENERGY Initiative or any similar program.

Anticipated Revenues from the Glen Miller Facility and the Development Projects with PPAs

The table below shows the initial revenue base at the time of signing of the PPAs to which the Corporation is a party. From the time of signature of these PPAs, the prices at which electricity is sold are indexed in accordance with various formulas set forth in those PPAs, which indexes are not reflected in the table below thereby understating prices at which electricity is expected to be sold upon the commencement of operations.

Implied Revenue Base at time of entering into PPAs, before indexation and adjustments[3]

Province	Type	Plant	Capacity	Scheduled Date of Commence-ment of Operations	Remaining PPA Term	Estimated Long Term Average Generation	Price/MW/h at signature of PPA(1)	Unadjusted Annual Implied Revenues(2)(3)	Eco Energy Revenues	Equity Interest	Pro Rata Unadjusted Annual Implied Revenues(3)
			(MW)		(years)	(MWH/year)		($ millions)	($ millions)		($ millions)
Ontario	Hydro	Glen Miller	8.0	2006	19	41,500	slightly over $66.00	2.7	na	100.0%	2.7
Ontario	Hydro	Umbata Falls	23.0	2008	20	109,102	slightly over $73.00	8.0	1.1	49%	4.4
Québec	Wind	Carleton	109.5	2008	20	340,523	$ 73.32	25.0	3.4	38%	9.8
B.C	Hydro	Ashlu Creek	49.9	2009	20	265,000	$ 56.36	14.9	2.7	100%	17.6
Québec	Hydro	Matawin	15.0	2009	25	62,529	$ 39.40	2.5	0.6	100%	3.1
B.C	Hydro	Kwoiek Creek	49.9	2010	40	215,000	$ 81.68	17.6	na	50%	8.8
B.C	Hydro	Mkw'Alts	47.7	2010	20	156,000	$ 57.26	8.9	1.6	100%	10.5
Québec	Wind	Montagne Sèche	58.5	2011	20	182,743	$ 68.80	12.6	na	38%	4.8

Québec	Wind	Gros Morne Phase I	100.5	2011	21	312,535	$	65.58	20.5	na	38%	7.8
Québec	Wind	Gros Morne Phase II	111.0	2012	20	345,188	$	65.58	22.6	na	38%	8.6

---

(1) Price/MWh at signature of PPA is subject to indexation and adjustments at various rates between the date of signature and the commencement of operations as well as through the life of the PPA. The price of $81.68 for Kwoiek Creek is the effective price under the PPA. The price per MWh of the Matawin Project is the bidding price of the Corporation at the time it submitted its bid for the project. The price of $57.26 for Mkw'Alts consists of a base price of $50.78 plus a system upgrade adjustment of $6.48.

(2) Revenues for the Glen Miller Facility are based on actual results for the year ending December 31, 2006.

(3) Implied revenues are based on the price per MWh at which the electricity would be sold in the year following the signature of each PPA, before any indexation or adjustment.

Description of Prospective Projects

All of the Prospective Projects described below are in a preliminary stage of development. Some of the Prospective Projects have been bid for pursuant to the Québec 2000 MW RFP, some are targeted towards specific future RFPs and others will be available for future RFPs yet to be announced. There is no certainty that any one Prospective Project will be realized.

Prospective Wind Projects

The Québec 2,000 MW RFP

On October 31, 2005, Hydro-Québec issued the Québec 2,000 MW RFP. On September 18, 2007, the Corporation submitted three bids pursuant to this RFP for projects representing a total potential installed capacity of 322.5 MW and a potential yearly energy output of 975,200 MWh. It is expected that Hydro-Québec will announce the winning bids in or around February 2008 and that PPAs will be signed in or around May 2008.

The three projects bid by the Corporation for Québec's 2,000 MW RFP are the Roussillon Project, the Kamouraska Project and the Massif-du-Sud Project.

Roussillon Project (100% ownership)

The Roussillon Project is a prospective wind power project located in the Municipalities of Saint-Philippe, La Prairie and Saint-Jacques-Le-Mineur with a planned installed capacity of 108 MW and an expected long-term average energy output of 312,500 MWh per year.

The Rousillon Project is expected to consist of 72 wind turbines, each with a capacity of 1.5 MW. The turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers and operating in wind speeds of 3.5 to 25 metres per second. Each turbine would have a three-bladed, 77-metre diameter rotor.

The earliest proposed date of commencement of commercial operations for the Roussillon Project, as contemplated by the bid submitted by the Corporation, is December 1, 2010.

The total area of the Roussillon Project is approximately 1,456 hectares, all of which is located on privately owned land. Option agreements to acquire the necessary rights of access to and use of the land have been entered into with private landowners for over 82% of the private lands in order to construct roads and/or to erect wind turbines and electrical installations on their lands. The Corporation believes that it will be able to secure rights to the remaining lands required for the implementation of the Rousillon Project.

The Corporation has registered the Roussillon Project for the new ecoENERGY Initiative providing for an incentive payment of $10 per MWh for the first ten years of operations. The form of PPA under the Québec 2,000 MW RFP provides that Hydro-Québec would be entitled to 75% of such incentive payment with respect to the Roussillon Project.

Kamouraska Project (100% ownership)

The Kamouraska Project is a prospective wind power project located in the unorganized territory of Picard, Québec. It has a planned installed capacity of 124.5 MW and an expected long-term average generation of 363,000 MWh per year.

The earliest proposed date of commencement of commercial operations for the Kamouraska Project, as contemplated by the bid submitted by the Corporation, is December 1, 2011.

The Kamouraska Project is expected to consist of 83 wind turbines with a capacity of 1.5 MW. The turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers and operating in wind speeds of 3.5 to 25 metres per second. Each turbine will have a three-bladed, 77-metre diameter rotor. The total area of the Kamouraska Project is approximately 9,790 hectares, all of which is located on public land for which a letter of intention regarding the use of such land has been secured from the MRN.

The Corporation has performed the required seasonal field work for bird and bat studies for the Kamouraska Project in order for a full environmental impact assessment to be submitted to the Ministre du Développement durable, Environnement et Parcs in 2008.

The Corporation has registered the Kamouraska Project for the new ecoENERGY Initiative providing for an incentive payment of $10 per MWh for the first ten years of operations. The proposed form of PPA under the Québec 2,000 MW RFP provides that Hydro-Québec would be entitled to 75% of such incentive payment with respect to the Kamouraska Project.

A competitor has submitted a bid for a wind power project located on part of the area covered by the Kamouraska Project pursuant to the Québec 2,000 MW RFP. If this competitor is awarded the project by Hydro-Québec, development of the Kamouraska Project by the Corporation will no longer be possible.

Massif-du-Sud Project (100% ownership)

The Massif-du-Sud Project is a prospective wind power project located in the Municipalities of Saint-Luc-de-Bellechasse, Saint Magloire, Notre-Dame-Auxiliatrice-de-Buckland and Saint-Philemon. It has a planned installed capacity of 90 MW and an expected long-term average generation of 299,700 MWh per year.

The earliest proposed date of commencement of commercial operations for the Massif-du-Sud Project, as contemplated by the bid submitted by the Corporation, is December 1, 2012.

The Massif-du-Sud Project is expected to consist of 60 wind turbines with a capacity of 1.5 MW each. The turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers and operating in wind speeds of 3.5 to 25 metres per second. Each turbine would have a three-bladed, 77-metre diameter rotor.

The total area of the Massif-du-Sud Project is approximately 4,199 hectares, approximately 87% of which is located on public land for which a letter of intention regarding the use of such land has been secured from the MRN. Option agreements to acquire the necessary rights of use and rights of access to the land have been entered into with private landowners for approximately 60% of the private lands in order to construct roads and/or to erect wind turbines and electrical installations on their lands. Although the Corporation believes it will be able to secure rights to the remaining private lands, the total amount of public and private land presently secured is already adequate to allow feasible implementation of the Massif-du-Sud Project.

Two competitors have submitted bids for wind power projects located on part of the land covered by the Massif-du-Sud Project pursuant to the Québec 2,000 MW RFP. If one of the competitors is awarded the project by Hydro-Québec, development of the Massif-du-Sud Project by the Corporation will no longer be possible.

Other Prospective Québec Wind Projects

Saint-Constant Project (100% ownership)

The Saint-Constant Project is a prospective wind power project located in the Municipalities of Saint-Constant and Saint-Mathieu. It has a planned installed capacity of up to 70 MW and an expected long-term average generation of approximately 220,000 MWh per year. The Saint-Constant Project would consist of up to 35 wind turbines, each with a capacity of 1.5 to 2 MW.

The total area of the Saint-Constant Project is approximately 624 hectares, all of which is located on privately owned land. The Corporation has entered into option contracts for the use of over 71% of the lands required for the projected turbine locations and associated infrastructure such as roads and the electrical network. As alternate configurations exist for the implementation of the Saint-Constant Project, the Corporation is of the opinion that securing the remaining required lands is not a significant risk to the implementation of this project.

The Corporation has performed the required seasonal field work for bird and bat studies for the environmental impact assessment report for the Saint-Constant Project in preparation for an eventual full environmental impact assessment to be submitted to the Ministre du Développement durable, Environnement et Parcs du Québec.

The Corporation expects to pursue the Saint-Constant Project either through the Québec Municipal Wind RFP or through a future RFP for wind power which could be issued by Hydro-Québec.

Club des Hauteurs Project (100% ownership)

The Club des Hauteurs Project is a prospective wind power project located in the Municipality of L'Anse-Saint-Jean. It has a planned installed capacity of up to 195.5 MW and an expected long-term average generating capacity of up to 600,000 MWh per year. The Club des Hauteurs Project would consist of up to 85 "Class 1" turbines with a capacity of 2 to 2.3 MW.

The total area of the Club des Hauteurs Project is approximately 5,249 hectares, all of which is located on public land. The Corporation has received a letter of intention with respect to the use of such land from the MRN.

The Corporation expects to pursue the Club des Hauteurs Project through a future wind power RFP issued by Hydro-Québec.

Haute-Côte-Nord Est Project (100% ownership)

The Haute-Côte-Nord Est Project is a prospective wind power project located in the unorganized territory of Lac-au-Brochet in the Regional County Municipality of Haute-Côte-Nord. It has a planned installed capacity of up 170 MW and an expected long-term average generating capacity of up to 530,000 MWh per year. The Haute-Côte-Nord Est Project would consist of 85 wind turbines, each with a capacity of 1.5 to 2 MW.

The total area of the Haute-Côte-Nord Est Project is approximately 4,164 hectares, all of which is located on public land. An initial letter of intention with respect to the use of such land has been obtained from the MRN.

The Corporation expects to pursue the Haute-Côte-Nord Est Project through a future RFP for wind power issued by Hydro-Québec.

Two competitors have submitted bids for wind power projects located on part of the land covered by the Haute-Côte-Nord Est Project pursuant to the Québec 2,000 MW RFP. If one of these competitors is awarded the project by Hydro-Québec, development of the Haute-Côte-Nord Est Project by the Corporation will not be possible.

Haute-Côte-Nord Ouest Project (100% ownership)

The Haute-Côte-Nord Ouest Project is a prospective wind power project located in the unorganized territories of Lac-au-Brochet and Mont Valin, respectively part of the Regional County Municipalities of Haute-Côte-Nord and Fjord-du-Saguenay. It has a planned installed capacity of up to 168 MW and an expected long-term average generating capacity of up to 540,000 MWh per year. The Haute-Côte-Nord Ouest Project would consist of 84 wind turbines with a capacity of 1.5 to 2 MW.

The total area of the Haute-Côte-Nord Ouest Project is approximately 5,312 hectares, all of which is located on public land. An initial letter of intention with respect to the use of such land has been obtained from the MRN.

The Corporation expects to pursue the Haute-Côte-Nord Ouest Project through a future RFP for wind power issued by Hydro-Québec.

Two competitors have submitted bids for wind power projects located on part of the land covered by the Haute-Côte-Nord Ouest Project pursuant to the Québec 2,000 MW RFP. If one of these competitors is awarded the project by Hydro-Québec, development of the Haute-Côte-Nord Ouest Project by the Corporation will not be possible.

Rivière-au-Renard Project (50% ownership)

The Rivière-au-Renard Project is a prospective wind power project located in the territory of the Town of Gaspé. It has a planned installed capacity of up to 25 MW and an expected long-term average generating capacity of up to 74,000 MWh per year. The Rivière-au-Renard Project would consist of 12 to 16 wind turbines, each with a capacity of 1.5 to 2.0 MW.

The Rivière-au-Renard Project is principally located on public land. The Corporation has entered into an agreement with an existing holder of access rights on private lands to ensure access to the project area. The Rivière-au-Renard Project would be developed in partnership with local authorities with the objective of bidding in the expected Hydro-Québec RFPs reserved for municipalities or First Nations.

Les Méchins Project (38% ownership)

The Les Méchins Project is a prospective wind power project located in the Municipalities of Grosse-Roche, Les Méchins and Saint-Jean-de-Cherbourg, Québec. It has a planned installed capacity of 150 MW and an expected long-term average generation of 395,251 MWh per year. The Corporation and TransCanada respectively indirectly own 38% and 62% of the Les Méchins Project, which is subject to arrangements which are substantially the same as those described above under “Cartier Wind Owners and Owners Agreement” and “Separation Agreement”.

The Les Méchins Project is designed to have 100 wind turbines, each with a capacity of 1.5 MW. The turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers and operating in wind speeds of 3.5 to 25 metres per second.

The Les Méchins Project site would consist of approximately 14,000 hectares of which about 40% is located on private lands and 60% on public lands. With respect to the private lands, the options entered into with private landowners prior to 2005 to acquire the right of superficies and necessary servitudes in order to construct roads and/or to erect wind turbines and electrical installations have expired and the Cartier Wind Owners of the Les Méchins Project have entered into new option agreements with only a few of these landowners. Negotiations are ongoing with the majority of private landowners and difficulties have arisen in securing such rights of superficies and servitudes since, in particular, the landowners have resisted permitting such agreements to be renewable for an additional 25 years after the expiry of the initial 25-year term, although the initial option agreements provided for a 50 year lease. For the public lands, a letter of intent has been issued by the MRN in favour of the Cartier Wind Owners of the Les Méchins Project in accordance with the *Québec Wind Farm Construction Program.* Pursuant to the letter of intent with the MRN, leases or other land rights are expected to be granted by the MRN if conditions are fulfilled to its satisfaction and royalties payable to the Québec government under such leases or land rights agreements will be based on the established rates pursuant to applicable regulation.

The Les Méchins Project has a PPA with Hydro-Québec with respect to all electricity that will be produced by the Les Méchins Project, expiring 20 years after the date on which the Les Méchins Project begins delivering electricity. Under the Les Méchins Project PPA, the Cartier Wind Owners of the Les Méchins Project have warranted that the commencement date of delivery of electricity shall be no later than December 1, 2009 and have agreed to deliver and sell a minimum quantity of energy of 395,251 MWh per year. The price of the delivered electricity payable by Hydro-Québec is determined pursuant to a formula set forth in the Les Méchins Project PPA, which is based, up to a certain quantity, on the price at January 1, 2004, being an amount of $71.81/MWh and adjusted annually in accordance with CPI and certain factors provided therein.

The Corporation is currently facing two issues with respect to the Les Méchins Project: (i) it is still negotiating with private landowners the terms of the renewal option that would secure the required land rights beyond the initial 25-year term, and (ii) there have been recent increases in turbine prices and the turbine supply agreement with GE does not guarantee the supply of wind turbines needed for the project at a price which would ensure the economic viability of the Les Méchins Project. The Corporation is committed to exploring all options available to complete the Les Méchins Project, including relocating turbines on public lands, renegotiating the turbine supply agreement with GE or negotiating an agreement with another turbine supplier which complies with applicable RFP conditions. Nonetheless, delays in securing the land rights with landowners or termination of the turbine supply agreement by either party could jeopardize the completion of the Les Méchins Project or the ultimate date of commencement of commercial operations and capital costs of the project. For these reasons, the Corporation considers the Les Méchins project to be a Prospective Project rather

than a Development Project with a PPA. See also “Risk Factors — Risks Related to the Corporation’s Business and Industry — Relationship with Hydro-Québec”.

Prospective British Columbia Wind Projects

The Corporation has identified nine potential renewable energy projects in British Columbia, namely the Carp Forest project, the Crater Mountain project, the Mount Crucil project, the Poplar Hills project, the Nulki Hills project, the Saxton Lake project, the Sechelt Peninsula project, the Tatuk Lake project and the Trachyte Hills project (the “Prospective BC Wind Projects”). The Prospective BC Wind Projects have an aggregate potential installed capacity of approximately 1,210 MW. The Corporation intends to bid the most feasible Prospective BC Wind Projects pursuant to BC Hydro’s upcoming RFP targeting approximately 5,000 MWh (or 1,250 MW, assuming a capacity factor of 45% for the various clean energy sources) of clean power, expected to be issued in 2008. The Corporation expects that it will be in a position to bid for Prospective BC Wind Projects having an aggregate potential installed capacity of up to 475 MW in this upcoming RFP or future RFPs.

Although it is anticipated that the Prospective BC Wind Projects will be 100% owned by the Corporation, it is possible that the Corporation’s interests in one or more of these projects could ultimately be shared with a strategic partner.

Carp Forest Project (100% ownership)

The Carp Forest Project is a prospective wind power project located approximately 75 kilometres northwest of Prince George in the central interior region of British Columbia. The Corporation’s preliminary assessment is that the Carp Forest Project could consist of 50 wind turbines with an aggregate potential installed capacity of 125 MW.

The total developable area of the Carp Forest Project is approximately 10,000 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 4,811 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Carp Forest Project is located approximately 40 kilometres from a BCTC 230 kV transmission line and 30 kilometres from a BCTC 69 kV transmission line.

Crater Mountain Project (100% ownership)

The Crater Mountain Project is a prospective wind power project located approximately 30 kilometres south-southeast of Princeton in the Thompson Okanagan Region of British Columbia. The Corporation’s preliminary assessment is that the Crater Mountain Project could consist of 30 wind turbines with an aggregate potential installed capacity of 45 MW.

The total developable area of the Crater Mountain Project is approximately 1,500 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 1,454 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Crater Mountain Project is located approximately 20 kilometres from a BCTC 138 kV transmission line.

Mount Crucil Project (100% ownership)

The Mount Crucil Project is a prospective wind power project located approximately 20 kilometres northwest of Gibsons in the south coast region of British Columbia. The Corporation’s preliminary assessment is that the Mount Crucil Project could consist of 20 wind turbines with an aggregate potential installed capacity of 50 MW.

The total developable area of the Mount Crucil Project is approximately 3,000 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 3,024

hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Mount Crucil Project is located approximately five kilometres from a BCTC 138 kV transmission line.

Poplar Hills Project (100% ownership)

The Poplar Hills Project is a prospective wind power project located approximately 40 kilometres northwest of Fort Nelson in northeastern British Columbia. The Corporation's preliminary assessment is that the Poplar Hills Project could consist of 190 wind turbines with an aggregate potential installed capacity of 475 MW. The Alberta Power Limited 138 kV transmission line located approximately 70 kilometres from the Poplar Hill Project can presently only support a capacity of approximately 150 MW.

The total developable area of the Poplar Hills Project is approximately 45,000 hectares, all of which is located on public land. Applications for three investigative permits have been submitted to the Integrated Land Management Bureau with respect to a total area of 10,876 hectares. If granted, the investigative permits would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and secure a development option for the Corporation for a period of two years. The investigative permits would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

In addition to the expected call for clean power proposals by BC Hydro anticipated for 2008, the Corporation is also seeking to position the Poplar Hills Project for a future call for tenders pursuant to a request for Expressions of Interest recently issued by BC Hydro for clean power sources specific to the Fort Nelson region.

The Poplar Hills Project is located approximately 70 kilometres from a 138 kV transmission line from Alberta Power Limited.

Nulki Hills Project (100% ownership)

The Nulki Hills Project is a prospective wind power project located approximately 35 kilometres south of Vanderhoof in the central interior region of British Columbia. The Corporation's preliminary assessment is that the Nulki Hills Project could consist of 30 wind turbines with an aggregate potential installed capacity of 60 MW.

The total developable area of the Nulki Hills Project is approximately 6,000 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 4,936 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Nulki Hills Project is located approximately 24 kilometres from a BCTC 230 kV transmission line and BCTC 69 kV transmission line.

Saxton Lake Project (100% ownership)

The Saxton Lake Project is a prospective wind power project located approximately 45 kilometres west-northwest of Prince George in the central interior region of British Columbia. The Corporation's preliminary assessment is that the Saxton Lake Project could consist of 50 wind turbines with an aggregate potential installed capacity of 125 MW.

The total developable area of the Saxton Lake Project is approximately 10,000 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 3,644 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Saxton Lake Project is located approximately 20 kilometres from a BCTC 69 kV transmission line and either 35 or 40 kilometres from BCTC 230 kV transmission lines.

Sechelt Peninsula Project (100% ownership)

The Sechelt Peninsula Project is a prospective wind power project located approximately 15 kilometres northwest of Sechelt in the south coast region of British Columbia. The Corporation's preliminary assessment is that the Sechelt Peninsula Project could consist of 15 wind turbines with an aggregate potential installed capacity of 37.5 MW.

The total developable area of the Sechelt Peninsula Project is approximately 2,000 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 1,970 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Sechelt Peninsula Project is located approximately five kilometres from a BCTC 138 kV and 230 kV transmission lines.

Tatuk Lake Project (100% ownership)

The Tatuk Lake Project is a prospective wind power project located approximately 50 kilometres southwest of Vanderhoof in the central interior region of British Columbia. The Corporation's preliminary assessment is that the Tatuk Lake Project could consist of 70 wind turbines with an aggregate potential installed capacity of 175 MW.

The total developable area of the Tatuk Lake Project is approximately 8,000 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 4,890 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Tatuk Lake Project is located approximately 30 kilometres from a BCTC 230 kV transmission line or 31 kilometres from a BCTC 36 kV transmission line.

Trachyte Hills Project (100% ownership)

The Trachyte Hills Project is a prospective wind power project located approximately ten kilometres west of Cache Creek in the Thompson Okanagan Region of British Columbia. The Corporation's preliminary assessment is that the Trachyte Hills Project could consist of 35 wind turbines with an aggregate potential installed capacity 52.5 MW.

The total developable area of the Trachyte Hills Project is approximately 4,000 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 4,089 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Trachyte Hills Project is located at less than ten kilometres from several BCTC transmission lines.

Prospective Hydroelectric Projects

Kaipit Project (100% ownership)

The Kaipit Project is a prospective run-of-river hydroelectric project with a potential installed capacity of 9.9 MW and an expected yearly output of 31,023 MWh. It would be located on the Kaipit River, approximately 40 kilometres south of Port McNeill and 16 kilometres west of Woss on Vancouver Island, British Columbia.

The Kaipit Project would have one main intake to divert the flow of water into the penstock. The 4.5 kilometre-long penstock would be divided into two segments. The first segment would be a low pressure conduit that follows the contour line and the second segment would be a high pressure penstock flowing down to the powerhouse located on the Kaipit River, located just upstream from the Nimpkish Road.

The powerhouse would contain two Francis turbines with a capacity of 4.95 MW. In addition, the powerhouse would contain all necessary ancillary equipment including protection, controls, switchgear and communications. Preliminary interconnection studies indicate that the preferred alternative for delivering the power generated from the Kaipit generating station to the BC Hydro distribution grid is to build a 16 kilometre long 25 kV transmission line along the Nimpkish Road to the community of Woss where there is an existing BC Hydro substation. Alternative transmission generator interconnections would also be considered wherein the power generated from the Kaipit generating station would be interconnected at 138 kV either on the high voltage side of the Woss substation or by directly tapping into the 138 kV line approximately six kilometres east of the power station along Nimpkish Road.

The Corporation intends to submit the Kaipit Project to the Standard Offer Program currently being developed by BC Hydro for projects in British Columbia with a nameplate capacity of less than 10 MW. The proposed regional price for energy under such program in 2007 for projects on Vancouver Island is $82.05 per MWh, representing an energy price of $79 per MWh and environment attribute price of $3.05 per MWh.

Kokish Project (100% ownership)

The Kokish Project is a prospective run-of-river hydroelectric project with a potential installed capacity of 9.9 MW and a potential yearly energy output of 38,407 MWh. It is located on the east fork of the Kokish River, approximately 10 kilometres southwest of Port McNeill on northern Vancouver Island, British Columbia.

The Kokish Project would have one main intake to divert the flow of water into the penstock, which would be divided into two segments. The first segment would be a two kilometre long low pressure conduit that follows a decommissioned forest service road ("FSR"). The second segment would be a high pressure penstock which follows an active FSR for 0.9 kilometre and then another decommissioned FSR to the powerhouse located on the west bank of the Kokish River, just upstream of the confluence with the Bonanza River. The powerhouse would contain two 4.95 MW Francis turbines. In addition, the powerhouse would contain all necessary ancillary equipment including protection, controls, switchgear and communications.

Preliminary interconnection studies indicate that the preferred alternative for delivering the power generated from the Kokish generating station to the BC hydro distribution grid is to build a 10-kilometre long 25 kV transmission line along the main FSR in a northerly direction to the existing 25 kV distribution system just east of Beaver Cove. Alternative transmission generator interconnections will also be considered wherein the power generated from the Kokish generating station will be interconnected at 138 kV by directly tapping the 138 kV line approximately 1.5 kilometres west of the power station.

The Corporation intends to submit the Kokish Project to the Standard Offer Program currently being developed by BC Hydro for projects in British Columbia with a nameplate capacity of less than 10 MW. The proposed regional price for energy for projects on Vancouver Island under such program is $82.05 per MWh, representing an energy price of $79 per MWh and an environment attribute price of $3.05 per MWh.

Kipawa Project (48% ownership)

The Kipawa Project is a prospective hydroelectric project which is expected to consist of two facilities with an aggregate potential installed capacity of 42 MW and an expected yearly output of 240,000 MWh. It would be located on the Gordon Creek, which flows through the City of Temiscaming, Québec. The Kipawa Project is expected to consist of a main powerhouse with a capacity of 37 MW, replacing an unused 17 MW power plant, and a secondary 5 MW plant built on an existing dam.

The main facility would be a run-of-river project located in the City of Temiscaming. The water will be conveyed 63 metres to the powerhouse with a 1.6 kilometre-long tunnel excavated on the right side of the city. The powerhouse would be near the replaced powerhouse on the Ottawa River bank and would contain three horizontal "Francis" units, each with a capacity of 12.3 MW.

The secondary facility would be located eight kilometres upstream of the City of Temiscaming on the Gordon Creek. The powerhouse would be built inside the canal and would contain a single Ecobulb Kaplan unit with 5 MW of capacity with a flow of 70 cubic metres per second. The two potential sites are easily accessible by paved roads and located close to transmission lines.

Hydro-Québec has proposed a 130 MW hydroelectric project in close enough proximity to the Kipawa Project to potentially threaten its water flow. The Kipawa Project would be developed in association with two local First Nations communities (that would collectively own 52% of the Kipawa Project) and it is supported by local municipalities. Regulatory approvals will have to be obtained prior to proceeding with this project.

Other Opportunities — Québec Municipal Wind RFP

In October 2007, the MRN announced the intention of the Québec government to adopt a decree before the end of 2007 requiring Hydro-Québec to issue an RFP for 250 MW of Municipal wind power projects by the spring of 2008 (the "Québec Municipal Wind RFP"). The maximum project size pursuant to the Québec Municipal Wind RFP is expected to be 25 MW per project. The earliest expected required in-service date for projects undertaken pursuant to the Québec Municipal Wind RFP is expected to be in 2011.

The Fédération Québécoise des Municipalités (the "FQM") and the Corporation have entered into a strategic agreement pursuant to which the two parties will create a limited partnership to bid wind farm projects in the Québec Municipal Wind RFP. The goal of the partnership between FQM and the Corporation is to secure projects under the Québec Municipal Wind RFP with an aggregate capacity of up to 150 MW.

Relationship with the Fund

Management of the Fund's Facilities

The Management Agreement

Pursuant to an agreement to be entered into concurrently with the closing of the Offering between the Corporation and the Fund, which will amend and restate a management agreement dated July 4, 2003 (the "Management Agreement"), the Corporation will continue to provide management services to the Fund. These services include: (i) supervising the operation of the facilities held indirectly by the Fund and administering the investments of the Fund; (ii) assisting the Fund in developing, implementing and monitoring a strategic plan; (iii) assisting the Fund in developing an annual business plan which includes operational and capital expenditure budgets; (iv) assisting the Fund in developing acquisition strategies, investigating and analyzing the feasibility of potential acquisitions; (v) carrying out acquisitions or dispositions and related financings required for such transactions; (vi) assisting in connection with any financing of the Fund; and (vii) assisting the Fund with the preparation, planning and co-ordination of trustee meetings.

The Management Agreement will provide that the Corporation is entitled to reimbursement of its operating expenses incurred in connection with the performance of its duties under the Management Agreement, up to a maximum annual amount which is subject to an annual increase corresponding to the inflation rate of the CPI. The maximum chargeable amount for regular services in 2007 will be $886,922. Furthermore, the Corporation is entitled to an annual incentive fee based on increases in annual distributions per unit of the Fund corresponding to 25% of the annual distributions per unit of the Fund in excess of $0.925, without taking into account, for the purposes of determining the amount of the incentive fee, any taxes which could become payable by the Fund as a result of the Fund being a "SIFT trust" under the *Income Tax Act* (Canada) or any similar tax imposed by provincial tax authorities. The Fund has announced that, as a result of the Facilities Disposition, it expects to increase the annual distributions per unit of the Fund from $0.965 to $1.00, thereby increasing the annual incentive fee from $329,065 to $735,107 for the year 2008. See "Transactions to be Completed at Closing of the Offering — Disposition of Certain Facilities and Related Private Placement".

The Administration Agreement

Pursuant to an agreement to be entered into concurrently with the closing of the Offering between the Corporation and the Fund, which will amend and restate an administration agreement dated July 4, 2003 (the "Administration Agreement"), the Corporation will continue to provide certain administrative and support services to the Fund, including those necessary to ensure compliance by the Fund with its continuous disclosure obligations under applicable securities legislation.

The Administration Agreement will provide that all operating expenses incurred by the Corporation in connection with the provision of these services are charged to the Fund up to a maximum annual amount of $108,858 in 2007, subject to an annual increase equal to the CPI. The Corporation will be entitled to the reimbursement of reasonable expenses incurred on behalf of the Fund, such as legal and auditing expenses and trustees' fees.

The Services Agreement

Pursuant to an agreement to be entered into concurrently with the closing of the Offering between the Corporation, the Fund and certain other subsidiaries of the Fund which will amend and restate a services agreement dated July 4, 2003 (the "Services Agreement"), the Corporation will continue to provide management services to the Fund and its subsidiaries mainly for the operations of facilities of the Fund and the supervision of the employees of the Fund's subsidiaries or owners of its facilities. Under the Services Agreement, the Corporation manages, on behalf of the Fund and certain of its subsidiaries, certain of the Fund's facilities in accordance with prudent industry practices and an annual operating plan developed by the Corporation and approved by the Fund. All operating and out-of-pocket expenses incurred by the Corporation in connection with the provision of these services are reimbursed to the Corporation.

Term of Agreements

The Management Agreement, the Administration Agreement and the Services Agreement (collectively, the "Management Agreements") will all have terms expiring on July 4, 2030. The Management Agreements will be renewed for successive periods of five years, unless the Fund provides notice of non-renewal at least six months before the end of the relevant term. The Management Agreements can be terminated by either party upon the occurrence of customary events of default. It can also be terminated by the Fund in the event of a serious disagreement between the Corporation and the independent trustees of the Fund, upon the Fund giving a 90-day prior notice, or by the Corporation, within one year of a change of control of the Fund, in each case upon the payment of a compensation fee of $10 million by the Fund to the Corporation. Following such termination, the Fund will no longer be required to pay any fee to the Corporation pursuant to the Management Agreement, including the annual incentive fee described under "Management Agreement" which is expected to be $735,107 in the year ending December 31, 2008. A change of control of the Fund will occur if a person becomes the beneficial owner of more than 25% of the units of the Fund. Any party to the Administration Agreement or the Services Agreement may terminate these agreements upon termination of the Management Agreement.

Cooperation Agreement

Pursuant to an agreement to be entered into concurrently with the closing of the Offering between the Fund and the Corporation which will amend and restate a cooperation agreement dated July 4, 2003 (the "Cooperation Agreement"), each party thereto grants a right of first offer to the other party in respect of any of its power generating projects which it wishes to sell, or intends to offer, to a third party purchaser. However, this right of first offer does not apply to an existing or future project partner of each party who has negotiated such a right of first offer with the such party with respect to a project and has indicated in writing to such party its intention to exercise its right of first offer in respect of an offer to sell an interest in a project. The Cooperation Agreement also provides that, if either party acquires power generating assets from a third party and then sells such assets to the other party within a 12-month period following their initial acquisition, the selling party will not be entitled to any remuneration, except for the reimbursement of its costs and expenses incurred in relation thereto.

Holdings in the Fund

At the closing of the Offering, the Corporation will own a 16.1% interest in the Fund which has interests in ten hydroelectric facilities and two wind power generating facilities having an aggregate installed capacity of 339.9 MW. See "Investment in the Fund" and "Transactions to be Completed at the Closing of the Offering — Dispositions of Certain Innergex II Facilities and Related Private Placement".

Conflict of Interest

Certain conflicts of interest may arise as a result of the relationship between the Corporation and the Fund. Pursuant to the Management Agreements, the Corporation is responsible for all management and administrative services in respect of the Fund's businesses and for all of its operating and maintenance services. The Corporation and the Fund are potential competitors within the hydroelectric and wind power sectors of the renewable power industry in Canada and the Corporation's responsibilities as manager of the Fund may, therefore, conflict with the interests of its shareholders. Management of the Corporation will address any conflict of

interest which may arise in the future in accordance with reasonable expectations and objectives of each of the Corporation and the Fund and will act in accordance with any duty of care and any duty to act in good faith owed to either of them.

Furthermore, certain executive officers and directors of the Corporation also act as trustees of the Fund or its affiliates (see "Directors and Executive Officers — Conflicts of Interest").

INVESTMENT IN THE FUND

Investment in the Fund

At the closing of the Offering, the Corporation will own an approximate 16.1% interest in the Fund. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement". As a unitholder of the Fund, the Corporation will have rights which are identical to those of other public unitholders of the Fund.

The Fund

The Fund is a publicly-traded reporting issuer whose units are listed on the TSX under the symbol "IEF.UN". Through its subsidiaries, the Fund conducts the business of, and owns, operates and leases assets and property in connection with, the generation, accumulation, transmission, distribution, purchase and sale of electricity. It also invests in and holds other direct and indirect rights in companies or other entities involved in the business of the generation, accumulation, transmission, distribution, purchase and sale of electricity, and engages in all activities ancillary and incidental thereto. With the two wind power generating facilities acquired by the Fund from Innergex II concurrently with the closing of the Offering, the Fund indirectly owns interests in ten hydroelectric and two wind power generating facilities having an aggregate installed capacity of 339.9 MW and which are located in the provinces of Québec, Ontario and British Columbia and in the State of Idaho. See "Transactions to be Completed at the Closing of the Offering —" and "— Portfolio of Assets".

The Fund's Objectives

The Fund's objectives are to ensure and enhance the stability and sustainability of its distributable cash per unit to its unitholders and, when possible, to increase the amount of distributable cash per trust unit by enhancing current operational practices of its facilities and by making additional investments in electricity generating facilities, in accordance with the guidelines established by the Fund in connection thereto.

The Fund's Operating Strategy

The Fund's facilities generate electricity using hydroelectric and wind power. The Fund, indirectly through its subsidiaries, retains the services of the Corporation, as manager, to assist in meeting its objectives. See "Relationship with the Fund — Management of the Fund's Facilities". The employees of the Corporation are responsible for the management and contract administration of the Fund's facilities while employees of the Fund's subsidiaries or the owners of its facilities are responsible for the day-to-day operation and maintenance of the Fund's facilities.

Rationale for Investment

The Corporation sees its investment in the Fund as a further way to benefit from the growth and increasing potential of the renewable power industry in North America and to benefit from the Fund's stable and diversified cash flow in order to finance its development of projects. The public disclosure documents of the Fund reveal that it has been profitable since it became public in 2003 and its EBITDA has grown from $18.7 million during the first 12 months of operations ended June 30, 2004 to an expected $47 million for the year ending December 31, 2008, assuming the acquisition of the Anse-à-Valleau Facility and the Baie-des-Sables Facility at the closing of the Offering, representing a CAGR of 22.9%.

Financial Statements Highlights

The Corporation will account for its 16.1% interest in the Fund using the equity method. Below is a summary of the information related to the assets, liabilities and results of operations of the Fund as at and for the six-month period ended June 30, 2007 and as at and for the years ended December 31, 2006 and December 31, 2005.

Innergex Power Income Fund highlights	Six-month period ended June 30, 2007	Years ended December 31, 2006	2005
Current Assets	14,709,449	16,	16,
Reserve Accounts	12,812,541	12,	13,
Capital Assets	218,565,777	222,	227,
Intangible Assets	87,032,690	90,	97,
Derivative Financial Instruments	6,881,490	371,	262,
Future Income Taxes	2,946,004	3,	3,
Total Assets	**342,947,951**	**345,**	**358,**
Current Liabilities	9,680,733	10,	12,
Long Term Debt	105,477,001	107,	107,
Future Income Taxes	50,204,972	3,	2,
Total Liabilities	**165,362,706**	**120,**	**123,**
Non-Controlling Interest	**13,863,448**	**12,**	**10,**
Unitholders' Equity	**163,721,797**	**212,**	**224,**
Gross Revenues	**19,370,769**	**41,**	**30,**
Operating Expenses	2,946,842	6,	4,
Income Before Income Taxes and Non-Controlling Interest	7,621,646	14,	11,
Net (Loss) Income(1)	**(40,520,875)**	**11,**	**9,**
Distributions Declared to Unitholders(2)	**11,908,085**	**23,**	**20,**
EBITDA	14,926,416	32,	23,
Distributions declared per unit	$ 0.4825	$ 0.965	$ 0.945

(1) Provision for Income Taxes. On June 22, 2007, the Government of Canada's Bill C-52 relating to income trusts taxation was adopted. Pursuant to this bill, the taxation of income trusts will be equivalent to that of corporations, and taxable distributions to unitholders will be treated as dividends. The Fund will be liable for income taxes at a rate of 31.5% on its taxable income earned after December 31, 2010. Consequently, additional future income tax liabilities totalling $46,910,463 calculated on the assets' remaining life were recorded in the Fund's financial statements for the second quarter, when the law was enacted. This resulted in a total provision for future income taxes of $47,262,706 for the six-month period and explains the net loss incurred in that period.

(2) As a result of the Facilities Disposition, the Fund has announced it expects to increase its annual distributions per unit of the Fund from $0.965 to $1.00, thereby increasing the annual incentive fee from $329,065 to $735,107 for the year 2008.

More information regarding the Fund may be found at www.sedar.com. Such information is not incorporated by reference into this prospectus.

TRANSACTIONS TO BE COMPLETED AT THE CLOSING OF THE OFFERING

Concurrently with the closing of the Offering, the Closing Transactions will be completed. Unless otherwise indicated or the context otherwise requires, disclosure contained in this prospectus assumes that the Closing Transactions have been completed.

Innergex II Acquisition

At the closing of the Offering, the Corporation will acquire from each of the Institutional Investors its equity interests in Innergex II, such that Innergex II will be wholly-owned by the Corporation, for a purchase price of $63,364,165, which will effectively be paid by the issue to the Institutional Investors of 5,760,379 Common Shares at the Offering price hereunder (the "Innergex II Acquisition").

Also at the closing of the Offering, the Institutional Investors will subscribe for an additional 5,342,620 Common Shares of the Corporation at the Offering price hereunder for an aggregate amount of $58,768,822, by re-investing (i) $11,618,822 from distributions to be paid to them by Innergex II further to the gain realized by Innergex II from the disposition of the Rutherford Creek

Facility in December 2005 and (ii) an additional $47,150,000 in cash (collectively with the Innergex II Acquisition, the “Concurrent Re-Investment”).

All such 11,102,999 Common Shares will be issued pursuant to the Concurrent Re-Investment to the Institutional Investors on a private placement basis pursuant to exemptions from prospectus requirements in accordance with Canadian securities laws, provided that any Common Shares that are sold by the Selling Shareholders pursuant to the exercise of the Over-Allotment Option will be qualified by this prospectus.

The Corporation and the Institutional Investors entered into purchase agreements (collectively, the “Purchase Agreement”) dated October 26, 2007, as amended on November 28, 2007, pursuant to which such parties have agreed to the terms and conditions of the Concurrent Re-Investment and the Innergex II Acquisition, with customary closing conditions, including the absence of a material adverse effect, the completion of the Facilities Disposition and the completion of the Offering, and to cooperate in a timely and efficient manner to complete the Concurrent Re-Investment, Innergex II Acquisition and the Offering.

The Purchase Agreement contains customary representations, warranties and indemnities made jointly (and not solidarily or jointly and severally) by each of the Institutional Investors solely with respect to their respective ownership interests in Innergex II, whereas no representations or warranties were made with respect to the assets or operations of Innergex II. The Corporation has always been the manager of Innergex II and has intimate knowledge of Innergex II.

Disposition of Certain Innergex II Facilities and Related Private Placement

The Fund will, concurrently with the closing of the Offering, purchase from Innergex II all of the direct and indirect interests of Innergex II in the Anse-à-Valleau Facility and the Baie-des-Sables Facility (collectively, the “Facilities Disposition”). The purchase price payable to Innergex II will be satisfied by the issuance by the Fund to Innergex II of approximately 4.7 million units of the Fund and by the Fund assuming approximately $107.6 million of debt which is expected to be outstanding as at December 31, 2007. In connection with the closing of the Offering, such units of the Fund will be transferred to the Corporation. Consequently, following such transactions, the Corporation will hold approximately 16.1% of the issued and outstanding units of the Fund. Pursuant to the Power Facilities Sale Agreement, the Corporation and the Fund have also agreed to enter into certain amendments to the Management Agreements and the Cooperation Agreement concurrently with closing of the Offering. See “Business Overview — Relationship with the Fund — Management of the Fund’s Facilities and Cooperation Agreement”.

The Fund and Innergex II entered into a purchase agreement dated October 26, 2007 and amended on November 21, 2007 (the “Power Facilities Sale Agreement”) pursuant to which such parties have agreed to the terms and conditions of the Facilities Disposition. The Power Facilities Sale Agreement contains representations, warranties and indemnities by Innergex II with respect to the Anse-à-Valleau Facility and the Baie-des-Sables Facility customary for transactions of this nature. The maximum liability of Innergex II under the Power Facilities Agreement is limited to the purchase price thereunder, provided that claims in respect of each facility purchased thereunder are limited to the purchase price allocated to such facility and that Innergex II will only be required to indemnify the Fund if the liability of Innergex II exceeds $250,000.

At the closing of the Offering, Innergex II and the Fund will enter into a subscription agreement providing for the delivery to Innergex II of newly issued trust units of the Fund (the “Subscription Agreement”). The Subscription Agreement contains representations, warranties and indemnities by the Fund with respect to the Fund, its assets and operations customary for transactions of this nature. The maximum liability of the Fund under the Subscription Agreement is limited to the subscription price, provided that i) the Fund will only be required to indemnify Innergex II if the liability of the Fund exceeds $250,000, and ii) no indemnity will be payable in respect of any breach of a representation and warranty of which the Corporation had knowledge.

USE OF PROCEEDS

The Corporation expects to receive $102,967,237 in net proceeds from the Offering, after deducting fees payable by the Corporation to the Underwriters and the estimated expenses of the Offering. If the Over-Allotment Option is exercised, the Corporation will not receive any proceeds from the sale of Common Shares by the Selling Shareholders and the Corporation has agreed to pay the Underwriters’ fee in respect of the Common Shares sold thereunder.

Concurrently with the closing of the Offering, the Institutional Investors will re-invest in cash an aggregate amount of $58,768,822 into the Corporation by subscribing for 5,342,620 Common Shares. See “Transactions to be completed at the Closing of the Offering”.

The Corporation intends to apply the net proceeds of the Offering, combined with the aggregate cash re-investment referred to above, as follows: (i) as to $123,875,000, to fund the repayment or purchase, as applicable, of outstanding indebtedness owed by Innergex II to the Institutional Investors, (ii) as to approximately $30,000,000, to fund the Corporation's *pro rata* share of the equity required for the construction of its current portfolio of Development Projects with PPAs, (iii) as to $3,781,079 to pay a dividend on the Common Shares to be declared to the Founding and Existing Shareholders further to the gain realized by the Corporation in connection with the Facilities Disposition, and (iv) as to remaining proceeds, for working capital and general corporate purposes.

SELECTED *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION

The following selected unaudited *pro forma* consolidated financial information reflects the Closing Transactions and is derived from and should be read in conjunction with (i) the Corporation's audited financial statements for the year ended December 31, 2006 and unaudited financial statements for the six-month period ended June 30, 2007, (ii) Innergex II's audited consolidated financial statements for the year ended December 31, 2006 and unaudited consolidated financial statements for the six-month period ended June 30, 2007, and (iii) the unaudited *pro forma* consolidated financial statements of the Corporation for the six-month period ended June 30, 2007 and for the year ended December 31, 2006.

	Six-month period ended June 30, 2007	Year ended December 31, 2006
	(in $)	
Statement of Earnings Data		
Revenues	(3,134,738)	7,402,154
Earnings (loss) from continuing operations	(8,073,859)	2,220,797
Per share (basic and diluted)	(0.34)	0.09
Net earnings (loss)	(8,073,859)	2,220,797
Per Share (basic and diluted)	(0.34)	0.09
Balance Sheet Data		
Cash	34,227,965	
Total assets	297,548,548	
Total long-term debt	42,515,000	
Shareholders' equity	225,035,127	

SELECTED FINANCIAL INFORMATION

The following table presents financial information derived from, and which should be read in conjunction with, the Corporation's audited and unaudited financial statements at pages F-3 to F-14 of this prospectus. The financial information should also be read in conjunction with the "Management's Discussion and Analysis" included elsewhere in this prospectus. In order to get a better view of the financial profile of the Corporation upon closing of the Offering, historical financial information of the Corporation should be read in conjunction with the unaudited *pro forma* consolidated financial statements prepared by management to give effect to the completion of the initial public offering of the Corporation and its acquisition of the interests in Innergex II, as described under the heading "Transactions to be completed at the Closing of the Offering" as well as in conjunction with the "Management's Discussion and Analysis" all included elsewhere in this prospectus..

	Six-month periods ended June 30,		Years ended December 31,		
	2007	2006	2006	2005	2004
			(in $)		
Statement of Earnings Data					
Revenues	3,504,563	2,991,152	6,236,995	4,733,663	3,413,961
Earnings from continuing operations	98,137	93,348	178,763	1,876,296	17,027
Per share (basic and diluted)	14.28	16.50	31.60	11,258.39	1,418.92
Net earnings and comprehensive earnings	98,137	93,348	178,763	1,876,296	17,027
Per share (basic and diluted)	14.28	16.50	31.60	11,258.39	1,418.92

	As at June 30, 2007	As at December 31, 2006	2005
		(in $)	
Balance Sheet Data			
Total assets	4,979,200	3,	3,
Total long-term debt	600,000	600,	250,

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis contains a separate discussion and analysis for each of the Corporation and Innergex II. Concurrently with the closing of the Offering, the Corporation will acquire Innergex II. Although each of these entities operated separately in the past, the Corporation provided management and administrative services both to the Fund and Innergex II in addition to owning a 15% equity interest in Innergex II.

In order to get a better view of the financial profile of these two entities once they have been combined at the closing of the Offering, the following management's discussion and analysis should be read in conjunction with the unaudited *pro forma* consolidated financial statements included on pages F-35 to F-47 of this prospectus. These unaudited *pro forma* consolidated financial statements have been prepared by management to give effect to the completion of the initial public offering of the Corporation and its acquisition of the interests in Innergex II as described under "Transactions to be Completed at the Closing of the Offering".

Innergex II is a developer, operator and acquirer of power generating assets. As a way to gain access to additional capital to fund its growing portfolio of projects under development, Innergex II has historically sold these projects to the Fund soon after they had reached the stage of commercial operations. For example, Innergex II sold to the Fund its Horseshoe Bend facility (9.5MW) in December 2004 and its Rutherford Creek facility (49.9 MW) in December 2005. The historical financial performance of Innergex II presented in this prospectus mostly reflects the gains realized on the sale of these assets to the Fund and also to a lesser extent the revenues derived from the electricity sold between the in-service date of an operating facility and the time Innergex II disposed of such facility. Innergex II's financial results have therefore varied greatly from year to year depending on the number of power facilities in operation and the timing of the sale of its facilities to the Fund.

In the future, the Corporation intends not only to continue to focus on the development of wind and hydroelectric power generating facilities but also intends to retain ownership of its facilities once they have reached the stage of commercial operation. As its portfolio of operating facilities grows over the years, management expects continuous improvement in the financial performance of the Corporation. Following the closing of the Offering, the Corporation will also be receiving a recurring stream of cash flows from its investment in the Fund.

The key factors which will affect growth of the Corporation in the future will be: i) the demand for renewable energy by governments; ii) the Corporation's capacity to evaluate and secure the best prospective sites for the development of new projects in collaboration with local communities; iii) the Corporation's ability to enter into attractive PPAs and obtain required environmental and other permits; and iv) the Corporation's ability to forecast adequately the total construction costs, expected revenues and expected expenses of each of its projects. With the threat of global warming and the growing recognition and support by governments for the need to protect the environment, the Corporation believes that the future of the renewable energy industry is promising. The Corporation's management team has a proven track record of completing projects by the commencement date of commercial operations provided in its PPAs and of not incurring any significant cost overruns due to its careful management of the construction process.

The four reporting segments of the Corporation will be: i) Hydroelectric Power Production; ii) Wind Power Production; iii) Project Development and Construction and iv) Fund Management and Ownership. At the closing of the Offering, the Corporation will own: i) one 8 MW Operating Facility; ii) an indirect 16.1% interest in the Fund, which has a portfolio of ten hydroelectric projects with an aggregate net installed capacity of 116.9 MW (gross 129.9 MW) and two wind projects having an aggregate net installed capacity of 80 MW (gross 210 MW); iii) nine Development Projects with PPAs with a total aggregate net installed capacity of 293 MW (gross 565 MW) out of which three are presently under construction; and iv) Prospective Projects with an aggregate net installed capacity of 1,510 MW (gross 1,638 MW).

The combination of hydro and wind projects favours more stable cash flows throughout the fiscal year. Typically, run-of-river hydroelectric facilities generate most of their electricity and revenues during the spring and summer months when the melting snow starts feeding the watersheds and the rivers. Inversely, wind speeds are historically greater during the cold winter months and when the air density is at its peak.

The Corporation expects to finance its *pro rata* share of the construction costs of its current portfolio of Development Projects with PPAs using: (i) the cash flows generated by its growing portfolio of Operating Facilities, (ii) the distributions and incentive fees received from the Fund, (iii) approximately $30 million in equity from the proceeds of the Offering, and (iv) non-recourse construction and long-term financings. Non-recourse debt, which can typically represent between 70% and 85% of the construction

costs of a project, allows the Corporation to maximize leverage and returns while containing each project's specific risks. The Corporation also intends to continue using fixed-rate non-recourse loans or derivative financial instruments to limit its exposure to interest rates fluctuations. In addition to the previous sources of capital, the Corporation may have to issue additional common shares to develop its portfolio of Prospective Projects.

Expected Contractual Obligation of the Corporation on a Pro Forma Basis

As at June 30, 2007, and assuming the acquisition of Innergex II and completion of the Closing Transactions, material contractual obligations would include future payments under long-term debt arrangements (including non-recourse project debt), operating lease arrangements and purchase and contractual obligations. These obligations are summarized in the table below.

	Total	under 1 year	1 to 3 years	4 to 5 years	over 5 years
Contractual Obligations of the Corporation on a Pro Forma basis:					
Long term debt	42,	—	19,	2,041,200	21,
Interest on long term debt	19,	2,598,882	7,	2,673,386	6,
Operating leases	5,	512,362	1,	254,969	2,
Other contractual obligations(1)	115,	49,070,254	65,	657,666	—
Total contractual obligations	182,	52,181,498	94,	5,627,221	30,

(1) Other contractual obligations including obligations under various contracts being mainly supply agreements and construction contracts relating to the construction of the Corporation's projects.

THE CORPORATION

The purpose of this MD&A is to provide the reader with an overview of the financial position, operating results and cash flows of the Corporation for the six-month periods ended June 30, 2007 and 2006 and the financial years ended December 31, 2006, 2005 and 2004. This MD&A should be read in conjunction with the unaudited financial statements of the Corporation for the six-month periods ended June 30, 2007 and 2006 and the audited financial statements of the Corporation for the financial years ended December 31, 2006, 2005 and 2004 and their accompanying notes included elsewhere in this prospectus. These financial statements have been prepared in accordance with Canadian GAAP. The Corporation reports its results in Canadian dollars. Certain amounts included in this MD&A are rounded, to make reading easier. These rounded numbers may affect certain sums. This discussion and analysis contains forward-looking information which is subject to a variety of factors that could cause actual results to differ materially from those contemplated by this information. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in "Risk Factors" and "Forward-Looking Statements".

Overview

General

The Corporation was incorporated on October 25, 2002 under the laws of Canada and provides management and administrative services to the Fund and Innergex II and their subsidiaries under long-term agreements. The Corporation also presently holds 15% of the units of Innergex II which interest will be increased to 100% at the closing of the Offering. See "Transactions to be Completed at the Closing of the Offering — Innergex II Acquisition".

Under the Management Agreement, the Corporation provides management services to the Fund. The Management Agreement provides that the Corporation is entitled to reimbursement of its operating expenses incurred in connection with the performance of its duties under the Management Agreement up to a maximum annual amount which is subject to an annual increase corresponding to the inflation rate of the CPI. The maximum chargeable amount for regular services in 2007 is $0.9 million. The Corporation is also entitled to an annual incentive fee based on increases in distributions per unit of the Fund corresponding to 25% of the annual distributions per unit of the Fund in excess of $0.925, without taking into account, for such purpose, any taxes payable by the Fund as a result of the Fund being a "SIFT trust" under the *Income Tax Act* (Canada) or any similar tax imposed, from time to time, by provincial tax authorities. The Management Agreement expires on July 4, 2030 and is subsequently renewable for successive periods of five years.

Under the Administration Agreement, the Corporation provides certain administrative and support services to the Fund. The Administration Agreement provides that all operating expenses incurred by the Corporation in connection with the provision of these services are charged to the Fund up to a maximum annual amount of $0.1 million in 2007, subject to an annual increase equal to the inflation rate of the CPI. The Corporation is also entitled to the reimbursement of reasonable expenses incurred on behalf of the Fund such as legal and auditing expenses and trustees' fees. The Administration Agreement expires on July 4, 2030 and is subsequently renewable for successive periods of five years. The Corporation's expenses that are in excess of the maximum chargeable to the Fund are charged to Innergex II. See "Business Overview — Relationship with the Fund — Management of the Fund's Facilities".

Innergex Power Income Fund

The Fund is a publicly-traded reporting issuer whose units are listed on the TSX under the symbol "IEF.UN". Through its subsidiaries, the Fund conducts the business of, and owns, operates and leases assets and property in connection with, the generation, accumulation, transmission, distribution, purchase and sale of electricity. It also invests in and holds other direct and indirect rights in companies or other entities involved in the business of the generation, accumulation, transmission, distribution, purchase and sale of electricity, and engages in all activities ancillary and incidental thereto. With the two wind power generating facilities acquired by the Fund from Innergex II concurrently with the closing of the Offering, the Fund indirectly owns interests in ten hydroelectric and two wind power generating facilities having an aggregate installed capacity of 339.9 MW and which are located in the provinces of Québec, Ontario and British Columbia and in the State of Idaho. The capacity of the Fund's facilities on an ownership weighted basis is 196.8 MW. See "Business Overview — Portfolio of Assets" and "Transactions to be Completed at the Closing of the Offering".

Innergex II Income Fund

Innergex II is a Canadian limited purpose trust created on December 20, 2001 and restricted to owning, building, developing, operating and/or acquiring assets or businesses focussed on power generation.

As at June 30, 2007, Innergex II had interests in two operating facilities, namely, the 8 MW Glen Miller Facility which commenced commercial operation in December 2005 and the 109.5 MW Baie-des-Sables Facility which commenced commercial operations in November 2006. At that time, Innergex II also had interests in Development Projects with PPAs under construction with an aggregate capacity of 174 MW, including the Anse-à-Valleau Facility, Umbata Falls Facility and Ashlu Creek Facility; seven additional Development Projects with PPAs having an aggregate capacity of over 492 MW and 21 Prospective Projects with an aggregate capacity of over 1,600 MW. The Corporation operates and manages the plants under long-term agreements. Concurrently with the closing of the Offering, Innergex II will dispose of the Baie-des-Sables Facility and the Anse-à-Valleau Facility. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

Critical Accounting Estimate

Management of the Corporation believes that no accounting estimates required to make assumptions about matters uncertain at the time the actual estimate is made are critical to a reader's understanding of the Corporation's financial statements.

Risks and Uncertainties

The Corporation is exposed to a variety of business risks and has outlined those that it considers material below and in the "Risk Factors" section of this prospectus.

Reliance on large customers

All of the revenues presently received by the Corporation come from two clients, namely the Fund and Innergex II. Any failure on the part of these two clients to fulfill their contractual obligations would have a material adverse effect on the Corporation's results. The Corporation considers this risk to be minimal given the financial strength of its clients and the high credit rating of the Fund (S&P: SR-2, Stable) and moderate distribution profile assessment.

Selected Financial Information

	Six-month periods ended June 30		Years ended December 31		
	2007	2006	2006	2005	2004
			(in $)		
Revenues	3,504,563	2,991,152	6,236,995	4,733,663	3,413,961
Expenses	3,354,841	2,861,949	5,978,195	4,603,359	3,370,500
Net earnings and comprehensive earnings	98,137	93,348	178,763	1,876,296	17,027
Per share (basic and diluted)	14.28	16.50	31.60	11,258.39	1,418.92
Total assets	4,979,200	4,287,590(1)	3,757,301	3,322,173	684,371(1)
Long-term debt	600,000	250,000(1)	600,000	250,000	250,000(1)
Dividend per share	—	—	—	—	—
Shareholders' equity	1,910,242	1,724,266(1)	1,809,681	1,630,918	22,389(1)

(1) The balance sheet data as at December 31, 2004 and as at June 30, 2006 has been derived from the Corporation's historical audited and unaudited financial statements not included in this Prospectus.

Since 2004, management fees received from Innergex II increased due to increases in the number of projects under management or under development. Management fees and incentive fees received from the Fund also increased due to acquisitions successfully completed over the years and annual adjustments to CPI.

The Corporation has more than doubled its number of employees from 2004 to 2007, leading to increased office expenses. Over that period, offices were opened for Cartier Wind Energy and the development of its wind energy projects. The Corporation also opened a regional office in Vancouver to oversee the projects under development and operations in British Columbia. Expenses incurred pursuant to an agreement relating to the sharing, with Innergex II, of the incentive fee received from Innergex Power Trust increased from 2005 to 2006, as per the increase in incentive fees following the Fund's accretive acquisitions.

For the six-month periods ended June 30, 2007 and 2006

Operating Results

The Corporation's operating results for the six-month period ended June 30, 2007 are compared below to operating results for the same period in 2006.

Revenues

For the first six months of 2007, the Corporation reported revenues of $3.5 million compared to revenues of $3.0 million for the same period in 2006. This increase was mainly due to an increase in management fees received from Innergex II related to projects under development. Inflation had no impact on the Corporation in this period because the management agreements are adjusted yearly according to increases in the CPI.

	Six-month periods ended June 30	
	2007	2006
	(in $)	
Management Fees Received from:		
The Fund	54,429	53,609
Innergex Power Trust	961,479	955,714
Innergex II	2,488,655	1,981,829
Total	3,504,563	2,991,152

Operating Expenses

For the first six months of 2007, salaries and benefits of the Corporation's employees totalled $2.7 million compared to $2.3 million in the corresponding period in 2006. This increase was mainly due to the hiring of four new employees and the annual increase in salaries and benefits. The general and administrative expenses for the first six months of 2007 totalled $518 thousand compared to $471 thousand in 2006.

Net Earnings and Comprehensive Earnings.

For the first six months of 2007, the Corporation posted net earnings of $98 thousand compared to $93 thousand in 2006.

For the years ended December 31, 2006 and 2005

Operating Results

The Corporation's operating results for the year ended December 31, 2006 are compared below to operating results for the same period in 2005.

Revenues

For its fiscal year 2006, the Corporation reported revenues of $6.2 million compared to $4.7 million for the fiscal year 2005. This variation was mainly due to the increase in services rendered to Innergex II and Innergex Power Trust in 2005. In 2006, the Corporation was reimbursed for expenses related to the sale of the Rutherford Creek Facility to the Fund and received incentive fees related to the increase in distributions on the Fund's units following such acquisition by the Fund. In addition, more projects were under development at Innergex II.

	Years ended December 31	
	2006	2005
	(in $)	
Management Fees Received from:		
The Fund	107,218	104,369
Innergex Power Trust	1,609,349	995,657
Innergex II	4,520,428	3,633,637
Total	6,236,995	4,733,663

Operating Expenses

For the fiscal year 2006, the salaries and benefits of the Corporation's employees totalled $4.7 million compared to $3.7 million for the fiscal year 2005. This increase was mainly due to the hiring of eight additional employees and to the annual indexation of the salaries and benefits. For 2006, the Corporation reported general and administrative expenses of $998 thousand, compared to $724 thousand for the year 2005.

Other Revenues and Expenses

For fiscal year 2006, the Corporation posted no material other revenues and expenses. For fiscal year 2005, the Corporation posted a gain on investment of $2.1 million related to the sale of the Rutherford Creek Facility.

Net Earnings and Comprehensive Earnings

For the year 2006, the Corporation posted net earnings of $179 thousand compared to $1.9 million in 2005, mainly due to the gain on investment of $2.1 million as described above.

For the years ended December 31, 2005 and 2004

Operating Results

The Corporation's operating results for the fiscal year ended December 31, 2005 are compared below to the operating results for fiscal year 2004.

Revenues

For the fiscal year 2005, the Corporation reported revenues of $4.7 million compared to revenues of $3.4 million for fiscal year 2004. This variation was mainly due to the increase in services rendered to Innergex II. In 2005, the Corporation received incentive

fees related to the increase in the Fund's distributions following the acquisitions of the Horseshoe Bend Facility and Hydro-Windsor Facility.

	Years ended December 31	
	2005	2004
	(in $)	
Management Fees Received From:		
The Fund	104,369	101,606
Innergex Power Trust	995,657	909,273
Innergex II	3,633,637	2,403,082
Total	4,733,663	3,413,961

Operating Expenses

Operating expenses consisted primarily of the salaries and benefits of the Corporation's employees. For the fiscal year 2005, these expenses totalled $3.7 million, compared to $2.7 million in 2004. This increase was mainly due to the hiring of twelve people and to the annual indexation of salaries and benefits. For year 2005, the Corporation reported general and administrative expenses of $724 thousand, compared to $568 thousand in expenses in 2004.

Other Revenues and Expenses

For the fiscal year 2005, the Corporation posted a gain on investment of $2.1 million related to the sale of the Rutherford Creek Facility to the Fund. In 2004, the Corporation did not have any other material revenues and expenses.

Net Earnings and Comprehensive Earnings

For the fiscal year 2005, the Corporation posted net earnings of $1.9 million compared to net earnings of $17 thousand in 2004. This increase is mainly due to the gain of $2.1 million posted in 2005 relating to the sale of the Rutherford Creek Facility.

Liquidity and Capital Resources

Cash Flows from Operating Activities

For the first six months of 2007, the Corporation used cash flows from operating activities of $99 thousand, compared to $873 thousand generated in the same period in 2006. Changes in non-cash operating working capital items were the main source of this difference. In 2007, changes in non-cash working capital items decreased cash flow by $286 thousand, mainly as a result of an increase in accounts receivable from Innergex II partially offset by an increases in accounts payable. In 2006, changes in working capital increased operating cash flow by $693 thousand, which was mainly a result of an increase in accounts payable and accrued liabilities partially offset by a decrease in income taxes payable.

For the fiscal year 2006, the Corporation generated cash flows from operating activities of $207 thousand, compared to $2.8 million in 2005. This result is mainly due to the gain on investment posted in 2005. Changes in non-cash operating working capital items also partly explain the difference. In 2006, the change in non-cash working capital items decreased cash flow by $145 thousand, mainly as a result of a decrease in income taxes payable. In 2005, changes to working capital increased operating cash flow by $764 thousand mainly due to an increase in accounts payable and income taxes payable.

For the fiscal year 2005, the Corporation generated cash flows from operating activities of $2.8 million, compared to $93 thousand in 2004. This result was mainly due to a higher net income in 2005 compared to 2004 as a result of the gain on investment. Changes in non-cash operating working capital items also explain the different results. In 2005, changes in non-cash working capital items increased cash flow by $764 thousand, mainly as a result of an increase in accounts payable, accrued liabilities and income taxes payable. For the year 2004, the change in non-cash working capital items increased cash flow by $27 thousand.

Cash Flows from Financing Activities

The cash flow from financing activities in the first six months of 2007 was the result of an issuance of shares to senior employees for proceeds totalling $2 thousand compared to nil in the corresponding period in 2006. The cash flow from financing activities for the

year 2006 was $350 thousand resulting from the issuance of a note payable to Innergex II. For the year 2005, the Corporation received proceeds from the issuance of shares of $6 thousand, compared to nil in 2004 offset by a $273 thousand refundable income taxes.

Cash Flows from Investing Activities

During the years 2004, 2005 and 2006, the disbursements related to investing activities were mainly due to additions to capital assets, except in 2005 when the Corporation's cash flows from investing activities resulted from an increase in distributions receivable from Innergex II of $2.1 million related to the sale of the Rutherford Creek Facility. For the first six months of 2007 and 2006, disbursements related to investing activities totalled $106 thousand and $160 thousand respectively. For fiscal years 2006, 2005 and 2004, disbursements related to investing activities totalled $350 thousand, $2.4 million and $46 thousand respectively.

During the first six months of 2007 and 2006, the Corporation used $203 thousand and generated $713 thousand in cash and cash equivalents respectively. As at June 30, 2007 and 2006, the Corporation had cash and cash equivalents of $320 thousand and $1.0 million respectively.

During the fiscal years 2006, 2005 and 2004, the Corporation increased cash and cash equivalents by $207 thousand, $65 thousand and $48 thousand respectively. As at December 31, 2006, 2005 and 2004, the Corporation had cash and cash equivalents of $524 thousand, $316 thousand and $251 thousand respectively.

Use of All Financing Proceeds

During the first six months of 2007 and 2006, as well as during the fiscal years 2005 and 2004, the Corporation did not obtain any material financing. During the year 2006, the Fund obtained $350 thousand of financing from the issuance of a note payable to Innergex II and used the proceeds for general corporate purposes.

Risk Management

For the first six months of 2007 and 2006 and the fiscal years ended December 31, 2006, 2005 and 2004, the Corporation had no material indebtedness or investments in another currency. Consequently, it did not use any derivative financial instruments to manage its exposure to interest rate or exchange rate movements.

Assets

As at June 30, 2007, the total assets of the Corporation, comprised mainly of current assets totalling $2.8 million, distributions receivable from Innergex II of $1.5 million and capital assets of $603 thousand, amounted to $5.0 million, compared to total assets of $3.8 million as at December 31, 2006. The total assets as at December 31, 2006 were comprised mainly of current assets totalling $1.6 million, distributions receivable from Innergex II of $1.5 million and capital assets of $606 thousand. As at December 31, 2005, the total assets of the Corporation amounted to $3.3 million and were comprised mainly of $1.3 million in current assets, $1.5 million in distributions receivable from Innergex II and capital assets of $445 thousand.

Long-Term Debt

As at June 30, 2007 and December 31, 2006, the Corporation's long-term debt was $600 thousand, compared to $250 thousand as at December 31, 2005. The long-term debt consists of two notes payable. The first note, issued in 2003 in an amount of $250 thousand, is payable to a shareholder on demand and bears interest at 8%. The second note, issued in 2006 in an amount of $350 thousand, is payable to Innergex II and bears interest at the rate of 8% per year with no terms of repayment. This second note is not expected to be reimbursed within a year.

Expected Contractual Obligations, as at June 30, 2007

As at June 30, 2007, material contractual obligations included future payments under long-term debt arrangements (including debt payable to Innergex II) and operating lease arrangements. These obligations are summarized in the table below.

	Total	under 1 year	1 to 3 years (in $)	4 to 5 years	over 5 years
Long term debt	600,	250,000	—	—	350,000
Interest on long term debt	556,	38,000	84,000	56,000	378,000
Operating leases	1,	419,946	1,259,838	269,084	—
Total contractual obligations	3,	707,946	1,343,838	325,084	728,000

Related Party Transactions

Innergex Power Trust

Under the Management Agreement, the Corporation is entitled to reimbursement of its operating expenses incurred in connection with the performance of its duties under the Management Agreement, up to a maximum annual amount which is subject to an annual increase equal to the inflation rate of the CPI. The maximum annual chargeable amount for regular services was established at $887 thousand for the year 2007, $874 thousand for the year 2006, $753 thousand for the year 2005 and $621 thousand for the year 2004. Amounts have been invoiced for business acquisitions and additional services not included in the regular services. Furthermore, the Corporation is entitled to an annual incentive fee based on increases in distributable cash per unit of the Fund. The incentive fee is equal to 25% of the annual distributions per unit of the Fund in excess of $0.925 per unit, without taking into account, for the purposes of determining the incentive fee, any taxes payable by the Fund as a result of the Fund being a "SIFT trust" under the *Income Tax Act* (Canada) or any similar tax imposed, from time to time, by provincial tax authorities. For the first six months of 2007, the Corporation received $961 thousand, including $353 thousand in fees for business acquisitions and additional services and $165 thousand in incentive fees compared to $956 thousand, $354 thousand and $165 thousand, respectively in the first six months of 2006. For the year 2006, the Corporation received $1.6 million, including $406 thousand in fees for business acquisition and additional services and $329 thousand in incentive fees. For the year 2005, the Corporation received $996 thousand, including $103 thousand in fees for business acquisition and additional services and $140 thousand in incentive fees. For the year 2004, the Corporation received a total of $909 thousand, including $244 thousand in fees for business acquisition and additional services and $44 thousand in incentive fees.

	Six-month periods ended June 30		Years ended December 31		
	2007	2006	2006 (in $)	2005	2004
Management and Ancillary Fees from Innergex Power Trust:					
Regular services	443,593	436,907	873,	752,759	620,838
Business acquisition fees	272,381	327,760	327,	20,557	223,305
Additional services	80,972	26,515	78,	82,455	20,970
Incentive fees	164,533	164,532	329,	139,886	44,160
Total	961,479	955,714	1,	995,657	909,273

Innergex Power Income Fund

Under the terms of the Administration Agreement, the Corporation provides certain administrative and support services to the Fund. All operating expenses incurred by the Corporation in connection with the provision of these services are charged to the Fund and are subject to an annual increase equal to the inflation rate of the CPI. For the first six months of 2007 and 2006, the Corporation received $54 thousand. The maximum annual chargeable amount was established at $109 thousand for the year 2007, $107 thousand for the year 2006, $104 thousand for the year 2005 and $102 thousand for the year 2004.

Innergex II

All operating costs not recovered by the Corporation from Innergex Power Trust or the Fund are invoiced to Innergex II. For the first six months of 2007 and 2006, the Corporation received $2.5 million and $2.0 million respectively. The Corporation received $4.5 million for the year 2006, $3.6 million for the year 2005 and $2.4 million for the year 2004.

Under the terms of the agreement relating to the sharing of the incentive fee received from Innergex Power Trust, Innergex II is entitled to receive 27.5% of the incentive fees received by the Corporation under the Management Agreement with the Fund. For the six-month period of 2007 and 2006, the Corporation incurred $45 thousand of expenses to Innergex II. The Corporation incurred $90 thousand of expenses to Innergex II for the year 2006, $51 thousand for the year 2005 and nil in 2004.

Subsequent Events

During the fourth quarter of 2007, Innergex Management Inc. changed its name to Innergex Renewable Energy Inc. The Corporation intends to raise proceeds from the Offering before year-end for the purposes set forth under “Use of Proceeds” in this prospectus.

INNERGEX II

The purpose of this MD&A is to provide the reader with an overview of the financial position, operating results, and cash flows of Innergex II for the six-month periods ended June 30, 2007 and 2006, and the financial years ended December 31, 2006, 2005 and 2004. This MD&A should be read in conjunction with the unaudited consolidated financial statements of Innergex II for the six-month periods ended June 30, 2007 and 2006, and the audited consolidated financial statements for the financial years ended December 31, 2006, 2005 and 2004 and their accompanying notes included in this prospectus. These consolidated financial statements have been prepared in accordance with Canadian GAAP. Innergex II reports its results in Canadian dollars. Certain amounts included in this MD&A are rounded, to make reading easier. These rounded numbers may affect certain sums. This discussion and analysis contains forward-looking information which is subject to a variety of factors that could cause actual results to differ materially from those contemplated by this information. Factors that could cause or contribute to theses differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in “Risk Factors” and “Forward-Looking Statements”.

Overview

General

Innergex II is a Canadian limited purpose trust created on December 20, 2001 and restricted to owning, building, developing, operating and/or acquiring assets or businesses focussed on power generation.

As at June 30, 2007, Innergex II had interests in two operating facilities namely, the 8 MW Glen Miller Facility which commenced commercial operations in December 2005 and the 109.5 MW Baie-des-Sables Facility which commenced commercial operation in November 2006. At that time, Innergex II also had interests in Development Projects with PPAs under construction with an aggregate capacity of 174 MW, including the Anse-à-Valleau Facility, Umbata Falls Project and Ashlu Creek Project; seven additional Development Projects with PPAs having an aggregate capacity of over 492 MW and 21 Prospective Projects with an aggregate capacity of over 1,600 MW. The Corporation operates and manages the plants under long-term agreements. Concurrently with the closing of the Offering, the Corporation will acquire 100% of Innergex II, and Innergex II will dispose of the Baie-des-Sables Facility and the Anse-à-Valleau Facility. See “Transactions to be Completed at the Closing of the Offering”.

Innergex II has signed the Cooperation Agreement with the Fund. The Cooperation Agreement grants the Fund a right of first offer on any power generating projects being sold by Innergex II. Since 2004, Innergex II has sold two facilities to the Fund: the Horseshoe Bend facility (9.5 MW) in December, 2004 and the Rutherford Creek facility (49.9 MW) in December, 2005. See “Business Overview — Relationships with the Fund — Cooperation Agreement”.

Critical Accounting Estimates

The critical accounting estimates for Innergex II are related to the impairment of assets, assets retirement obligations, useful lives for depreciation and future income taxes. The fixed assets, comprised mainly of hydroelectric and wind power generating facilities are recorded at cost. The financing costs related to the construction of fixed assets are capitalized when incurred. Depreciation of hydroelectric power generating facilities and wind power generating facilities is based on the estimated useful lives of the assets using the straight-line method over the lesser of a period of 50 years for the hydroelectric facilities and 20 years for the wind facilities and

the period for which Innergex II owns the right to the assets. The intangible assets consist of various permits, licences and agreements related to the hydroelectric and wind power generating facilities. These intangible assets are amortized using the straight-line method over the period when the facility becomes commercially operational until the first maturity date of the permits, licences and agreements of each facility. Other significant accounting policies are listed in Note 2 of the Notes to the Innergex II consolidated financial statements included in this prospectus.

Risks And Uncertainties

Innergex II is exposed to a variety of business risks, and has outlined those that it considers material below and in the "Risk Factors" section included elsewhere in this prospectus.

Construction and Design

Delays and cost over-runs may occur in completing the construction of the projects and future projects that Innergex II will undertake. A number of factors that could cause such delays or cost over-runs include, but are not limited to, permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions and adverse weather conditions. 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 certain projects are not brought into commercial operations within the delay stipulated in their related PPA, Innergex II may be subject to penalty payments or the counterparty may be entitled to terminate such PPA.

Development of New Facilities

Innergex II 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. Innergex II 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 certain of these power generating facilities are not completed or do not operate to the expected specifications, or unforeseen costs or taxes are incurred, Innergex II could be adversely affected.

Performance of Counterparties

Innergex II enters into purchase orders with third party suppliers for generation equipment for projects under construction, which involve deposits prior to equipment being delivered. Should one or more of these suppliers 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 Innergex II. Failure of any equipment supplier to meet its obligations to Innergex II may result in Innergex II not being able to meet its commitments and thus lead to potential defaults under PPAs.

Interest Rates

Innergex II pays interest on its long-term debt and is therefore exposed to changes in interest rates.

Selected Financial Information

	Six-month periods ended June 30		Years ended December 31		
	2007	**2006**	**2006**	**2005**	**2004**
			(in $)		
Revenues	6,384,712	1,780,425	4,377,007	3,523,084	6,863,290
Net (loss) earnings and comprehensive (loss) earnings	(736,212)	5,020,419	937,686	12,374,663	563,333
Total assets	247,614,541	133,481,272(1)	222,180,055	120,086,768	108,727,790(1)
Long-term debt	95,167,000	16,000,000(1)	69,652,000	16,000,000	34,709,172(1)
Unitholders' interest(2)	131,544,156	116,544,156(1)	131,544,156	101,544,156	65,325,000(1)
Unitholders' deficiency	(3,345,841)	(3,315,497)(1)	(2,609,629)	(3,547,315)	(2,260,411)(1)

(1) The balance sheet data as at December 31, 2004 and as at June 30, 2006 has been derived from Innergex II's historical audited and unaudited financial statements not included in this Prospectus.

(2) Includes current portion of distributions payable on common units.

Innergex II's results have varied greatly from year to year due to the different timing of when power facilities reach the state of commercial operation, at which time the facility starts producing electricity and revenues, and the timing of their sale. Accordingly, although Innergex II has three reportable segments: (a) hydroelectric production, (b) electricity production from wind facilities and (c) development of sites and construction, such information is not meaningful to the reader at this stage of Innergex II's development.

Total assets have increased as projects are developed or are acquired. More specifically, assets have grown due to projects constructed such as the Rutherford Creek Facility, the Glen Miller Facility, the Baie-des-Sables Facility, and projects under construction such as the Ashlu Creek Project, the Umbata Falls Project, and the Anse-à-Valleau Facility. Total long-term debt increased proportionally with total assets. Innergex II relies on non-recourse project financing to finance the construction of the projects. When assets are sold, the debt is then typically assumed by the new owner or repaid from the proceeds. Therefore, the level of indebtedness varies according to financing needs and disposition of assets.

The table below highlights, for each facility, Innergex II's installed capacity on a proportional basis, the construction start date, date or expected date of commencement of commercial operations, the date of sale, if any, and the revenues generated for each financial period below.

Information on Projects

					Revenues			
						Years ended December 31		
	Installed Capacity (MW)	Construction Start Date	In-service Date	Date of Sale	Six month period ended June 30, 2007	2006	2005	2004
Rutherford Creek(1)	25.0	2002-08	2004-05-31	2005-12-15	—	—	$ 3,252,954(6)	$ 3,584,397(8)
Horseshoe Bend	9.5	n/a	1995	2004-12-31	—	—	—	$ 3,278,893
Glen Miller	8.0	2004-01	2005-12-01	—	$ 1,407,092	$ 2,920,393	$ 219,517(7)	—
Baie-des-Sables(2)	41.6	2006-03	2006-11-22	—	$ 4,921,407	$ 1,256,650(5)	—	—
Ashlu Creek	49.9	2006-08	2009	—	—	—	—	—
Umbata Falls(3)	11.3	2006-06	2008	—	—	—	—	—
Anse-à-Valleau(4)	38.2	2006-10	2007	—	—	—	—	—

(1) Represents Innergex II's 50% interest in the 49.9 MW Rutherford Creek Facility.

(2) Represents Innergex II's 38% indirect interest in the 109.5 MW Baie-des-Sables Facility.

(3) Represents Innergex II's 49% interest in the 23 MW Umbata Falls Project.

(4) Represents Innergex II's 38% indirect interest in the 100.5 MW Anse-à-Valleau Facility.

(5) For the last 40 days of 2006.

(6) For the first 349 days of 2005 until the disposition of the facility.

(7) For the last 31 days of 2005.

(8) For 215 days of 2004.

The following is a description of the most significant projects that are in operation or were in operation and sold, or were being actively developed by Innergex II, during the periods covered by this MD&A.

Operating Facilities

Rutherford Creek

The Rutherford Creek hydroelectric facility is located near Pemberton, British Columbia. This facility was developed in partnership with local British Columbia investors. Innergex II owned a 50% interest in the Rutherford Creek facility. The PPA is with BC Hydro and has a term of 20 years which expires in 2024. This 49.9 MW facility was under construction from the fall of 2002 and partly

commissioned with only one of the two turbines on May 31, 2004. The second turbine was installed and commissioned during 2005. The loss of revenues resulting from this delay was covered by insurance and liquidated damages received from the contractor. The facility has an annual forecasted long-term average production of 180,000 MWh. The facility was sold to the Fund on December 15, 2005.

Horseshoe Bend

The Horseshoe Bend hydroelectric facility is located at Horseshoe Bend City on the Payette River in Idaho, U.S. This 9.5 MW facility was acquired by Innergex II on June 19, 2003. The PPA with the Idaho Power Company expires in 2030. Work done to repair and desilt the water intake in 2004 and 2005 increased annual forecasted long-term average to 46,800 MWh. The Horseshoe Bend facility was sold to the Fund on December 31, 2004.

Glen Miller

The Glen Miller Facility is an 8 MW run-of-river hydroelectric facility located on the Trent River in Trenton, Ontario, at the site of a former paper mill and small power plant operated by Sonoco Canada Corporation until October of 2001. Construction of the Glen Miller Facility commenced in January 2004 and was completed in December 2005. The construction costs of the Glen Miller Facility totaled approximately $22.5 million. The PPA with the Ontario Power Authority for the Glen Miller Facility expires in 2025.

Baie-des-Sables

The Baie-des-Sables Facility is located in Baie-des-Sables and Métis-sur-Mer, near Matane, Québec. It consists of 73 wind turbines for a total installed capacity of 109.5 MW. The facility was developed through Cartier Wind Energy, in which Innergex II has a 38% interest. Construction started in March 2006 and the Facility was commissioned on time and on budget on November 22, 2006. The Baie-des-Sables Facility is expected to produce an average of 298,317 MWh per year. The Baie-des-Sables Facility PPA with Hydro-Québec expires in 2026. For the first nine months of 2007, the Baie-des-Sables Facility produced 13.8% more than the facility's long-term forecast due to winds being proportionately stronger than expected for that period. Innergex II will dispose of the Baie-des-Sables Facility at the closing of the Offering. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

Projects under construction

Ashlu Creek

The Ashlu Creek Project is a proposed run-of-river hydroelectric power generating facility with a name plate capacity of 49.9 MW and an estimated yearly energy output of 265,000 MWh. It is located on Ashlu Creek, a tributary to the Squamish River, approximately 35 kilometres northwest of Squamish, British Columbia. Construction of the Ashlu Creek Project commenced in August 2006 and it is expected to commence commercial operations in February 2009. The generating equipment of the Ashlu Creek Project is expected to be composed of three 16.6 MW Francis turbines. The Ashlu Creek Project has a 20-year PPA with BC Hydro which expires 20 years following commencement of commercial operations.

Umbata Falls

The Umbata Falls Project is a proposed run-of-river hydroelectric power generating facility with a planned installed capacity of 23 MW and an estimated yearly output of 109,102 MWh. It is located on the White River, a tributary to Lake Superior, approximately 30 kilometres southeast of Marathon, Ontario. The facility is developed in partnership with the Ojibways of the Pic River First Nation. Innergex II owns a 49% interest in the facility. Construction of the Umbata Falls Project commenced in June 2006 and it is expected to commence commercial operations in July 2008. The generating equipment will be composed of two "Sam Kaplan" 11.8 MW horizontal axis turbine units with a combined rated flow of 75 cubic metres per second. The Umbata Falls project has a 20-year PPA with Ontario Power Authority which expires 20 years following commencement of commercial operations.

Anse-à-Valleau

The Anse-à-Valleau Facility is a 100.5 MW wind power facility located in Anse-à-Valleau, Québec, in which Innergex II has a 38% interest through Cartier Wind Energy. Construction of the Anse-à-Valleau Facility commenced in October 2006 and is expected to be completed in November 2007. The wind farm is expected to produce an average of 298,000 MWh per year. The Anse-à-Valleau

Facility has a PPA with Hydro-Québec which expires 20 years from the commencement of commercial operations. Innergex II will dispose of the Anse-à-Valleau facility at the closing of the Offering. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement".

For the six-month periods ended June 30, 2007 and 2006

Operating Results

Innergex II's operating results for the six-month period of 2007 are compared below to operating results for the same period in 2006.

Revenues

Revenues were mainly derived from electricity sold from operating projects. Innergex II also receives management fees and distributions from joint ventures and is entitled to receive a portion of the incentive fees that the Fund pays to the Corporation.

For the first six months of 2007, Innergex II reported revenues of $6.4 million, compared to revenues of $1.8 million for the same period in 2006. This increase was mainly due to the contribution of the Baie-des-Sables Facility, which commenced commercial operations on November 22, 2006. For the first six months of 2007, hydrology at the Glen Miller Facility was lower than the forecasted long-term average and for the same period in 2006. For the period, the wind regime at Baie-des-Sables Facility was 8% better than the forecasted long-term average. For the six-month period ended June 30, 2007, Innergex II's facilities produced 86,301 MWh of power compared to 25,304 MWh for the same six-month period in 2006.

	Six-month periods ended June 30	
	2007	2006
	(in $)	
Revenues		
Glen Miller	1,	1,
Baie-des-Sables(1)	4,	—
Management Fees	56,	96,
Total	6,	1,

(1) Represents Innergex II 38% interest in this facility.

Operating Expenses

Operating expenses consisted primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes and property taxes. The variation in operating expenses was directly related to Innergex II's additional operating facility, the Baie-des-Sables Facility, during this period.

For the first six months of 2007, operating expenses totalled $710 thousand, representing an increase of $540 thousand compared to the corresponding period in 2006. This increase was mainly due to the Baie-des-Sables Facility being in operation since November 22, 2006, whereas only the Glen Miller Facility was in operation during the same period in 2006.

General and Administrative Expenses

For the first six months of 2007, general and administrative expenses were $393 thousand, compared to $186 thousand for the same period in 2006.

Interest Expenses

During the first six months of 2007, Innergex II incurred $2.1 million in interest expense on its long-term debt and bank loan, compared to $446 thousand for the same period in 2006. This increase is due to more projects being developed or under construction.

For the first six months of June 30, 2007 and 2006, interest expense on promissory notes were $4.7 million and $3.5 million, respectively, of which $3.8 million and $2.7 million were capitalized as project development costs, respectively.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were $2.4 million for the first six months of 2007 compared to $543 thousand for the same period in 2006. This increase related primarily to the addition of the Baie-des-Sables Facility.

Other Revenues and Expenses

For the first six months of 2007, Innergex II reported a $5.3 million write-off (nil in first six months of 2006) of project development and deferred costs, related to prospective projects under development that were abandoned by Innergex II or for which the economic value had substantially decreased. Innergex II posted a gain on derivative financial instruments of $3.9 million for the first six months of 2007 compared to a gain of $5.2 million for the corresponding period in 2006.

Net (loss) Earnings and Comprehensive (Loss) Earnings

Notwithstanding higher revenues posted during the first six months of 2007 compared to the same period in 2006, Innergex II posted a net loss of $736 thousand compared to net earnings of $5.0 million for the same period in 2006. This was mainly due to the write-off of project development and deferred costs related to projects under development that were abandoned by Innergex II during the period.

For years ended December 31, 2006 and 2005

Operating Results

Innergex II's operating results for fiscal year ended December 31, 2006 are compared below to operating results for the same period in 2005.

Revenues

Revenues were mainly derived from electricity sold from operating projects. Innergex II also received management fees and distributions from joint ventures and was entitled to receive a portion of the incentive fees that the Fund pays to the Corporation.

For the year 2006, Innergex II reported revenues of $4.4 million, compared to revenues of $3.5 million for the same period in 2005. In 2006, revenues were generated mainly from the Glen Miller Facility and, to a lesser extent, from the Baie-des-Sables Facility, commissioned on November 22, 2006. In 2005, Innergex II generated revenues from the power produced by the Rutherford Creek Facility until it was sold on December 15, 2005, and to a lesser extent from the Glen Miller Facility which was commissioned on December 1, 2005.

For the year 2006, power produced at the Glen Miller Facility and at the Baie-des-Sables Facility was higher than the forecasted long-term averages. In 2006, Innergex II benefited from power produced by the Glen Miller Facility and from 40 days of production at the Baie-des-Sables Facility, which resulted in a total production of 62,987 MWh as compared to a total production of 61,520 MWh in 2005. For 2005, Innergex II relied on the production of the Rutherford Creek Facility during 349 days and the Glen Miller Facility during 31 days. Lower than forecasted production at the Rutherford Creek Facility was the result of a delay in commissioning the second turbine. This delay was covered by insurance and contractor's liquidated damages, the proceeds of which were recorded as revenues on the consolidated statement of earnings.

	Years ended December 31	
	2006	2005
	(in $)	
Revenues		
Glen Miller	2,920,393	219,517(3)
Baie-des-Sables(1)	1,256,650(4)	—
Rutherford Creek(2)	—	3,252,954(5)
Management Fees	199,964	50,613
Total	4,377,007	3,523,084

---

(1) Represents Innergex II 38% interest in the facility.

(2) Represents Innergex II 50% interest in the facility.

(3) For the last 31 days of 2005.

(4) For the last 40 days of 2006.

(5) For the first 349 days of 2005 until the disposition of the Rutherford Creek Facility.

Operating Expenses

Operating expenses consisted primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes and property taxes. The variation of the operating expenses was directly related to Innergex II facilities under operation during the year.

For the fiscal year 2006, operating expenses totalled $425 thousand, compared to $789 thousand in 2005. This difference was due to the participation of the Rutherford Creek Facility which produced during 349 days in 2005 before it was sold.

General and Administrative Expenses

For the year 2006, Innergex II reported general and administrative expenses of $440 thousand, compared to $539 thousand in 2005.

Interest Expenses

During 2006, only the Glen Miller Facility non-recourse debt and, for a short period of time, the Baie-des-Sables Facility non-recourse debt, were outstanding. During most of 2005, the Rutherford Creek Facility non-recourse debt and the Glen Miller Facility non-recourse debt were outstanding. This different level of indebtedness explains the variation in interest expenses. During 2006, Innergex II incurred $1.2 million in interest expense on its long-term debt and bank loan compared to $1.8 million in 2005.

For the year ended December 31, 2006, interest on promissory notes was $8.0 million compared to $4.8 million in 2005. Of these amounts, $6.4 million and $3.5 million were capitalized as project development costs, respectively.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were $1.4 million in 2006, compared to $1.3 million in 2005. The expenses in 2006 relate mainly to the Glen Miller Facility and the Baie-des-Sables Facility, while the expenses in 2005 relate mainly to the Rutherford Creek Facility.

Other Revenues and Expenses

In 2006, Innergex II wrote-off project development and deferred costs of $592 thousand compared to $2.8 million in 2005. These were related to projects under development abandoned by Innergex II for which the economic value had substantially decreased. Innergex II posted a $2.0 million gain on disposal of investment resulting from additional proceeds received on the disposition of Rutherford Creek Facility upon settlement of insurance proceeds, compared to 2005, when Innergex II posted a gain of $18.3 million mainly related mainly to the sale of the Rutherford Creek Facility. Innergex II reported a $288 thousand loss in derivative financial instruments in 2006 compared to a loss of $1.3 million in 2005.

Net Earnings and Comprehensive Earnings

For the year 2006, Innergex II posted net earnings of $938 thousand. In 2005, Innergex II reported net earnings of $12.4 million, mainly due to a gain on disposal of investments of $18.3 million, following the sale of the Rutherford Creek Facility on December 15, 2005.

For years ended December 31, 2005 and 2004

Operating Results

Innergex II's operating results for the year ended December 31, 2005 are compared below to operating results for the same period in 2004.

Revenues

For the year 2005, Innergex II reported revenues of $3.5 million, compared to revenues of $6.9 million in 2004. In 2005, revenues were mainly due to the contribution of the Rutherford Creek Facility. In 2004, Innergex II benefited from the contribution of the Rutherford Creek Facility starting on May 31, 2004 and of the Horseshoe Bend Facility for the whole year.

For the year 2005, power produced at the Glen Miller Facility (31 days) and the Rutherford Creek Facility (349 days), represented a total production of 61,520 MWh as compared to power produced at the Rutherford Creek Facility (215 days) and the Horseshoe Bend Facility for a total production of 91,845 MWh in 2004. An insurable event at the Rutherford Creek Facility delayed the installation of the second turbine for all of 2004 and a significant portion of 2005. Insurance proceeds as well as liquidated damages received from the contractor compensated for the loss of revenues at the project.

	Years ended December 31	
	2005	2004
	(in $)	
Revenues		
Glen Miller	219,517(2)	—
Rutherford Creek(1)	3,252,954(3)	3,584,397(4)
Horseshoe Bend	—	3,278,893
Management Fees	50,613	—
Total	3,523,084	6,863,290

(1) Represents Innergex II 50% interest in the facility.

(2) For the last 31 days of 2005.

(3) For the first 349 days of 2005 until the disposition of the Rutherford Creed Facility.

(4) For 215 days of 2004.

Expenses

Operating Expenses

Operating expenses consisted primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes and property taxes. The variation in operating expenses was directly related to Innergex II's facilities producing during the year.

For the year 2005, operating expenses totalled $789 thousand and were related to the operation of the Glen Miller Facility and the Rutherford Creek Facility, as compared to $3.1 million in 2004 related to the operation of the Rutherford Creek Facility and the Horseshoe Bend Facility. During 2004, desilting of the Horseshoe Bend Facility intake canal explains the unusually high operating expenses.

General and Administrative Expenses

For the year 2005, Innergex II reported general and administrative expenses of $539 thousand compared to $578 thousand in 2004.

Interest Expenses

During the year 2005, interest expense on long term debt and bank loan was $1.8 million compared to $994 thousand during 2004. During 2005, indebtedness related to the Rutherford Creek Facility and the Glen Miller Facility was outstanding, while during 2004, only indebtedness related to the Rutherford Creek Facility was outstanding.

As at December 31, 2005, $87.9 million of promissory notes were issued and outstanding. For the year ended December 31, 2005, interest expense on promissory notes was $4.8 million compared to $3.7 million in 2004. Of these amounts, $3.5 million and $2.2 million were capitalized, respectively, as project development costs.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were $1.3 million in 2005 compared to $1.1 million in 2004. These expenses in 2005 and 2004 relate mainly to the Rutherford Creek Facility.

Other Revenues and Expenses

In 2005, Innergex II posted a write-off of project development costs and deferred costs of $2.8 million, compared to $18 thousand in 2004. Innergex II posted a gain of $18.3 million in 2005 following the sale of the Rutherford Creek Facility on December 15, 2005. In 2004, Innergex II posted a gain on disposal of investments of $684 thousand, related to the sale of Horseshoe Bend Facility. Innergex II reported a $1.3 million loss in financial derivative instruments in 2005 compared to $199 thousand in 2004.

Net Earnings and Comprehensive Earnings

In 2005, Innergex II reported $12.4 million in net earnings mainly due to a gain on disposal of investments of $18.3 million, following the sale of the Rutherford Creek Facility on December 15, 2005. In 2004, Innergex II posted $563 thousand in net earnings.

Liquidity and Capital Resources

Cash Flows from Operating Activities

For the first six months of 2007, Innergex II generated cash flows from operating activities of $18.5 million compared to a use of $4.3 million for the same period in 2006. Changes in non-cash operating working capital items were the main source of this increase. In 2007, the change in non-cash working capital items increased cash flow by $15.5 million, mainly as a result of a decrease in accounts receivable. Accounts receivable in 2006 were largely related to the Baie-des-Sables Facility. For the first six months of 2006, changes in non-cash working capital items decreased cash flow by $4.7 million, mainly as a result of a decrease in accounts payable and accrued liabilities and an increase in accounts receivable.

For the year ended December 31, 2006, cash flow used from operating activities totalled $3.3 million compared to $7.7 million in 2005. Lower net earnings in 2006 compared to 2005 ($938 thousand in 2006 and $12.4 million in 2005) due to a gain on disposal of investments of $2 million in 2006 as compared to a gain of $18.3 million in 2005 mainly explains this difference. In addition, the change in non-cash operating working capital items decreased cash flow by $4.6 million in 2006, mainly as a result of an increase in accounts receivable, partially offset by an increase in accounts payable and accrued liabilities. For the year ended December 31, 2005 changes in non-cash working capital items increased cash flow by 9.5 million.

For the year ended December 31, 2005, Innergex II generated cash flow related to operating activities of $7.7 million, compared to $3.0 million generated in 2004. Higher net earnings in 2005 compared to 2004 ($12.4 million in 2005 and $563 thousand in 2004) due to a gain on disposal of investments of $18.3 million in 2005 as compared to a gain of $684 thousand in 2004 mainly explain the difference. In addition, the change in non-cash operating working capital items increased cash flow by $9.5 million in 2005, mainly as a result of an increase in distributions payable on units and in accounts payable and accrued liabilities, reduced by an increase in accounts receivable and a decrease in distributions payable on preferred units. For the year ended December 31, 2004, changes in non-cash working capital items increased cash flow by $2.0 million.

Cash Flows from Financing Activities

For the first six months of 2007, the cash generated from financing activities totalled $26.5 million. This amount includes $1.0 million from an increase in bank loans and a $25.5 million increase in the long-term debt relating to the construction of the

Umbata Falls Facility and the Ashlu Creek Facility. The cash generated from financing activities for the six-month period ended June 30, 2006 2006 totalled $15.0 million as a result of the issue of additional promissory notes.

For the year ended December 31, 2006, the cash generated from financing activities totalled $91.2 million. This amount includes $7.0 million in bank loan, $523 thousand in asset retirement obligations, $53.7 million as proceeds from long-term debt related to the Baie-des-Sables Facility and $30.0 million in additional promissory notes.

The cash received from financing activities for 2005 totalled $20.7 million coming from an increase in promissory notes of $37.5 million and $11.8 million in proceeds from long-term debt, partly offset by the $14.9 million redemption of preferred units and $13.7 million distribution on common units. The redemption of units and distribution resulted from the sale of the Rutherford Creek Facility.

For the year ended December 31, 2004, the cash generated from financing activities totalled $25.8 million. This amount included $3.0 million in redemption of preferred units, $10.8 million in proceeds from the issuance of long-term debt and a $12.0 million increase in promissory notes.

Cash Flows from Investing Activities

For the first six months of 2007, cash flow used in investing activities totalled $38.7 million, resulting mainly from additional project development costs related mainly to the development of the Ashlu Creek, Anse-à-Valleau and Umbata Falls Projects. For the corresponding period in 2006, disbursements related to investing activities totalled $22.6 million, resulting mainly from additional project development costs and an increase in funds held in trusts.

For the year 2006, cash used for investing activities totalled $110.9 million, resulting mainly from additions to projects development costs of $103.8 million and $12.6 million to intangible assets for projects under development or construction, partially offset by a decrease in funds held in trust as a result of the utilization of the bank line of credit to replace cash collateral outstanding related to the issuance of letters of credit.

For the year 2005, cash used for investing activities totalled $8.3 million. This amount can be explained by the additions to projects development costs and an increase in funds held in trusts, partially offset by proceeds from the disposal of the Rutherford Creek Facility.

In 2004, cash used for investing activities totalled $25.0 million, resulting mainly from additional project development costs and increase in funds held in trust, partially offset by the disposal of the Horseshoe Bend Facility.

During the first six months of 2007 and 2006, the Fund generated $6.4 million and used $11.9 million in cash and cash equivalents respectively. As at June 30, 2007 and 2006, Innergex II had cash and cash equivalents of $15.3 million and $20.1 million respectively.

During the years ended December 31, 2006, 2005 and 2004, cash and cash equivalents decreased by $23.1 million, increased by $20.1 million and increased by $3.1 million respectively. As at December 31, 2006, 2005 and 2004, Innergex II had cash and cash equivalents of $8.9 million, $32.0 million and $11.9 million respectively.

Risk Management

Innergex II uses interest rates forward contracts, recorded as derivative financial instruments on the balance sheet, to manage its exposure to the risk of an increase in interest rates on debt financing. Since these financial instruments are with recognized Canadian financial institutions, Innergex II considers the risk of illiquidity to be low. Innergex II does not own or issue financial instruments for speculative purposes. As at June 30, 2007, Innergex II held derivative financial instruments for a notional amount of $100.0 million having a fair market value of $3.6 million. As at December 31, 2006, Innergex II held derivative financial instruments for a notional amount of $63.8 million, having a negative fair market value of $154 thousand. As at December 31, 2005, Innergex II held derivative financial instruments for a notional amount of $50.0 million, having a fair market value of $134 thousand.

Assets

As at June 30, 2007, the total assets of Innergex II, principally composed of current assets ($26.7 million), project development costs ($107.8 million), fixed assets ($85.8 million) and intangible assets ($18.0 million), amounted to $247.6 million. As at

December 31, 2006, the total assets of Innergex II, principally made up of current assets ($32.4 million), fixed assets ($87.6 million), project development costs ($69.2 million) and intangible assets ($18.1 million), amounted to $222.2 million. As at December 31, 2005, total assets of Innergex II, principally made up of current assets ($41.2 million), fixed assets ($19.0 million), project development costs ($36.2 million) and funds held in trust ($11.0 million), amounted to $120.1 million. Innergex II considers its current working capital sufficient to meet all of its needs. If necessary, Innergex II can use its bank line of credit.

Long-term Debt

As at June 30, 2007, Innergex II had access to a bank line of credit up to a maximum of $30.0 million ($20.0 million after August 15, 2007) for the purpose of issuing letters of credit and other short-term financing needs. As at June 30, 2007, the long-term debt consisted of a $17.0 million non-recourse term loan maturing in 2011 related to the Glen Miller Facility, a $52.7 million non-recourse term loan maturing in 2026 related to the Baie-des-Sables Facility, a $11.5 million construction loan to be converted into a 5-year term loan following the end of the construction of the Umbata Falls Project, and a $14.0 million construction loan to be converted into a 15-year term loan following the end of the construction period of the Ashlu Creek Project. The total commitments available under the non-recourse construction loans for the Umbata Falls Project and Ashlu Creek Project are $51.0 million and $110.0 million, respectively.

As at June 30, 2007, long-term debt was $95.2 million compared to $69.7 million as at December 31, 2006 and $16.0 million as at December 31, 2005. The increase in long-term debt in 2007 and 2006 is mainly due to the additional indebtedness incurred for the Ashlu Creek Project and Umbata Falls Project, and the Baie-des-Sables Facility.

Unitholders of Innergex II primarily provide funds for the development of projects by subscribing to promissory notes issued by Innergex II and bearing interest at a rate of 8% per year with the principal due 20 years after the issuance. As at June 30, 2007 and December 31, 2006, $117.9 million principal amount of promissory notes were issued and outstanding compared to $87.9 million as at December 31, 2005.

Expected Contractual Obligations, as at June 30, 2007

As at June 30, 2007, material contractual obligations included future payments under long-term debt arrangements (including non-recourse project debt), operating lease arrangements and purchase and contractual obligations. These obligations are summarized in the table below.

	Total	under 1 year	1 to 3 years	4 to 5 years	over 5 years
			(in $)		
Long-term debt	95,	1,	23,	5,	64,
Promissory notes	117,	—	—	—	117,
Interest on long term debt	56,	5,	16,	8,	26,
Interest on promissory notes	168,	9,	28,	18,	111,
Operating leases	3,	86,	270,	189,	2,
Contractual obligations(1)	163,	94,	68,	1,	—
Total contractual obligations	604,	109,	137,	34,	323,

(1) Other long-term obligations including obligations under various contracts being mainly supply agreements and construction contracts relating to the construction of Innergex II's projects.

If they are not met, certain financial and non-financial conditions included in the credit agreements entered into by certain subsidiaries of Innergex II could limit the capacity of such subsidiaries to transfer funds to Innergex II. These restrictions could have a negative impact on Innergex II's capacity to meet its obligations. During the first six months of 2007 and 2006 and the twelve months in 2006 and 2005, Innergex II and its subsidiaries met all financial and non-financial conditions related to their credit agreements.

Related Party Transactions

The Corporation

Innergex II retains the services of the Corporation under a management agreement. For the first six months of 2007 and 2006, Innergex II incurred $2.5 million and $2.0 million respectively for the services provided under the agreement. In 2006, 2005 and 2004, Innergex II incurred $4.5 million, $3.6 million and $2.4 million respectively for the services provided under the agreement. For the first six months of 2007 and 2006, Innergex II earned incentive fees from the Corporation for an amount of $45 thousand. For the years 2006, 2005 and 2004, Innergex II earned incentive fees for an amount of $90 thousand, $51 thousand, and nil respectively.

Unitholders

Unitholders of Innergex II received interest on promissory notes totalling $4.7 million during the six-month period ended June 30, 2007 compared to $3.5 million for the corresponding period in 2006. The interest on promissory notes for the years 2006, 2005 and 2004 totalled $8.0 million, $4.8 million and $3.7 million respectively. The preferred units were entirely redeemed on November 22, 2005. Distributions on preferred units for the years 2005 and 2004 totalled $1.3 million and $1.0 million respectively.

Subsequent Event

Innergex II entered into an agreement in order to sell all of its direct and indirect interest in Baie-des-Sables Facility and the Anse-à-Valleau Facility to the Fund concurrently with closing of the Offering for an aggregate purchase price of $172.9 million. The purchase price payable to the Corporation will ultimately be satisfied by the issuance by the Fund of approximately 4.7 million units of the Fund to the Corporation and by the Fund assuming approximately $107.6 million of non-recourse debt which is expected to be outstanding as of December 31, 2007. See “Transactions to be completed at the Closing of the Offering — Disposition of certain Innergex II Facilities and Related Private Placement”.

Accounting Changes

The Corporation and Innergex II are subject to the following new sections for the period beginning on January 1, 2007. The Corporation does not believe that the adoption of the following sections will have any material effect on its financial statements.

Section 3855, *Financial Instruments — Recognition and Measurement,* effective for financial year beginning on or after October 1, 2006. This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets available for sale, held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

Section 1530, *Comprehensive Income,* effective for financial year beginning on or after October 1, 2006. This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in unitholders’ equity, which results from transactions other than those resulting from investments by unitholders and distributions to unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments.

Section 3865, *Hedges,* effective for financial year beginning on or after October 1, 2006. This Section describes when and how hedge accounting can be applied, as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item. Innergex II did not designate any of its financial instruments for accounting purposes as hedges.

Section 3251, *Equity,* replaces Section 3250, *Surplus,* effective for financial year beginning on or after October 1, 2006. This section describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530, *Comprehensive Income*. Upon adoption of this Section, the financial statements will include a statement of comprehensive income.

DIVIDENDS

Dividend Policy

The declaration and payment of dividends on the Corporation's shares is within the discretion on 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 financing further growth of the Corporation and the Corporation's financial position at the relevant time.

Past Dividends

In respect of the 12 months prior to the closing of the Offering, the Corporation has declared and paid or intends to declare and pay the following dividends: (i) a dividend in the aggregate amount of $2,248,208, relating to the gain realized by Innergex II from the sale of the Rutherford Creek hydroelectric facility in December 2005 and the incentive fee earned by the Corporation; and (ii) a dividend in the aggregate amount of $3,781,079, relating to the gain to be realized by Innergex II from the sale of its interests in the Baie-des-Sables Facility and the Anse-à-Valleau Facility to the Fund at the closing of the Offering. See "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement" and "Use of Proceeds".

PRIOR SALES

On March 1, 2007, the Corporation issued 2,424 Class B Shares following the exercise of options granted to certain Founding and Existing Shareholders for an aggregate cash consideration of $2,424. Prior to closing of the Offering, all of the outstanding Class B Shares of the Corporation will be converted into 1,942,001 Common Shares. See "Description of Capital Reorganization".

Subject to regulatory approval, the Corporation intends to grant to executive officers, at the time of closing of the Offering, options to purchase up to an aggregate of 1,410,000 Common Shares, representing 6% of the total number of Common Shares that will be outstanding following the closing of the Offering. See "Options".

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 the outstanding Common Shares 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 in any proposed transaction, that has materially affected or will materially affect the Corporation, except as disclosed under "Dividends", "Transactions to be Completed at the Closing of the Offering" and "Use of Proceeds".

DESCRIPTION OF CAPITAL REORGANIZATION

Immediately prior to the closing of the Offering, the articles of the Corporation will be amended to (i) create the Common Shares; (ii) create a new class of non-voting preferred shares issuable in series (the "Preferred Shares"); and (iii) cancel the authorized Class A Shares and Class B Shares. Immediately prior to the closing of the Offering, the 8,081 outstanding Class B Shares will be converted into 1,942,001 Common shares and the one outstanding Class A Share will be redeemed and cancelled by the Corporation for a nominal consideration.

DESCRIPTION OF SHARE CAPITAL

The Corporation's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series. Upon completion of the Offering, there will be 23,500,000 Common Shares issued and outstanding and no Preferred Shares issued and outstanding.

Dividends. Subject to the prior rights of the holders of Preferred Shares (of which there are currently none issued), 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.

Rights Upon Liquidation. 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, the

remaining assets of the Corporation, after payment to the holders of Preferred Shares to the amounts they are entitled to in such event, will be paid to or distributed equally and rateably among the holders of the Common Shares.

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

Preferred Shares

Issue in series. 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.

Ranking. 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.

Non-voting. The holders of a series of Preferred Shares are not, as such, entitled to receive notice of or to attend any meetings of the shareholders of the Corporation and are not entitled to vote at any such meetings (except where holders of a specified class or series of shares are entitled to vote separately as a class or series as provided in the CBCA).

Dividends. 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.

Redemption at the option of the Corporation or of the holder. 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. 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.

Purchase for cancellation. The Corporation may at any time or 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.

OPTIONS

Stock Option Plan

The following chart sets out, as at the date of this prospectus, information regarding outstanding options granted under the Corporation's stock option plan (the "Stock Option Plan") and further options to be granted to all employees under the Stock Option Plan concurrently with the closing of the Offering.

	Number of Persons Holding Options	Number of Common Shares under Option	Exercise Price $	Intrinsic Value of Option on the Date of Grant(2) $	Expiration Dates
Past and Present Executive Officers	11	1,410,000	$ 11.00	Nil	November 28, 2017
Past and Present Directors(1).....................	Nil	Nil	Nil	Nil	Nil

(1) Not otherwise executive officers of the Corporation.

(2) The intrinsic value is equivalent to the difference between the exercise price of the options and the market value of the underlying Common Shares on the date of grant.

See "Executive Compensation — Stock Option Plan" for a description of the principal terms of the Stock Option Plan.

PRO FORMA CAPITALIZATION

The following table sets forth the Corporation's cash and consolidated capitalization as at June 30, 2007 before and after giving effect to the Offering, but in each case (i) after giving effect to the Closing Transactions, and (ii) after giving effect to the Capital Reorganization.

This table is presented and should be read in conjunction with the Corporation's financial statements and *pro forma* financial statements and the related notes included elsewhere in this prospectus and with the information under "Selected Pro forma Financial Information" and "Selected Financial Information" and "Management's Discussion and Analysis".

	As at June 30, 2007	As at June 30, 2007 Pro forma as Adjusted Assuming Completion of the Offering and the Concurrent Re-Investment
	(unaudited)	
Cash and cash equivalents	11,766,807	34,227,965
Long-term debt (1)	119,240,000	42,515,000
Shareholders' Equity		
Common Shares, unlimited number authorized	122,142,256	237,147,256
Preferred Shares, unlimited number authorized		
Issuance cost	—	(12,037,763)
Retained earnings (Deficit)	3,706,713	(74,366)
Accumulated other comprehensive income	0	0
Total shareholders' equity	125,848,969	225,035,127
Total capitalization	245,088,969	267,550,127

(1) See "Description of Indebtedness" and "Business Overview".

DESCRIPTION OF INDEBTEDNESS

In addition to the non-recourse construction and long-term financing of certain subsidiaries of the Corporation with respect to the Development Projects with PPAs described under "Business Overview — Growth, Development and Financing Strategies", the Corporation has outstanding debt under a credit facility briefly summarized below.

2006 Secured Credit Facility

On September 15, 2006, Innergex II and II Inc. entered into a credit agreement with a Canadian bank, which was amended and restated pursuant to an amended and restated credit agreement dated as of December 14, 2006 in order to include another Canadian bank as an additional lender (collectively, with the original lender, the "Lenders"), and was further amended pursuant to a second amending agreement dated as of June 13, 2007 (collectively the "Credit Agreement").

The Credit Agreement grants a revolving credit facility for a maximum authorized amount of $20 million and borrowing thereunder may be drawn, repaid and re-borrowed until maturity (the "2006 Secured Credit Facility"). The Corporation is currently contemplating with the lenders under the Credit Agreement to increase the amount of the credit facility available thereunder. Pursuant to the Credit Agreement, each of the Lenders is responsible for 50% of the 2006 Secured Credit Facility. The 2006 Secured Credit Facility has a 364-day term and is repayable in full upon maturity and may be drawn in Canadian or US dollars by way of prime rate or US base rate advances, bankers' acceptances, LIBOR loans or letters of credit. The 2006 Secured Credit Facility bears interest at rates based on the prime rate, US base rate or LIBOR, as the case may be, plus a margin which varies depending on the form of advances used by Innergex II and II Inc. and a ratio of (a) Innergex II's consolidated debt to (b) the aggregate of Innergex II's (i) consolidated unitholder equity, plus (ii) subordinated debt, plus (iii) consolidated debt. The commitment fee payable by Innergex II and II Inc. to the Lenders varies depending on the unused portion of the 2006 Secured Credit Facility.

The obligations of Innergex II and II Inc. under the Credit Agreement are secured by (i) a movable hypothec with and without delivery granted by Innergex II in favour of the Lenders over all equity interests held by Innergex II in Financial Trust, IPT II and II Inc.; (ii) a movable hypothec without delivery granted by each of Innergex II, II Inc., Financial Trust and IPT II over all claims, cash and cash equivalents, all equity interests in each of Innergex II, II Inc., Financial Trust and IPT II; and (iii) a solidary guarantee of the obligations of Innergex II and II Inc. by Financial Trust and IPT II.

The 2006 Secured Credit Facility is subject to customary affirmative and negative covenants. Innergex II is required to maintain a minimum tangible net worth at all times, as defined in the Credit Agreement, equal to the sum of (a) $50,000,000 plus (b) 80% of the aggregate amount of all capital contributions made by holders of equity interests in Innergex II since December 31, 2004. In addition, the restrictions imposed by the 2006 Secured Credit Facility include restrictions on the ability of Innergex II, II Inc., Financial Trust and IPT II to incur additional debt, provide guarantees for any indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any restructuring or corporate or capital reorganization, make distributions, issue any equity interests and create subsidiaries. These covenants restrict numerous aspects of the business of Innergex II and its affiliate.

The 2006 Secured Credit Facility also contains customary events of default with respect to the borrowers, including, among other things, the non-payment of principal or interest, the failure to respect any obligations, undertakings or covenants in the Credit Agreement, the commission of an act of bankruptcy and an unauthorized change of control.

All advances made by the Lenders under the Credit Agreement are to be used exclusively for general corporate purposes, including making advances to affiliates and the issuance of letters of credit in connection with the construction and operation of renewable power generating facilities.

PRINCIPAL AND SELLING SHAREHOLDERS

To the knowledge of the Corporation, no person or company will, immediately following the closing of the Offering, own of record, beneficially, directly or indirectly, more than 10% of any class of securities of the Corporation, except as described in the table below.

The following table sets forth information regarding the ownership of the Common Shares at closing of the Offering and shows the number of Common Shares and percentage of Common Shares that will be owned, at that time, by the Founding and Existing Shareholders and the Institutional Investors. Prior to closing of the Offering, none of the Institutional Investors (which include the Selling Shareholders) hold any Common Shares.

		At the closing of the Offering and the Concurrent Re-Investment(1)	
	Type of Ownership	**Number of Common Shares**	**Percentage of Common Shares issued and outstanding(2)**
Founding and Existing Shareholders(3)	Beneficial	1,942,001	8.3% (13.5%)
Régime de Rentes du Mouvement Desjardins	Beneficial	2,544,009	10.8% (10.2%)(4)
Caisse de Dépôt et Placement du Québec	Beneficial	2,544,009	10.8% (10.2%)(4)
TD Capital Group Limited	Beneficial	2,544,009	10.8% (10.2%)(4)
Kruger Inc. Master Trust	Beneficial	2,544,009	10.8% (10.2%)(4)
Sun Life Assurance Company of Canada	Beneficial	926,963	3.9% (3.7%)

(1) Assumes the Over-Allotment Option is not exercised.

(2) Percentage of Common Shares issued and outstanding on a fully-diluted basis is indicated in parenthesis.

(3) None of the Founding and Existing Shareholders will individually hold more than 5% of the issued and outstanding Common Shares at the closing of the Offering.

(4) If the Over-Allotment Option is exercised in full, such holder will, as Selling Shareholder, own 2,282,759 Common Shares representing 9.7% (9.2% on a fully-diluted basis) of the issued and outstanding Common Shares following the closing of the Offering and of the Concurrent Re-Investment.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of the Corporation's directors and executive officers, the person's name, municipality of residence, position(s) with the Corporation, and, if a director, the year in which the person became a director. Upon the closing of the Offering, the Corporation's directors and executive officers will own, or exercise direction or control over a total of 1,942,001 Common Shares, representing 8.3% of the Corporation's total outstanding Common Shares.

Name and Place of Residence	Position(s) with the Corporation	Director Since
GILLES LEFRANÇOIS, CA Longueuil, Québec, Canada	Executive Chairman of the Board of Directors and Director	2003
MICHEL LETELLIER, MBA Candiac, Québec, Canada	President and Chief Executive Officer and Director	2003
WILLIAM A. LAMBERT Toronto, Ontario, Canada	Director(1), (3)	2007
CYRILLE VITTECOQ Montréal, Québec, Canada	Director(1), (2)	2007
RAYMOND LAURIN Lévis, Québec, Canada	Director(1), (2)	2007
PIERRE BRODEUR St-Bruno, Québec, Canada	Director(1), (4)	2007
SUSAN M. SMITH Toronto, Ontario, Canada	Director(1), (5)	2007
JEAN PERRON, CA, CMA St-Hubert, Québec, Canada	Vice President and Chief Financial Officer	N/A
JEAN TRUDEL, MBA Montréal, Québec, Canada	Vice President — Finance and Investor Relations	N/A
MICHÈLE BEAUCHAMP, LL.B., LL.M., Lachine, Québec, Canada	Vice President — Legal Affairs and Corporate Secretary	N/A
FRANÇOIS HÉBERT St-Alphonse de Granby, Québec, Canada	Vice President — Operation and Maintenance	N/A
NORMAND BOUCHARD, Eng. Ile Bizard, Québec, Canada	Vice President — Wind Energy	N/A
GUY DUFORT St. Romuald, Québec, Canada	Vice President — Public Affairs	N/A
RENAUD DE BATZ, Geologist, M.Sc., MBA Beaconsfield, Québec, Canada	Vice President Eastern Region — Hydroelectric Energy	N/A
PETER GROVER, Eng. St. Bruno, Québec, Canada	Vice President — Project Management	N/A
RICHARD BLANCHET, P.Eng., M.Sc. North Vancouver, British Columbia, Canada	Vice President Western Region — Hydroelectric Energy	N/A

(1) "Independent" within the meaning of Multilateral Instrument 52-110 of the Canadian Securities Administrators.

(2) Will be appointed as member of the Audit Committee prior to the closing of the Offering.

(3) Will be appointed as member of the Compensation, Corporate Governance and Nominating Committee prior to the closing of the Offering.

(4) It is anticipated that, prior to the closing of the Offering, Pierre Brodeur will be appointed to the Board of Directors and as a member of the Audit Committee and the Compensation, Corporate Governance and Nominating Committee (as chairman).

(5) It is anticipated that, prior to the closing of the Offering, Susan Smith will be appointed to the Board of Directors and as a member of the Compensation, Corporate Governance and Nominating Committee.

Background of Directors and Executive Officers

The following are brief profiles of the Corporation's executive officers and directors, including a description of each individual's principal occupation during the past five years.

Gilles Lefrançois, CA

Gilles Lefrançois was appointed as Executive Chairman of the Board of Directors of the Corporation on October 25, 2007 and has been a director of the Corporation since 2003. He acted as President and Chief Executive Officer of the Corporation from its incorporation in 2003 up until his appointment as Chairman. Mr. Lefrançois founded Innergex GP in 1990 and, as its President, was responsible for the development of Innergex GP and Innergex, Limited Partnership ("Innergex LP") as well as for the development and acquisition of the Fund's power generating facilities. He was a founding member of the *Association québécoise de la production d'énergie renouvelable* in 1991 (formerly the *Association des producteurs privés d'électricité*) (the "Association"). Mr. Lefrançois was a member of the management of the Association, either as President or Vice President, from its creation until the spring of 2003. Mr. Lefrançois was a member of the management team of Innocan Inc. from June 1990 to March 1994 and, prior to that time, was Executive Vice President of a transportation company listed on the Montréal Stock Exchange and held numerous positions in finance and accounting. Mr. Lefrançois holds a bachelor's degree in commerce (1962) and a master's degree in commercial sciences (accounting) (1963) from Université Laval. Mr. Lefrançois has been a member of the Canadian Institute of Chartered Accountants since 1964.

Michel Letellier, MBA

Michel Letellier was appointed as President and Chief Executive Officer of the Corporation on October 25, 2007 and has been a director of the Corporation since 2003. Mr. Letellier was Executive Vice President and Chief Financial Officer of the Corporation from its incorporation in 2003 until his appointment as President and Chief Executive Officer and, prior to that time, was Vice President and Chief Financial Officer of Innergex GP (from 1997 to 2003) and was responsible for the financial management of the affairs of Innergex GP, Innergex LP and the Fund's power generating facilities. Mr. Letellier was employed from 1990 to 1997 by Boralex Inc., an independent power producer based in Québec and listed on the TSX, where he was involved in the development of energy projects, and from 1986 to 1990, by a brokerage firm in the corporate finance field. Mr. Letellier holds an M.B.A. from Université de Sherbrooke (1988) as well as a bachelor's degree in business (finance) from Université du Québec à Montréal (1986).

William A. Lambert, MBA

William A. Lambert is currently a trustee of Innergex II and was appointed as a director of the Corporation on October 25, 2007. Mr. Lambert is a Partner of Birch Hill Equity Partners, in which role he provides advice and counsel to Birch Hill on an ongoing basis with respect to sourcing, monitoring, creating value in and exiting investments. Mr. Lambert was an officer of TD Capital Group Limited, from 1989 to 2005, where he held the position of Managing Director. Prior to joining TD Capital Group Limited, he practiced as a consultant and plant engineer in the steel industry for 10 years with Ferrco Engineering Company and North Star Steel Company. Mr. Lambert is currently a director of Marsulex Inc. (since 2002) and of Amorfix Life Sciences Ltd. (since 2006) and a trustee of Ag Growth Income Fund (since 2006). Mr. Lambert received his M.B.A. from York University and his B.S. in Electrical Engineering from the Massachusetts Institute of Technology.

Cyrille Vittecoq, CFA

Cyrille Vittecoq is currently a trustee of Innergex II and was appointed as a director of the Corporation on October 25, 2007. Mr. Vittecoq has been Vice-President, Investments — Energy and a member of the Caisse de dépôt et placement du Québec's (the "Caisse") Private Equity group management committee since March 2006. His mandate is to manage and develop energy-sector investments, in particular those related to energy infrastructure, petroleum and natural gas. Mr. Vittecoq's career at the Caisse has been devoted entirely to private equity investments in the energy and environment sectors. He began as an analyst in 1993 and was subsequently promoted to manager, a position he kept until 1997. From 1997 to 2000, he acted as Vice-President of finance at Boralex Inc., a Québec-based publicly traded corporation specializing in electricity production. Mr. Vittecoq returned to the Caisse in 2000 as an investment manager and then senior manager. Mr. Vittecoq has also been a director of Canadian Hydro Developers Inc. since 2002. He holds a bachelor's degree in management from the Université de Sherbrooke (1989) and has been a chartered financial analyst since 1994.

Raymond Laurin, CA

Raymond Laurin was appointed as a director of the Corporation on October 25, 2007. Since 2004, Mr. Laurin has been Executive Director of the Régime de rentes du Mouvement Desjardins at the Fédération des caisses Desjardins du Québec. Mr. Laurin has held various positions with the Desjardins Group over the past 27 years. Mr. Laurin is (i) on the board of directors and a member of the

Audit Committee of Société immobilière Trans Québec (SITQ), (ii) on the board of directors, President of the Audit Committee and a member of the pension fund of Ivanhoé Cambridge and (iii) a member of the Teachers' Pension Fund of Laval University. Mr. Laurin is also director for the strategic committees of various European funds. Mr. Laurin holds a bachelor's degree in business administration from HEC and is a member of the Chartered Accountants of Québec, the Institute of Internal Auditors of Canada and Canadian Pension and Benefit Institute.

Pierre Brodeur

Pierre Brodeur will be appointed as a director of the Corporation immediately prior to the closing of the Offering. Mr. Brodeur has over 25 years of experience in management positions in various companies that specialize in the manufacturing and marketing of consumer goods and services. From 1997 to 2003, he was President and Chief Executive Officer of Sico Inc. and, prior to that time, was President and General Manager of Boulangeries Weston, Québec Ltd. (from 1994 to 1997). He also acted as President of Vidéotron International from 1990 to 1994, prior to which he was employed by Steinberg (from 1986 to 1990), where he was President of Steinberg, Québec, from 1989 to 1990. Mr. Brodeur has been a director of Industrial Alliance Insurance and Financial Services Inc. since 1999 and has been a director of Van Houtte Inc. since 2003.

Susan M. Smith, MBA

Susan M. Smith will be appointed as a director of the Corporation immediately prior to the closing of the Offering. Ms. Smith has 30 years of experience in the Canadian banking sector. Since 1997, she has acted as both President and Chief Executive Officer of RBC Technology Ventures Inc., a wholly-owned subsidiary of the Royal Bank of Canada ("RBC"), and as Senior Vice President of RBC. From 1994 to 1997, Ms. Smith acted as Vice President of Knowledge Based Industries, a division of RBC. Ms. Smith has held several positions within RBC since 1977, notably in corporate banking and institutional banking. Since 1999, Ms. Smith has served as a director on private technology fund boards, including Primaxis Technology Ventures, Foragen Technology Management Inc. and Milestone Medica Corporation. Ms. Smith was Chair of the board of directors for each of these funds for several years. Ms. Smith has also served on the boards of the Prime Minister's Advisory Council on Science and Technology, the President's International Advisory Council for CIHR, the Faculty of Graduate Studies of the University of British Columbia and Genome Canada. She currently serves on the board of directors of MaRS Discovery District, the Investment Board of Care Canada, and has recently joined the board of directors of Optosecurity. Ms. Smith received her M.B.A. from the Ivey School of Business, University of Western Ontario, and her bachelor of arts degree from Dalhousie University.

Jean Perron, CA, CMA

Jean Perron joined the Corporation in December 2003 as Vice President and Treasurer and was appointed Vice President and Chief Financial Officer of the Corporation on October 25, 2007. Before joining the Corporation, Mr. Perron worked with KPMG LLP for more than 13 years where he held various positions and became Senior Manager in taxation for a diversified clientele of private and public companies. Mr. Perron holds a bachelor's degree in business administration from the Université du Québec à Montréal (1990) and has been a Chartered Accountant and a Certified Management Accountant since 1992.

Jean Trudel, MBA

Jean Trudel has been Vice President — Finance and Investor Relations of the Corporation since February 2003 and, prior to that time, was Vice President, Corporate Development of Innergex GP (2002 to 2003). Mr. Trudel is responsible for the financing of new projects, the evaluation of potential acquisitions, the financial management of the affairs of the Corporation and investor relations. Prior to joining the Corporation and Innergex GP, Mr. Trudel worked for Sun Life Assurance Company of Canada (formerly Clarica Life Insurance Company) from 1999 to 2002 as Director, Investment Project Finance for Québec and Atlantic Canada and was Account Officer with the Corporate Banking Forestry Group of the Bank of Nova Scotia from 1996 to 1999. Mr. Trudel was a Board Member of the Association québécoise de la production d'énergie renouvelable from March 2000 to November 2007. Mr. Trudel holds a bachelor's degree in Finance from HEC Montréal (1993) and an MBA from Queen's University in Kingston, Ontario (1996).

Michèle Beauchamp, LL.B., LL.M.

Michèle Beauchamp has been Vice President — Legal Affairs and Corporate Secretary of the Corporation since September 2004. Prior to joining the Corporation, Ms. Beauchamp was legal counsel to Cascades Inc. from 1996 to 2004. From 1983 to 1996, Ms. Beauchamp worked as an associate and eventually as a partner at Desjardins Ducharme where she practiced mainly in the field of

corporate banking. Ms. Beauchamp holds a master's of Law (LL.M) and a Bachelor of Civil Law (LL.B) from Université de Montréal. She has been a member of the Québec Bar Association and of the Canadian Bar Association since 1983.

François Hébert

François Hébert has been Vice President — Operation and Maintenance of the Corporation since 2003 and, prior to that time, was Vice President, Operation and Maintenance of Innergex GP from 1999 to 2003. Mr. Hébert is responsible for the Corporation's power plant operation and maintenance. He is also involved in the design and planning of new hydroelectric and wind projects. Before joining the Corporation and Innergex GP, Mr. Hébert worked for 12 years with Alstom Inc., a multi-national firm in the field of energy projects, where he was involved in project management and in the automation and commissioning of hydroelectric stations. Mr. Hébert holds technical degrees from both Collège du Vieux-Montréal (1987) and Collège Sherbrooke (1986) in Instrumentation and in Electronics.

Normand Bouchard, eng.

Normand Bouchard has been Vice President — Wind Energy of the Corporation since 2001 and is responsible for the development, the environmental study and permitting as well as the construction of wind farms. Prior to joining the Corporation, Mr. Bouchard worked for 10 years as a project engineer for Kruger Inc. He also spent 10 years with a private cogeneration developer, MEG International, where he worked on the development, design and construction of power plants (Novergaz project). Mr. Bouchard holds a bachelor's degree in Electronics (1979) and has been a member of the *Ordre des Ingénieur du Québec* since 1979.

Guy Dufort

Guy Dufort has been Vice President — Public Affairs of the Corporation since 2003 and, prior thereto, was Consultant for Innergex GP from 1994 to 2003. Mr. Dufort is responsible for public affairs, media relations and relations with communities in the regions in which the Corporation's projects are located. Prior to joining the Corporation and Innergex GP, Mr. Dufort was employed for more than ten years in the public relations division of Alcan Inc., which provided him with vast experience related to the social integration of industrial projects. Mr. Dufort holds a bachelor's degree in arts and philosophy (1965), as well as a bachelor's degree in physical education (1967).

Renaud de Batz, Geologist, M.Sc., MBA

Renaud de Batz is Vice President Eastern Region — Hydroelectric Energy of the Corporation and is responsible for the development of new hydroelectric projects in the Eastern region of North America. He is also involved in the planning and assessment process for new power plants. Prior to joining the Corporation in 2002, Mr. de Batz was employed for more than 12 years with RSW inc., an engineering firm specializing in the energy sector. As a project director and specialist, Mr. de Batz was in charge of characterizing the geological and geotechnical conditions of hydroelectric installations in particular, as well as for participating in the design and construction of such facilities. He acquired this experience working on projects of many different sizes and representing a wide range of technical features, in Canada and abroad. Mr. de Batz holds an MBA from the UQAM (2003) and a Master's degree from University of Marseille, France (1985) and has been a member of the *Ordre des géologues du Québec* since 2002.

Peter Grover, eng.

Peter Grover has been Vice President — Project Management of the Corporation since 2004. Mr. Grover manages the wind energy activities of the Corporation for Development Projects with PPAs under Cartier Wind Energy and for Prospective Projects. Prior to joining the Corporation, Mr. Grover worked in the renewable energy sector for Alstom Inc. holding positions from project engineer to director of project management over a span of nearly 20 years and on three continents. Mr. Grover has an expertise on the technical and commercial aspects of small and large renewable energy projects. Mr. Grover holds a bachelor's of electrical engineering from Concordia University (1986) and has been a member of the *Ordre des Ingénieurs du Québec* since 1992.

Richard Blanchet, P.Eng., M.Sc.

Richard Blanchet has been Vice President Western Region — Hydroelectric Energy of the Corporation since 2004 and, prior thereto, was Vice President Development of Innergex GP. Mr. Blanchet is responsible for the development of new hydroelectric projects in the Western region of North America and is also involved in the planning and assessment processes for new power plants. Prior to joining the Corporation and Innergex GP in September 2001, Mr Blanchet worked for more than 13 years as a specialist and

project manager with Group RSW Inc., an engineering firm active in the energy sector. As specialist and project manager, Mr. Blanchet's tasks included designing and evaluating the financial viability of hydroelectric power plants in Canada and abroad. His professional experience covers surface, pit, and underground power plants with installed capacities ranging from less than one MW up to 5,000 MW. Mr. Blanchet holds a Master's degree from Laval University (1989) and a bachelor's degree in Civil Engineering from Laval University (1986). Mr. Blanchet has been a member of the *Ordre des ingénieurs du Québec* since 1988 and of the Association of Professional Engineers and Geoscientists of British Columbia since 2002.

Composition and Mandate of the Board of Directors

At the closing of the Offering, it is anticipated that the Board of Directors will be composed of seven directors. Each of the Corporation's directors is elected for a one-year term at the Corporation's annual meeting of shareholders or until such person's successor is elected or appointed. The Corporation's Articles further provide that the directors in office may appoint one or more directors to stand office until the next annual meeting of shareholders, provided that the number of directors so appointed shall not exceed one-third of the number of directors elected at the previous annual meeting of shareholders. The Corporation's Articles provide that the Board of Directors will consist of a minimum of three and a maximum of ten directors. The Charter of the Board of Directors requires that a majority of the Board of Directors be independent within the meaning of Multilateral Instrument 52-110 of the Canadian Securities Administrators.

The role of the Board of Directors is to supervise, directly or through its committees, the administration and management of the Corporation's commercial activities and its internal affairs. In doing so, the Board of Directors acts at all times in the best interest of the Corporation and its shareholders. The Code of Ethics of the Corporation ensures that each director performs his mandate with integrity and in good faith, in the best interests of the shareholders and with the care, diligence and competence of a prudent director. The Board of Directors approves all matters expressly required by its mandate and under the CBCA and other applicable legislation and under the Corporation's Articles and by-laws.

Meetings of the Board of Directors are held at least quarterly, and as required. The quorum at meetings of the Board of Directors is a majority of directors in office.

The Board of Directors has constituted the following two committees for the review of certain issues for which it is responsible: the Audit Committee and the Compensation, Corporate Governance and Nominating Committee.

Composition and Mandate of the Committees Appointed by the Board of Directors

Audit Committee

The Corporation's Audit Committee will consist of three directors, namely Cyrille Vittecoq (Chairman), Pierre Brodeur and Raymond Laurin, all of whom are independent, within the meaning of Section 1.4 of Multilateral Instrument 52-110 respecting Audit Committees of the Canadian Securities Administrators ("MI 52-110"), and financially literate, within the meaning of Section 1.6 of MI 52-110. The members of the Audit Committee and its chairman shall be elected by the Board of Directors on an annual basis or until their successors are duly appointed.

The Audit Committee meets at least four times annually. The quorum at meetings of the Audit Committee will be the majority of the members of the Audit Committee or such greater number as the Audit Committee will determine by resolution.

The Audit Committee recommends to the Board of Directors the appointment and compensation of the external auditor, oversees the work of the external auditor and pre-approves all non-audit services to be provided to the Corporation by the external auditor. The Audit Committee reviews and makes recommendations with respect to the Corporation's financial reporting practices and procedures. The Audit Committee also reviews the insurance coverage and tax compliance of the Corporation.

The Audit Committee has an established procedure for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and has adopted a whistleblower policy to deal with confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

Compensation, Corporate Governance and Nominating Committee

The Compensation, Corporate Governance and Nominating Committee will consist of three directors, namely Pierre Brodeur (Chairman), William Lambert and Susan Smith, all of whom are independent directors within the meaning of Section 1.4 of MI 52-110. The Committee Charter requires that a majority of the members of the Committee be independent. The members of the Committee shall be elected by the Board of Directors on an annual basis or until their successors are duly appointed.

The members of the Compensation, Corporate Governance and Nominating Committee meets at least four times per year. The quorum at meetings of the committee will be the majority of its members or such greater number as the Committee may determine by resolution.

The Compensation, Corporate Governance and Nominating Committee reviews and makes recommendations to the Board of Directors with respect to the compensation of senior management and administers the Corporation's compensation plans for senior management and for the Board of Directors. The committee reviews corporate goals and objectives relevant to senior management and ensures that appropriate mechanisms are in place for the succession of senior management.

The Compensation, Corporate Governance and Nominating Committee reviews the effectiveness of the Board of Directors as a whole and discusses the contribution of individual members, proposes new nominees for appointment to the Board of Directors where applicable and provides orientation for new directors.

The Compensation, Corporate Governance and Nominating Committee periodically assesses the Corporation's corporate governance and administers the Code of Ethics of the Board of Directors.

Conflicts of Interest

Certain officers and directors of the Corporation also act as trustees, officers or directors of the Fund or its affiliates. As both the Corporation and the Fund operate in the hydroelectric and wind power sectors of the renewable power industry in Canada, they are potential competitors and the interests of these directors and officers may conflict with those of the Corporation. All of the directors and officers of the Corporation owe a duty of care and good faith to the Corporation. The directors and officers of the Corporation shall disclose particular situations of conflict of interest in accordance with applicable law.

EXECUTIVE COMPENSATION

Principles of Executive Compensation

The Corporation's executive compensation programs and policies are designed to attract and retain executives critical to the Corporation's short and long-term success and to continue to provide executives with compensation that is competitive within the market.

The Corporation's Compensation, Corporate Governance and Nominating Committee will evaluate the levels of responsibility of all executive officer positions in order to establish appropriate bases for internal and external comparison. The Corporation's compensation program is designed to focus on shareholder value creation and operating performance improvement.

Compensation of the Corporation's executive officers is comprised primarily of a base salary and the payment of annual cash bonuses. The Corporation's executive officers are also entitled to participate in the Corporation's Stock Option Plan. See "Stock Option Plan" below.

Base Salary

The Corporation's Compensation, Corporate Governance and Nominating Committee will review annually the base salaries of the Corporation's executive officers in light of relevant market data and based on the level of responsibility, the particular expertise, the contribution to the Corporation and the experience of each officer.

Short-Term Incentive Plan

The Corporation's short-term incentive plan provides an opportunity for executive officers of the Corporation to earn an annual bonus based on the achievement of corporate and individual performance objectives and on the level of responsibility of the executive officer. The Compensation, Corporate Governance and Nominating Committee approves the performance objectives and the terms of attribution of bonuses annually.

Individual target bonuses, which are established by the Compensation, Corporate Governance and Nominating Committee, will typically vary between 33 1/3% and 50% of the base salary of executive officers.

2006 Named Executive Officer Compensation

The following table presents information regarding compensation of the Corporation's Named Executive Officers in 2006, namely, Gilles Lefrançois, Michel Letellier, Jean Perron, Michèle Beauchamp and Richard Blanchet. The table sets out the total compensation awarded to, earned by or paid to each of the Named Executive Officers on an annualized basis for services rendered by that individual in all capacities to the Corporation.

	Annual Compensation For the year ended December 31, 2006		
Name and Principal Position	Salary ($)	Bonus ($)	Other Annual Compensation ($)
Gilles Lefrançois, CA (Executive Chairman of the Board of Directors)(1)	298,923	72,000	1,654
Michel Letellier, MBA (President and Chief Executive Officer)(2)	223,937	68,000	5,470
Jean Perron, CA, CMA(3) (Vice President and Chief Financial Officer)	159,696	31,000	5,263
Michèle Beauchamp, LL.B., LL.M (Vice President — Legal Affairs and Corporate Secretary)	164,699	40,000	2,540

Richard Blanchet, P.Eng., M.Sc. (Vice President Western Region — Hydroelectric Energy)	144,762	23,000	19,628

---

(1) Mr. Lefrançois was appointed Executive Chairman of the Board of the Corporation on October 25, 2007 and, prior thereto, was President and Chief Executive Officer of the Corporation.

(2) Mr. Letellier was appointed President and Chief Executive Officer of the Corporation on October 25, 2007 and, prior thereto, was Executive Vice President and Chief Financial Officer.

(3) Mr. Perron was appointed Vice President and Chief Financial Officer on October 25, 2007 and, prior thereto, was Vice President and Treasurer.

Employment Agreements

At the closing of the Offering, each of the Named Executive Officers will enter into employment agreements (the "Employment Agreements") with the Corporation. Pursuant to the Employment Agreements, Gilles Lefrançois will receive an annual base salary of $327,600, Michel Letellier will receive an annual base salary of $266,700, Jean Perron will receive an annual base salary of $185,220, Michèle Beauchamp will receive a base salary of $180,180 and Richard Blanchet will receive an annual base salary of $158,340. Each Employment Agreement will have an indeterminate term.

If the Corporation terminates the employment of Gilles Lefrançois, Michel Letellier, Jean Perron or Michèle Beauchamp without cause or one of those individuals terminates his or her employment for good and sufficient reason (as defined in those Employment Agreements, such as any material and adverse change in his or her duties and authorities), the Employment Agreements provide that the Corporation must continue to pay the individual his or her base salary for a period of 36 months following termination. The employment agreement of Jean Trudel also provides for a severance period of 36 months. In the case of Richard Blanchet, the severance period will be for a term of 12 months. The Named Executive Officers will continue to receive benefits, with certain exceptions, during such severance period. In addition, if the Corporation terminates the employment of a Named Executive Officer for any reason, other than for cause, within one year following a change of control of the Corporation or if a Named Executive Officer terminates his or her employment for any reason within one year following a change of control of the Corporation, the Employment Agreements also provide that they will be entitled to the severance payments, the vesting of all outstanding options and the benefits described above.

Pursuant to the Employment Agreements, the Named Executive Officers will be subject to non-competition covenants for a period of two years following the termination of the Named Executive Officer's employment with the Corporation. The Employment Agreements will also include non-solicitation covenants of the Named Executive Officers which apply throughout the Named Executive Officer's employment with Corporation and for a period of two years following the termination of such employment.

Stock Option Plan

Prior to closing of the Offering, the Corporation will establish a stock option plan (the "Stock Option Plan") providing for the granting of options by the Board of Directors to employees, officers, directors and certain consultants of the Corporation and its subsidiaries to purchase Common Shares. Options granted under the Stock Option Plan will have an exercise price of not less than the market price of the Common Shares at the date of grant of the option, calculated as the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of grant.

The maximum aggregate number of shares which may be subject to options under the Stock Option Plan will be 2,350,000, representing 10% of the issued and outstanding Common Shares at the closing of the Offering. The number of Common Shares issuable to insiders (as that term is defined in the Stock Option Plan) under the Stock Option Plan or any other securities based compensation arrangement of the Corporation cannot at any time exceed 10% of the issued and outstanding Common Shares and cannot within any one year period exceed 10% of the issued and outstanding Common Shares. Any Common Shares subject to an option that expires or terminates without having been fully exercised may be made the subject of a further option. The number of Common Shares issuable to non-executive directors of the Corporation under the Stock Option Plan or any other securities based compensation arrangement of the Corporation cannot at any time exceed 1% of the issued and outstanding Common Shares.

Options must be exercised during a period established by the Board of Directors, which may not be greater than ten years after the date of grant. Subject to the discretion of the Board of Directors, options granted under the Stock Option Plan will vest in four equal amounts on a yearly basis over the four years following the grant date.

If an optionee's employment, office or directorship with the Corporation is terminated for cause, options not then exercised terminate immediately. If an optionee dies or becomes, in the determination of the Board of Directors, permanently disabled, options may be exercised for that number of Common Shares which the optionee was entitled to acquire at the time of death or permanent disability, as the case may be, for a period of six months or one year after the date of death or permanent disability. Upon an optionee's employment, office or directorship with the Corporation terminating or ending other than by reason of death, permanent disability or termination for cause, options may be exercised for that number of Common Shares which the optionee was entitled to acquire at the time of such termination. Such options may be exercised for a period of 90 days after such date.

The Stock Option Plan will be administered by the Board of Directors or, if determined by the Board of Directors, by the Board of Directors with the assistance of the Compensation, Corporate Governance and Nominating Committee. The Board of Directors may amend, suspend or terminate the Stock Option Plan or the term of any outstanding option at any time, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or, if the amendment, suspension or termination materially prejudices the rights of any optionholder, the consent of that optionholder. Furthermore, the Board of Directors may not, without the consent of the shareholders of the Corporation, make amendments to the Stock Option Plan for any of the following purposes: (i) to increase the maximum number of Common Shares that may be issued pursuant to options granted under the Stock Option Plan; (ii) to reduce the exercise price of the options to less than the market price; (iii) to reduce the exercise price for options for the benefit of an insider, as that term is defined under the Stock Option Plan; and (iv) to extend the expiry date of options for the benefit of an insider (as that term is defined under the Stock Option Plan).

The Stock Option Plan and individual option terms and conditions are subject to adjustment in the event of a subdivision, consolidation or certain distributions of Common Shares and upon a capital reorganization, reclassification or change of the Common Shares, a corporate reorganization or combination of the Corporation with another corporation or a sale, lease or exchange of all or substantially all of the assets of the Corporation. In the event of a proposed change of control (as that term is defined under the Stock Option Plan) the Board of Directors may accelerate the vesting period of options.

Compensation of Directors

No compensation was paid to the Corporation's directors in their capacity as directors of the Corporation in 2006.

Each of the directors of the Corporation is entitled to receive an annual retainer of $25,000. The chairs of the Audit Committee and the Compensation, Corporate Governance and Nominating Committee are entitled to receive an additional annual retainer of $7,000 and $5,000, respectively. Each of the Corporation's directors is also entitled to receive an attendance fee of $1,200 for each Board of Directors' meeting (including any committee meeting) attended except in the case of attendance by conference call for a meeting which lasts less than one hour, in which case the fee shall be $600 for the meeting. The Corporation's directors are reimbursed for travel and other reasonable expenses incurred in attending Board of Directors' meetings. None of the Corporation's directors have service contracts with the Corporation or any of its subsidiaries that provide for benefits upon termination of employment, other than Gilles Lefrançois and Michel Letellier who are party to Employment Agreements with the Corporation. See "Employment Agreements" above.

Directors' and Officers' Insurance and Indemnification

The directors and officers of the Corporation are covered under directors' and officers' liability insurance. The aggregate limit of liability applicable to those insured directors and officers is $25 million, inclusive of defence costs. Under these policies, the Corporation and the directors and officers benefit from reimbursement coverage, subject to a customary per loss deductible. The policies include coverage for wrongful acts (including misleading statements), insuring against any legal obligation to pay on account of any claims brought. The Corporation's by-laws also provide for the indemnification of its directors and officers.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated November 28, 2007 (the ”Underwriting Agreement”) between the Corporation, the Selling Shareholders and the Underwriters, the Corporation has agreed to sell 10,455,000 Common Shares and the Underwriters have agreed to purchase, as principals, on December 6, 2007 or on any other date agreed upon, but not later than December 28, 2007, subject to the conditions stipulated in the Underwriting Agreement, all but not less than all of such Common Shares at a price of $11.00 per Common Share payable in cash.

Pursuant to the Underwriting Agreement, the Selling Shareholders have granted the Underwriters an option (the ”Over-Allotment Option”) to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30-day period following the closing of the Offering and entitles the Underwriters to purchase from the Selling Shareholders up to 1,045,000 Common Shares at the Offering Price (being approximately 10% of the aggregate number of Common Shares offered hereunder). If the Over-Allotment Option is exercised in full, the total price to the public will be $126,500,000, the Underwriters' fee will be $6,641,250 and the net proceeds to the Corporation and the Selling Shareholders will be $108,363,750 and $11,495,000 respectively.

The Corporation has agreed to pay such Underwriters a fee of $0.5775 per Common Share in consideration for services in connection with the Offering. The Corporation will also pay the Underwriters' fee in respect of Common Shares sold by the Selling Shareholders if the Over-Allotment Option is exercised.

Prior to the Offering, there was no market through which the Common Shares could be sold. Accordingly, the terms of the Offering were established through negotiation between the Corporation, the Selling Shareholders and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at the discretion of the Underwriters on the basis of their assessment of the state of the financial markets. The Underwriting Agreement provides that the Underwriters may also terminate their obligations thereunder in certain stated circumstances and upon the occurrence of certain stated events. The Underwriters are, however, jointly (and not solidarily or jointly and severally) obligated to take up and pay for all Common Shares that they have obliged themselves to purchase if any of the Common Shares are purchased under the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Corporation and the Selling Shareholders have agreed to indemnify the Underwriters and their affiliates, directors, officers, employees, shareholders and agents against certain liabilities or to contribute to any payments the Underwriters may be required to make in respect thereof and the Corporation has agreed to provide the same indemnity to the Selling Shareholders and their affiliates, directors, officers, employees, and agents.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice.

Pursuant to the rules of the Autorité des marchés financiers, the rules of the Ontario Securities Commission and the Universal Market Integrity Rules of Market Regulation Services Inc., the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. In connection with the Offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Common Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act. Accordingly, except to the extent permitted by the Underwriting Agreement, the Common Shares may not be offered or sold within the United States. Each Underwriter has agreed that it will not offer or sell the Common Shares within the United States except in accordance with Rule 144A under the U.S. Securities Act and in compliance with applicable state securities laws.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares in the United States. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Common Shares outside the

United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Prospective purchasers in the United States that are qualified institutional buyers are hereby notified that the seller of the securities may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

The Corporation, the Institutional Investors and the Founding and Existing Shareholders have, subject to certain exceptions, agreed they will not, without the prior consent of BMO Nesbitt Burns Inc. and CIBC World Markets Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld, sell or issue Common Shares, or grant any options, warrants or other rights to acquire any Common Shares, for (i) in the case of the Corporation and Caisse de Dépôt et Placement du Québec, a period of six months following the closing of the Offering, (ii) in the case of the other Institutional Investors, a period of 12 months following the closing of the Offering, and (iii) in the case of the Founding and Existing Shareholders, a period of 12 months following the closing of the Offering in respect of one half of the Common Shares and a period of 24 months following the closing of the Offering in respect of the other half of the Common Shares. See "Plan Distribution". However, such restrictions will not apply to the issuance, if any, of Common Shares pursuant to the Over-Allotment Option or the sale of Common Shares in connection with the Stock Option Plan.

The TSX has conditionally approved the listing of the Common Shares issued pursuant to the Offering and that may be sold pursuant to the exercise of the Over-Allotment Option under the symbol "INE". Listing will be subject to the Corporation fulfilling all the requirements of the TSX.

Relationship between the Corporation and certain Underwriters

BMO Nesbitt Burns Inc. and TD Securities Inc. are indirect wholly-owned subsidiaries of Canadian chartered banks that are lenders to Innergex II under the Credit Agreement. See "Description of Indebtedness". Accordingly, the Corporation may be considered to be a connected issuer of BMO Nesbitt Burns Inc. and TD Securities Inc. under applicable securities legislation. As at June 30, 2007 approximately $7.8 million was owed to the lenders by Innergex II under the Credit Agreement and Innergex II is in material compliance with all material terms of the Credit Agreement and none of the lenders thereunder has waived any material breach by Innergex II of the Credit Agreement since it was established. Neither the financial position of the Corporation nor the value of the security under the Credit Agreement has changed substantially or adversely since the indebtedness under the Credit Agreement was incurred. Furthermore, the Corporation is currently negotiating with the lenders under the Credit Agreement to increase the amount of the credit facilities available thereunder.

The decision to issue the Common Shares and the determination of the terms of the distribution were made through negotiation among the Corporation and the Underwriters. The lenders under the Credit Agreement, including the two Canadian chartered banks of which BMO Nesbitt Burns Inc. and TD Securities Inc. are the respective subsidiaries, did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of the Offering, neither BMO Nesbitt Burns Inc. nor TD Securities Inc. will receive any benefit in connection with the Offering other than their respective share of the Underwriters' fee. CIBC World Markets Inc., an underwriter in respect of which the Corporation is not a connected issuer, has participated in the structure and pricing of the Offering and in the due diligence activities performed by the Underwriters for the Offering.

RISK FACTORS

Purchasers of Common Shares should carefully consider the following risk factors in addition to the other information contained in this prospectus before purchasing the Common Shares. The risks and uncertainties below are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial also may impair its business operations and cause the price of its Common Shares to decline. If any of the following risks actually occur, the Corporation's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline, and a purchaser may lose all or part of their investment.

Investment in the Common Shares could be regarded as speculative and should be considered only by those investors able to sustain a total loss of their investment. In addition to the other information set forth elsewhere in this prospectus, prospective investors should carefully review the following risk factors:

Risks Related to the Corporation's Business and Industry

Execution of Strategy

The Corporation's strategy for building shareholder value is to acquire or develop high quality power generation facilities that generate sustainable and increasing cash flows, with the objective of achieving returns on invested capital. However, there is no certainty that the Corporation will be able to acquire or develop high quality power generation facilities at attractive prices to supplement its growth.

The successful execution of a value investment strategy requires careful timing and business judgment, as well as the resources to complete the development of power generating assets. 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.

Senior Management and Key Employees

The Corporation's executives and other senior officers 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.

Investment in the Fund

The Corporation will hold a substantial equity interest in the Fund. See "Investment in the Fund". As a result, investors in the Corporation will be subject to the risks that the Corporation will face as a significant shareholder of the Fund. The risks of being an investor in the Fund are described in the continuous disclosure documents of the Fund, which can be found at www.sedar.com (but which are not incorporated by reference as part of this prospectus).

Until the Development Projects with PPAs are in commercial operation, the Corporation's ability to pay interest and other operating expenses and to meet its obligations will in part depend upon receipt of sufficient funds from its investment in the Fund. The likelihood that the Corporation will receive distributable cash from the Fund will be dependent upon the financial position and creditworthiness of the Fund. There is no guarantee that the Fund will continue to make distributions of cash on a basis consistent with past practices.

Construction and Design

Delays and cost over-runs may occur in completing the construction of the Development Projects with PPAs, the Prospective Projects and future projects that the Corporation will undertake. A number of factors that could cause such delays or cost over-runs include, but are not limited to, permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions and adverse weather conditions. 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 with PPAs are not brought into commercial operations 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.

Relationship with Hydro-Québec

Pursuant to the Québec 2,000 MW RFP for which the Corporation bid in September 2007, any event of default under any existing PPA for wind energy with Hydro-Québec gives rise to the right of Hydro-Québec to terminate any future PPA which may be executed in connection with such RFP. The occurrence of a default by the Corporation under any existing Cartier Wind Project PPA with Hydro-Québec could impact future projects of the Corporation in Québec. In the event that the Corporation is in default under a Cartier Wind Project PPA, including the PPA for the Les Méchins Project, the Corporation could be considered by Hydro-Québec in default under a PPA which could potentially be awarded to the Corporation under the Québec 2,000 MW RFP. In addition, the Cartier Wind Project PPAs, including the PPA for the Les Méchins Project PPA, provide for certain penalties that could become due upon the occurrence of an event of default thereunder, subject to certain amounts provided therein. Should such penalties become payable to Hydro-Québec, they would effectively be borne as to 38% by the Corporation. See "Description of Prospective Projects — Other Prospective Québec Wind Projects — Les Méchins Project (38% ownership)".

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 certain of these power generating 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.

Prospective Projects

Certain sites of Prospective Projects include lands which form part of the area covered by bids made by other independent power producers who have bid for PPAs covering these lands. In the event that a PPA is awarded to another power producer over such lands, the applicable Prospective Projects would be reduced in size or possibly abandoned. There can be no assurance that any one Prospective Project will be realized.

Performance of 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. Should one or more of these suppliers 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 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.

Relationship with Partners

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.

Turbine Supply

The Corporation's development and operation of wind power facilities is dependant on the supply of wind turbines from third parties. Given the rapidly increasing demand for wind turbines, prices for wind turbines have risen sharply and may continue to rise. Any significant increase in the price of supply of wind turbines could negatively affect the future profitability of the Corporation's wind power projects and the Corporation's ability to develop other wind power projects. In addition, manufacturers may not be able or willing to meet the high demand for wind turbines. There is no guarantee that such 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.

Permits

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

Federal and provincial environmental permits to be issued in connection with any of the Development Projects with PPAs may contain conditions that need to be satisfied prior to construction, during construction and during and after the operation of the Development Projects with PPAs. It is not possible to forecast the conditions imposed by such permits or the cost of any mitigating measures required by such permits. See "Description of Development Projects with PPAs".

Regulatory and Political

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.

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 licenses from various regulatory authorities for the construction and operation of its facilities. These licenses and permits are critical to the operation of the Corporation's business. The majority of these permits and licenses 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. These permits and licenses require the Corporation's compliance with the terms thereof. 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 licenses. The Corporation only takes such actions where it reasonably believes that such licenses 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.

Obtaining New PPAs

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 obtained through participation in competitive RFP 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 RFP 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.

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.

Project Performance

The ability of the Corporation's facilities to generate the maximum amount of power which can be sold to Hydro-Québec, BC Hydro and the OPA 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, 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.

Reliance on PPAs

The power generated by the Corporation is 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.

Equipment Failure

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.

Reliance Upon 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.

Water Rental Expense

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 Ontario, British Columbia and Québec regulate water supply could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

Resource Availability

The amount of energy generated by the Corporation's hydroelectric facilities is dependent upon 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 power facilities will be dependent upon the availability of wind, which is naturally variable. A reduced or increased amount of wind at the location of one of the wind power project facilities over an extended period may reduce the production from such facility and may reduce the Corporation's revenues and profitability.

Assessment of Wind Resources and Associated Wind Energy Production

The strength and consistency of the wind resources at the wind power facilities of the Corporation may vary from what the Corporation anticipates. Energy production estimates of the Corporation are based on assumptions and factors that are inherently

uncertain, which may result in actual energy 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 wind in the future; (iii) the strength of the correlation between the site-specific wind data and the longer-term regional wind 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 wind turbines, 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 wind resource; and (ix) the potential for electricity losses to occur before delivery.

Dam Safety

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.

Health, Safety and Environmental Risks

The ownership 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, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licenses, permits and other approvals will 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 licenses, 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, licenses, 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.

Natural Disasters; Force Majeure

The Corporation's facilities and operations are exposed to potential damage, partial or full loss, resulting from environmental disasters (e.g. floods, high winds, fires, and earthquakes), equipment failures and the like. The occurrence of a significant event which disrupts 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. In addition, many of the Corporation's projects are located in remote areas which makes access for repair of damage difficult.

Capital Resources

Future development and construction of new facilities and the development of the Development Projects with PPAs and the Prospective Projects and other capital expenditures will be financed out of cash generated from the Corporation's investment in the Fund, operations, sales of additional equity and borrowings. 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 new or maintain existing project facilities and remain in business will be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion.

Interest Rate and Refinancing Risk

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. While the interest rates on the Corporation's long-term debt will be fixed, the Corporation faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities used for construction financing. 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

The Corporation's operations will be subject to contractual restrictions contained in the instruments governing any of its current and future indebtedness. The degree to which the Corporation is leveraged could have important consequences to shareholders including: (i) the Corporation's 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 cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (iii) certain of the Corporation's borrowings will be at variable rates of interest, which exposes the Corporation to the risk of increased interest rates; and (iv) the Corporation may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

The Corporation is subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Corporation's ability, and the ability of its subsidiaries, to, among other things incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions, issue any equity interests and create subsidiaries. These restrictions may limit the Corporation's ability to obtain additional financing, withstand downturns in the Corporation's business and take advantage of business opportunities. Moreover, the Corporation 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 ability to grow the business, acquire needed assets or take other actions the Corporation might otherwise consider appropriate or desirable. See "Description of Indebtedness".

Foreign Exchange

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. Where possible, the Corporation will fix the purchase price in Canadian dollars or enter into a foreign exchange swap to fix the exchange rate.

Insurance Limits

While the Corporation believes that the insurance coverage for its projects addresses all material insurable risks, provides coverage that is similar to what would be maintained by a prudent developer/owner/operator of similar projects, and is subject to deductibles, limits, and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, 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 the operation of the projects.

Litigation

In the normal course of its operations, the Corporation may become involved in various legal actions, typically involving claims relating to personal injuries, property damage, property taxes, land rights and contract disputes. 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 fiscal year. See "Legal Proceedings".

Potential Undisclosed Liabilities Associated with the Innergex II Acquisition

In connection with the Innergex II Acquisition, there may be liabilities that the Corporation did not discover in its due diligence prior to the consummation of the Innergex II Acquisition or circumstances may exist with respect to Innergex II of which the Corporation is currently unaware but which could lead to future liabilities and, in each case, the Corporation would not be entitled to any recourse against the Institutional Investors pursuant to the Purchase Agreement. In particular, to the extent that prior to the closing of the Innergex II Acquisition, Innergex II failed to comply with or otherwise violated applicable laws, including environmental, health and safety laws, the Corporation will be legally and financially responsible for these violations. The discovery of any material liabilities subsequent to the Innergex II Acquisition could have a material adverse effect on the Corporation's business, operating results, financial conditions or prospects. See "Transactions to be Completed at Closing of the Offering — Innergex II Acquisition".

Potential Undisclosed Liabilities Associated with Prior Disposition of Facilities

The Corporation has sold various power generating facilities to the Fund, namely the Rutherford Creek, Horseshoe Bend, Anse-à-Valleau and Baie-des-Sables Facilities. The Corporation may, pursuant to the agreements governing those acquisitions, be required to indemnify the Fund in certain circumstances, including in the event of a breach of the representations and warranties contained therein. If the Corporation were to incur any material liabilities under the agreements governing these acquisitions, this could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

Potential Conflicts of Interest

Pursuant to the Management Agreements, the Corporation is responsible for all management and administrative services in respect of the Fund's businesses. Since the Corporation and the Fund are potential competitors in the power industry in Canada, the Corporation's responsibilities as manager and administrator of the Fund may conflict with the interests of its shareholders. See "Business Overview — Relationship with the Fund — Conflict of Interest".

Risks Related to the Structure of the Corporation and the Offering

The Common Shares have no Trading History

The Common Shares have no history of trading. There can be no assurance that an active and liquid trading market will develop for the Common Shares on any securities exchange upon which the Common Shares may be listed, the failure of which may have a material and adverse impact on the value of the Common Shares, and the ability of a purchaser to dispose of the Common Shares in a timely manner, or at all.

The Common Share Price will Fluctuate

The Offering price of Common Shares may not be representative of the price that will prevail in the open market. Further, the market price of Common Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including actual or anticipated fluctuations in the results of operations, changes in estimates of future results of operations by the Corporation or securities analysts, the award of RFPs, announcements of new projects by the Corporation or its competitors, or other events or factors. Broad market fluctuations, as well as economic conditions generally, may adversely affect the market price of Common Shares.

A Purchaser of the Common Shares under the Offering will Suffer Immediate Dilution

The Offering price of $11.00 per Common Share will be substantially higher than the book value per share of the Common Shares issued prior to closing of the Offering. As a result, purchasers of Common Shares pursuant to the Offering will experience immediate dilution. This dilution is due, in large part, to the fact that the Founding and Existing Shareholders paid substantially less than the Offering price when they purchased their shares. In addition, the exercise of options will, and future equity issuances may, result in further dilution to investors.

SIFT Rules

Under certain provisions of the *Income Tax Act* (Canada) (the "SIFT Rules"), a partnership or trust is a SIFT partnership or trust (collectively "SIFTs") as the case may be, if it is resident in Canada, holds one or more non-portfolio properties (as defined for purposes of the SIFT Rules) and investments in the partnership or trust are listed or traded on a stock exchange or other public market. Investments in a partnership or trust include securities of the partnership or trust. "Security" includes any right, whether absolute or contingent, conferred by the particular trust or partnership or by an entity that is affiliated with the particular trust or partnership, to

receive, either immediately or in the future, an amount that can reasonably be regarded as all or any part of the capital, of the revenue or of the income of the particular trust or partnership. It is possible that the Common Shares could be determined to be Securities of Innergex II, Innergex Financial Trust and IPT II and all the partnerships with which the Corporation is affiliated for purposes of the SIFT Rules (collectively referred to as the "Affiliates"). This would cause the Affiliates to be SIFTs and taxable as such starting in 2007.

Very generally, a SIFT is subject to tax in respect of its net income from business carried on in Canada and from "non-portfolio property" (other than taxable dividends received), and in respect of net taxable capital gains realized on the disposition of non-portfolio properties. The applicable rate of tax is equivalent to the federal general corporate tax rate (currently 22.12%), plus 13% on account of provincial tax. Taxable capital gains realized by IPT II on the Facilities Disposition would be subject to this tax if IPT II were considered to be a SIFT, giving rise to a tax liability of approximately $5 million.

It is unclear whether such a broad interpretation of the definition of "security" is intended under the SIFT Rules and therefore whether the Affiliates should be subject to tax as SIFTs. However, since the Corporation would otherwise be subject to tax on income allocated to it directly or indirectly by the Affiliates, and given the various tax attributes of the Corporation and the Affiliates, other than the tax payable by IPT II as a result of the Facilities Disposition (if IPT II were considered to be a SIFT), management is of the view that taxation of the Affiliates as SIFTs would not result in a material increase or acceleration of the overall tax payable by the Corporation and its subsidiaries.

Retention of Earnings

The Corporation currently intends to retain future earnings and available funds for the development and expansion of its business. The declaration and payment of dividends in the future is at the sole discretion of the Corporation's Board of Directors. Any determination regarding the declaration of dividends in the future, and dividend amounts, will be made by the Corporation's Board of Directors depending on many factors, including the Corporation's financial resources, the cash flows generated by its business, capital needs, current and future contractual and financing agreement restrictions, and other factors considered relevant by the Corporation's Board of Directors. In addition, the Credit Agreement governing the Corporation's 2006 secured Credit Facility contains certain restrictive covenants that restrict the Corporation's ability to, among other things, pay dividends and make other restricted payments and distributions. In addition, if the Corporation incurs additional debt in the future, the Corporation may be subject to additional covenants, which may be more restrictive than those to which the Corporation is presently subject.

Increased Costs as a Result of Being a Reporting Issuer and Listed Company

As a "reporting issuer" under Canadian securities laws and a listed company, the Corporation will incur significant legal, accounting and other expenses that it did not incur as a private company. The Corporation will incur costs associated with reporting requirements and corporate governance requirements of a reporting issuer and listed company. The rules and regulations applicable to reporting issuers and listed companies will increase legal and financial compliance costs and make some activities more time consuming and costly. The Corporation expects that these rules and regulations will make it more difficult and more expensive for it to maintain director and officer liability insurance and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult to attract and retain qualified individuals to serve on the Board of Directors or as executive officers. The Corporation cannot predict or estimate the amount of additional costs or the timing of such costs. See "Dividends" and "Description of Indebtedness".

MATERIAL CONTRACTS

Material contracts which will be entered into or have been entered into within the two years prior to the date hereof, other than contracts entered into in the ordinary course of business, are as follows:

(a) the Underwriting Agreement between the Corporation, the Selling Shareholders and the Underwriters, dated as of November 28, 2007, referred to under "Plan of Distribution";

(b) the Purchase Agreement dated October 26, 2007, as amended on November 28, 2007, between the Corporation and each of the Institutional Investors with respect to the Innergex II Acquisition, referred to under "Transactions to be Completed at the Closing of the Offering — Innergex II Acquisition";

(c) the Power Facilities Sale Agreement dated October 26, 2007, as amended on November 21, 2007, between Innergex II and the Fund with respect to the Facilities Disposition, referred to under "Transactions to be Completed at the Closing of the Offering — Disposition of Certain Innergex II Facilities and Related Private Placement";

(d) the Subscription Agreement to be entered into on the closing date of the Offering between Innergex II and the Fund to subscribe for the Fund units referred to under "Transactions to be Completed at the Closing of the Offering"; and

(e) the Administration Agreement, the Management Agreement, the Services Agreement and the Cooperation Agreement referred to under "Business Overview — Relationship with the Fund".

A copy of these agreements may be examined during normal business hours at the office of the Corporation located at 1111, Saint-Charles West, East Tower, Suite 1255, Longueuil, Québec during the course of distribution to the public of the Common Shares and for 30 days after the distribution is completed.

BOOK ENTRY SYSTEM

Book entry only certificates representing the Common Shares sold under the Offering will be issued in registered form to CDS or its nominee on the closing of the Offering. Transfers of ownership of Common Shares in Canada will be effected through records maintained by participants in the CDS depository service ("CDS Participants"), which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each purchaser of a Common Share will receive a customer confirmation of purchase from the CDS Participant from which such Common Share is purchased in accordance with the practices and procedures of such CDS Participant.

LEGAL PROCEEDINGS

Currently there are no pending material legal claims against the Corporation, although the Corporation may be involved in various legal proceedings in the ordinary course of business.

EXPERTS

Certain legal matters relating to the issue and sale of Common Shares offered hereby will be passed upon on behalf of the Corporation by McCarthy Tétrault LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP. As of the date hereof, the respective partners and associates of McCarthy Tétrault LLP and Borden Ladner Gervais LLP did not beneficially own, directly or indirectly, any of the Common Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Samson Belair/Deloitte & Touche s.e.n.c.r.l., Chartered Accountants, 1111 St-Charles Street West, suite 550, East Tower, Longueuil, Québec J4K 5G4.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

INDEX TO FINANCIAL STATEMENTS

	Page
Auditors' Consent of Samson Belair/Deloitte & Touche s.e.n.c.r.l.	F-2
Audited and Unaudited Financial Statements of Innergex Management Inc.	F-3
Auditors' Report of Samson Belair/Deloitte & Touche s.e.n.c.r.l.	F-4
Statements of Earnings and Retained Earnings for the six-month periods ended June 30, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004	F-5
Balance Sheets as at June 30, 2007 and December 31, 2006 and 2005	F-6
Statements of Cash Flows for the six-month periods ended June 30, 2007 and, 2006 and the years ended December 31, 2006, 2005 and 2004	F-7
Notes to the Financial Statements	F-8
Audited and Unaudited Consolidated Financial Statements of Innergex II Income Fund	F-15
Auditors' Report of Samson Belair/Deloitte & Touche s.e.n.c.r.l.	F-16
Consolidated Statements of Earnings and Deficit for the six-month periods ended June 30, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004	F-17
Consolidated Balance Sheets as at June 30, 2007 and December 31, 2006 and 2005	F-18
Consolidated Statements of Cash Flows for the six-month periods ended June 30, 2007 and 2006 and the years ended December 31, 2006, 2005 and 2004	F-19
Notes to the Consolidated Financial Statements	F-21
Unaudited Pro Forma Consolidated Financial Statements of Innergex Renewable Energy Inc	F-35
Compilation Report of Samson Belair/Deloitte & Touche s.e.n.c.r.l.	F-36
Unaudited *Pro Forma* Consolidated Statements of Earnings for the six-month period ended June 30, 2007 and the year ended December 31, 2006	F-38
Unaudited *Pro Forma* Consolidated Balance Sheet as at June 30, 2007	F-40
Notes to the Unaudited *Pro Forma* Consolidated Financial `Statements	F-42

AUDITORS' CONSENT

We have read the prospectus of Innergex Renewable Energy Inc. (formerly Innergex Management Inc.) (the "Corporation") dated November 28, 2007 qualifying the distribution of common shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Directors of the Corporation on the balance sheets of the Corporation as at December 31, 2006 and 2005 and the statements of earnings and retained earnings and cash flows for each of the years in the three-year period ended December 31, 2006. Our report is dated March 23, 2007 (except as to note 17 which is as of November 28, 2007).

We also consent to the use in the above-mentioned prospectus of our report to the Directors of Innergex II Income Fund on the consolidated balance sheets as at December 31, 2006 and 2005 and the consolidated statements of earnings and deficit and cash flows for each of the years in the three-year period ended December 31, 2006. Our report is dated March 30, 2007 (except as to note 23 which is as of November 28, 2007).

Longueuil (Québec)
November 28, 2007

(Signed) Samson Belair/Deloitte & Touche, s.e.n.c.r.l.
Chartered Accountants

Financial Statements of

INNERGEX MANAGEMENT INC.

AUDITORS' REPORT

To the Directors of INNERGEX MANAGEMENT INC.

We have audited the balance sheets of Innergex Management Inc. (the "Corporation") as at December 31, 2006 and 2005 and the statements of earnings and retained earnings and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

(Signed) Samson Belair/Deloitte & Touche, s.e.n.c.r.l.
Chartered Accountants
Longueuil (Québec)

March 23, 2007 (except as to Note 17, which is at November 28, 2007)

INNERGEX MANAGEMENT INC.

Statements of Earnings and Retained Earnings

Six-month periods ended June 30, 2007 and 2006 and years ended December 31, 2006, 2005 and 2004

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Revenues					
Management fees	**3,504,563**	2,991,152	**6,236,995**	4,733,663	3,413,961
Expenses					
Salaries	**2,688,705**	2,257,938	**4,707,358**	3,705,629	2,738,534
General and administrative expenses	**517,770**	471,054	**997,577**	723,825	567,761
Depreciation of capital assets	**103,120**	87,711	**182,767**	123,292	64,205
Incentive sharing agreement expense	**45,246**	45,246	**90,493**	50,613	—
	3,354,841	2,861,949	**5,978,195**	4,603,359	3,370,500
Earnings before the following items:	**149,722**	129,203	**258,800**	130,304	43,461
Interest on long-term debt	**23,803**	9,918	**20,175**	20,402	20,729
Loss (gain) on disposal of capital assets	**6,747**	—	**52**	(100)	(700)
Allocation of gain on investment	**—**	—	**—**	(2,050,335)	—
Earnings before income taxes	**119,172**	119,285	**238,573**	2,160,337	23,432
Income taxes (Note 9)					
Current	**42,087**	27,526	**69,910**	289,627	20,603
Future	**(21,052)**	(1,589)	**(10,100)**	(5,586)	(14,198)
	21,035	25,937	**59,810**	284,041	6,405
Net earnings and comprehensive earnings	**98,137**	93,348	**178,763**	1,876,296	17,027
Retained earnings, beginning of period	**1,802,835**	1,624,072	**1,624,072**	21,188	4,161
Refundable income taxes	**—**	—	**—**	(273,412)	—
Retained earnings, end of period	**1,900,972**	1,717,420	**1,802,835**	1,624,072	21,188
Weighted average number of shares outstanding	**6,869**	5,657	**5,657**	167	12
Net earnings per share	**14.28**	16.50	**31.60**	11,258.39	1,418.92

The accompanying notes are an integral part of these financial statements.

INNERGEX MANAGEMENT INC.
Balance Sheets
As at June 30, 2007 and December 31, 2006 and 2005

	June 30, 2007	Decembe 2006	r 31, 2005
	$	$ (unaudited)	$
ASSETS			
Current assets			
Cash and cash equivalents	**320,**	**523,**	316,
Accounts receivable (Note 3)	**1,**	**514,**	469,
Current portion of distribution receivable from a Trust under common management	**512,**	**512,**	512,
Prepaid expenses	**42,**	**15,**	10,
	2,	**1,**	1,
Security deposit	**5,**	**5,**	—
Capital assets (Note 4)	**602,**	**606,**	445,
Distribution receivable from a trust under common management	**1,**	**1,**	1,
Investment in a trust under common management (Note 5)	**13,**	**13,**	13,
Future income taxes	**49,**	**27,**	17,
	4,	**3,**	3,
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (Note 6)	**2,**	**1,**	878,
Income taxes payable	**3,**	**77,**	552,
Interest payable on long-term debt	**20,**	**10,**	10,
Current portion of long-term debt (Note 7)	**250,**	**250,**	250,
	2,	**1,**	1,
Long-term debt (Note 7)	**350,**	**350,**	—
	3,	**1,**	1,
SHAREHOLDERS' EQUITY			
Share capital (Note 8)	**9,**	**6,**	6,
Retained earnings	**1,**	**1,**	1,
	1,	**1,**	1,
	4,	**3,**	3,

Commitments (Note 14)

On behalf of the Board

(Signed) Gilles Lefrançois — Director

(Signed) Michel Letellier — Director

The accompanying notes are an integral part of these financial statements.

INNERGEX MANAGEMENT INC.
Statements of Cash Flows
Six-month periods ended June 30, 2007 and 2006 and years ended
December 31, 2006, 2005 and 2004

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Operating activities					
Net earnings	**98,137**	93,348	**178,763**	1,876,296	17,027
Items not affecting cash:					
Depreciation of capital assets	**103,120**	87,711	**182,767**	123,292	64,205
Loss (gain) on disposal of capital assets	**6,747**	—	**52**	(100)	(700)
Future income taxes	**(21,052)**	(1,589)	**(10,100)**	(5,586)	(14,198)
Changes in non-cash operating working capital items (Note 10)	**(286,218)**	693,336	**(144,509)**	763,575	26,928
	(99,266)	872,806	**206,973**	2,757,477	93,262
Financing activities					
Issuance of share capital	**2,424**	—	**—**	5,645	—
Proceeds from long-term debt	**—**	—	**350,000**	—	—
Refundable income taxes	**—**	—	**—**	(273,412)	—
	2,424	—	**350,000**	(267,767)	—
Investing activities					
Security deposit	**—**	(5,775)	**(5,775)**	—	—
Additions to capital assets	**(107,165)**	(154,213)	**(363,646)**	(361,047)	(46,455)
Investment in a trust under common management	**—**	—	**—**	(13,235)	—
Increase in distribution receivable from a trust under common management	**—**	—	**—**	(2,050,335)	—
Proceeds from disposal of capital assets	**970**	—	**19,677**	100	700
	(106,195)	(159,988)	**(349,744)**	(2,424,517)	(45,755)
Net (decrease) increase in cash and cash equivalents	**(203,037)**	712,818	**207,229**	65,193	47,507
Cash and cash equivalents, beginning of period	**523,507**	316,278	**316,278**	251,085	203,578
Cash and cash equivalents, end of period	**320,470**	1,029,096	**523,507**	316,278	251,085

Cash and cash equivalents is only comprise of cash.
Additional information is presented in Note 10.

The accompanying notes are an integral part of these financial statements.

INNERGEX MANAGEMENT INC.
Notes to the Financial Statements
Six-month periods ended June 30, 2007 and 2006 and years ended
December 31, 2006, 2005 and 2004

1. Description of business

Innergex Management Inc. (the "Corporation") was incorporated on October 25, 2002. The Corporation is incorporated under the laws of Canada and provides management and administrative services.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Basis of presentation — interim financial information

The interim financial information as at June 30, 2007 and 2006 is unaudited. However, in the opinion of management, such information has been prepared on the same basis as the audited annual financial statements, and includes all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations for the periods presented. The interim results, however, are not necessarily indicative of results of future periods.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

Capital assets

Capital assets are recorded at cost. Depreciation is based on their respective estimated useful life using the straight-line method at the following annual rates:

	%
Furniture and fixtures	20
Computer and equipment	30
Software	30
Leasehold improvements	33.33
Artwork	—

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying amount of the asset over its fair value.

Investment in a trust under common management

The investment is recorded at cost. Investment income on the investment is recognized at the time a distribution is declared by the trust.

Revenue recognition

The Corporation recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

Amounts per share

Net earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Accounts receivable

	June 30, 2007	Decembe 2006	r 31, 2005
	$	$ (unaudited)	$
Accounts receivable from companies under common management	**1,**	**492,**	447,
Advances to companies under common management, without interest	**27,**	**21,**	21,
Advances to employees	**5,**	**—**	—
Trade	**186**	**129**	—
	1,	**514,**	469,

4. Capital assets

	June 30, 2007		
	Cost	Accumulated Depreciation	Net Book Value
	$	$ (unaudited)	$
Furniture and fixtures	**336,**	**164,063**	**172,658**
Computer and equipment	**430,**	**258,758**	**171,882**
Software	**281,**	**37,784**	**243,813**
Leasehold improvements	**55,**	**47,829**	**7,175**
Artwork	**7,**	**—**	**7,218**
	1,	**508,434**	**602,746**

	December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Furniture and fixtures	**307,**	**131,518**	**175,**
Computer and equipment	**418,**	**220,594**	**197,**
Software	**230,**	**15,459**	**215,**
Leasehold improvements	**55,**	**44,370**	**10,**
Artwork	**7,**	**—**	**7,**
	1,	**411,941**	**606,**

	December 31, 2005		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Furniture and fixtures	**274,**	**72,725**	**202,038**
Computer and equipment	**308,**	**118,132**	**189,887**
Software	**29,**	**6,590**	**22,849**
Leasehold improvements	**55,**	**31,728**	**23,276**
Artwork	**7,**	**—**	**7,218**
	674,	**229,175**	**445,268**

5. Investment in a trust under common management

	June 30, 2007 $	December 31, 2006 $	December 31, 2005 $
	(unaudited)		
Innergex II Income Fund 13,235 units, representing approximately 15% of the units issued	13,235	13,	13,

6. Accounts payable and accrued liabilities

	June 30, 2007 $	December 31, 2006 $	December 31, 2005 $
	(unaudited)		
Trade and accrued liabilities	509,	829,	656,
Accounts payable to companies under common management	1,	430,	222,
	2,	1,	878,

7. Long-term debt

	June 30, 2007 $	December 31, 2006 $	December 31, 2005 $
	(unaudited)		
Note payable to a shareholder, bearing interest at 8%, repayable on demand	250,000	250,	250,
Note payable to a company under common control, bearing interest at 8%, with no terms of repayment. It is not expected that the holder will ask for the repayment within one year	350,000	350,	—
	600,000	600,	250,
Current portion of long-term debt	250,000	250,	250,
	350,000	350,	—

8. Share capital

Authorized

Class A shares, voting and non-participating. In the event of liquidation, dissolution or wind-up of the Corporation, the holders of Class A shares are entitled to receive an amount equal to the amount paid thereon per share.

Class B shares, non-voting, participating and rank after Class A in the event of liquidation, dissolution or wind-up of the Corporation.

		June 30, 2007 $	December 31, 2006 $	December 31, 2005 $
	(unaudited)			
Issued				
1	Class A share	1	1	1
8,081	Class B shares (5,657 in 2006 and 2005)	9,269	6,845	6,845
		9,270	6,846	6,846

On March 1, 2007, the Corporation issued 2,424 Class B shares for a cash consideration of $2,424.

9. Income taxes

The Corporation's effective income tax rate differs from the combined basic Canadian rate (federal and provincial). This difference results from the following:

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Earnings before income taxes	**119,172**	119,285	**238,573**	2,160,337	23,432
Canadian statutory rate	**32.02%**	32.02%	**32.02%**	31.02%	31.02%
Provision for income taxes computed using the statutory tax rate	**38,159**	38,195	**76,391**	670,137	7,269
Small business deduction	**(14,375)**	(13,256)	**(29,043)**	(10,626)	(2,652)
Non-deductible expenses	**1,844**	1,315	**9,161**	2,502	1,872
Capital gain taxable at a lower rate	**—**	—	**—**	(375,960)	—
Others	**(4,593)**	(317)	**3,301**	(2,012)	(84)
	21,035	25,937	**59,810**	284,041	6,405

Future income tax assets result from the temporary differences due to the tax basis of the fixed assets that is higher than their carrying values.

10. Additional information to the Statements of Cash Flows

Changes in non-cash operating working capital items

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Accounts receivable	**(1,471,802)**	(166,983)	**(45,121)**	(267,609)	(109,210)
Prepaid expenses	**(26,247)**	(11,750)	**(5,753)**	1,911	(8,817)
Accounts payable and accrued liabilities	**1,275,949**	1,380,707	**381,462**	477,040	144,818
Interest payable to a shareholder	**9,918**	9,918	**—**	27	137
Income taxes payable	**(74,036)**	(518,556)	**(475,097)**	552,206	—
	(286,218)	693,336	**(144,509)**	763,575	26,928
Additional information					
Interest paid	**—**	—	**20,175**	20,374	20,592
Income taxes paid	**77,411**	546,082	**546,082**	—	—

11. Related party transactions

The Corporation has entered into the following transactions with entities under common management:

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Innergex Power Trust (i)					
Regular services	**443,**	436,	**873,**	752,	620,
Business acquisition fees	**272,**	327,	**327,**	20,	223,
Additional services	**80,**	26,	**78,**	82,	20,
Incentive fee	**164,**	164,	**329,**	139,	44,
Total management fee revenues	**961,**	955,	**1,**	995,	909,
Innergex Power Income Fund (ii)					
Management fee revenues	**54,**	53,	**107,**	104,	101,
Innergex II Income Fund (iii)					
Management fee revenues	**2,**	1,	**4,**	3,	2,
	3,	2,	**6,**	4,	3,
Innergex II Income Fund (iv)					
Incentive sharing agreement expense	**45,**	45,	**90,**	50,	—

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$	$
		(unaudited)	
Accounts receivable from related parties:			
Receivables from other companies under common management	**134,**	**152,**	445
Receivable from Innergex II Income Fund	**472,**	**276,**	331,
Receivable from Innergex Power Trust	**1,**	**6,**	—
Receivable from Innergex Power Income Fund	**183,**	**55,**	115,
	1,	**492,**	447,
Accounts payable to related parties			
Innergex II Income Fund:			
Incentives fees payable	**45,**	**90,**	50,
Accounts payable	**1,**	**340,**	171,

These transactions were made in the normal course of business and have been recorded at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

The Corporation provides management and administrative services under the terms of management and administration agreements.

(i) Management Agreement

Under the terms of the Management Agreement, the Corporation provides services to Innergex Power Trust ("IPT"). The Corporation (i) supervises the operation of the facilities and administers the investments of IPT; (ii) assists IPT in the development, implementation and

monitoring of a strategic plan for IPT; (iii) assists IPT in developing an annual business plan, which includes operational and capital expenditure budgets; (iv) assists IPT in developing acquisition strategies and investigation of potential acquisitions and analysis of feasibility of potential acquisitions; (v) supervises the carrying out of acquisitions, the disposition of assets and related financings required for such transactions; (vi) assists in connection with any financing of IPT or Innergex Power Income Fund ("the Fund"); and (vii) assists IPT with the preparation, planning and co-ordination of trustees' meetings.

Under the Management Agreement, the Corporation is entitled to reimbursement of its regular operating expenses incurred in connection with its duties, up to a maximum annual amount, which is subject to an annual increase equal to the inflation rate of the Consumer Price Index ("CPI"). The maximum annual chargeable amount for regular services was established at $886,922 for the year ending December 31, 2007 ($873,814 in 2006; $752,759 in 2005, $620,838 in 2004). Amounts have been invoiced for business acquisitions and additional services not included in the regular services. The Corporation is also entitled to an annual incentive fee based on increases in distributable cash per trust unit of the Fund. The incentive fee is equal to 25% of the annual distributable cash per trust unit of the Fund in excess of $0.925 per trust unit. The incentive fee related to increases in distributable cash per trust unit of the Fund is intended to provide the Corporation with an incentive to maximize distributable cash per trust unit. The Management Agreement has an initial twenty-year term ending July 2023 and is subsequently renewable for successive periods of five years. All earned amounts for regular services, business acquisitions, additional services and incentive fees are shown on the summary on the previous page.

(ii) Administration Agreement

Under the terms of the Administration Agreement, the Corporation provides certain administrative and support services to the Fund, including those necessary to (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation; (ii) provide investor relation services; (iii) provide or cause to be provided to unitholders of the Fund all information to which unitholders are entitled, including relevant information with respect to income taxes; (iv) call and hold meetings of unitholders of the Fund and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of distributions to unitholders of the Fund; (vi) attend to all administrative and other matters arising in connection with any redemptions of trust units of the Fund; and (vii) ensure compliance with the Fund's limitations on non-resident ownership.

All operating expenses incurred by the Corporation in connection with the provision of these services are for the account of the Fund up to a maximum annual amount, which is subject to an annual increase equal to the inflation rate of the CPI. The maximum annual chargeable amount was established at $108,858 for the year ending December 31, 2007 ($107,218 in 2006, $104,369 in 2005, $101,606 in 2004). The Corporation is also entitled to reimbursement of reasonable out-of-pocket expenses incurred on behalf of the Fund such as legal and auditing expenses. The Administration Agreement has an initial twenty-year term ending July 2023 and is subsequently renewable for successive periods of five years.

(iii) Management fee revenues

All operating costs not recovered by Innergex Management Inc. are charged to Innergex II Income Fund.

(iv) Incentive Sharing Agreement

Under the terms of the Incentive Sharing Agreement, the Corporation is obliged to pay 27.5% of the incentive received under the Management Agreement to Innergex II Income Fund.

12. Refundable income taxes

As long as the Corporation remains classified as a Canadian-controlled private corporation under the *Income Tax Act,* a portion of its income taxes is recoverable when taxable dividends are paid to shareholders. These taxes are charged to retained earnings and recoveries are credited to retained earnings. The amount of accumulated refundable taxes is $273,412 as at June 30, 2007 and as at December 31, 2006 and 2005.

13. Economic Dependence

During the six-month periods ended June 30, 2007 and 2006, Innergex Power Trust and Innergex II, two entities under common management, accounted for 71% and 27% of revenues respectively for June 30, 2007 and 66% and 32% of revenues respectively for 2006. For the years ended December 31, 2006, 2005 and 2004, the same entities accounted for 72% and 26% of revenues in 2006, 77% and 21 % of revenues in 2005 and 70% and 27% of revenues in 2004. Detailed information is provided in note 11 on related party transactions.

14. Commitments

The Corporation is committed to payments under operating leases totaling $1,948,868 for equipment and office space.

As at June 30, 2007, the minimum lease payments for the next five years and thereafter are approximately as follows:

	$
2008	419,
2009	419,
2010	419,
2011	419,
2012	269,
thereafter	—
	1,

15. Financial instruments

Fair value

The fair value of cash and cash equivalents, accounts receivable, current portion of distribution receivable from a Trust under common management, accounts payable and accrued liabilities, interest payable to a shareholder and note payable to a shareholder is approximately equal to their carrying value due to their short-term maturities.

The fair value of the note payable to a company under common control could not be determined because there are no fixed terms of repayment.

Interest risk rate

The long-term debt bears fixed interest rates. Consequently, the cash flow exposure is not significant.

16. Comparatives figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

17. Subsequent events

Initial public offering

On November 28, 2007, the Corporation filed a prospectus with applicable Canadian securities regulatory authorities relating to an initial public offering of 10,455,000 Common shares at a price of $11.00 per share (the "Offering") for net proceeds of $102,967,237 after deducting underwriters' fees of $6,037,763 and estimated expenses related to the Offering of $6,000,000. Concurrently with the closing of the Offering, the Institutional Investors will subscribe for an additional 5,342,620 Common Shares of the Corporation at the Offering Price hereunder for an aggregate amount of $58,768,822, by re-investing (i) $11,618,822 from distributions to be paid to them by Innergex II further to the gain realized by Innergex II at closing from the disposition of the Rutherford Creek facility in December 2005 and (ii) an additional $47,150,000 in cash. At the closing of the Offering the Corporation will use the net proceeds of the Offering and of the concurrent re-investment to complete the following transactions:

	$
Repayment or purchase of promissory notes of Innergex II Income Fund	123,
Funding of equity in development projects	30,
Dividend to shareholders of the Corporation	3,
Working capital and general corporate purposes	4,
	161,

At the closing of the Offering, the Corporation will acquire from the Institutional Investors their equity interests in Innergex II, such that Innergex II will be wholly-owned by the Corporation, for a purchase price of $63,364,165, which will effectively be paid by the issue to the Institutional Investors of 5,760,379 Common Shares at the Offering price.

Share capital

Immediately prior to the completion of the Offering, the Corporation will give effect to a share capital reorganization pursuant to which the articles of the Corporation will be amended to (i) create a new class of common shares; (ii) create a new class of non-voting preferred shares issuable in series; and (iii) cancel the authorized Class A shares and Class B shares. Immediately prior to the completion of the Offering, the class B shares will be converted into 1,942,001 common shares and the one outstanding class A share will be redeemed and cancelled by the Corporation for a nominal consideration.

Name of the corporation

Subsequent to June 30, 2007, the name of the Corporation will be modified to Innergex Renewable Energy Inc.

Management and administration agreements

The management and administration agreements have been extended to July 2030.

Stock option plan

Prior to the completion of the Offering, (the “Stock Option Plan”) which will provide for the granting of options by the Board of Directors to employees, officers and directors of the Corporation and its subsidiaries to purchase common shares. Options granted under the Stock Option Plan will have an exercise price of not less than the market price of the common shares at the date of grant of the option, calculated as the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the date of grant. The maximum aggregate number of shares which may be subject to options under the Stock Option Plan will be 2,350,000, representing 10% of the issued and outstanding common shares at the closing of the Offering. The number of common shares issuable to insiders, as that term is defined in the Stock Option Plan, cannot at any time exceed 10% of the issued and outstanding common shares and cannot within any one year period exceed 10% of the issued and outstanding common shares. Any common shares subject to an option that expires or terminates without having been fully exercised may be made the subject of a further option. The number of common shares issuable to non-executive directors of the Corporation cannot at any time exceed 1% of the issued and outstanding common shares.

Options must be exercised during a period established by the Board of Directors, which may not be greater than ten years after the date of grant. Subject to the discretion of the Board of Directors, options granted under the Stock Option Plan will vest in four equal amounts on a yearly basis over the four years following the grant date.

If an optionee’s employment, office or directorship with the Corporation is terminated for cause, options not then exercised terminate immediately. If an optionee dies or becomes, in the determination of the Board of Directors, permanently disabled, options may be exercised for that number of common shares which the optionee was entitled to acquire at the time of death or permanent disability, as the case may be, for a period of six months or one year after the date of death or permanent disability. Upon an optionee’s employment, office or directorship with the Corporation terminating or ending other than by reason of death, permanent disability or termination for cause, options may be exercised for that number of common shares which the optionee was entitled to acquire at the time of such termination. Such options may be exercised for a period of 90 days after such date.

The Stock Option Plan will be administered by the Board of Directors or, if determined by the Board of Directors, by the Board of Directors with the assistance of the Compensation, Corporate Governance and Nominating Committee.

Consolidated Financial Statements of
INNERGEX II INCOME FUND

Auditors' Report

To the Directors of INNERGEX II INCOME FUND

We have audited the consolidated balance sheets of Innergex II Income Fund ("Innergex II") as at December 31, 2006 and 2005 and the consolidated statements of earnings and deficit and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the management of Innergex II. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Innergex II as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

(Signed) Samson Belair/Deloitte & Touche, s.e.n.c.r.l.
Chartered Accountants
Longueuil (Québec)

March 30, 2007 (except as to Note 23, which is at November 28, 2007)

INNERGEX II INCOME FUND
Consolidated Statements of Earnings and Deficit
Six-month periods ended June 30, 2007 and 2006 and years ended December 31, 2006, 2005 and 2004

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Revenues					
Operating	**6,328,499**	1,683,895	**4,177,043**	3,472,471	6,863,290
Management fees	**56,213**	96,530	**199,964**	50,613	—
	6,384,712	1,780,425	**4,377,007**	3,523,084	6,863,290
Expenses					
Operating	**710,283**	169,542	**424,977**	788,624	3,133,188
General and administrative expenses	**393,289**	186,089	**440,415**	539,230	577,786
	1,103,572	355,631	**865,392**	1,327,854	3,710,974
Earnings before the following items:	**5,281,140**	1,424,794	**3,511,615**	2,195,230	3,152,316
Depreciation and amortization	**(2,361,288)**	(543,182)	**(1,399,117)**	(1,283,364)	(1,078,851)
Write-off of project development and deferred costs	**(5,278,546)**	—	**(592,450)**	(2,830,324)	(18,377)
Gain on disposal of investments	**—**	—	**1,951,616**	18,259,758	684,422
Gain (loss) on derivative financial instruments (Note 19)	**3,863,188**	5,184,942	**(287,745)**	(1,305,257)	(198,976)
Interest from joint ventures	**282,355**	—	**215,895**	688,373	675,886
Distribution from joint ventures	**—**	—	**—**	192,769	177,178
Interest income	**499,890**	285,217	**386,892**	57,466	134,049
Interest on long-term debt	**(2,009,796)**	(445,658)	**(1,145,099)**	(1,782,790)	(994,396)
Interest on bank loan	**(111,372)**	—	**(49,238)**	—	—
Interest on promissory notes	**(897,467)**	(859,975)	**(1,627,482)**	(1,349,400)	(1,538,043)
Distribution on preferred units	**—**	—	**—**	(365,196)	(429,984)
Foreign exchange loss	**(2,531)**	(2,690)	**(10,919)**	(102,602)	(1,891)
(Loss) earnings before income taxes	**(734,427)**	5,043,448	**953,968**	12,374,663	563,333
Income taxes (Note 15)	**1,785**	23,029	**16,282**	—	—
Net (loss) earnings and comprehensive (loss) earnings	**(736,212)**	5,020,419	**937,686**	12,374,663	563,333
Deficit, beginning of period	**(2,697,864)**	(3,635,550)	**(3,635,550)**	(2,341,057)	(2,904,390)
Distribution declared on common units	**—**	—	**—**	(13,669,156)	—
(Deficit) retained earnings, end of period	**(3,434,076)**	1,384,869	**(2,697,864)**	(3,635,550)	(2,341,057)

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

INNERGEX II INCOME FUND
Consolidated Balance Sheets
As at June 30, 2007 and December 31, 2006 and 2005

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
ASSETS			
Current assets			
Cash and cash equivalents	**15,300,457**	**8,904,632**	31,989,609
Accounts receivable (Note 4)	**7,570,738**	**23,201,872**	8,984,047
Derivative financial instruments (Note 19)	**3,589,885**	**—**	134,211
Other current assets	**276,730**	**335,321**	112,070
	26,737,810	**32,441,825**	41,219,937
Funds held in Trust	**852,278**	**1,887,585**	11,025,675
Loan to an entity under common management bearing interest at 8%, without fixed term of repayment	**350,000**	**350,000**	—
Investments in joint ventures (Note 5)	**680,000**	**4,873,213**	100
Fixed assets (Note 6)	**85,845,699**	**87,569,670**	19,030,514
Intangible assets (Note 7)	**18,002,186**	**18,066,349**	5,605,967
Project development costs (Note 8)	**107,764,045**	**69,183,286**	36,227,911
Deferred costs and pre-operating costs (Note 9)	**6,762,754**	**7,308,127**	6,476,664
Derivative financial instruments (Note 19)	**619,769**	**500,000**	500,000
	247,614,541	**222,180,055**	120,086,768
LIABILITIES			
Current liabilities			
Bank loan (Note 10)	**8,000,000**	**7,000,000**	—
Accounts payable and accrued liabilities	**14,044,252**	**14,702,273**	5,788,827
Construction holdbacks	**1,655,790**	**1,210,775**	301,100
Derivative financial instruments	**—**	**153,534**	—
Current portion of distribution payable on common units	**3,417,289**	**3,417,289**	3,417,289
Current portion of long term debt (Note 12)	**1,104,476**	**362,574**	—
	28,221,807	**26,846,445**	9,507,216
Asset retirement obligation (Note 11)	**549,184**	**526,946**	—
Long-term debt (Note 12)	**94,062,524**	**69,289,426**	16,000,000
	122,833,515	**96,662,817**	25,507,216
Unitholders' interest			
Promissory notes (Note 13)	**117,875,000**	**117,875,000**	87,875,000
Distribution payable on common units	**10,251,867**	**10,251,867**	10,251,867
	128,126,867	**128,126,867**	98,126,867
UNITHOLDERS' DEFICIENCY			
Fund units (Note 14)	**88,235**	**88,235**	88,235
Deficit	**(3,434,076)**	**(2,697,864)**	(3,635,550)
	(3,345,841)	**(2,609,629)**	(3,547,315)
	247,614,541	**222,180,055**	120,086,768

Commitments (Note 20)

On behalf of the Board of trustees

(Signed) Gilles Lefrançois, Trustee (Signed) Cyrille Vittecoq, Trustee

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

INNERGEX II INCOME FUND
Consolidated Statements of Cash Flows
Six-month periods ended June 30, 2007 and 2006 and years ended
December 31, 2006, 2005 and 2004

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Operating activities					
Net (loss) earnings	**(736,212)**	5,020,419	**937,686**	12,374,663	563,333
Items not affecting cash:					
Depreciation of fixed assets	**2,196,185**	350,844	**1,068,676**	720,216	822,556
Amortization of intangible assets	**64,163**	64,084	**128,245**	159,135	81,124
Amortization of deferred costs and pre-operating costs	**100,940**	128,254	**202,196**	404,013	175,171
Accretion of asset retirement obligation	**22,238**	—	**3,707**	—	—
Unrealized (gain) loss on derivative financial instruments	**(3,863,188)**	(5,184,942)	**287,745**	—	—
Write-off of project development costs	**3,540,240**	—	**592,450**	2,830,324	18,377
Write-off of project deferred costs and pre-operating costs	**1,738,306**	—	**—**	—	—
Gain on disposal of investments	**—**	—	**(1,951,616)**	(18,259,758)	(684,422)
Changes in non-cash operating working capital items (Note 16)	**15,476,719**	(4,688,153)	**(4,617,955)**	9,487,676	2,029,299
	18,539,391	(4,309,494)	**(3,348,866)**	7,716,269	3,005,438
Financing activities					
Increase in bank loan	**1,000,000**	—	**7,000,000**	—	—
(Redemption) issuance of preferred units	**—**	—	**—**	(14,925,000)	3,000,000
Distribution on common units	**—**	—	**—**	(13,669,156)	—
Issuance of common units	**—**	—	**—**	7,590	1,697
Increase of asset retirement obligation	**—**	—	**523,239**	—	—
Proceeds from long-term debt	**25,515,000**	—	**53,652,000**	11,790,828	10,802,500
Increase in promissory notes	**—**	15,000,000	**30,000,000**	37,475,000	12,000,000
	26,515,000	15,000,000	**91,175,239**	20,679,262	25,804,197

INNERGEX II INCOME FUND
Consolidated Statements of Cash Flows (cont'd)
Six-month periods ended June 30, 2007 and 2006 and years ended December 31, 2006, 2005 and 2004

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Investing activities					
Decrease (increase) in funds held in Trust	**1,035,307**	(5,338,395)	**9,138,090**	(5,396,506)	(7,107,315)
Decrease (increase) in investments in joint ventures	**4,193,213**	—	**(4,873,113)**	8,695,262	405,526
Decrease in loan without interest	**—**	—	**—**	782,886	—
Increase in a loan to an entity under common management	**—**	—	**(350,000)**	—	—
Additions to fixed assets	**(472,214)**	(565,541)	**(573,402)**	(4,036,446)	(1,513,492)
Additions to intangible assets	**—**	(6,099)	**(12,588,627)**	(2,626,499)	(16,276)
Additions to project development costs	**(42,120,998)**	(16,178,258)	**(103,752,619)**	(27,557,877)	(24,878,177)
Changes in deferred costs and pre-operating costs	**(1,293,874)**	(486,759)	**136,705**	(1,794,016)	(797,961)
Disposal of Rutherford Creek Power Limited Partnership, net of cash (Note 17)	**—**	—	**1,951,616**	22,287,418	—
Disposal of Horseshoe Bend Hydro-electric Company, net of cash	**—**	—	**—**	1,864,557	8,953,218
Increase in other long-term asset	**—**	—	**—**	(500,000)	—
	(38,658,566)	(22,575,052)	**(110,911,350)**	(8,281,221)	(24,954,477)
Foreign currency translation adjustment	**—**	—	**—**	—	(722,587)
Net increase (decrease) in cash and cash equivalents	**6,395,825**	(11,884,546)	**(23,084,977)**	20,114,310	3,132,571
Cash and cash equivalents, beginning of period	**8,904,632**	31,989,609	**31,989,609**	11,875,299	8,742,728
Cash and cash equivalents, end of period	**15,300,457**	20,105,063	**8,904,632**	31,989,609	11,875,299
Cash and cash equivalents comprise the following:					
Cash	**5,347,180**	20,105,063	**1,396,451**	6,995,759	11,875,299
Term deposits	**9,953,277**	—	**7,508,181**	24,993,850	—
	15,300,457	20,105,063	**8,904,632**	31,989,609	11,875,299

Additional information is presented in Note 16.

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

INNERGEX II INCOME FUND
Notes to the Consolidated Financial Statements
Six-month periods ended June 30, 2007 and 2006 and years ended December 31, 2006, 2005 and 2004

1. Description of business

Innergex II Income Fund ("Innergex II") was created on December 20, 2001 and is a limited purpose trust restricted to:

- Issuing units and evidences of indebtedness for consideration in order to own, build, develop, operate and/or acquire assets or businesses of power generation;
- Investing in securities and borrowing funds for that purpose; and
- Temporarily holding cash and short-term investments in accordance with a policy from time to time determined by the Trustees and other investments for the purposes of paying the expenses and the liabilities of Innergex II, paying the amounts payable by Innergex II in connection with the redemption of any units, and making distributions to unitholders.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Basis of presentation — interim financial information

The interim financial information as at June 30, 2007 and 2006 is unaudited. However, in the opinion of management, such information has been prepared on the same basis as the audited annual financial statements, except for the new accounting standards adopted, which are described in Note 3, and includes all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations for the periods presented. The interim results, however, are not necessarily indicative of results of future periods.

Principles of consolidation

The consolidated financial statements include the financial statements of Innergex II and its wholly owned entities and financial statements of joint ventures, which are accounted for using the proportionate consolidation method. All intercompany balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

Government assistance

Government assistance in the form of a refundable investment tax credit is recorded in the financial statements when there is reasonable assurance that Innergex II has complied with, and will continue to comply with, all conditions necessary to obtain the assistance.

Innergex II incurs renewable energy development expenditures, which are eligible for investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities.

Government assistance, including investment tax credits for renewable energy development expenditures, is reflected as a reduction in the cost of the assets or expenses to which it relates.

Funds held in trust

Funds held in trust represent funds held for the purpose of satisfying certain agreements, relating mainly to the completion of construction, hydrology reserves and for major maintenance.

Fixed assets

Fixed assets, comprised mainly of hydroelectric and wind farm facilities, are recorded at cost. Financing costs related to the construction of fixed assets are capitalized when incurred. Depreciation of hydroelectric power generating facilities is based on the estimated useful lives of the assets using the straight-line method over the lesser of a period of 50 years or the period for which Innergex II owns the right to the assets. Depreciation of wind farm facilities is based on the estimated useful lives of the assets using the straight-line method over 20 years. Improvements that increase or prolong the service life or capacity of an asset are

capitalized. The other equipment is depreciated using the declining balance method at an annual rate of 30%. Maintenance and repair costs are expensed as incurred.

Intangible assets

The intangible assets consist of various permits, licences and agreements. They are recorded at cost and amortization starts when the related facility becomes commercially operational. They are amortized using the straight-line method over a period ending on the first maturity date of the permits, licences and agreements of each facility, which is usually twenty years. The intangible assets also contain a warranty on the turbine for years 3 to 5 of these assets. The warranty will be amortized on a straight-line basis over a three-year period between the years 3 to 5 of the turbines.

Project development costs

Project development costs represent costs incurred in the investigation, acquisition and development of hydroelectric and wind energy sites, as well as interest costs during the construction period. The costs are transferred to fixed assets when a hydroelectric or wind energy site becomes

commercially operational. Interest costs incurred to finance the construction and revenues derived prior to commercial operation are capitalized as project development costs.

Deferred costs and pre-operating costs

Deferred costs and pre-operating costs represent expenditures directly related to obtaining water licences or Power Purchase Agreements or financing, which are incremental in nature. Deferred costs and pre-operating costs are amortized on a straight-line basis over a five-year period upon commencement of commercial operations of each facility.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying amount of the asset over its fair value.

Loans

Loans are stated net of an allowance for loan losses. Loans are classified as impaired when there is no longer reasonable assurance of timely collection of the full principal amount.

Asset retirement obligations

Innergex II recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historical rates. Translation gains or losses are included in earnings.

Revenue recognition

Revenue is recognized on the accrual basis upon the delivery of electricity at rates pursuant to each of the Power Purchase Agreements with the purchasing utilities.

Interest revenue is recognized as earned when collection is reasonably assured. When collection is not reasonably assured, interest revenue is recognized on a cash basis.

Derivative financial instruments

Derivative financial instruments held for trading or speculative purposes or that are not eligible for hedge accounting are recognized on the balance sheet at their fair value, with changes in fair value recognized in net earnings. Gains or losses on instruments not qualifying for hedge accounting upon adoption of Accounting Guideline 13 and Emerging Issues Committee 128 are recognized in earnings in the same period.

Income taxes

Innergex II is a unit trust for income tax purposes. As such, Innergex II is only taxable on any taxable income not allocated to the unitholders. As substantially all taxable income will be allocated to the unitholders, no provision for income taxes on earnings of Innergex II has been made in these financial statements. Income tax liability, relating to distributions from Innergex II, is the obligation of the unitholders. Any provision for income taxes relates solely to the income taxes of the investment of Innergex II in its taxable subsidiaries. Innergex II follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the accounting basis and the tax basis of the assets and liabilities and future tax attributes and are measured using the enacted and substantively enacted tax rates expected to apply to the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management's estimates relate to impairment of assets, asset retirement obligations, useful lives for depreciation and amortization and future income taxes.

3. Changes in accounting policies

Financial instruments

The Canadian Institute of Chartered Accountants ("CICA") has issued the following accounting standards, which came into effect on January 1, 2007 for Innergex II.

a) Section 3855, *Financial Instruments — Recognition and Measurement.* This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets available for sale, held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

b) Section 1530, *Comprehensive Income*. This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in unitholders' equity, which results from transactions other than those resulting from investments by unitholders and distributions to unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments.

c) Section 3865, *Hedges.* This Section describes when and how hedge accounting can be applied, as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item. Innergex II did not designate any of its financial instruments for accounting purposes as hedges.

Innergex II has made the following classifications:

- Cash and cash equivalents and derivative financial instruments and funds held in Trust are classified as financial assets held for trading and are measured at fair value. Changes in fair value are recorded in net earnings (loss).

- Accounts receivable and loan to an entity under common management are classified as loans and receivables, and are recorded at amortized cost.

- Bank loan, accounts payable and accrued liabilities, construction holdbacks, distributions payable, long-term debt and promissory notes are classified as other liabilities and measured at amortized cost.

Transaction costs

Transaction costs will be capitalized to the cost of project development costs or deferred costs and pre-operating costs.

Non-financial and embedded derivatives

In addition, in order to comply with Section 3855, Innergex II was required to review all contracts in place to identify non-financial derivatives and embedded derivatives. Innergex II chose January 1, 2003 as its transition date for embedded derivatives, as permitted by the standard. No non-financial derivative contracts were identified. Changes in fair value of the derivatives are thereafter recognized in earnings.

Variable interest entities

Effective January 1, 2005, Innergex II adopted the CICA Accounting Guideline 15 ("AcG-15"), *Consolidation of Variable Interest Entities* ("VIEs"). AcG-15 applies to interim periods beginning on or after November 1, 2004. VIEs are entities in which equity investors do not have a controlling financial interest or the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by any parties, including equity holders. AcG-15 requires the consolidation of a VIE by its primary beneficiary (i.e., the party that receives the majority of the expected residual returns and/or absorbs the majority of the entity's losses). The management of Innergex II conducted a review of the ownership and contractual interest in entities and determined that the adoption of this guideline did not have any impact on the consolidated financial statements of Innergex II.

4. Accounts receivable

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
Trade and other	**3,**	**11,**	1,
Commodity taxes	**2,**	**7,**	2,
Investment tax credits	**1,**	**3,**	2,
Balance of selling price (Note 17)	**—**	**1,**	2,
Subscription of units	**—**	**—**	7,
	7,	**23,**	8,

5. Investments in joint ventures

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
Umbata Falls, Limited Partnership			
Advance bearing interest at 5.59% repaid during the period	**—**	**4,**	100
Kwoiek Creek Resources Limited Partnership subordinated debt(a)	**680,000**	**537,**	—
	680,000	**4,**	100

(a) Kwoiek Creek Resources Limited Partnership subordinated debt

Innergex II will be responsible for financing approximately $24 million or 20% of the capital costs and will lend such amount to the Partnership pursuant to the subordinated debt agreement.

Interest on the subordinated debt will accrue at the following rates:

a) Development phase: 20% per year;

b) Construction phase and operating phase: 14% per year;

and will not be calculated or payable on accrued interest. As of the commercial operation date, all accrued interest on the subordinated debt will be deemed to be the principal under the subordinated debt agreement, and interest on the aggregate subordinated debt will subsequently be payable annually on April 1 of each year, subject to the availability of gross revenues. If there is no sufficient gross revenue to pay the interest on the subordinated debt and the distribution on the preferred units, the unpaid interest and the unpaid distribution will accrue without interest and will be payable in the forthcoming year.

Joint ventures' activities

The consolidated financial statements of Innergex II include its proportionate share of assets, liabilities, revenues and expenses of the joint ventures' activities. The amounts included in these financial statements with respect to joint ventures are as follows:

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
Assets			
Current	**6,281,999**	**17,811,978**	9,113,368
Long-term	**117,467,768**	**84,628,937**	22,129,391
	123,749,767	**102,440,915**	31,242,759
Liabilities			
Current	**6,286,100**	**9,604,690**	778,429
Long-term	**64,716,184**	**53,178,946**	—

	71,002,284	62,783,636	778,429
Earnings			
Revenues	8,716,316	1,293,763	4,154,295
Expenses	3,820,337	815,891	3,631,346
Net earnings	4,895,979	477,872	522,949
Operating activities	13,107,368	605,523	(7,994,199)
Financing activities	11,537,238	53,178,946	(27,079,172)
Investing activities	(32,838,831)	(62,499,546)	11,299,203

6. Fixed assets

	June 30, 2007		
	Cost	Accumulated Depreciation	Net Book Value
	$	$ (unaudited)	$
Hydroelectric facilities	19,	1,118,126	18,
Wind farm facilities	69,	2,148,271	67,
Other equipment	115,	13,286	102,
	89,	3,279,683	85,

	December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Hydroelectric facilities	19,	763,459	19,
Wind farm facilities	68,	313,074	68,
Other equipment	63,	6,963	56,
	88,	1,083,496	87,

	December 31, 2005		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Hydroelectric facilities	19,	51,213	19,
Other equipment	21,	15,882	5,
	19,	67,095	19,

7. Intangible assets

	June 30, 2007		
	Cost	Accumulated Amortization	Net Book Value
	$	$ (unaudited)	$
Hydroelectric projects	16,	203,075	16,
Wind farm projects	1,	—	1,
	18,	203,075	18,

	December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Hydroelectric projects	16,	138,912	16,
Wind farm projects	1,	—	1,
	18,	138,912	18,

	December 31, 2005		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Hydroelectric projects	5,	10,668	5,

8. Project development costs

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
Facilities under construction	91,	50,	8,
Projects under development	16,	18,	27,
	107,	69,	36,

Project development costs include financing costs of $12,172,354 ($11,558,864 in 2006 and $7,816,929 in 2005).

9. Deferred costs and pre-operating costs

Deferred costs and pre-operating costs include financing costs of $1,417,934 ($1,434,789 in 2006 and $1,363,709 in 2005). The net book value includes accumulated amortization of $310,947 ($210,007 in 2006 and $10,668 in 2005).

10. Bank loan

Innergex II has an authorized line of credit up to a maximum of $30 million ($20 million after August 15, 2007) secured by an hypothec on the universality of its investments and receivables from subsidiaries, excluding the assets already pledged as guarantees under other secured long-term debt. The credit facility is renegotiable annually and bears interest at the prime rate plus a margin. As at June 30, 2007, a portion of $10.2 million of this line of credit has been used to secure letters of credit and a portion of $5.4 million has been used to secure bond forward contracts. An amount of $8 million, repaid by July 20, 2007, ($7 million as at December 31, 2006; nil in 2005) was drawn on this line of credit.

11. Asset retirement obligation

Asset retirement obligation essentially derive from the obligation of Innergex II to remove wind farm facilities assets at the expiration of the land leases. The wind farm facilities are constructed on lands under leases that expire 20 years after commencement of delivery of electricity. Innergex II estimates that the undiscounted payments required to settle the obligations over a period of twenty years, being the term of the electricity supply contract, will total $2,674,825 as follows:

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
2026	2,	2,	—

The rate at which the cash flows have been discounted is 8.5%.

The change in the liability during the period is as follows:

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
Balance, beginning of period	526,946	—	—
Liability incurred	—	523,	—
Liability settled	—	—	—
Accretion expense	22,238	3,	—
Balance, end of period	549,184	526,	—

12. Long-term debt

	June 30, 2007	December 31, 2006	December 31, 2005
	$	$ (unaudited)	$
Glen Miller Power, Limited Partnership(a)	17,	17,	16,
Innergex BDS, Limited Partnership(b)	52,	52,	—
Umbata Falls, Limited Partnership(c)	11,	—	—

Ashlu Creek Investments Limited Partnership(d)	**14,**	**—**	—
	95,	**69,**	16,

(a) Glen Miller Power, Limited Partnership

The long-term debt relates to a loan made to provide construction and long-term financing.

The maximum principal amount of the construction loan which, subject to terms and conditions, was made available by the lender during the construction period to pay for project costs, was $17,000,000.

The maximum principal amount of the loan which, subject to terms and conditions, was made available at the conversion date, was the lower of (a) $17,000,000 and (b) an amount equal to the construction loan.

The Partnership had to pay to the lender interest on the principal amount of each loan advance from the date on which such loan advance was made to the earlier of the conversion date or the date on which the loan was repaid at an annual rate equal to the bankers' acceptances plus 175 basis points.

During 2006, the loan was converted from a construction loan to a term loan, consisting of sixty monthly blended payments of capital and interests based over a twenty-year period of amortization with a five-year term. The capital repayments were waived off for a 5 year period unless the conditions required by the lender are not respected. The term loan is set on a variable rate, which is equal to the bankers' acceptances plus 140 basis points.

The Partnership granted a first-ranking hypothec and security interest in the amount of $20,400,000 affecting the universality of all property and assets of the Partnership related to the project. The net book value of the property and assets of the Partnership as at June 30, 2007 is $22,422,083.

(b) Innergex BDS, Limited Partnership

The long-term debt relates to a loan made to provide construction and long-term financing.

The aggregate principal amount of the construction loan made by the lenders shall not exceed the lesser of (a) $55,000,000 or (b) 80% of the total project costs.

The Partnership shall pay accrued interest on the unpaid principal amount on every monthly payment date from the date of the advance of such construction loan until the maturity thereof at an annual rate equal to the floating rate.

The floating rate means on any given day, the annual interest rate determined as being the arithmetic average of the "BA 1 month" rate applicable to the Canadian dollar bankers' acceptances plus 1.25%.

The loan was converted into a term loan in July 2007. The term loan is set on a variable rate, which is equal to the floating rate, and will be amortized over a twenty-year period. The first capital instalment will be made on October 1, 2007.

As security for the payment and performance of all the Partnership's obligation, the Partnership has pledged a debenture in the principal amount of $85,000,000, secured by a first-ranking hypothec on all of the present and future real and personal property of the Partnership.

As at June 30, 2007, the net book value of the real property of the Partnership is $72,270,022.

(c) Umbata Falls, Limited Partnership

A lender agreed to make available to Umbata Falls, Limited Partnership a term credit facility in a principal amount not exceeding $51,000,000 (the share of Innergex II is 49%). The loan advances are made in the form of bankers' acceptances (BA) for periods of approximately 30, 60, 90 or 180 days. Interest on any BA equivalent advance shall be calculated at a rate per annum equal to the BA equivalent rate, shall accrue from day to day, and shall be calculated on the basis of the actual number of days in the relevant interest period and divided by 365 days. Interest on any BA equivalent advance shall be payable in advance on the first day of the interest period.

The lender agreed to make available until six months after commissioning, a revolving credit facility in a principal amount not exceeding $1,000,000. This amount has not been used as at June 30, 2007.

The lender also agreed to make available a letter of credit facility in a principal amount not exceeding $1,200,000 until six months after commissioning and thereafter in a principal amount not exceeding $500,000 until five years after completion, which is defined as beginning six months after commissioning. As of June 30, 2007, an amount of $1,170,875 has been used to secure two credit letters.

The security constituted by the security documents comprises a valid and perfected first-ranking charge or security interest upon the interests of the Partnership on all of the property and assets of the Partnership and its nominees. As at June 30, 2007, the net book value of the property and assets of the Partnership, which is in the construction stage as at June 30, 2007, totals $37,235,785 (the share of Innergex II is 49%).

(d) Ashlu Creek Investments Limited Partnership

Lenders agreed to make available to Ashlu Creek Investments Limited Partnership a term credit facility in a principal amount of up to but not exceeding $110 million. The prime rate advances are made pursuant to accommodation requests given by the borrower. The Partnership shall pay interest on the unpaid principal amount of each prime rate advance, so long as such prime rate advance is outstanding as a prime rate advance, at an annual rate equal at all times to the sum of the prime rate in effect from time to time plus the applicable margin, calculated daily and payable when such prime rate advances becomes due and payable in full.

The lenders also agreed to make available a letter of credit facility (LC Facility), on a revolving basis by way of letters of credit in the principal amount not exceeding $3 million, until the final maturity date of the LC Facility, which is the fifteenth anniversary of the term conversion date as defined in the credit agreement.

This loan is secured by a demand debenture in the principal amount of $175 million, creating a first-priority fixed and specific mortgage, charge and assignment of, and grant of a security interest in all the rights, titles and interest of the Partnership and the General Partners in the project assets and all other assets of the Partnership and 675729 British Columbia Ltd, including a deed of hypothec granted by the same parties creating a first-priority fixed and specific hypothec with respect to the same personal property.

As at June 30, 2007, the net book value of the property and assets of the Partnership, which is in the construction stage, totals $51,054,219.

Principal payments

As at June 30, 2007, principal payments required for the long term debt in each of the next periods are as follows:

	$
2008	1,
2009	1,
2010	2,
2011	19,
2012	2,
Thereafter	67,
	95,

13. Promissory notes

At issuance, promissory notes will bear interest at an annual rate equal to the higher of: (i) eight percent (8%); (ii) or the mid-market semi-annual yield of a Government of Canada bond having the closest duration to the duration of this note, plus 200 basis points. The interest rate will not be changed thereafter. As at June 30, 2007, all the promissory notes bear interest at 8%. Interest is payable quarterly, on the last business day of March, June, September and December.

The principal shall be due and payable 20 years after the issuance of the promissory notes.

Notwithstanding the foregoing, Innergex II has the right to prepay any amount outstanding without penalty.

Innergex II has aggregate capital commitments from the unitholders of $150,000,000 in the form of promissory notes or units.

Each investor will invest, as and when needed by Innergex II subject to certain conditions (the "subscription conditions").

Non-compliance by Innergex II of all or any subscription conditions shall not release the unitholders from their respective obligations to subscribe for additional related securities if the requested funds are necessary for (i) the payment of any and all expenses, liabilities and obligations; (ii) the payment of indebtedness, completion and/or operating costs; and (iii) the construction, repair and renovation of projects, related to any approved or built power energy assets in which Innergex II has an ownership interest.

14. Fund units

Each unit shall represent an equal undivided interest in Innergex II with all other outstanding units. No unit shall have any preference or priority over any other unit.

Authorized, an unlimited number of units, voting and redeemable

	June 30,		December 31,			
	2007		2006		2005	
	Number of units	Amount	Number of units	Amount	Number of units	Amount
	$	$		$		$
			(unaudited)			
Units issued	**88,235**	**88,**	**88,235**	**88,**	88,235	88,235

Preferred units were authorized up to December 22, 2005 at which date they were all redeemed.

15. Income taxes

The provision for income taxes shows an effective income tax rate different from the rate computed under Canadian income tax legislation. The reasons for the difference between the statutory rate and the effective rate are as follows:

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
(Loss) earnings before provision for income taxes	**(734,427)**	5,043,448	**953,968**	12,374,663	563,333
Less earnings directly taxed in the hands of unitholders	**2,470,744**	5,063,549	**1,322,811**	11,234,195	670,762
(Loss) earnings of taxable subsidiaries	**(3,205,171)**	(20,101)	**(368,843)**	1,140,468	(107,429)
Canadian statutory tax rate	**32.02%**	32.02%	**32.02%**	31.02%	31.02%
Provision for income taxes computed under the statutory tax rate	**(1,026,296)**	(6,436)	**(118,104)**	353,773	(33,324)
Benefit of tax losses not recognized	**1,027,983**	29,200	**129,518**	1,551	33,091
Gain taxable at a lower rate	—	—	—	(357,442)	—
Non deductible expenses	**98**	265	**4,868**	2,118	233
Provision for income taxes	**1,785**	23,029	**16,282**	—	—

The tax impact of temporary differences affecting the taxable subsidiaries of Innergex II and resulting in material future tax assets or liabilities is as follows:

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Future income tax assets					
Non capital losses	**893,226**	764,440	**947,677**	401,155	2,186,573
Excess of tax basis of projects under development over their carrying value	**1,788,192**	855,393	**1,048,294**	806,574	710,509
Future income tax assets	**2,681,418**	1,619,833	**1,995,971**	1,207,729	2,897,082
Future income tax liabilities					
Excess of carrying value of deferred costs over their tax basis	**(540,776)**	(476,694)	**(798,033)**	(125,636)	(1,901,649)
Net future income tax assets before valuation allowance	**2,140,642**	1,143,139	**1,197,938**	1,082,093	995,433
Valuation allowance	**(2,140,642)**	(1,143,139)	**(1,197,938)**	(1,082,093)	(995,433)
Net future income tax assets	**—**	—	**—**	—	—

As at June 30, 2007, Innergex II and its subsidiaries have income tax losses of approximately $3,000,000, which may be used to reduce future years' taxable income. These losses expire up to 2026.

16. Additional information to the Consolidated Statements of Cash Flows

	June 30,		December 31,		
	2007	2006	2006	2005	2004
	$ (unaudited)	$ (unaudited)	$	$	$
Changes in non-cash operating working capital items:					
Accounts receivable	**15,631,134**	(2,802,008)	**(14,217,825)**	(2,474,110)	(3,012,520)
Other current assets	**58,591**	(48,831)	**(223,251)**	(97,289)	(145,373)
Accounts payable and accrued liabilities	**(658,021)**	(1,837,314)	**8,913,446**	2,112,201	3,270,913
Construction holdbacks	**445,015**	—	**909,675**	(1,716,989)	905,244
Distribution payable on preferred units	**—**	—	**—**	(2,005,293)	1,031,576
Distribution payable on units	**—**	—	**—**	13,669,156	—

Due to related entities	**—**	—	**—**	—	(20,541)
	15,476,719	(4,688,153)	**(4,617,955)**	9,487,676	2,029,299
Other information					
Interest paid	**2,662,696**	392,769	**1,371,644**	724,490	586,505

During 2006, an amount of $70,204,794 ($19,076,433 in 2005) has been transferred from project development costs to fixed assets and a credit of $1,170,364 has been made from deferred pre-operating costs to fixed assets upon the commissioning of the Innergex BDS wind project.

17. Disposal of Rutherford Creek Power, Limited Partnership

A balance of nil ($1,328,034 in 2006 and $2,642,037 in 2005) of the proceeds of disposition remains receivable by Innergex II. The amount receivable at the end of 2005 has been increased by an amount of $1,951,616 in 2006 due to additional insurance proceeds received by Rutherford Creek Power, Limited Partnership following claims related to delays in construction, repairs incurred and loss of revenues. An amount of $3,265,618 of the balance was received during 2006 and $1,328,034 was received in the first six-month period of 2007.

18. Related party transactions

	June 30,		December 31,		
	2007	**2006**	**2006**	**2005**	**2004**
	$	**$**	**$**	**$**	**$**
	(unaudited)	**(unaudited)**			
Unitholders					
Interest on promissory notes	**4,**	3,	**8,**	4,	3,
Distribution on preferred units	**—**	—	**—**	1,	1,
Entity under common management					
Management fees incurred	**2,**	1,	**4,**	3,	2,
Incentive fees earned	**45,**	45,	**90,**	50,	—

	June 30,	December 31,	
	2007	**2006**	**2005**
		(unaudited)	
Entity under common management:			
Accounts receivable	**1,**	**340,**	171,
Payables to Innergex Management Inc. from other companies under common management	**64,**	**64,**	169
Payables to Innergex Management Inc. from Innergex II Income Fund	**472,**	**276,**	331,

These transactions were made in the normal course of business and have been recorded at the exchange amounts.

19. Financial instruments

Risk management

Innergex II's Financial risk management objective is to mitigate risk exposures to a level consistent with its risk tolerance. Financial risk is the risk to the earnings of Innergex II that arises from fluctuation in interest rates and the degree of volatility of these rates. During the course of business, Innergex II uses a credit facility to finance its activities. Innergex II uses interest rate forward contracts to reduce its exposure to interest rate risk. Innergex II does not hold or issue financial instruments for trading purposes.

Fair value of financial instruments

On January 20, 2006, for the Innergex AAV wind and Innergex BDS wind projects, and on January 19, 2007 for the Innergex CAR wind project, and in order to mitigate the risk of any fluctuations in interest rates, Innergex II entered into four bond forward contracts renewable annually for a total debt amount covered of $100 million ($63.75 million in 2006). As at June 30, 2007, the fair value of the outstanding bond forward contracts based on market rates is $3,589,885 (negative value of $153,534 as at December 31, 2006). This amount is accounted for on the balance sheet under derivative financial instruments and on the statement of earnings under gain (loss) on derivative financial instruments.

In June 2005, Innergex II disbursed $1.2 million for a financial instrument on future loans related to projects. This financial instrument was an option for a notional amount of $50 million based on a June 2015 Canada bond at a rate of 4.55% until the maturity of the contract in September 2006. Innergex II recognized the decrease of $134,211 in 2006 ($1,075,789 in 2005) in the fair market value of the instrument in the statement of earnings.

Rutherford Creek Power, Limited Partnership has agreed, following the expiry or termination of the Rutherford Creek power purchase agreement in June 2024, to pay to Innergex II royalties based on the achievement of certain revenue thresholds. As at June 30, 2007, the fair value of this financial instrument is $619,769 ($500,000 in 2006 and 2005).

The fair value of cash and cash equivalents, accounts receivable, bank loan and accounts payable and accrued liabilities and construction holdbacks approximates their carrying values due to their short-term maturities.

The fair value of the long-term debt and promissory notes approximates their carrying values.

Credit risk

Substantially all of the receivables of Innergex II are due from Hydro-Quebec and Ontario Power Authority. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Hydro-Quebec currently holds a credit rating of A+ from S&P. The Ministry of Energy of the Province of Ontario has stated that the Province of Ontario, which currently holds a credit rating of AA from S&P, will honour Ontario Power Authority obligations under the Purchase Power Agreements to which it is a party.

20. Commitments

a. Delivery of electricity pursuant to the electricity purchase agreements

Ashlu Creek Investments Limited Partnership is contractually committed to sell all of the electricity that will be produced to British Columbia Hydro and Power Authority for a twenty-year period.

Mkw'alts Energy, Limited Partnership is contractually committed to sell all of the electricity that will be produced to British Columbia Hydro and Power Authority for a twenty-year period.

Glen Miller Power, Limited Partnership is contractually committed to sell all of the electricity that will be produced to Ontario Power Authority for an initial twenty-year period.

Umbata Falls, Limited Partnership is contractually to sell all of the electricity that will be produced to Ontario Power Authority for an initial twenty-year period.

Kwoiek Creek Resources, Limited Partnership is contractually committed to sell all of the electricity that will be produced to British Columbia Hydro and Power Authority for a forty-year period.

The respective operating entities entered into an electricity supply contract with Hydro-Quebec distribution in respect of electrical energy generated by the wind farm facilities for a twenty-year period.

As at June 30, 2007, total revenues from Hydro-Quebec were $4,921,407 ($1,256,650 for 2006; nil as at June 30, 2006 and prior) which represents 78% of the operating revenues of Innergex II (30% for 2006; nil as at June 30, 2006 and prior). As at June 30, 2007, total revenues from Ontario Power Authority were $1,407,092 ($2,920,393 or 2006; $1,683,895 as at June 30, 2006; $219,517 for 2005 and nil for 2004 and prior) which represents 22% of the operating revenues of Innergex II (70% for 2006; 100% as at June 30, 2006; 6% for 2005 and nil for 2004 and prior).

b. Wind farm facilities

Construction agreements

Innergex II entered into electricity purchase agreements with Hydro-Québec. In order to fulfill its obligation under these agreements, Innergex II will need to develop and construct wind powered facilities. Collectively with TransCanada Energy Ltd ("TransCanada") (the share of Innergex II is 38%), Innergex II entered into three (two in 2006; nil in 2005) turbine supply agreements totalling $205,553,000 ($121,000,000 in 2006; nil in 2005) of which $86,938,007 ($74,878,789 in 2006; nil in 2005) have been paid and US$121,964,810 (US$94,000,000 in 2006; nil in 2005) of which US$48,621,851 (same in 2006; nil in 2005) have been paid and two turbine operation and management agreements totalling $10,800,000 of which $659,190 ($94,170 in 2006; nil in 2005) have been paid. After the tenth year of commercial operations, Innergex II collectively with TransCanada (the share of Innergex II is 38%) will need to set aside over a ten-year period $50,000 per turbine to pay for their removal for a total of $7,000,000.

The AAV wind project is commited under an engineering, procurement and construction agreement for amounts totalling $60,521,413 of which $39,128,584 has already been incurred ($13,324,671 of which $8,000,074 has already been incurred in 2006).

The wind farm projects are under a crane supply agreement totalling $11,085,448 of which $3,393,446 ($1,382,060 in 2006; nil in 2005) has already been incurred.

Options on land

Collectively with Trans-Canada (the share of Innergex II is 38%), Innergex II is commited to paying royalties to the owners of the land used for the wind farms over the remaining period of the leases expiring in November 2026. The amount payable will be $306,000 in 2007 and will be indexed each year.

Innergex II is commited under options on leases for projects under development. The options are signed for two years and can be renewed. The amounts committed to as at June 30, 2007 are as follows:

	$
2007	12,
2008	31,
2009	18,

c. Ashlu Project

Construction contracts

Ashlu Creek Investments Limited Partnership entered into the following contracts in order to construct the hydroelectric power generating facility:

- A contract of $1,849,517 for the substation and transmission line of which the entire amount ($1,140,030 in 2006; nil in 2005) has been incurred;
- Agreements of $1,911,700 for direct assignment facilities of which $1,536,000 ($686,000 in 2006; nil in 2005) has already been incurred and of $1,995,900 is required for network upgrades;
- An electromechanical supply contract of $14,700,000 of which $735,000 ($735,000 in 2006; nil in 2005) has already been incurred;
- A tunnel construction contract of $30,963,287 of which $10,992,304 ($6,696,922 in 2006; nil in 2005) has already been incurred;
- A civil contract of $39,212,721 of which $9,877,950 (nil in 2006; nil in 2005) has already been incurred;
- A contract for water control gates of US$1,405,350 of which US$304,703 (nil in 2006 and in 2005) has already been incurred.

Participation agreement

Pursuant to an agreement with Ashlu Creek Investments Limited Partnership, the Squamish First Nation is entitled to a royalty based on revenues of the Ashlu Creek Project commencing on the commercial in-service date. The Squamish First Nation is also entitled to an incremental share of gross revenues exceeding a yearly threshold of gross revenues set out in the agreement. The agreement also requires the assets of the Ashlu Creek Project to be transferred to the Squamish First Nation for a nominal price after forty years of commercial operation.

d. Glen Miller facility

Lease agreement

Glen Miller Power, Limited Partnership entered into a thirty-year lease agreement for the site which is now in commercial operation. The annual lease payment is $85,000, which shall be indexed annually with the consumer price index.

Glen Miller Power, Limited Partnership is committed to remit the facility to the lessor of the site, at the end of the thirty-year lease agreement, for no consideration.

e. Umbata Falls, Limited Partnership

Construction contracts

Umbata Falls, Limited Partnership entered into the following contracts in order to construct the hydroelectric power-generating facility:

- A civil contract of $25,680,000 of which $18,054,247 ($10,304,551 in 2006; nil in 2005) has already been incurred;
- A contract of $2,073,043 for control/protection equipment and electrical installation for turbines, generators and other plant auxiliaries of which $829,217 ($414,609 in 2006; nil in 2005) has already been incurred;
- An electromechanical supply contract of $10,475,000 of which $1,571,250 ($1,571,250 in 2006; nil in 2005) has already been incurred;
- A generation facility connection and cost recovery agreement of $128,262 of which the entire amount ($64,131 in 2006; nil in 2005) has already been incurred;
- A contract for the transmission line and interconnection station of $3,617,370 of which $3,494,123 ($3,493,123 in 2006; nil in 2005) has already been incurred;

- A contract of $1,319,625 for design, supply an commissioning of switchyard equipment of which $131,962 (nil in 2006 and in 2005) has already been incurred.

Development costs

The Partnership will reimburse $80,000 in development costs related to the site to the Ojibways of the Pic River First Nation upon commissioning of the plant.

f. Kwoiek Creek Resources, Limited Partnership

Dissolution of the Partnership

Forty years after the beginning of the operations, the Partnership will be dissolved (unless otherwise dissolved at an earlier date). Upon the dissolution of the Partnership, the property and assets of the Partnership shall be distributed to the Partners.

Construction agreement

Following a satisfactory result from the interconnection study, Innergex II will pay to Kwoiek Creek Resources Inc. $500,000 on the first day of the second year of the construction phase.

Royalty agreement

The Partnership entered into an agreement to pay to Kwoiek Creek Resources Inc. (after the commencement of operations of the Project) annual royalty which is based on a percentage of the gross revenues less project costs for the first 20 years after the date of commencement of commercial operations of the Kwoiek Creek Project and an increased royalty for the 20 years thereafter.

For the first 20 years of the operating phase, the Partnership will not pay any interest on its subordinated debt nor any distribution on the preferred units unless the royalty has been paid.

g. Investment in Umbata Falls, Limited Partnership

Innergex II is commited to invest up to $9,000,000 in cash in Umbata Falls, Limited Partnership to finance construction of the facility.

h. Horseshoe Bend Hydroelectric Company ("HBHC")

Pursuant to the sale of its investment in HBHC in 2004, Innergex II, as a contractor, entered into two service agreements with HBHC. Upon completion of the contracts in 2005 (costs incurred totalled $2,735,443) and at the entire satisfaction of HBHC, Innergex II received a sum of $4,600,000. Innergex II offered a three-year warranty on the work that was performed. The gain of $1,864,557 was recorded in the 2005 statement of earnings.

i. Summary of commitments excluding royalties

As at June 30, 2007, expected scheduling of commitments payments including remaining unpaid portion of the construction contracts converted in Canadian dollars:

	Wind	Hydro	Total
	$	$	$
2008	45,	49,	94,
2009	40,	24,	64,
2010	1,	90,	1,
2011	1,	592,	2,
2012	1,	93,	1,
Thereafter	71,	2,	2,
Total	89,	77,	167,

21. Segmented information

Innergex II has three reportable segments: (a) hydroelectric production, (b) electricity production from wind farms and (c) development of sites and construction.

The hydroelectric production segment sells electricity produced from small hydroelectric facilities to publicly owned utilities. The electricity production from wind farms segment sells electricity produced by wind farms to publicly owned utilities. The development of sites and construction segment explores potential sites and develops them to the operational stage at which time they are transferred to one of the first two segments.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Innergex II evaluates performance based on earnings before interest expense, taxes, depreciation and amortization. Innergex II accounts for intersegments sales as if the sales were to third parties,

that is, at current market prices. The transfers of the assets from the development of sites and construction segment to either the hydroelectric production or the electricity production from wind farms segment are accounted for at cost.

Innergex II reportable segments are operating using different means of production or type of activities. They are managed by different teams as they require different skills to operate them. Most of the businesses were internally created by the development of sites and construction segment.

	Six-month period ended June 30, 2007			
	Hydroelectric production	Electricity production from wind farms	Development of sites and construction	Total
Revenues from external customers	1,407,092	4,922,127	55,493	6,
Operating expenses	156,156	554,127	—	710,
Operating Income	1,250,936	4,368,000	55,493	5,
General and administrative expenses	44,474	125,814	223,001	393,
Earnings (loss) before interest expenses, taxes, depreciation and amortization	1,206,462	4,242,186	(167,508)	5,
Long-term assets	21,533,574	69,000,860	129,490,019	220,
Total assets	22,634,699	73,949,147	51,030,695	247,
Acquisitions of long- term assets	3,599	416,037	43,467,450	43,

	Six-month period ended June 30, 2006			
	Hydroelectric production	Electricity production from wind farms	Development of sites and construction	Total
Revenues from external customers	1,683,895	—	96,530	1,
Operating expenses	169,542	—	—	169,
Operating Income	1,514,353	—	96,530	1,
General and administrative expenses	56,123	—	129,966	186,
Earnings (loss) before interest expenses, taxes, depreciation and amortization	1,458,230	—	(33,436)	1,

	Year ended December 31, 2006			
	Hydroelectric production	Electricity production from wind farms	Development of sites and construction	Total
Revenues from external customers	2,920,393	1,256,650	199,964	4,
Operating expenses	296,558	128,419	—	424,
Operating Income	2,623,835	1,128,231	199,964	3,
General and administrative expenses	78,211	15,907	346,297	440,
Earnings (loss) before interest expenses, taxes, depreciation and amortization	2,545,624	1,112,324	(146,333)	3,
Long-term assets	21,772,569	70,367,441	95,710,635	187,
Total assets	23,276,640	82,263,576	116,639,839	222,
Acquisitions of long- term assets	535,755	60,093,690	56,148,498	116,
Transfers between segments	286,283	68,748,147	(69,034,430)	—

	Year ended December 31, 2005			
	Hydroelectric production	Electricity production from wind farms	Development of sites and construction	Total
Revenues from external customers	3,472,471	—	50,613	3,
Operating expenses	788,624			788,
Operating Income	2,683,847	—	50,613	2,
General and administrative expenses	162,285	—	376,945	539,
Earnings (loss) before interests expenses, taxes, depreciation and amortization	2,521,562	—	(326,332)	2,
Long-term assets	22,186,671	—	45,654,485	67,
Total assets	23,485,323	—	96,601,445	120,
Acquisitions of long- term assets	3,575,567	—	32,439,271	36,

Transfers between segments	19,076,433	—	(19,076,433)	—

	Year ended December 31, 2004			
	Hydroelectric production	Electricity production from wind farms	Development of sites and construction	Total
Revenues from external customers	6,863,290	—	—	6,
Operating expenses	3,133,188	—		3,
Operating Income	3,730,102	—	—	3,
General and administrative expenses	234,099	—	343,687	577,
Earnings (loss) before interests expenses, taxes, depreciation and amortization	3,496,003	—	(343,687)	3,

22. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

23. Subsequent events

Innergex II entered into agreements where it will dispose of its participations into two wind farms. Subsequently, it will enter into a reorganization where its units will be acquired by Innergex Management Inc. It will also issue units, the proceeds of which will be used to reimburse its promissory notes.

Pro forma Consolidated Financial Statements of

INNERGEX RENEWABLE ENERGY INC.

(formerly Innergex Management Inc.)

June 30, 2007

December 31, 2006

Compilation report

To the Directors of Innergex Renewable Energy Inc.:

We have read the accompanying unaudited pro forma consolidated balance sheet of Innergex Renewable Energy Inc. (formerly Innergex Management Inc.) (the "Corporation") as at June 30, 2007 and the unaudited pro forma consolidated statements of earnings for the six-month period ended June 30, 2007, and for the year ended December 31, 2006 and have performed the following procedures:

1. Compared the figures in the columns captioned "Innergex Renewable Energy Inc." to the unaudited balance sheet and statement of earnings of the Corporation as at and for the six-month period ended June 30, 2007 and found them to be in agreement.

2. Compared the figures in the columns captioned "Innergex Renewable Energy Inc." to the audited financial statements of the Corporation for the year ended December 31, 2006 and found them to be in agreement.

3. Compared the figures in the columns captioned "Innergex II Consolidated" to the unaudited consolidated balance sheet and consolidated statement of earnings of Innergex II Income Fund as at and for the six-month period ended June 30, 2007 and found them to be in agreement.

4. Compared the figures in the columns captioned "Innergex II Consolidated" to the audited consolidated financial statements of Innergex II Income Fund for the year ended December 31, 2006 and found them to be in agreement.

5. Compared the figures in the columns captioned "Innergex AAV L.P." to the unaudited balance sheet and statement of earnings of Innergex AAV L.P. as at and for the six-month period ended June 30, 2007 and found them to be in agreement.

6. Compared the figures in the columns captioned "Innergex AAV L.P." to the audited financial statements of Innergex AAV L.P. for the year ended December 31, 2006 and found them to be in agreement.

7. Compared the figures in the columns captioned "Innergex BDS L.P." to the unaudited balance sheet and statement of earnings of Innergex BDS L.P. as at and for the six-month period ended June 30, 2007 and found them to be in agreement.

8. Compared the figures in the columns captioned "Innergex BDS L.P." to the audited financial statements of Innergex BDS L.P. for the year ended December 31, 2006 and found them to be in agreement.

9. Made enquiries of certain officials of the Corporation who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and

   (b) whether the pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various securities commissions and similar regulatory authorities in Canada.

   The officials:

   (a) described to us the basis for determination of the pro forma adjustments, and

   (b) stated that the pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various securities commissions and similar regulatory authorities in Canada.

10. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

11. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Innergex Renewable Energy Inc.", "Combined entities acquired by the Corporation" and "Pro forma adjustments" as at June 30, 2007 and for the six-month period then ended and for the year ended December 31, 2006, and found the amounts in the column captioned "Pro forma Innergex Renewable Energy Inc." to be arithmetically correct.

A pro forma consolidated financial statement is based on management's assumptions and adjustments, which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) Samson Belair/Deloitte & Touche, s.e.n.c.r.l.
Chartered Accountants
Longueuil (Québec)
November 28, 2007

INNERGEX RENEWABLE ENERGY INC.
(formerly Innergex Management Inc.)
Unaudited Pro forma Consolidated Statement of Earnings
Six-month period ended June 30, 2007

	Innergex Renewable Energy Inc.	Combined entities acquired by the Corporation (Note 4)	Pro forma adjustments (Note 3)	Pro forma Innergex Renewable Energy Inc.
	$	$	$	$
Revenues				
Operating	—	1,406,372	—	1,406,372
Management fees	3,504,563	56,213	(1,995,510)(l)	1,565,266
Share of net loss of an entity subject to significant influence	—	—	(6,106,376)(e)	(6,106,376)
	3,504,563	1,462,585	(8,101,886)	(3,134,738)
Operating expenses	—	156,156	—	156,156
Salaries	2,688,705	—	(1,544,025)(l)	1,144,680
	815,858	1,306,429	(6,557,861)	(4,435,574)
Expenses				
General and administrative expenses	517,770	267,863	703,554(h)	
			(406,239)(l)	1,082,948
Depreciation and amortization	103,120	526,092	104,554(f)	733,766
Incentive sharing agreement expense	45,246	—	(45,246)(l)	—
	666,136	793,955	356,623	1,816,714
Earnings (loss) before the following items:	149,722	512,474	(6,914,484)	(6,252,288)
Write-off of project development and deferred costs	—	(5,278,546)	—	(5,278,546)
Gain on disposal of investments	—	—	—	—
Loss on derivative financial instruments	—	(71,103)	—	(71,103)
Distribution from joint ventures		282,355	(13,884)(l)	268,471
Interest income	—	447,823	—	447,823
Interest on bank loan	—	(111,372)	—	(111,372)
Interest on long-term debt	(23,803)	(519,968)	13,884(l)	
			9,919(g)	(519,968)
Interest on promissory notes	—	(897,467)	897,467(d)	—
Loss on disposal of fixed assets	(6,747)	—	—	(6,747)
Foreign exchange loss	—	(2,531)	—	(2,531)
Earnings (loss) before income taxes	119,172	(5,638,335)	(6,007,098)	(11,526,261)
Income taxes				
Current	42,087	1,453	—	43,540
Future	(21,052)	—	(3,474,890)(h)	(3,495,942)
	21,035	1,453	(3,474,890)	(3,452,402)
Net earnings (loss)	98,137	(5,639,788)	(2,532,208)	(8,073,859)
Basic and diluted weighted average number of common shares outstanding	6,869			23,500,000
Basic and diluted net earnings (loss) per share	14.28			(0.34)

The accompanying notes are an integral part of these financial statements.

INNERGEX RENEWABLE ENERGY INC.
(formerly Innergex Management Inc.)
Unaudited Pro forma Consolidated Statement of Earnings
Year ended December 31, 2006

	Innergex Renewable Energy Inc.	Combined entities acquired by the Corporation (Note 5)	Pro forma adjustments (Note 3)	Pro forma Innergex Renewable Energy Inc.
	$	$	$	$
		(audited)		
Revenues				
Operating	—	2,920,393	—	2,920,393
Management fees	6,236,995	199,964	(3,166,157)(l)	3,270,802
Share of net earnings of an entity subject to significant influence	—	—	1,210,959(e)	1,210,959
	6,236,995	3,120,357	(1,955,198)	7,402,154
Operating expenses	—	296,558	—	296,558
Salaries	4,707,358	—	(2,278,832)(l)	2,428,526
	1,529,637	2,823,799	323,634	4,677,070
Expenses				
General and administration expenses	997,577	446,722	1,407,107(h)	
			(796,832)(l)	2,054,574
Depreciation and amortization	182,767	1,044,215	209,109(f)	1,436,091
Incentive sharing agreement expense	90,493	—	(90,493)(l)	—
	1,270,837	1,490,937	728,891	3,490,665
Earnings (loss) before the following items:	258,800	1,332,862	(405,257)	1,186,405
Write-off of project development and deferred costs	—	(592,450)	—	(592,450)
Gain on disposal of investments	—	1,951,616	—	1,951,616
Loss on derivative financial instruments	—	(134,211)	—	(134,211)
Interest from joint ventures		215,895	—	215,895
Interest income	—	371,871	—	371,871
Interest on bank loan	—	(49,238)	—	(49,238)
Interest on long-term debt	(20,175)	(923,567)	20,175(g)	(923,567)
Interest on promissory notes	—	(1,627,482)	1,627,482(d)	—
Loss on disposal of fixed assets	(52)	—	—	(52)
Foreign exchange loss	—	(10,919)	—	(10,919)
Earnings before income taxes	238,573	534,377	1,242,400	2,015,350
Income taxes				
Current	69,910	10,744	—	80,654
Future	(10,100)	—	(276,001)(h)	(286,101)
	59,810	10,744	(276,001)	(205,447)
Net earnings	178,763	523,633	1,518,401	2,220,797
Basic and diluted weighted average number of common shares outstanding	5,657			23,500,000
Basic and diluted net earnings per share	31.60			0.09

The accompanying notes are an integral part of these financial statements.

INNERGEX RENEWABLE ENERGY INC.
(formerly Innergex Management Inc.)

Unaudited Pro forma Consolidated Balance Sheet
As at June 30, 2007

	Innergex Renewable Energy Inc.	Combined entities acquired by the Corporation (Note 6)	Pro forma adjustments (Note 3)	Pro forma Innergex Renewable Energy Inc.
	$	$	$	$
ASSETS				
Current assets				
Cash and cash equivalents	320,470	13,944,546	161,736,059(a) (11,618,822)(a) (123,875,000)(b)(i) (3,781,079)(b)(iii) (250,000)(g) (2,248,209)(i)	34,227,965
Accounts receivable	1,895,553	5,108,374	(2,400,760)(k) 272,871(i)	4,876,038
Current portion of distribution receivable	512,584	—	(512,584)(k)	—
Other current assets	42,050	276,730	—	318,780
	2,770,657	19,329,650	17,322,476	39,422,783
Funds held in Trust	5,775	565,378	—	571,153
Investments held for sale	—	46,350,465	(46,350,465)(c)	—
Loan to an entity under common management	—	350,000	(350,000)(k)	—
Investments in joint ventures	—	680,000	—	680,000
Investments in entities subject to significant influence	13,235	—	61,700,782(c) (13,235)(k)	61,700,782
Fixed assets	602,746	18,790,090	—	19,392,836
Intangible assets	—	16,069,818	41,966,302(c)	58,036,120
Project development costs	—	79,641,048	3,933,383(c)	83,574,431
Deferred costs and pre-operating costs	—	6,235,354	(6,235,354)(c)	—
Goodwill	—	—	33,501,638(c)	33,501,638
Distribution receivable from a Trust under common management	1,537,751	—	(1,537,751)(k)	—
Future income taxes	49,036	—	—	49,036
Derivative financial instruments	—	619,769	—	619,769
	4,979,200	188,631,572	103,937,776	297,548,548
LIABILITIES				
Current liabilities				
Bank loan	—	8,000,000	—	8,000,000
Accounts payable and accrued liabilities	2,445,885	8,071,595	(2,400,760)(k)	8,116,720
Construction holdbacks	—	1,655,790	—	1,655,790
Derivative financial instruments	—	190,872	—	190,872
Current portion of distribution payable on common units	—	3,417,289	(2,904,705)(a) (512,584)(k)	—
Income taxes payable	3,073	—	397,371(j)	400,444
Interest payable on long-term debt	20,000	—	—	20,000
Current portion of long-term debt	250,000	—	(250,000)(g)	—
	2,718,958	21,335,546	(5,670,678)	18,383,826

Long-term debt	350,000	42,515,000	(350,000)(k)	42,515,000
Promissory notes	—	117,875,000	(117,875,000)(b)(i)	—
Distribution payable on common units	—	10,251,867	(8,714,116)(a)	—
			(1,537,751)(k)	
Future income taxes	—	—	11,614,595(c)	11,614,595
	3,068,958	191,977,413	(122,532,950)	72,513,421
SHAREHOLDERS' EQUITY/UNITHOLDERS' DEFICIENCY				
Share capital	9,270	—	237,137,986(a)	237,147,256
Common units	—	88,235	(88,235)(k)	—
Issuance costs	—	—	(6,000,000)(a)	—
			(6,037,763)(a)	(12,037,763)
Retained earnings (deficit)	1,900,972	(3,434,076)	(3,781,079)(b)(iii)	
			272,871(i)	
			(2,248,209)(i)	
			4,178,450(j)	
			(397,371)(j)	
			3,434,076(k)	(74,366)
	1,910,242	(3,345,841)	226,470,726	225,035,127
	4,979,200	188,631,572	103,937,776	297,548,548

The accompanying notes are an integral part of these financial statements.

INNERGEX RENEWABLE ENERGY INC.
(formerly Innergex Management Inc.)

Notes to the unaudited Pro forma Consolidated Financial Statements

As at and for the six-month period ended June 30, 2007 and for the year ended December 31, 2006

1. Description of business

Innergex Renewable Energy Inc. (the "Corporation") was incorporated on October 25, 2002 under the laws of Canada and provides management and administrative services.

The Corporation will directly or indirectly acquire all the interests in Innergex II Income Fund ("Innergex II"), after giving effect to the disposition of interests in two wind farm facilities.

Innergex II was created on December 20, 2001 and is a limited purpose trust restricted to:

- Issuing units and evidences of indebtedness for consideration in order to own, build, develop, operate and/or acquire assets or businesses of power generation;

- Investing in securities and borrowing funds for that purpose; and

- Temporarily holding cash and short-term investments in accordance with a policy from time to time determined by the Trustee and other investments for the purposes of paying the expenses and the liabilities of Innergex II, paying amounts payable by Innergex II in connection with the redemption of any units, and making distributions to unitholders.

2. Basis of presentation

The unaudited pro forma consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles to give effect to the completion of an initial public offering of the Corporation's shares and the acquisition of the interests in Innergex II.

The unaudited pro forma consolidated balance sheet of the Corporation as at June 30, 2007 gives effect to the initial public offering and acquisitions as if they had occurred as at that date whereas the unaudited consolidated statement of earnings give effect to these transactions as if they had occurred on January 1, 2006.

The unaudited pro forma consolidated balance sheet of the Corporation as at June 30, 2007 has been prepared by management by combining the unaudited balance sheet of the Corporation as at June 30, 2007, the unaudited consolidated balance sheet of Innergex II as at June 30, 2007, after giving effect to the disposition of interests in two wind farm facilities and considering the assumptions and adjustments described in Note 3.

The unaudited pro forma consolidated statement of earnings of the Corporation for the six-month period ended June 30, 2007 has been prepared by management by combining the unaudited statement of earnings of the Corporation for the six-month period ended June 30, 2007, the unaudited consolidated statement of earnings of Innergex II, after giving effect to the disposition of interests in two wind farms facilities, for the six-month period ended June 30, 2007 and considering the assumptions and adjustments described in Note 3.

The unaudited pro forma consolidated statement of earnings of the Corporation for the year ended December 31, 2006 has been prepared by management by combining the audited statement of earnings of the Corporation for the year ended December 31, 2006, the audited consolidated statement of earnings of Innergex II, after giving effect to the disposition of interests in two wind farms facilities, for the year ended December 31, 2006 and considering the assumptions and adjustments described in Note 3.

The unaudited pro forma consolidated financial statements should be read in conjunction with the description of the proposed acquisitions by the Corporation of interests in Innergex Power Income Fund (a publicly traded income fund hereinafter the "Fund"), units of Innergex II included elsewhere in the prospectus.

The unaudited pro forma consolidated financial statements should also be read in conjunction with the audited and unaudited consolidated financial statements of the Corporation, the audited and unaudited financial statements of Innergex II included elsewhere in this prospectus.

The pro forma adjustments reflecting the acquisition of Innergex II, after giving effect to the disposition of interests in two wind farms facilities are accounted for using the purchase method of accounting and are tentative and based on available financial information and certain estimates and assumptions. The actual adjustments to the consolidated financial statements of the Corporation will depend on a number of factors, including changes in the net book value and operating results of the acquired businesses between June 30, 2007 and the actual acquisition dates. Therefore, the actual adjustments will differ from the pro forma adjustments. However, management believes that such assumptions provide a reasonable basis for presenting all the significant financial effects directly attributable to the transactions contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the pro forma consolidated financial statements.

The unaudited pro forma consolidated financial statements are prepared for illustrative purposes only and are based on the assumptions and adjustments set forth in the notes to such statement.

The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations which would have actually resulted had the acquisitions and other pro forma adjustments been effected on the dates indicated. Further, the unaudited pro forma statements of earnings are not necessarily indicative of the results of operations that may be obtained by the Corporation in the future.

3. Pro forma assumptions and adjustments

The unaudited pro forma consolidated financial statements have been presented assuming that the following transactions had been completed and adjustments had been effected as of January 1, 2006 for the consolidated statements of earnings for the year ended December 31, 2006 and for the six-month period ended June 30, 2007 and as of June 30, 2007 for the consolidated balance sheet:

(a) The initial public offering (the "Offering") resulting in the issuance of 10,455,000 common shares by the Corporation at a price of $11.00 per share for net proceeds from the Offering of $102,967,237 after deducting underwriters' fees of $6,037,763 and estimated expenses related to the offering of $6,000,000. Concurrently with the closing of the Offering, the Institutional Investors will subscribe for an additional 5,342,620 Common Shares of the Corporation at the Offering Price hereunder for an aggregate amount of $58,768,822, by re-investing (i) $11,618,822 from distributions to be paid to them by Innergex II further to the gain realized by Innergex II at closing from the disposition of the Rutherford Creek facility in December 2005 and (ii) an additional $47,150,000 in cash.

At the closing of the Offering, the Corporation will acquire from the Institutional Investors their equity interests in Innergex II, such that Innergex II will be wholly-owned by the Corporation, for a purchase price of $63,364,165, which will effectively be paid by the issue to the Institutional Investors of 5,760,379 Common Shares at the Offering price.

(b) In conjunction with closing, the Corporation will use the net proceeds of the Offering and the concurrent re-investment to complete the following transactions:

	$	
Repayment or purchase of promissory notes owed by Innergex II(i)	123,875,000	
Funding of equity in development projects(ii)	30,000,000	
Dividend to shareholders of the Corporation(iii)	3,781,079	
Working capital and general corporate purposes(iv)	4,079,980	
		161,736,059

(i) Repayment or purchase of promissory notes owed by Innergex II

The Corporation will cause Innergex II to repay or acquire the $117,875,000 promissory notes owed by Innergex II with a $6,000,000 premium.

(ii) Funding of equity in development projects.

$30,000,000 of the net proceeds of the Offering will be used to fund the Corporation's pro rata share of equity required for construction costs of its current portfolio of development projects with power purchases agreements.

(iii) Dividend to shareholders of the Corporation

At closing, the Corporation will declare and pay a dividend to its existing shareholders further to the gain realized in connection with the disposition of Innergex AAV L.P. and Innergex BDS L.P. in the amount of $3,781,079.

(iv) Working capital and general corporate purposes

The remaining proceeds will be used for working capital and general corporate purposes in the amount of $4,079,980.

(c) The acquisition of the equity interest in the Fund and Innergex II will be accounted for using the purchase method at their respective acquisition costs. The following table reflects the preliminary purchase price allocation, based on the fair value of the assets acquired and liabilities assumed at acquisition, which is subject to a final valuation, the impact of which is not expected to have a material effect on the results of operations:

	Fund	InnergexII	Total	Combined Operating Entities (Note6)	Pro forma adjustments
	$$		$	$	$
Net working capital	—	5,994,104	5,994,104	5,994,104	—
Investment held for sale	—	—	—	46,350,465	(46,350,465)
Investment in an entity subject to significant influence	61,700,782	—	61,700,782	—	61,700,782
Hydroelectric power generating facilities	—	18,790,090	18,790,090	18,790,090	—
Intangible assets	—	58,036,120	58,036,120	16,069,818	41,966,302
Project development costs	—	83,574,431	83,574,431	79,641,048	3,933,383
Other Assets	—	2,215,147	2,215,147	2,215,147	—
Deferred costs and pre-operating costs	—	—	—	6,235,354	(6,235,354)
Goodwill	—	33,501,638	33,501,638	—	33,501,638
Bank loan	—	8,000,000	8,000,000	8,000,000	—
Long-term debt	—	42,515,000	42,515,000	42,515,000	—

Promissory notes	—	117,875,000	117,875,000	117,875,000	—
Distribution payable on common units	—	10,251,867	10,251,867	10,251,867	—
Future income taxes liability	—	11,614,595	11,614,595	—	11,614,595

(d) Promissory notes owed by Innergex II and bearing interest at an annual rate of 8 % are repaid or acquired. The reduction of the interest expense relating to this long-term debt is at $897,467 for the six-month period ended June 30, 2007 and $1,627,482 for the year ended December 31, 2006. The difference between the expense adjusted in the statement of earnings results from the portion of the interest expense capitalized during the pre-operation phase of the projects.

(e) The 16.1% share of the results of the Fund amounting to a loss of ($6,106,376) and earnings of $1,210,959 for the six-month period ended June 30, 2007 and for the year ended December 31, 2006 in respect of the 16.1% investment of the Corporation in the Fund for an amount of $61,700,782.

(f) Additional amortization of $104,554 for the six-month period ended June 30, 2007 and $209,109 for the year ended December 31, 2006 resulting from an excess of the purchase price allocated to the intangible assets acquired as described in (c) above. The intangible assets are amortized using the straight-line method over their respective estimated useful life extending for a period up to 20 years.

(g) The elimination of interest expense of $9,919 and $20,175 recognized in the statements of earnings of the acquired businesses for the six-month period ended June 30, 2007 and for the year ended December 31, 2006 in respect of the long-term debt in the amount of $250,000 that will be repaid by the Corporation.

(h) The accounting of the provisions for future income taxes amounting to ($3,474,890) and ($276,001) and the provincial capital taxes amounting to $703,554 and $1,407,107 recognized in the consolidated statements of earnings of the acquired businesses for the six-month period ended June 30, 2007 and for the year ended December 31, 2006. Under the terms of the Income Tax Act, Innergex II, as a trust, was not subject to income taxes to the extent that its taxable income and taxable capital gains were paid or payable to a unitholder. Since Innergex II will be a subsidiary of the Corporation and is contractually committed to distribute to its unitholder all or virtually all of its taxable income and taxable capital gains, the Corporation will be subject to taxation on the results of Innergex II.

(i) The Corporation will declare and pay dividends for a total amount of $2,248,208 which will result in a tax refund of $272,871 of refundable tax on hand and redeems its one Class A share for an amount of $1.

(j) Innergex II will make the distributions described in (a) above in an amount of $4,178,450, resulting in current income taxes of $397,371. From the distributions, an amount of $3,781,079 will be paid to the shareholders of the Corporation.

(k) The following intercompany balances are eliminated upon consolidation of balance sheet:

	$
Accounts receivable/accounts payable and accrued liabilities	2,
Current portion of distribution receivable/payable	512,
Distribution receivable from a Trust under common management/payable	1,
Loan to an entity under common management/long-term debt	350,
Investment in entities subject to significant influence	13,
Common units	88,
Deficit of the combined entities	3,

(l) The following intercompany transactions are eliminated upon consolidation of earnings:

	Six-month period ended June 30, 2007	Year ended December 31, 2006
Management fees/incentive sharing agreement expense	45,246	90,493
Management fees/capitalized salaries	1,544,025	2,278,832
Management fees/capitalized general and administrative expenses	406,239	796,832
	1,995,510	3,166,157
Interest on long-term debt/distribution from joint venture	13,884	—

4. Combined statement of earnings for the six-month period ended June 30, 2007

Innergex II owns investments in several subsidiaries and joint ventures. As part of the reorganization of Innergex II prior to the acquisition of all its units by the Corporation, two subsidiaries will be disposed of. In order to reflect the results of the remaining entities owned by Innergex II that will be acquired by the Corporation, the following adjustments are made to the statement of earnings of Innergex II:

a) The results of Innergex AAV L.P., Innergex AAV Inc. its general partner, and the 50% participation of Innergex II in Cartier AAV Inc., the operator of the Anse-à-Valleau Facility are deducted;

b) The results of Innergex BDS L.P., Innergex BDS Inc. its general partner, and the 50% participation of Innergex II in Cartier BDS Inc., the operator of the Baie-des-Sables Facility are deducted.

	Innergex II Consolidated	Innergex AAV L.P. a)	Innergex BDS L.P. b)	Combined entities acquired by Corporation
	$	$	$	$
Revenues				
Operating	6,328,499	—	4,922,127	1,406,372
Management fees	56,213	—	—	56,213
	6,384,712	—	4,922,127	1,462,585
Operating expenses	710,283	—	554,127	156,156
Gross income	5,674,429	—	4,368,000	1,306,429
Expenses				
General and administrative expenses	393,289	938	124,488	267,863
Depreciation and amortization	2,361,288	—	1,835,196	526,092
	2,754,577	938	1,959,684	793,955
Earnings (loss) before the following items:	2,919,852	(938)	2,408,316	512,474
Write-off of project development and deferred costs	(5,278,546)	—	—	(5,278,546)
Gain (loss) on derivative financial instruments	3,863,188	1,926,944	2,007,347	(71,103)
Interest from joint ventures	282,355	—	—	282,355
Interest income	499,890	—	52,067	447,823
Interest on bank loan	(111,372)	—	—	(111,372)
Interest on long-term debt	(2,009,796)	—	(1,489,828)	(519,968)
Interest on promissory notes	(897,467)	—	—	(897,467)
Foreign exchange loss	(2,531)	—	—	(2,531)
(Loss) earnings before income taxes	(734,427)	1,926,006	2,977,902	(5,638,335)
Income taxes				
Current	1,785	272	60	1,453
Net (loss) earnings	(736,212)	1,925,734	2,977,842	(5,639,788)

5. Combined statement of earnings for the year ended December 31, 2006

Innergex II owns investments in several subsidiaries and joint ventures. As part of the reorganization of Innergex II prior to the acquisition of all its units by the Corporation, two subsidiaries will be disposed of. In order to reflect the results of the remaining entities owned by Innergex II that will be acquired by the Corporation, the following adjustments are made to the statement of earnings of Innergex II:

a) The results of Innergex AAV L.P., Innergex AAV Inc. its general partner, and the 50% participation of Innergex II in Cartier AAV Inc., the operator of the Anse-à-Valleau Facility are deducted;

b) The results of Innergex BDS L.P., Innergex BDS Inc. its general partner, and the 50% participation of Innergex II in Cartier BDS Inc., the operator of the Baie-des-Sables Facility are deducted.

	Innergex II Consolidated	Innergex AAV L.P. a)	Innergex BDS L.P. b)	Combined entities acquired by Corporation
	$	$	$	$
		(audited)		
Revenues				
Operating	4,177,043	—	1,256,650	2,920,393

Management fees	199,964	—	—	199,964
	4,377,007	—	1,256,650	3,120,357
Operating expenses	424,977	—	128,419	296,558
Gross income	3,952,030	—	1,128,231	2,823,799
Expenses				
General and administrative expenses	482,243	6,459	29,062	446,722
Depreciation and amortization	1,357,289	—	313,074	1,044,215
	1,839,532	6,459	342,136	1,490,937
Earnings (loss) before the following items:	2,112,498	(6,459)	786,095	1,332,862
Write-off of project development and deferred costs	(592,450)	—	—	(592,450)
Gain on disposal of investments	1,951,616	—	—	1,951,616
(Loss) gain on derivative financial instruments	(287,745)	(172,857)	19,323	(134,211)
Interest from joint ventures	215,895	—	—	215,895
Interest income	386,892	—	15,021	371,871
Interest on bank loan	(49,238)	—	—	(49,238)
Interest on long-term debt	(1,145,099)	—	(221,532)	(923,567)
Interest on promissory notes	(1,627,482)	—	—	(1,627,482)
Foreign exchange loss	(10,919)	—	—	(10,919)
Earnings (loss) before income taxes	953,968	(179,316)	598,907	534,377
Income taxes Current	16,282	3,654	1,884	10,744
Net earnings (loss)	937,686	(182,970)	597,023	523,633

6. Combined balance sheet of the operating entities as at June 30, 2007

Innergex II owns investments in several subsidiaries and joint ventures. As part of the reorganization of Innergex II prior to the acquisition of all its units by the Corporation, two subsidiaries will be disposed of. In order to reflect the results of the remaining entities owned by Innergex II, that will be acquired by the Corporation, the following adjustments are made to the balance sheet of Innergex II:

a) The balance sheet of Innergex AAV L.P., Innergex AAV Inc. its general partner, and the 50% participation of Innergex II in Cartier AAV Inc., the operator of the Anse-à-Valleau Facility are deducted;

b) The balance sheet of Innergex BDS L.P., Innergex BDS Inc. its general partner, and the 50% participation of Innergex II in Cartier BDS Inc., the operator of the Baie-des-Sables Facility are deducted.

c) The assets and liabilities of the two subsidiaries that will be disposed of is replaced by investments held for sale.

	Innergex II Consolidated	Innergex AAV L.P. a)	Innergex BDS L.P. b)	Adjustments c)	Combined entities acquired by Corporation
	$	$	$ (audited)	$	$
Assets					
Current assets					
Cash and cash equivalents	15,300,457	77,647	1,278,264	—	13,944,546
Accounts receivable	7,570,738	1,087,124	1,375,240	—	5,108,374
Other current assets	276,730	—	—	—	276,730
	23,147,925	1,164,771	2,653,504	—	19,329,650
Funds held in Trust	852,278	286,900	—	—	565,378
Investments held for sale	—	—	—	46,	46,350,465
Loan to an entity under common management	350,000	—	—	—	350,000
Investments in joint ventures	680,000	—	—	—	680,000
Fixed assets	85,845,699	—	67,055,609	—	18,790,090
Intangible assets	18,002,186	—	1,932,368	—	16,069,818
Project development costs	107,764,045	28,122,997	—	—	79,641,048
Deferred costs and pre-operating costs	6,762,754	527,400	—	—	6,235,354
Derivative financial instruments	619,769	—	—	—	619,769

	244,024,656	30,102,068	71,641,481	46,	188,631,572
Liabilities					
Current liabilities					
Bank loan	8,000,000	—	—	—	8,000,000
Accounts payable and accrued liabilities	14,044,252	3,456,935	2,515,722	—	8,071,595
Construction holdbacks	1,655,790	—	—	—	1,655,790
Derivative financial instruments	(3,589,885)	(1,754,087)	(2,026,670)	—	190,872
Current portion of distribution payable on common units	3,417,289	—	—	—	3,417,289
	23,527,446	1,702,848	489,052	—	21,335,546
Asset retirement obligation	549,184	—	549,184	—	—
Long-term debt	95,167,000	—	52,652,000	—	42,515,000
Promissory notes	117,875,000	—	—	—	117,875,000
Distribution payable on common units	10,251,867	—	—	—	10,251,867
	247,370,497	1,702,848	53,590,236	—	191,977,413
Unitholders' deficiency/Shareholders' equity					
Common units	88,235	25,619,534	13,100,125	38,	88,235
(Deficit) retained earnings	(3,434,076)	2,779,686	4,851,120	7,	(3,434,076)
	(3,345,841)	28,399,220	17,951,245	46,	(3,345,841)
	244,024,656	30,102,068	71,641,481	46,	188,631,572

CERTIFICATE OF THE CORPORATION

Dated: November 28, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act,* 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act,* 1990 (Newfoundland and Labrador) and by Section 23 of the *Securities Act,* 2002 (Yukon), and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

By: (Signed) MICHEL LETELLIER
President and Chief Executive Officer

By: (Signed) JEAN PERRON
Vice President and Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) GILLES LEFRANÇOIS
Chairman of the Board

By: (Signed) CYRILLE VITTECOQ
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: November 28, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act,* 1990 (Newfoundland and Labrador), and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

BMO NESBITT BURNS INC.

By: (Signed) PIERRE-OLIVIER PERRAS

CIBC WORLD MARKETS INC.

By: (Signed) CHARLES ST-GERMAIN

RBC DOMINION SECURITIES INC.

By: (Signed) DAVID DAL BELLO

TD SECURITIES INC.

By: (Signed) LOUIS VÉRONNEAU

DESJARDINS SECURITIES INC.

By: (Signed) JEAN-PHILIPPE MORIN

NATIONAL BANK FINANCIAL INC.

By: (Signed) JEAN-FRANÇOIS CALILLE

CANACCORD CAPITAL CORPORATION

By: (Signed) JEAN-YVES BOURGEOIS

DUNDEE SECURITIES CORPORATION

By: (Signed) DANIEL PHAURE