



INNERGEX RENEWABLE ENERGY INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2009

March 22, 2010

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SCHEDULE A – CORPORATE STRUCTURE

SCHEDULE B – CHARTER OF THE AUDIT COMMITTEE

INNERGEX RENEWABLE ENERGY INC.

ANNUAL INFORMATION FORM AS AT DECEMBER 31, 2009

The information set out in this Annual Information Form is stated as at December 31, 2009, unless otherwise specified.

Unless otherwise indicated or the context otherwise requires, the "Corporation" refers to Innergex Renewable Energy Inc. and its subsidiaries. Terms not otherwise defined have the meaning set forth in the "Glossary of Terms" included at the end of this document.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Annual Information Form contains forward-looking information within the meaning of applicable securities laws. Forward-looking information can generally be identified by the use of words and phrases, such as "may", "will", "estimate", "anticipate", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "forecasts", "intends" or "believes", or variations of such words and phrases that state that certain events will occur. More particularly and without limitation, this Annual Information Form contains forward looking information concerning the Corporation's power production, business strategy, future development and growth prospects, asset base, tax pools, access to capital, cost of capital and debt financing, return on equity, future cash flow, enterprise value, expanded credit facility, balance sheet and liquidity, operating costs, tax efficiency, business integration, and anticipated benefits; and statements with respect to levels of distributions and dividends to be paid to securityholders, dividend policy, the timing of payment of such distributions and dividends and the timing of the completion of the Arrangement.

The forward-looking information is based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning availability of capital resources, economic and financial conditions, the success obtained in developing new facilities, the performance of operating projects, and the timing of receipt of the requisite securityholder, court, regulatory and other third party approvals. Although the Corporation believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Corporation can give no assurance that they will prove to be correct.

Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the renewable energy industry in general such as execution of strategy, capital resources, derivative financial instruments, current economic and financial crisis, hydrology and wind regime, construction and design, development of new facilities, project performance, equipment failure, interest rate and refinancing risk, financial leverage and restrictive covenants, and relationship with public utilities. Readers are cautioned that the foregoing list of factors is not exhaustive. The material risks and uncertainties which may cause the actual results and developments to be materially different from the current expressed expectations are further discussed in this Annual Information Form under the heading "Risk Factors".

The forward-looking information contained in this Annual Information Form is made as of the date hereof and the Corporation undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

1. CORPORATE STRUCTURE

The Corporation was incorporated in Canada under the *Canada Business Corporations Act* by articles of incorporation dated October 25, 2002. The articles of the Corporation were amended as follows: a) on October 25, 2007, to change its name from Innergex Management Inc. to Innergex Renewable Energy Inc. and its French

version, Innergex énergie renouvelable inc.; b) on December 4, 2007, to change the authorized capital of the Corporation and the minimum number of directors of the Corporation from one to three; and c) on December 4, 2007, to amend the authorized and issued capital of the Corporation and to create an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

The Corporation's head and registered office is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4. The Corporation also has an office in North Vancouver, British Columbia.

A corporate chart of the Corporation and its material subsidiaries as well as certain other material ownership interests of the Corporation is attached hereto as Schedule A.

2. GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation is a developer, owner and operator of run-of-river hydroelectric facilities and wind energy projects in North America. The Corporation operates, on its own behalf or on behalf of Innergex Power Income Fund (the "**Fund**"), various power generating facilities in the Provinces of Québec, Ontario and British Columbia and in the State of Idaho.

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, 14 hydroelectric facilities and three wind farms, representing an aggregate installed capacity of 537.8 MW. The Corporation owns, together with its partners, one wind farm and four hydroelectric facilities currently in operation with an aggregate installed capacity of 197.9 MW (net 115.8 MW) and four projects for which PPAs have been secured with an aggregate installed capacity of 319.9 MW (net 127.6 MW). These four projects are under development and are expected to reach commercial operation in 2011 and 2012. The Corporation has also been selected by BC Hydro, on March 11, 2010, to enter into a PPA for three run-of-river hydro projects submitted in the BC Clean Call, with a total expected installed capacity of 113 MW (net 75.3), and has interests in more than 1,800 MW (net 1,600 MW) of prospective power generating projects which are in various stages of development. See "Description of the Business and Assets of the Corporation – Portfolio of Assets".

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. The Corporation also owns an equity interest of approximately 16.1% in the Fund, which owns interests in 10 hydroelectric facilities and two wind farms with an aggregate installed capacity of 339.9 MW (net 209.7 MW).

The Corporation has been managing the Fund and supervising the operation of its facilities since the Fund's initial public offering in 2003 pursuant to certain long-term administration, management and services agreements with the Fund. See "Description of the Business and Assets of the Corporation – Relationship with the Fund – Management of the Fund".

Three Year Summary

Financial year 2007

Initial Public Offering: On December 6, 2007, pursuant to a prospectus dated November 28, 2007, the Corporation completed its initial public offering (the "**Offering**") of 10,455,000 common shares at a price of \$11.00 per common share (the "**Offering Price**") for aggregate gross proceeds of \$115,005,000. In addition, concurrently with the closing of the Offering, the Corporation issued an aggregate of 5,342,620 common shares at the Offering Price to Régime de rentes du Mouvement Desjardins, Caisse de dépôt et placement du Québec ("**CDPQ**"), Sun Life Assurance Company of Canada, TD Capital Group Limited and Kruger Inc. Master Trust (collectively, the "**Institutional Investors**") by way of private placement for aggregate proceeds of \$58,768,822 (the "**Private Placement**"). The

common shares of the Corporation trade on the Toronto Stock Exchange (the "TSX") under the symbol "INE". Pursuant to the Offering, the Institutional Investors granted to the underwriters the right to purchase up to 1,045,000 common shares for a period of 30 days following the closing of the Offering. On January 4, 2008, the underwriters exercised the over-allotment option and purchased from the Institutional Investors 470,520 common shares for an aggregate purchase price of \$5,175,720.

Innergex II Acquisition: Concurrently with the closing of the Offering, the Corporation purchased, using a portion of the proceeds of the Offering, all of the equity interests of the Institutional Investors in Innergex II Income Fund ("Innergex II") not previously held by the Corporation and repaid or purchased, as applicable, all of the outstanding indebtedness owed by Innergex II to the Institutional Investors for a purchase price of \$63,364,165, which was paid by the issue to Institutional Investors of 5,760,379 Common Shares of the Corporation (collectively, the "Innergex II Acquisition"). Through its acquisition of Innergex II, the Corporation acquired ownership interests in what now represents three operating power generating facilities with an installed capacity of 140.5 MW, one project under construction and five power projects under development for which power purchase agreements ("PPAs") have been secured and which are expected to reach commercial operation between 2009 and 2012, representing an aggregate of 348.8 MW of power generating capacity. A business acquisition report (Form 51-102F4) was filed on February 18, 2008 in connection with such acquisition and is available on SEDAR at www.sedar.com.

Acquisition of Interest in the Fund: Concurrently with the closing of the Offering, Innergex II sold to the Fund 38% undivided co-ownership interest in the 109.5 MW Baie-des-Sables Wind Farm and 38% undivided co-ownership interest in the 100.5 MW Anse-à-Valleau Wind Farm (collectively, the "Wind Farms Disposition"). In connection with the Wind Farms Disposition, the Corporation effectively acquired an interest of approximately 16.1% in the Fund. Through its interest of approximately 16.1% in the Fund, the Corporation acquired an economic interest in the Fund's 12 operating power generating facilities, which have an aggregate installed capacity of 339.9 MW. The Corporation also entered into agreements pursuant to which the Corporation agreed to continue to provide certain management and administrative services to the Fund and a cooperation agreement pursuant to which each party granted to the other a right of first offer for any of its power generating projects. See "Description of the Business and Assets of the Corporation – Relationship with the Fund – Management of the Fund". A business acquisition report (Form 51-102F4) was filed on February 18, 2008 in connection with such acquisition and is available on SEDAR at www.sedar.com.

Financial year 2008

Acquisition of Rights in 18 Hydroelectric Projects in British Columbia: On August 29, 2008, the Corporation completed the acquisition from Ledcor Power Group Ltd. ("Ledcor") of a 66 2/3% interest in Creek Power Inc. ("Creek Power") which holds rights relating to 18 prospective hydroelectric projects (the "Creek Power Projects") representing an aggregate potential installed capacity of more than 200 MW of power generating capacity located in the Lower Mainland of British Columbia.

As consideration for such acquisition, the Corporation paid approximately \$8.2 million. Simultaneously, the Corporation issued to Ledcor 200,000 common share purchase warrants for a purchase price of \$175,000. Each warrant entitles the holder to acquire one common share of the Corporation at an exercise price of \$12.50 for a period of 24 months following the closing of the transaction. Five of the 18 Creek Power Projects, with an aggregate expected capacity of 196 MW, were submitted on November 25, 2008 to the Clean Power Call Request for Proposals issued by BC Hydro. On March 11, 2010, three of those projects, with a total expected capacity of 113 MW, were selected by BC Hydro to enter into a PPA.

The Corporation holds 66 2/3% of the issued and outstanding common shares of Creek Power and Ledcor holds the other 33 1/3%. In addition, the Corporation holds 9,865,808 Series 1 preferred shares of Creek Power, being all the issued and outstanding preferred shares of Creek Power. Each Series 1 preferred share carries the right to a fixed

preferential cumulative cash dividend at a rate of 12.5% per annum, calculated and compounded semi-annually on its redemption value, being \$1.00 per Series 1 preferred share.

Carleton Wind Farm financing and commercial operation: Construction of the Carleton Wind farm, comprised of 73 wind turbines, commenced in October 2007 and was completed on schedule in November 2008. On November 25, 2008, the Corporation announced that it had closed a \$53.4 million non-recourse project financing for its 38% undivided co-ownership interest in the Carleton Wind Farm. On February 4, 2009, the Corporation announced that the Carleton Wind Farm had been certified by EcoLogo to benefit from the ecoENERGY Initiative offered by the Canadian federal government. This program provides for an incentive payment of \$10 per MWh for the first ten years of operation. Under the Hydro-Québec PPA, 75% of the incentive must be paid to Hydro-Québec. See "Description of the Business and Assets of the Corporation – Operating Facilities – Carleton Wind Farm".

Umbata Falls Facility financing and commercial operation: The 23 MW Umbata Falls Facility entered into commercial operation in November 2008. The project was certified by EcoLogo in December 2008 and benefits from the ecoENERGY Initiative of the Canadian federal government to support renewable energy in Canada. See "Description of the Business and Assets of the Corporation – Operating Facilities – Umbata Falls Facility".

Tenders under the BC Clean Call: On November 25, 2008, the Corporation submitted five of the 18 Creek Power Projects to the Clean Power Call Request for Proposals. The five projects, namely, the Hurley River Project, the Gun Creek Project, the Upper Lillooet River Project, the Boulder Creek Project and the North Creek Project, have a gross expected capacity of 195 MW. On November 17, 2009, in a progress update on the BC Hydro 2008 Clean Power Call RFP, BC Hydro identified the Corporation's five hydroelectric projects as part of the 47 projects retained for consideration, out of the 68 proposals submitted in November 2008. On March 11, 2010, BC Hydro announced that three hydroelectric Prospective Projects of the Corporation, representing a total of 113 MW, out of the five Prospective Projects submitted under the 2008 BC CPC were selected for PPA awards. The three selected Prospective Projects are Upper Lillooet River, Boulder Creek and North Creek. Subject to the British Columbia Utilities Commission's approval, the PPAs will allow the Corporation to enter into the development phase, which involves stakeholders' consultation, as well as obtaining the relevant permits. The Corporation expects North Creek to start commercial operation in 2015 and Boulder Creek and Upper Lillooet River to respectively start commercial operation in 2016. The Corporation owns a 66 2/3% ownership interest in these three Prospective Projects.

Financial year 2009

Ashlu Creek Facility financing and commercial operation: A contribution agreement was executed with the Minister of Natural Resources of Canada in March 2009 for future funding for the Ashlu Creek Facility under the ecoENERGY Initiative. If all terms and conditions of such agreement are complied with, the Ashlu Creek Facility will benefit from an incentive payment of \$10 per MW-hr for the first ten years of its operation. The Ashlu Creek Facility commenced its commercial operation in November 2009. See "Description of the Business and Assets of the Corporation – Operating Facilities – Ashlu Creek Facility".

Fitzsimmons Facility financing and commercial operation: One of the Creek Power Projects, the Fitzsimmons Creek Facility, with 7.5 MW of power generating capacity, signed a 40-year electricity purchase agreement with British Columbia Hydro and Power Authority on June 18, 2009 under the Standing Offer Program. A contribution agreement was executed with the Minister of Natural Resources of Canada in July 2009 for future funding for the Fitzsimmons Creek Facility under the ecoENERGY Initiative. If all terms and conditions of such agreement are complied with, the Fitzsimmons Creek Facility will benefit from an incentive payment of \$10 per MW-hr for the first ten years of its operation.

On November 6, 2009, an agreement for a \$24 million non-recourse credit facility was executed, thereby completing the financing process for the Fitzsimmons Creek Facility. See "Description of the Business and Assets of the Corporation – Operating Facilities – Fitzsimmons Creek Facility".

Tenders under the Ontario FIT Program: On November 30, 2009, the Corporation submitted five wind farm projects to the Ontario Feed-In Tariff Program. Of these, four are wholly-owned projects with an aggregate installed capacity of 440 MW and one, with an installed capacity of 25.3 MW (net 12.4 MW), is in partnership with a local aboriginal community.

2010 Recent Developments

The Fitzsimmons Creek Facility entered into commercial operation in January 2010. See "Description of the Business and Assets of the Corporation – Operating Facilities – Fitzsimmons Creek Facility".

On January 31, 2010, the Corporation and the Fund entered into a definitive agreement to undertake a strategic combination of the two entities whereby the Fund will acquire the Corporation by way of a reverse take-over, thereby effecting at the same time the conversion of the Fund to a corporation (the "**Arrangement**"). Pursuant to the Arrangement, Fund unitholders (other than the Corporation) will exchange their Fund units on the basis of 1.460 shares of the Corporation for each unit held. Immediately following the Arrangement, current shareholders of the Corporation will hold approximately 39% of the combined company resulting from the Arrangement. The Corporation's management team will remain unchanged following the Arrangement. The Arrangement is subject to customary closing conditions, including the approval of the Corporation's shareholders and the Fund's unitholders and must thereafter be approved by the Court. It is currently expected that the Arrangement will close on March 29, 2010. Further details regarding the Arrangement may be found in the Joint Information Circular dated February 17, 2010, which is specifically incorporated by reference into and forms an integral part of this Annual Information Form, filed on SEDAR at www.sedar.com.

It is expected that, following completion of the Arrangement, the Corporation will undergo a corporate reorganization, as promptly as practicable and not later than December 31, 2010, pursuant to which, *inter alia*, (i) Innergex Power Trust will, distribute all of its assets and transfer all of its liabilities to the Fund and will cease to exist in accordance with the Innergex Power Trust Trust Indenture; (ii) the Fund will subsequently distribute all of its assets and transfer all of its liabilities to the Corporation and cease to exist in accordance with the Fund Trust Indenture; and (iii) Innergex Inc. and Innergex II Inc. will amalgamate in accordance with the provisions of Part 1A of the *Companies Act* (Québec).

On February 1, 2010, Mr. Gilles Lefrançois, founder and Executive Chairman of the Board of Directors of the Corporation, announced that he is officially retiring from the Corporation as an employee but will continue to act as Chairman of the Board of the Corporation and be a member of the Fund's Board of Trustees until the closing of the Arrangement. Over the next 12 months, Mr. Lefrançois will continue to share his experience and expertise with the Corporation as a special advisor.

On March 8, 2010, the Corporation completed an offering of extendible convertible unsecured subordinated debentures in the aggregate principal amount of \$70.0 million (the "**Debentures**"). The Debentures have an initial maturity date of April 30, 2010 which will automatically be extended to April 30, 2017 upon the closing of the Arrangement. The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually, and are convertible at the option of the holder into common shares ("**Common Shares**") of the Corporation at a conversion rate of 93.8967 Common Shares per \$1,000 principal amount of Debentures, which is equal to a conversion price of \$10.65 per Common Share. On March 16, 2010, an over-allotment option was exercised by the syndicate of underwriters to purchase an additional \$10.5 million principal amount, bringing the aggregate gross proceeds of the offering to \$80.5 million.

3. INDUSTRY OVERVIEW AND MARKET TRENDS

Renewable Power Generation Industry

Renewable power producers are involved in the generation of electricity from renewable sources of energy, including (i) water; (ii) wind; (iii) 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. 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.

Renewable Power in Canada

Significant recent growth in renewable power generation in Canada has been influenced by rising electricity prices; competitive provincial markets; rising fossil fuel prices; public concern over nuclear power generation; air quality; and greenhouse gases, improvements in renewable energy technologies and shorter construction lead times for certain renewable energy 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.

Independent Power Producers

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.

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.

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 tidal 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 environmental protection policies, many provincial governments have introduced Renewable Portfolio Standards (“RPS”), which are generally being applied as goals or targets rather than mandatory requirements. 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.

Several provinces have recently released, or are currently preparing, significant new Requests for Proposals or Standard Offer Programs with the objective of procuring additional installed electricity generation capacity from renewable sources. The current provincial targets for clean or renewable energy in their supply mix include: British Columbia’s expectation that renewable or clean energy continue to account for at least 90% of total power generation in the future; Saskatchewan targeting 500 MW of wind power by 2015 and 50% sustainable and renewable power generation by 2025; Ontario targeting 10% additional contracted renewable power generation capacity by 2010 and, by 2025, double the amount of electricity drawn from renewable sources, bringing the total to 15,700 MW; Québec pursuing 4,000 MW of installed wind generation capacity by 2015; New Brunswick aiming for 10% renewable power generation by 2016 and 4,500 MW of wind energy produced by 2025; Nova Scotia aiming for 25% renewable power generation by 2015; Prince Edward Island requiring 500 MW of wind energy produced by 2013 and 30% renewable power generation by 2016; and Manitoba pursuing 1,000 MW of installed wind generation by 2015.

Hydroelectric and Wind Power in Canada

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 that hydroelectric and wind 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.

Regulatory Framework of and Market for Renewable Power in the Corporation’s Key Markets

Québec

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.

The Régie de l’énergie, an economic regulation agency created by the Government of Québec in 1996, sets and modifies the rates and conditions for, *inter alia*, the transmission of electric power by the electricity carrier and the distribution of electric power by the electricity distributors in the Province of Québec. To that end, Hydro-Québec must present to the Régie de l’énergie a forecast of the needs of the Québec market for the next ten years as well as the nature of the contracts that Hydro-Québec intends to enter into in order to meet the demand over and above 165 TWh (being the heritage electricity pool which must be supplied by Hydro-Québec). To meet demand in excess of this 165 TWh, Hydro-Québec must enter into supply contracts after conducting Requests for Proposals with interested power suppliers. The Régie de l’énergie monitors all Requests for Proposals for the supply of energy in

Québec. In 2003, Hydro-Québec issued a Request for Proposals for the supply of nearly 1,000 MW of wind energy. In 2005, another Request for Proposals was issued for the supply of 2,000 MW of wind energy and for which Hydro-Québec received 66 bids for a combined total of 7,724 MW (the "Québec 2,000 MW Request for Proposals"). In 2008, Hydro-Québec awarded 15 projects under the Québec 2,000 MW Request for Proposals for a total of 2004 MW with expected commercial operation dates between 2011 and 2015.

On October 29, 2008, the Québec government enacted the *Wind Energy – 250 MW Block from Aboriginal Projects Regulation* and the *Wind Energy – 250 MW Block from Community Projects Regulation* (the "500 MW Regulations"). Pursuant to the 500 MW Regulations (as amended on March 18, 2009), Hydro-Québec issued a Request for Proposals for the supply of 500 MW of wind energy from aboriginal and community projects on April 30, 2009 (the "Québec 500 MW Request for Proposals"). The Québec 500 MW Request for Proposals will close on May 19, 2010 and the Corporation intends to file several wind farm projects with said Québec 500 MW Request for Proposals.

On July 15, 2009, Hydro-Québec issued a program for the purchase of electrical power from small hydroelectric plants pursuant to the *Regulation respecting the maximum production capacity under a program to purchase electric power from small hydroelectric plants*, as promulgated by decrees 336-2009 and 337-2009, dated March 25, 2009. This regulation determines that the maximum eligible capacity of a hydroelectric plant of a producer participating in the distributor's program must be equal to or less than 50 MW. Hydro-Québec's program is for the supply of 150 MW from hydroelectric projects controlled by local, municipal and aboriginal communities. The Request for Proposals closed on March 16, 2010.

British Columbia

BC Hydro is one of the largest electric utilities in Canada, supplying the majority of power generating capacity in the province. The remaining capacity is provided by investor-owned utilities, large and small industrial self-generators and independent power producers.

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 Request for Proposals 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 Standing Offer Program for clean energy projects under 10 MW.

BC Hydro released the Clean Power Call Request for Proposals in the spring of 2008, pursuant to which 68 projects were submitted for an aggregate annual energy production of 17,000 GWh. On December 22, 2008, BC Hydro filed with the British Columbia Utilities Commission an evidentiary update where it announced that it had reduced the target size of the Clean Power Call Request for Proposals from 5,000 GWh to 3,000 GWh of firm energy. On January 13, 2009, BC Hydro filed a letter with the British Columbia Utilities Commission regarding the target volume of the Clean Power Call Request for Proposals. In its letter, BC Hydro stated that it did not wish to limit its opportunities to acquire cost-effective renewable power through competitive processes with independent power producers and that the Clean Power Call Request for Proposals evaluation process may result in BC Hydro awarding PPAs of up to or greater than the original target of 5,000 GWh per year if the PPAs are cost effective. On February 11, 2009, BC Hydro indicated that it is proceeding with the evaluation of proposals submitted to the Clean Power Call Request for Proposals, in accordance with the schedule.

On May 28, 2009, BC Hydro indicated that it has filed an application with the British Columbia Utilities Commission requesting a relief with respect to the date by which BC Hydro is required to select successful Clean Power Call

proponents and submit an application to British Columbia Transmission Corporation for a corresponding modification for network transmission service. On June 4, 2009, BC Hydro indicated that his relief was granted.

On August 24, 2009, in light of recent decisions by the B.C. Court of Appeal, BC Hydro indicated that it will be assessing the status of First Nations consultations to determine whether adequate consultations occurred with respect to the proposed sale of power to BC Hydro. Given the ongoing assessment, BC Hydro also indicated that it had filed an application with the British Columbia Utilities Commission requesting relief with respect to the date by which BC Hydro is required to select successful Clean Power Call proponents and that the relief was granted on August 20, 2009.

On November 17, 2009, BC Hydro indicated that it was moving forward with post-proposal discussions with the proponents of the 13 proposals identified as the most cost effective and that it will be contacting the proponents of the remaining 34 proposals to afford them an opportunity of making their respective proposals more cost effective. The other proposals were eliminated. BC Hydro intends to begin awarding energy purchase agreements in December 2009. BC Hydro confirmed its interest in the five Innergex run-of-river hydroelectric projects, submitted in BC Hydro's 2008 Clean Power Call RFP.

On January 6, 2010, BC Hydro indicated that it filed an application with the British Columbia Utilities Commission requesting further relief to extend the deadline to March 31, 2010 to provide sufficient time to complete discussions aimed at making the Clean Power Call proposals more cost effective and to finalize the awarding of the energy purchase agreements. On December 24, 2009, the British Columbia Utilities Commission agreed to extend the Competitive Electricity Acquisition Process deadline to March 31, 2010 for the Clean Power Call.

On March 11, 2010, BC Hydro indicated that 19 projects had been selected for the award of a PPA and that 28 projects are still under consideration. Following the execution of the PPAs, BC Hydro will submit them to the British Columbia Utilities Commission for its review.

In April 2008, BC Hydro also implemented the BC Hydro SOP to encourage the development of small and clean energy projects throughout British Columbia. The BC Hydro SOP is a process to purchase energy from small projects with a nameplate capacity greater than 0.05 MW but not more than 10 MW.

Ontario

In May 2002, Ontario's electricity market opened to wholesale and retail competition, providing open access to regulated transmission systems, and requiring Ontario Power Generation ("OPG") to reduce its share of generation capacity in the market. In 2003, the Government of Ontario took steps which transformed the electricity market into what is now described as a "hybrid market". Such steps included 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 Government of Ontario established the Ontario Power Authority ("OPA") 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.

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. Once approved by the OEB, 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 generation sources by 2010 and 15,700 MW by 2025. Ontario currently has approximately 8,300 MW of renewable energy generation sources installed, including major hydroelectric facilities such as Niagara Falls.

Most of the additional renewable sources required to meet the 2010 target are now committed, however the 2025 target will require over 5,500 MW of yet uncommitted generation capacity from renewable sources. The majority of the additional renewable generation capacity required by 2025 is expected to be procured from wind and hydroelectric sources in approximately equal proportions, and a smaller portion of the required capacity is expected to be procured from bio-energy and solar generation sources.

The OPA stated in the IPSP that approximately \$60 billion in investment is expected in Ontario over a 20-year period, including approximately \$6 billion for wind and \$8.4 billion for hydroelectric supply. In the foreseeable future in Ontario, it is expected that renewable energy procurement will primarily take place through OPA administered Requests for Proposals for projects greater than 10 MW, and through a Standard Offer Program for projects less than 10 MW.

On August 27, 2007, the Minister of Energy and Infrastructure of Ontario issued a ministerial directive to the OPA to procure 2,000 MW of renewable energy supply from projects greater than 10 MW in size, including wind farms. The OPA was expecting to procure the 2,000 MW of renewable energy supply in multiple phases. In 2008, the OPA released the RES III Request for Proposals for the supply of 500 MW of energy (of the 2,000).

Since that date, the Government of Ontario has indicated that the Province should pursue even more aggressive targets in terms of renewable energy. As a result, on February 23, 2009, the Minister of Energy and Infrastructure of Ontario introduced the *Green Energy Act* (the "GEA") in order to support and facilitate the implementation of renewable energy facilities in the Province of Ontario, including wind farms. It is expected that regulations and directives associated with the GEA will be defined in 2009 and will set new and more aggressive targets in terms of renewable energy supply.

In September 2009, the Feed-In Tariff Program (the "FIT Program") was enabled by the *Green Energy and Green Economy Act, 2009*. The FIT Program is a guaranteed pricing structure program for renewable electricity production. The FIT Program is divided into two streams – FIT (projects generating more than 10 KW of electricity) and micro-FIT (projects generating 10 KW or less of electricity). Waterpower projects must not be greater than 50 MW per project to be eligible to the FIT Program. Aboriginal or community projects are eligible for a price adder on the energy price in proportion with the percentage of equity ownership of the aboriginal or community group. On November 30, 2009, the Corporation submitted several wind farm projects to the FIT Program.

Hydroelectric Power Generating Process

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

There are three principal types of hydraulic turbines:

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

Advantages of Hydroelectric Power Generation

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

Reliability

The equipment involved in producing hydroelectric power has relatively few moving parts, resulting in a long life and low maintenance requirements as compared to other generation technologies. Unplanned outage rates for hydroelectric units are among the lowest in the electricity generation industry.

Low Operating Costs

Other than water royalties and license fees paid to governmental authorities, hydroelectric facilities have minimal fuel costs and therefore minimize the volatility of their cost structures compared to fossil-fuelled plants. In addition, most facilities can be operated remotely by a single person from a centralized control centre. As a result of these factors, and because of the low maintenance requirement and reliability of hydroelectric equipment, 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. Hydroelectric generation creates none of the thermal, chemical, radioactive, water and air pollution produced by fossil-fuelled and nuclear facilities during the power generating process. Rather than producing substantial amounts of residual waste during the power generation process, hydroelectric generation simply returns the water to the river.

Low Environmental Impact

Small hydroelectric generating facilities, 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 flow of water within a given area.

Wind Power Generating Process

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.

Advantages of Wind Power Generation

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

Low Operating Costs

Wind farms do not have any fuel costs and use a remote monitoring system that 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 farm are low compared to many other traditional methods of energy production.

Construction Flexibility

Wind farms are relatively simple to construct compared to more traditional electricity generating facilities. A typical wind farm can be constructed within a much shorter time frame than other electricity generation facilities such as hydro, natural gas, nuclear or coal facilities, which, for larger scale facilities, can take several years to complete. As a result, wind farms 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%, although manufacturers generally warrant at most 96%.

Environmentally Preferred

Wind farms 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 farms require only a small percentage of the land they occupy for road access and foundations. The rest of the project's site is available for other uses, such as agriculture, industry and recreation.

Factors Affecting Renewable Energy Production Performance

Renewable energy projects, such as wind farms and run-of-river hydroelectric generation facilities, depend on "fuel" sources which are, by their very nature, variable. Therefore, the level of production on a day-to-day basis is also variable. However, long-term historical records for hydroelectric energy and site-specific measurements for hydro and wind energy allow for a monthly or annual average or "mean" hydrology or wind speed 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) × Usage 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 three 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. "Usage Factor" is a measure of the productivity of an electricity-generating source. It is defined as the percentage of electricity that an electricity-generating source is expected to produce relative to maximum theoretical production in a given period of time. For example, an energy site that has a theoretical maximum production of 100 MWh per year, but actually only produces an average of 30 MWh per year, has a usage factor of 30%. There are a number of factors that preclude a wind or hydro powered electricity-generating turbine 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 usage factor but are generally much less significant. For example, scheduled annual maintenance will reduce the amount of time that equipment is available for production. In addition, there are usually periods of unscheduled non-operation resulting from equipment failure.

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

4. DESCRIPTION OF THE BUSINESS AND ASSETS OF THE CORPORATION

General Overview – Segment Information

The Corporation has three reportable segments: (i) hydroelectric production; (ii) wind power production; and (iii) site development and management. Through its hydroelectric production and wind power production segments, the Corporation sells electricity produced from its hydroelectric facilities and wind farms in operation to publicly-owned entities. Through its site development and management segment, the Corporation develops the hydroelectric facilities and wind farms to the operational stage and then manages them.

The hydroelectric production activities of the Corporation generated operating revenues of \$9,463,574 in financial year 2009 and \$3,594,469 in financial year 2008, representing respectively 36.91% and 61.27% of the total operating revenues generated by the Corporation. The wind power production activities of the Corporation generated operating revenues of \$10,491,707 in financial year 2009 and \$1,336,989 in financial year 2008, representing respectively 40.92% and 22.79% of the total operating revenues generated by the Corporation. Site development and management activities generated operating revenues of \$5,685,770 in financial year 2009 and \$935,077 in financial year 2008, representing respectively 22.17% and 15.94% of the total operating revenues generated by the Corporation.

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 or which are eligible under the BC Hydro SOP and are either under construction or have planned dates for commencement of commercial operation (the "**Development Projects**"); and (iii) projects for which certain land rights have been secured, for which an investigative permit application has been filed or with respect to which a proposal has been submitted under a Request for Proposals (the "**Prospective Projects**"). The Corporation's portfolio of projects is comprised of five Operating Facilities, four Development Projects, and a number of Prospective Projects, among which three have been selected by BC Hydro on March 11, 2010 for the award of a PPA.

The Corporation's interests in the five Operating Facilities consist of a 100% interest in the Glen Miller Facility and the Ashlu Creek Facility, a 66 2/3% interest in the Fitzsimmons Creek Facility, a 49% interest in the Umbata Falls Facility, a 38% undivided co-ownership interest in the Carleton Wind Farm.

The Corporation also has interests in 12 other Operating Facilities held through its equity interest of approximately 16.1% in the Fund. See "Relationship with the Fund". The Corporation intends to continue to own and operate the Development Projects and the Prospective Projects as these projects become operational.

The Corporation's expected capacity, measured on an ownership weighted basis, represents 127.6 MW out of the 319.9 MW capacity of its Development Projects and more than 1,600 MW out of the more than 1,800 MW capacity of its Prospective Projects. The three Prospective Projects which have been selected by BC Hydro for the award of a PPA, representing 75.3 MW out of a total expected installed capacity of 113 MW, are Upper Lillooet River, Boulder Creek and North Creek

The Corporation often teams up with a strategic partner when submitting projects in response to a Request for Proposals. When this is the case, the Corporation and the strategic partner will typically share in the ownership of such projects. Current partners are TransCanada (undivided co-owner of 62% of the Cartier Wind Projects), the Kanaka Bar Indian Band (owner of 50% of the Kwoiek Creek Project), the Ojibways of the Pic River First Nation (owner of 51% of the Umbata Falls Facility) and Ledcor (owner of 33 1/3% of the Creek Power Projects).

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

Operating Facilities

<u>Province</u>	<u>Type</u>	<u>Plant</u>	<u>Gross Capacity</u> (MW)	<u>Equity Interests</u> ⁽¹⁾	<u>Power Purchaser</u>	<u>Estimated Long Term Average Generation</u> (MWh)	<u>Remaining PPA Term</u> ⁽²⁾ (years)
Direct Interests							
Ontario.....	Hydro	Glen Miller	8.0	100%	OPA	41,500	16
Ontario.....	Hydro	Umbata Falls	23.0	49%	OPA	109,102	19
Québec.....	Wind	Carleton	109.5	38%	Hydro-Québec	340,523	19
B.C.	Hydro	Ashlu Creek	49.9	100%	BC Hydro	265,000	30
B.C.	Hydro	Fitzsimmons Creek	7.5	66 2/3%	BC Hydro	33,000	40
Sub-total			197.9			789,125	
Indirect Interests							
Québec.....	Hydro	Saint-Paulin	8.0	16.1%	Hydro-Québec	41,082	5
Québec.....	Hydro	Portneuf - 1	8.0	16.1%	Hydro-Québec	40,822	11
Québec.....	Hydro	Portneuf - 2	9.9	16.1%	Hydro-Québec	68,496	11
Québec.....	Hydro	Portneuf - 3	8.0	16.1%	Hydro-Québec	42,379	11
Québec.....	Hydro	Chaudière	24.0	16.1%	Hydro-Québec	116,651	9
Québec.....	Hydro	Montmagny	2.1	16.1%	Hydro-Québec	8,000	10
Québec.....	Hydro	Windsor	5.5	16.1%	Hydro-Québec	31,000	6
Québec.....	Wind	Baie-des-Sables	109.5	6.12%	Hydro-Québec	298,317	17
Québec.....	Wind	Anse-à-Valleau	100.5	6.12%	Hydro-Québec	298,000	18
Ontario.....	Hydro	Batawa	5.0	16.1%	OPA	32,938	20
B.-C.	Hydro	Rutherford Creek	49.9	16.1%	BC Hydro	180,000	14
Idaho	Hydro	Horseshoe Bend	9.5	16.1%	Idaho Power	46,800	20
Sub-total			339.9			1,204,485	
Total.....			537.8			1,993,610	

(1) The Corporation controls, alone or with others, the Glen Miller Facility, the Umbata Falls Facility, the Ashlu Creek Facility, the Fitzsimmons Creek Facility and the Carleton Wind Farm. The Corporation has a 16.1% direct interest in the Fund, which owns interests in the 12 other Operating Facilities.

(2) 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 Umbata Falls, Baie-des-Sables, Anse-à-Valleau, Rutherford Creek, Ashlu Creek, Fitzsimmons 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.

Development Projects

<u>Province</u>	<u>Type</u>	<u>Plant</u>	<u>Expected Capacity (MW)</u>	<u>Equity Interest</u>	<u>Direct Construction Costs (\$mms)</u>	<u>Power Purchaser</u>	<u>Estimated Long Term Average Generation (MWh)</u>	<u>Expected Commercial in Service Date</u>	<u>PPA Term⁽¹⁾ (years)</u>
B.C	Hydro	Kwoiek Creek	49.9	50%	152.1	BC Hydro	215,000	2012	40
Québec.....	Wind	Montagne Sèche	58.5	38%	103.0	Hydro-Québec	182,743	2011	20
Québec.....	Wind	Gros Morne Phase I	100.5	38%	169.8	Hydro-Québec	312,535	2011	21
Québec.....	Wind	Gros Morne Phase II	111.0	38%	178.7	Hydro-Québec	345,188	2012	20
Total.....			319.9		603.6		1,055,466		

(1) The PPAs for the Development Projects do not contain provisions regarding their renewal. At their expiry, management will explore opportunities to renew these PPAs.

Prospective Projects

<u>Province</u>	<u>Type</u>	<u>Plant</u>	<u>Expected Capacity (MW)</u>	<u>Equity Interest</u>	<u>Expected Power Purchaser</u>
Québec.....	Wind	Roussillon	108	100%	Hydro-Québec
Québec.....	Wind	Kamouraska	124.5	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	Various Community Projects	100	50-70%	Hydro-Québec
Ontario.....	Wind	FIT Program Projects	215	49-100%	Ontario Power Authority
B.C	Wind	Various Projects	475	100%	BC Hydro
B.C	Hydro	Kaipit	9.9	100%	BC Hydro
B.C	Hydro	Kokish	9.9	100%	BC Hydro
Québec.....	Hydro	Kipawa	42	48%	Hydro-Québec
B.C	Hydro	Hurley River	46	66 2/3%	BC Hydro
B.C	Hydro	Upper Lillooet River	74	66 2/3%	BC Hydro
B.C	Hydro	Gun Creek	36	66 2/3%	BC Hydro
B.C	Hydro	Boulder Creek	23	66 2/3%	BC Hydro
B.C	Hydro	North Creek	16	66 2/3%	BC Hydro
B.C	Hydro	Various Other Creek Power Projects	50	66 2/3%	BC Hydro
Total.....			1,932.8		

Operating Facilities

The Glen Miller Facility, Umbata Falls Facility, Ashlu Creek Facility, Fitzsimmons Creek Facility and Carleton Wind Farm are the Operating Facilities owned directly by the Corporation. The Corporation has an economic interest in the remaining 12 Operating Facilities in its portfolio through its ownership of approximately 16.1% of the outstanding units of the Fund. All of the Fund's facilities are operating under long-term fixed price PPAs with investment grade counterparties. See "Relationship with the Fund".

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 2001. Construction of the Glen Miller Facility began 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 41,606 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 construction costs of the Glen Miller Facility are principally financed with a \$17 million construction credit facility subsequently converted into a term loan provided by a Canadian financial institution. The credit facility is secured by all the assets of the Glen Miller Facility and by a pledge of all the equity interests in Glen Miller Power, Limited Partnership (“**Glen Miller LP**”) and Glen Miller Power Inc., its general partner.

The Glen Miller Facility is located on a site owned by Sonoco and leased to Glen Miller LP under a 30-year long-term lease, expiring in 2035, with a 15-year extension option in favour of Glen Miller LP, the terms and conditions of which are to be agreed upon by the parties. The lease provides 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 for all the power produced by the Glen Miller Facility during the 20 years following December 19, 2005. The Glen Miller Facility 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 1 of each year, a portion equal to 15% of the price of electricity purchased under the Glen Miller Facility PPA is indexed to the percentage increase or decrease in the CPI since January 1 of the previous year. The average price of electricity delivered to the OPA during 2009 under the Glen Miller Facility PPA was \$67.12 per MWh, compared to \$67.47 per MWh in 2008.

Umbata Falls Facility (49% ownership)

The Umbata Falls Facility is a run-of-river hydroelectric power generating facility with an installed capacity of 23 MW and an estimated yearly energy output of 109,102 MWh. It is located on the White River, a tributary of Lake Superior, approximately 30 kilometres southeast of Marathon, Ontario. Construction of the Umbata Falls Facility began in June 2006 and was completed within budget. The Umbata Falls Facility commenced commercial operation on November 12, 2008. The generating equipment is comprised 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 Facility is owned by Umbata Falls LP. The general partner of Umbata Falls LP is Begetekong Power Corporation (“**Begetekong**”), 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 and Umbata Falls LP dated December 31, 2006, the Corporation has agreed to provide management services for the Umbata Falls Facility, including administrative, construction, operation, maintenance and other related services.

The construction costs of the Umbata Falls Facility were financed with (i) a \$51 million non-recourse construction credit facility provided by a recognized Canadian financial institution with a 5-year term, 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 facility is secured by all of the assets of Umbata Falls LP and a pledge of all the partnership and equity interests in Umbata Falls LP and Begetekong.

In accordance with a permit issued by the Ministry of the Environment pursuant to the *Ontario Water Resources Act*, the Umbata Falls Facility 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 holds all material regulatory approvals for the operation of the Umbata Falls Facility.

The Umbata Falls Facility 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 agreement. The waterpower lease agreement is expected to be executed in the current year and is expected to have an initial 30-year term, renewable for additional ten-year terms. Umbata Falls LP also holds an electricity generation licence pertaining to the Umbata Falls Facility issued by the OEB which is valid until September 8, 2025.

The Umbata Falls Facility has a PPA with the OPA for all the power that will be produced by the facility during the 20 years following the commencement of commercial operation of the Umbata Falls Facility which was set to November 12, 2008. The Umbata Falls Facility PPA is subject to customary termination provisions in the event of a material breach of the agreement. The price for electricity generated by the Umbata Falls Facility established at the time of execution of the Umbata Falls Facility PPA was slightly over \$73 per MWh. On January 1 of each year during the term of the Umbata Falls Facility PPA, a portion equal to 15% of the price of electricity purchased under the PPA is indexed to the percentage increase or decrease in the CPI effective as of January 1 of the prior year. The average price of electricity delivered to the OPA under the Umbata Falls Facility PPA for the period of November 12, 2008 to December 31, 2008 was \$83.51 per MWh, including payments received from the ecoENERGY Initiative, and, during 2009, the average price of electricity delivered to the OPA was \$83.40.

The Umbata Falls Facility is certified by EcoLogo and benefits from the ecoENERGY Initiative providing for an incentive payment of \$10 per MWh for its first ten years of operations. See “Industry Overview and Market Trends — Renewable Power in Canada — Federal Government Support for Renewable Power in Canada”.

Ashlu Creek Facility (100% ownership)

The Ashlu Creek Facility is a run-of-river hydroelectric power generating facility 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 of the Squamish River, approximately 35 kilometres northwest of Squamish, British Columbia. Construction of the Ashlu Creek Facility commenced in August 2006 and Commercial Operation was reached in November 2009. The generating equipment of the Ashlu Creek Facility is comprised of three 16.6 MW Francis turbines. The 230 kV transmission line is approximately three kilometres long and taps into an existing British Columbia Transmission Corporation (“BCTC”) line.

The Ashlu Creek Facility is owned by Ashlu Creek Investments Limited Partnership ("Ashlu Creek LP"). Ashlu Creek LP has two general partners, namely 675729 British Columbia Ltd. and 888645 Alberta Ltd., which are indirectly wholly-owned by the Corporation.

The construction costs of the Ashlu Creek Facility were principally financed with (i) a 15-year term non-recourse construction facility in the principal amount of up to \$110 million arranged with a syndicate of recognized financial institutions, 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 facility is secured by all the assets of the Ashlu Creek Facility and a pledge of the equity interests in Ashlu Creek LP and its general partners.

The Ashlu Creek Facility 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 Facility is primarily located on Crown 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 December 31, 2009. The Integrated Land Management Bureau is in the process of delivering a long-term lease of occupation and statutory rights of way in replacement of the Licence of Occupation. The terms of such Crown land tenures are expected to be consistent with the terms of the PPA. A section of the transmission line is located on private land owned by the Squamish First Nation. An agreement is in place with the land owner for long term occupation of the land and a private easement will be registered with the land title office at the same time as the long term tenures will be obtained from the Integrated Land Management Bureau.

The Squamish First Nation is entitled to a royalty based on revenues of the Ashlu Creek Facility from the date of commencement of commercial operation. 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 Facility to be transferred to the Squamish First Nation for a nominal price after 40 years of commercial operation.

The Ashlu Creek Facility has a PPA with BC Hydro for all the power produced by the Ashlu Creek Facility for the 30 years following November 29, 2009 and subject to customary termination provisions in the event of a material breach of the agreement. The base price for electricity purchased from the Ashlu Creek Facility 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 Facility PPA. The base price of electricity to be paid by BC Hydro under the Ashlu Creek Facility PPA from January 1 to December 31, 2010 is \$59.808 per MWh.

A contribution agreement has been executed with the Minister of Natural Resources of Canada for future funding for the Ashlu Creek Facility under the ecoENERGY Initiative. If all terms and conditions of such agreement are complied with, the Ashlu Creek Facility will benefit from an incentive payment of \$10 per MW-hr for the first ten years of its operation.

Fitzsimmons Creek Facility (66 2/3% ownership)

The Fitzsimmons Creek Facility is a run-of-river hydroelectric power generating facility with a nameplate capacity of 7.5 MW and an estimated yearly energy output of 33,000 MWh. It is located on Fitzsimmons Creek between Whistler and Blackcomb mountains in the Resort Municipality of Whistler, British Columbia. Construction of the Fitzsimmons Creek Facility commenced in July 2008 and Commercial Operation was reached in January 2010. The generating equipment of the Fitzsimmons Creek Facility is one Pelton turbine. The buried 25 kV transmission line is approximately 450 m long and taps into an existing BC Hydro line.

The Fitzsimmons Creek Facility is owned by Fitzsimmons Creek Hydro Limited Partnership ("**Fitzsimmons LP**"). The general partner of Fitzsimmons LP is Fitzsimmons Creek Investments Ltd. which is wholly-owned by a subsidiary of the Corporation. The limited partner of Fitzsimmons LP is Creek Power, 66 2/3% of which is owned by the Corporation and the remaining 33 1/3% of which is owned by Ledcor. See "General Development of the Business – Three-year Summary – Acquisition of Rights in 18 Hydroelectric Projects in British Columbia".

The construction costs of the Fitzsimmons Creek Facility are principally financed with (i) a non-recourse construction facility in the principal amount of \$24.0 million arranged with a syndicate of financial institutions and (ii) cash flow generated by the Corporation's operations from time to time. The credit facility is secured by the Fitzsimmons Creek Facility and a pledge of the equity interest in Fitzsimmons LP and its general partners.

The Fitzsimmons Creek Facility is authorized to divert and use water up to a maximum of 4.0 cubic meters per second from Fitzsimmons Creek, in accordance with a water license issued pursuant to the *Water Act* (British Columbia) on April 11, 2008. The water license was issued for a term of 40 years, expiring April 10, 2048. The Fitzsimmons Creek Facility is located on Crown land which is subject to a license of occupation pursuant to the *Land Act* (British Columbia). The license commenced on April 14, 2008 and has a term of ten years, expiring on April 13, 2018. Such license of occupation will be replaced by a long term registered lease for the powerhouse and statutory rights of way for the transmission line, penstock and intake. Such Crown land tenures are expected to have a term consistent with the term of the PPA.

The Mount Currie Indian Band and the Squamish Indian Band (the "**Nations**") are entitled to a royalty based on revenues of the Fitzsimmons Creek Facility from the date of commencement of commercial operation. Such Nations are also entitled to an incremental share of gross revenues exceeding a yearly threshold of gross revenues set out in the agreement.

The Fitzsimmons Creek Facility has a PPA with BC Hydro for all power produced by the Fitzsimmons Creek Facility during the 40 years following January 26, 2010, subject to customary termination provisions in the event of a material breach of the agreement. The base price for electricity purchased from the Fitzsimmons Creek Facility is \$84.85 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, effective January 1, 2009 and on each January 1 thereafter during the term of the Fitzsimmons Creek Facility PPA. The base price of electricity to be paid by BC Hydro under the Fitzsimmons Creek Facility PPA from January 1 to December 31, 2010, is \$85.04 per MWh.

A contribution agreement has been executed with the Minister of Natural Resources of Canada for future funding for the Fitzsimmons Creek Facility under the ecoENERGY Initiative. If all terms and conditions of such agreement are complied with, the Fitzsimmons Creek Facility will benefit from an incentive payment of \$10 per MW-hr for the first ten years of its operation.

Carleton Wind Farm (38% ownership)

The Carleton Wind Farm is a wind power facility located in the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure, Québec. It has an installed capacity of 109.5 MW and an estimated yearly energy output of 340,523 MWh. The Corporation holds a 38% undivided co-ownership interest in the Carleton Wind Farm. For more information relating to the relationship with the co-owner, see "Development Projects - Wind Projects – Cartier Wind Projects".

Construction of the Carleton Wind Farm was completed on schedule and within budget. The Carleton Wind Farm commenced commercial operation in November 2008. The generating equipment consists of 73 General Electric Company ("**GE**") wind turbines, each with a capacity of 1.5 MW. The turbines are active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers and are operated 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 elected to purchase a three-year extended warranty period for the turbines. During the warranty period, GE has guaranteed that the aggregate average annual availability of the turbines will be at least 96%. The Carleton Wind Farm connects to the transmission system via a 34.5 kV substation tapping into an approximately 10-kilometre long 230 kV transmission line which was constructed by Hydro-Québec.

The Corporation's portion of the direct project construction of the Carleton Wind Farm was approximately \$ 69.4 million. The Corporation financed its portion of the costs of the Carleton Wind Farm with a \$50.9 million non-recourse term loan maturing in 2013 and secured by the Corporation's 38% interest in the Carleton wind farm. This loan is amortized over an 18.5-year amortization period. The loan bears interest at the BA rate plus an applicable credit margin. As part of the Carleton project, the lenders also agreed to provide two short-term loans: (i) the \$7.3 million Hydro-Québec substation loan and (ii) the \$5.5 million GST/PST loan. Both loans were repaid during the first quarter of 2009.

The Carleton Wind Farm site is located entirely on public lands of an approximate total area of 4,445 hectares. Leases were granted by the MRNF to the Cartier Owners (as defined below) for the installation of wind turbines on the territory of the Carleton Wind Farm. Royalties payable to the Québec government under such leases are 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 Wind Farm. Cartier Wind Energy (CAR) Inc. has entered into agreements with each of the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure for 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 Wind Farm. 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 Wind Farm 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 Wind Farm, 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 for 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 within the territory of the Regional County Municipality of Bonaventure by creating a "Fonds de visibilité", to which it contributes an annual amount of \$30,377 per year, which amount will be indexed in accordance with the indexation provisions of the Carleton Wind Farm PPA.

The Carleton Wind Farm has a PPA with Hydro-Québec for all the electricity that is produced by the Carleton Wind Farm, expiring 20 years from November 22, 2008 and subject to customary termination provisions in the case of a material breach of the agreement. Pursuant to the Carleton Wind Farm PPA, the Cartier 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 Wind Farm PPA, which is based, up to a certain quantity, on the price as at January 1, 2004, being \$73.32 per MWh, and a portion of which is adjusted annually in accordance with the inflation rate of the CPI and other factors specified therein. The average price of electricity delivered to Hydro-Québec under the Carleton Wind Farm PPA from November 22, 2008 to December 31, 2008 was \$80.37 per MWh, including payments received under the ecoENERGY Initiative. During 2009, the average price of electricity delivered to Hydro-Québec was \$80.59.

The Carleton Wind Farm is certified by EcoLogo and benefits from the ecoENERGY Initiative providing for an incentive payment of \$10 per MWh for the first ten years of operations (see "Industry Overview and Market Trends — Renewable Power in Canada — Federal Government Support for Renewable Power in Canada"). Under the Carleton

Wind Farm PPA, Hydro-Québec is entitled to receive 75% of the total incentive payments which the Carleton Wind Farm receives under the ecoENERGY Initiative or any similar program.

Development Projects

Hydroelectric Projects

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 Kwoiek Creek and the Fraser River, approximately 14 kilometres south of Lytton, British Columbia. Construction of the Kwoiek Creek Project is expected to commence in the third quarter of 2010 and it is expected to commence commercial operation in 2012. The generating equipment, which will be fed by a 7.2 kilometre-long penstock, is expected to be comprised of four horizontal-shaft three-jet Pelton turbines, each with a maximum designed flow of 3.375 cubic metres per second, a design net head of 491 metres and a rated capacity of 12.475 MW. The Kwoiek Creek Project will include a 70 kilometre-long 138 kV transmission line from the project substation to the Highland Valley Substation at the north end of Mamit Lake.

The Kwoiek Creek Project is owned by Kwoiek Creek Resources LP, the 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 of Kwoiek Creek Resources LP and 50% of the interests of Kwoiek Creek Resources GP Inc.

The estimated 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 Debentures and the cash flow generated by the Corporation's operations from time to time.

Kwoiek Creek Resources 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 Development Canada 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 Resources LP. A referendum was held by the Kanaka Bar Indian Band on February 1, 2009 to decide whether or not a portion of the Whyeek Indian Reserve lands can be designated for the Kwoiek Creek Project. The referendum was successful and the Corporation expects the lease and sublease to be granted for a minimum period of 40 years.

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 operation of the Kwoiek Creek Project and an increased royalty for 20 years thereafter. Forty years following the commencement of commercial operation, Kwoiek Creek Resources Inc. will be entitled to purchase the Corporation's interest in Kwoiek Creek Resources LP and Kwoiek Creek Resources GP Inc. for a nominal price.

The Kwoiek Creek Project has a PPA with BC Hydro for 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. A consent to an extension of delay will be requested from BC Hydro since the beginning of commercial operation is planned for 2012. The Corporation anticipates that such an extension will be granted given that the PPA selling price is below the price at which BC Hydro has awarded its

recent PPAs. 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 based on 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.

On March 12, 2009, the Kwoiek Creek Project took a significant step forward when it received its environmental assessment (“EA”) certificate from the Province of British Columbia (“BC”). The report from BC’s Environmental Assessment Office concluded that the project is not likely to have significant adverse effects, based on the mitigation measures and commitments included as conditions of the EA certificate, and is likely to generate substantial economic spin-offs at the local and regional levels.

On September 21, 2009, the Kwoiek Creek Project received its screening report from the Canadian Environmental Assessment Agency and British Columbia Environmental Assessment Office. The report confirmed that the Kwoiek Creek Project is not likely to have significant adverse environmental effects.

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 Wind Farm, described above; (ii) the 58.5 MW Montagne-Sèche Project; (iii) the 100.5 MW Gros Morne Phase I Project; and (iv) the 111 MW Gros Morne Phase II Project. In addition, pursuant to the Wind Farms Disposition, the Fund acquired from Innergex II its 38% undivided co-ownership in the Baie-des-Sables Wind Farm and Anse-à-Valleau Wind Farm (collectively with the Carleton Wind Farm, the Montagne-Sèche Project, the Gros Morne Phase I Project and the Gros Morne Phase II Project, the “**Cartier Wind Projects**”). See “General Development of the Business – Three-year Summary – Acquisition of Interest in the Fund”.

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

Cartier Owners and Owners Agreement

The Corporation, through its wholly-owned subsidiaries, is party to an owners agreement with TransCanada for each of the Cartier Wind Projects, 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 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 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 Owner holds a right of first refusal for the purchase of the other Cartier Owner’s interest in such Cartier Wind Project as well as a right of first offer which requires the other Cartier 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 Owner will be suspended (other than for unanimous decisions of the Cartier

Owners) and the defaulting Cartier Owner and its representative will neither vote nor participate in any decision of the Cartier Owners; (ii) the non-defaulting Cartier Owner may, under certain circumstances, enforce its cross security granted pursuant to the Owners Agreement; and (iii) the non-defaulting Cartier Owner may exercise its compulsory acquisition right to acquire the other Cartier 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 Owner.

Separation Agreement

The Cartier Owners (including those Cartier Owners of the Fund which hold interests in the Baie-des-Sables Wind Farm and the Anse-à-Valleau Wind Farm) are also party to a Separation Agreement dated as of February 25, 2005 (the "**Separation Agreement**"), which sets forth the procedure should any of the Cartier Owners request the separation of the Cartier Wind Projects between their respective owners. Following the final completion of the first two Cartier Wind Projects, within the meaning given to final completion in the Turbine Supply Agreement with GE ("Final Completion"), the Separation Agreement allows any of the Cartier Owners to request not before 30 days nor after 60 days after such final completion the separation of all the Cartier Wind Projects. However, the Fund has agreed, pursuant to an agreement amongst the Cartier Owners, Innergex AAV L.P., Innergex BDS L.P. and the Corporation dated December 6, 2007 (the "**Agreement Related to the Separation Agreement**"), not to cause the separation of the Cartier Wind Projects without the prior written consent of the Corporation. Upon a request for separation, the first 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 Fund. The remaining Cartier Wind Projects would be allocated between the Corporation and TransCanada, 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, the Fund or TransCanada.

The Cartier 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 Owners. If the Cartier Owners fail to agree on the fair market value of all 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 valuers. Within 21 days of the later of the determination by the Cartier Owners of the fair market value of all the Cartier Wind Projects or the determination by the independent valuers of the fair market value of a Cartier Wind Project, the Cartier Owners will allocate all 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 Owners fail to reach an agreement on the allocation of the remaining Cartier Wind Projects, the Cartier 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 Owners, the Cartier Owner of a specific Cartier Wind Project which was attributed to it will owe to the other Cartier 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.

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 development phases of a proposed wind farm 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 operation in 2011 and 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 at least 96%. The Gros Morne Projects will connect to the transmission system via a 34.5 kV substation tapping into a 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 received from the proceeds of the Debentures and the cash flow generated by the Corporation's operations from time to time.

The Cartier Owners of the Gros Morne Projects are in the process of securing the necessary regulatory approvals for the construction and operation of the Gros Morne Projects. Any delays may impact the commencement of commercial operation and capital costs of the project. The *Bureau d'audiences publiques sur l'environnement* ("BAPE") released its examination and public hearing report on February 9, 2009. The report recommends the authorization of the Gros Morne Projects, with certain improvements. The total area of the Gros Morne Projects site is approximately 7,134 hectares, of which 91% is located on public lands. The Cartier Owners of the Gros Morne Projects are in the process of securing the access rights 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 was issued in favour of the Cartier Owners of the Gros Morne Projects by the MRNF pursuant to the Wind Farm Construction Program. Pursuant to the letter of intent with the MRNF, leases or other land rights are expected to be granted by the MRNF 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.

On June 15, 2009, the Quebec government announced that it had adopted a decree authorizing the construction of both phases of the Gros Morne Projects. In its announcement, the Quebec government indicated its support for these projects by emphasizing their significant contribution to local economic development.

The Gros Morne Projects are parties to the same PPA with Hydro-Québec for all electricity that will be produced by the Gros Morne Projects, expiring 21 years after the commencement of commercial operation 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 Owners of the Gros Morne Projects are subject to penalty payments under the PPA if commercial operation of the Gros Morne Phase I Project has not commenced by December 1, 2011 and if commercial operation of Gros Morne Phase II Project has 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 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 operation 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.

Montagne-Sèche Project (38% ownership)

The Montagne-Sèche Project is a proposed wind farm 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 2010 and to be completed in November 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 at least 96%. The Montagne-Sèche Project will connect to the transmission system via a 34.5 kV substation tapping into a 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 Debentures and the cash flow generated by the Corporation's operations from time to time.

The Cartier Owners are in the process of securing the necessary regulatory approvals for the construction and operation of the Montagne-Sèche Project. Any delays may impact commencement of commercial operation and capital costs of the project. The BAPE released its examination and public hearing report on February 9, 2009. The report recommended the authorization of the Montagne-Sèche Project, with certain improvements. The total area of the Montagne-Sèche Project site is approximately 1,747 hectares, 100% of which are located on public lands. The MRNF issued a letter of intent in favour of the Cartier Owners for the Montagne-Sèche Project in conformity with the Wind Farm Construction Program. Pursuant to the letter of intent with the MRNF, leases or other land rights are expected to be granted by the MRNF 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.

On June 15, 2009, the Quebec government announced that it had adopted a decree authorizing the construction of the Montagne-Sèche Project. In its announcement, the Quebec government indicated its support for this project by emphasizing its significant contribution to local economic development.

The Montagne-Sèche Project has a PPA with Hydro-Québec for all electricity that will be produced by the Montagne-Sèche Project, expiring 20 years after the commencement of commercial operation and subject to customary termination provisions in the case of a material breach. The Cartier Owners of the Montagne-Sèche Project are subject to penalty payments in the event that commercial operation 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 Owners of the Montagne-Sèche Project have agreed to deliver and sell a minimum quantity of 191,711 MWh of energy 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 on January 1, 2004 of \$68.80 per MWh, and adjusted annually in accordance with the CPI and certain factors specified therein.

Prospective Projects

All of the Prospective Projects described below are either in a preliminary stage of development or have specific obstacles which reduce the opportunity to further their development in the near future. Some of the Prospective Projects were bid pursuant to the Québec 2000 MW Request for Proposals and were not retained, and can be considered for future Requests for Proposals, some could be submitted under the BC Hydro SOP, some are targeted

towards specific future Requests for Proposals and others will be available for future Requests for Proposals yet to be announced. There is no certainty that any one Prospective Project will be completed. The Prospective Projects have more sensitivity to market conditions as financing is required for their development. Therefore, the reader is invited to refer to section "Risk Factors – Capital Resources" for more information on such risk.

Prospective Hydroelectric Projects

Prospective British Columbia 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 is 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 km-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 house two Francis turbines, each 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 Kaipit Project is one of the projects which the Corporation could submit under the BC Hydro SOP.

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 32,000 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. The second segment would be a high pressure penstock which follows an active forest service road for 0.9 kilometre and then another decommissioned forest service road to the powerhouse located on the west bank of the Kokish River, just upstream of the confluence with the Bonanza River. The powerhouse would house 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 will be an interconnection at 138 kV by directly tapping the 138 kV line approximately 2.5 km west of the project substation. Alternative transmission generator interconnections will also be considered wherein the power generated from the Kokish generating station would be interconnected to the BC Hydro

distribution grid via a 10-kilometre long 25 kV transmission line along the main forest service road in a northerly direction to the existing 25 kV distribution system just east of Beaver Cove.

The Kokish Project is one of the projects which the Corporation could submit under the BC Hydro SOP.

Hurley River Project (66 2/3% ownership)

The Hurley River Project is a prospective run-of-river hydroelectric project with a potential installed capacity of 46 MW and an expected yearly output of 157,773 MWh. It is located on the Hurley River and Downton Lake, approximately five km from Gold Bridge in the region of Lillooet/Pemberton, British Columbia.

The Hurley Project would have one main intake to divert the flow of water into a 3.4 km low pressure tunnel and then into a 0.7 km high pressure penstock to the powerhouse. The water would be discharged from the powerhouse into the Downton Lake Reservoir. This water would increase the amounts of water available for generation at BC Hydro's Lajoie station.

The powerhouse would house three horizontal shaft 15.3 MW Francis turbines. In addition, the powerhouse would contain all necessary ancillary equipment including protection, controls, switchgear and communications. The 69 kV transmission line is approximately five km long and taps into an existing BC Hydro switchyard at its existing Lajoie generation station.

On November 25, 2008, the Hurley River Project was submitted to the Clean Power Call Request for Proposals and the project is still under consideration by BC Hydro for the award of a PPA.

Upper Lillooet River Project (66 2/3% ownership)

The Upper Lillooet River Project is a prospective run-of-river hydroelectric project with a potential installed capacity of 74 MW and an expected yearly output of 270,160 MWh. It is located on the Lillooet River, a tributary of the Fraser River, approximately 70 km northwest of Pemberton, British Columbia.

The Upper Lillooet Project will divert partial flows from the river, through an intake structure directly into a 2.6 km long tunnel followed by a one km high pressure penstock to the four 18.5 MW horizontal Francis turbines and generating equipment located in the powerhouse. The powerhouse would also contain all necessary ancillary equipment including protection, controls, switchgear and communications.

Preliminary interconnection studies indicate the preferred interconnection is to BCTC 230 kV line south of Pemberton. The proposed transmission line would be approximately 72 km long.

On November 25, 2008, the Upper Lillooet River Project was submitted to the Clean Power Call Request for Proposals and, on March 11, 2010, BC Hydro announced that the Upper Lillooet River Project had been selected to be awarded a PPA.

Gun Creek Project (66 2/3% ownership)

The Gun Creek Project is a prospective run-of-river hydroelectric project with a potential installed capacity of 36 MW and an expected yearly output of 180,928 MWh. It is located in the Bridge River basin, approximately 7 km northwest of Gold Bridge, British Columbia.

The Gun Creek Project would have one main intake to divert the flow of water. Two options to convey the water to the powerhouse are being considered. The first option would consist of a 130-meter deep vertical shaft connected to a 4.6 km long high pressure horizontal tunnel to the powerhouse. The second option would consist of a 1.9 km long

horizontal low pressure tunnel, a 1.4 km long low pressure penstock and a 1.7 km long high pressure tunnel to the powerhouse. In both cases, the location of the powerhouse would be on the shore of the Carpenter Lake Reservoir.

The powerhouse would house three vertical shaft 12.0 MW Pelton turbines. In addition, the powerhouse would contain all necessary ancillary equipment including protection, controls, switchgear and communications. The 69 kV transmission line is approximately 6 km long and taps into an existing BC Hydro switchyard at its existing Lajoie generation station.

On November 25, 2008, the Gun Creek Project was submitted to the Clean Power Call Request for Proposals and the project is still under consideration by BC Hydro for the award of a PPA.

Boulder Creek Project (66 2/3% ownership)

The Boulder Creek Project is a prospective run-of-river hydroelectric project with a potential installed capacity of 23 MW and an expected yearly output of 85,720 MWh. It is located on Boulder Creek in the Lillooet River drainage basin, 56 km northwest of Pemberton, British Columbia.

The Boulder Creek Project will divert partial flows from the creek through an intake structure to a buried 1.5 km long low pressure HDPE penstock followed by a 1.5 km high pressure steel penstock to three 7.6 MW vertical Pelton turbines and generating equipment located in the powerhouse. The powerhouse would also contain all necessary ancillary equipment including protection, controls, switchgear and communications.

Preliminary interconnection studies indicate the preferred interconnection is to BCTC 230 kV line south of Pemberton. The proposed transmission line would be approximately one km long and tap into the 230 kV line constructed for the Upper Lillooet Project.

On November 25, 2008, the Boulder Creek Project was submitted to the Clean Power Call Request for Proposals and, on March 11, 2010, BC Hydro announced that the Boulder Creek Project had been selected to be awarded a PPA.

North Creek Project (66 2/3% ownership)

The North Creek Project is a prospective run-of-river hydroelectric project with a potential installed capacity of 16 MW and an expected yearly output of 59,725 MWh. It is located on North Creek in the Lillooet River drainage basin, 38 km northwest of Pemberton, British Columbia.

The North Creek Project will divert partial flows from the creek through an intake structure to a buried 2.4 km low pressure HDPE penstock followed by a 1.7 km high pressure steel penstock to the single 16 MW vertical Pelton turbine and generating equipment located in the powerhouse. The powerhouse would also contain all necessary ancillary equipment including protection, controls, switchgear and communications.

Preliminary interconnection studies indicate the preferred interconnection is to BCTC 230 kV line south of Pemberton. The proposed transmission line would be approximately 1 km long and tap into the 230 kV line constructed for the Upper Lillooet Project.

On November 25, 2008, the North Creek Project was submitted to the Clean Power Call Request for Proposals and, on March 11, 2010, BC Hydro announced that the North Creek Project had been selected to be awarded a PPA.

Various Other Creek Power Projects (66 2/3% ownership)

In addition to the five projects submitted to the BC Hydro under the Clean Power Call Request for Proposals, Creek Power holds the rights to 12 other prospective projects located in southwestern British Columbia for which the Corporation evaluates the aggregate potential installed capacity at more than 50 MW. Many of these projects have secured applications for water licences and land tenure.

Prospective Québec Hydroelectric Projects

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 220,000 MWh. It is 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 22 MW power plant, and a secondary 5 MW plant built next to an existing dam.

The main facility would be a run-of-river project located in the City of Temiscaming. The water will be conveyed to the powerhouse by a 1.6 kilometre-long tunnel excavated on the right side of the city. The powerhouse would replace the powerhouse on the Ottawa River bank and would house 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 a canal and would house a single Ecobulb Kaplan unit with a capacity of 5 MW and a flow rate of 71 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 the Kipawa Project's 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.

Prospective Wind Projects

Prospective Québec Wind Projects

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 potential installed capacity of 108 MW and an expected long-term average energy output of at least 311,000 MWh per year.

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

A preliminary environmental impact assessment report for the Roussillon Project has been submitted to the Ministre du Développement durable, Environnement et Parcs.

The Roussillon Project was submitted to the Québec 2000 MW Request for Proposals and was not retained. The Roussillon Project or parts thereof could potentially be submitted under future Requests for Proposals or further developed under any other opportunities which might arise.

Kamouraska Project (100% ownership)

The Kamouraska Project is a prospective wind power project located in the unorganized territory of Picard, Québec. It has a potential installed capacity of 124.5 MW and expected long-term average generation of at least 360,000 MWh per year.

The total area of the Kamouraska Project is approximately 9,790 hectares, all of which is located on public land. The Corporation has performed the required seasonal field work for bird and bat studies for the Kamouraska Project in preparation for an eventual full environmental impact assessment to be submitted to the Ministre du Développement durable, Environnement et Parcs.

The Kamouraska Project was submitted under the Québec 2000 MW Request for Proposals and was not retained. The Kamouraska Project or parts thereof could potentially be submitted under future Requests for Proposals or further developed under any other opportunities which might arise, including the Québec Community Wind Request for Proposals.

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 potential 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 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 Saint-Constant Project or parts thereof could potentially be submitted under future Requests for Proposals or further developed under any other opportunities which might arise.

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 potential 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 total area of the Club des Hauteurs Project is approximately 5,249 hectares, all of which is located on public land. The Club des Hauteurs Project could potentially be submitted under future Requests for Proposals or further developed under any other opportunities which might arise.

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 potential installed capacity of up to 170 MW and an expected long-term average generating capacity of up to 530,000 MWh per year.

The total area of the Haute-Côte-Nord Est Project is approximately 4,164 hectares, all of which is located on public land. The Haute-Côte-Nord Est Project could potentially be submitted under future Requests for Proposals or further developed under any opportunities which might arise.

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 potential installed capacity of up to 168 MW and an expected long-term average generating capacity of up to 540,000 MWh per year.

The total area of the Haute-Côte-Nord Ouest Project is approximately 5,312 hectares, all of which is located on public land. The Haute-Côte-Nord Ouest Project could potentially be submitted to future Requests for Proposals or further developed under any opportunities which might arise.

Community Projects (50-70% ownership)

Pursuant to the enactment of the *Wind Energy – 250 MW Block from Community Projects Regulation* on October 29, 2008, Hydro-Québec issued a Request for Proposals for 250 MW of community wind power projects in 2009 (the “**Québec Community Wind Request for Proposals**”). See “Industry Overview and Market Trends – Regulatory Framework of and Market for Renewable Power in the Corporation’s Key Markets – Québec”.

In partnership with municipalities and MRCs, the Corporation is developing several projects, each of a capacity up to 25 MW, for submittal to the Quebec Community Wind Request for Proposals.

Prospective Ontario Feed-In Tariff Projects (49-100% ownership)

On November 30, 2009, the Corporation submitted several applications into the FIT Program. Depending on the implementation of transmission expansion, the Corporation expects that approximately 215 MW of these applications may be positioned for eventual award of FIT contracts

Prospective British Columbia Wind Projects

The Corporation has identified potential wind projects in British Columbia (the “**Prospective BC Wind Projects**”) for which the Corporation evaluates the aggregate potential installed capacity at 475 MW.

The Corporation has been granted licenses of occupation and investigative use permits by the Integrated Land Management Bureau on six sites, which secures a first-ranking claim to the land and prevents other applicants from applying for lands within one kilometre of the permit boundary. The investigative use permit and licence of occupation 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.

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.

Abandoned Projects

Mkw'Alts Project (100% ownership)

The Mkw'Alts Project was a prospective run-of-river hydroelectric power generating facility with a potential nameplate capacity of 47.7 MW to be located on Ure Creek, a tributary of Lillooet Lake, approximately 11 kilometres south of the town of Mount Currie, British Columbia.

Given the Land Use Planning Agreement entered into between the Province of British-Columbia and the Lil'wat Nation and the consequences of such an agreement on the negotiations between the Corporation and the Lil'wat Nation for the use of their lands for the Mkw'Alts Project and on the conditional water licence and Licence of Occupation, the Corporation had no choice but to indefinitely postpone the Mkw'Alts Project despite the fact that a PPA had been executed for this project.

Matawin Project (100% ownership)

The Matawin Project was a proposed hydroelectric power generating facility with an installed capacity of 15.0 MW to be located on the Matawin River, a tributary of the Saint-Maurice River, in Québec.

Despite the fact that this project was selected under a Request for Proposals issued jointly by Hydro-Québec and the MRNF in 2002, the Corporation was unable to reach an agreement and sign a PPA with Hydro-Québec and so, decided to abandon the project in its actual form.

Les Méchins Project (38% ownership)

The Les Méchins Project was a prospective wind power project to be located in the Municipality of Gross-Roche, Les Méchins and Saint-Jean-de-Cherbourg, Québec, with a planned installed capacity of 150 MW.

Given the impossibility for the Corporation to come to an agreement with the private landowners in a timely manner, resulting in the termination of the turbine supply agreement with GE and the termination, on December 1, 2009, of the PPA with Hydro-Québec, the Corporation had no other choice but to abandon the project.

Relationship with 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. The Fund indirectly owns interests in 10 hydroelectric facilities and two wind farms 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 and are operating under long-term fixed price PPAs with investment grade counterparties.

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 guidelines established by the Fund in connection thereto. More information regarding the Fund may be found at www.sedar.com. Such information is not incorporated by reference into this Annual Information Form.

The Corporation owns 4,724,409 units of the Fund which represents approximately 16.1% of the issued and outstanding units of the Fund. 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.

If the Arrangement closes as expected, all the agreements between the Fund and the Corporation will be terminated. See "General Development of the Business – Three-Year Summary – 2010 Recent Developments" for more details about the Arrangement.

Management of the Fund

The Administration Agreement

Pursuant to an agreement dated December 6, 2007 between the Corporation and the Fund, which amended and restated an administration agreement dated June 25, 2003 (the "**Administration Agreement**"), the Corporation provides 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 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 \$113,257 in 2009, 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 Management Agreement

Pursuant to an agreement dated December 6, 2007 between the Corporation and the Fund, which amended and restated a management agreement dated June 25, 2003 (the "**Management Agreement**"), the Corporation provides management services to the Fund. These services include: (i) supervising the operation of the facilities held 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 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 2009 was established at \$999,342, which was invoiced. In addition, a sum of \$158,058 was also invoiced for services not covered by the Management Agreement. Furthermore, the Corporation is entitled to an annual incentive fee based on increases in distributable cash per unit of the Fund corresponding to 25% of the annual distributable cash per unit of the Fund in excess of \$0.925. To determine the distributable cash used in the calculation of the incentive fee, the amount of income tax related to the taxation of public trusts amendments adopted in 2007 is excluded. 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 of the Fund. An amount of \$735,107 as incentive fee was received for the period ended December 31, 2009.

The Services Agreement

Pursuant to an agreement dated December 6, 2007 among the Corporation, the Fund and certain other subsidiaries of the Fund which amended and restated a services agreement dated June 25, 2003 (the "**Services Agreement**"), the Corporation provides management services to the Fund and its wholly-owned subsidiaries for the operation and management of the facilities of the Fund. Pursuant to the Services Agreement, the Corporation supervises the operations of the 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 "**Fund Agreements**") all have terms expiring on July 4, 2030. The Fund 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 Fund Agreements can be terminated by either party upon the occurrence of customary events of default. The Management Agreement may also be terminated (i) by the Fund in the case of a major disagreement between the Manager and the trustees of Innergex Power Trust who are "unrelated" to the Corporation, upon a 90-day notice; or (ii) by the Corporation in the year following a change of control of the Fund. In either of these cases, the Manager shall be entitled to receive cash compensation of \$10,000,000. 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 was \$735,107 in the year ending December 31, 2009. 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 dated December 6, 2007 between the Fund and the Corporation which amended and restated a cooperation agreement dated June 25, 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 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.

Competitive Conditions

The Corporation operates 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. The Corporation depends upon the sale of its power to provincially owned utilities through long-term PPAs which are generally obtained through a Request for Proposals process which can attract proposals from many of the Corporation's competitors. 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.

Seasonality and Cyclicity

The renewable power industry is inherently cyclical and seasonal due to the industry's dependence on weather for the availability of wind and water resources for electrical generation.

The Corporation's exposure to the cyclicity of the industry is reduced by the fact that PPAs with a term of 20 years or more have been entered into with respect to all of the Development Projects with PPAs while all of the Operating Facilities sell power under PPAs that have a remaining weighted average life of 17.8 years, thereby reducing the Corporation's exposure to variations in the price of electricity. The Corporation's exposure to the seasonality of the industry is reduced by the fact that the facilities and projects in which the Corporation has interests are geographically diverse (spanning the Provinces of Québec, Ontario and British Columbia and the State of Idaho) and are split amongst hydroelectric facilities and wind farms, thereby reducing the Corporation's dependence on any one natural resource in any one region.

Environmental Protection

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

Employees

The Corporation has 56 employees and supervises 14 employees of the operating entities, directly or indirectly owned by the Fund, pursuant to the Fund Agreements. This workforce includes 24 employees in operations and maintenance, 14 employees in development and construction and 32 employees in administration, 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 with the feasibility analysis of its projects.

5. RISK FACTORS

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

Risks related to the Arrangement

The Corporation has incurred important expenses in connection with the Arrangement and the offering of the Debentures, including financial and strategic advisory, valuation, proxy solicitation, underwriting, accounting and legal fees. A significant portion of such fees are payable regardless of whether the Arrangement is approved by unitholders of the Fund and shareholders of the Corporation and subsequently completed. Likewise, the initial maturity date of the Debentures (currently April 30, 2010) will not be extended to April 30, 2017 if the Arrangement is not carried out and the Debentures will consequently have to be repaid to their holders. Finally, the Corporation's management anticipates that the Arrangement would entail significant benefits for the Corporation and its

shareholders which would not materialize if the Arrangement is not completed (see the section “The Arrangement – Anticipated Benefits of the Arrangement” at page 34 of the Joint Information Circular of the Corporation and the Fund dated February 17, 2010, which is available on SEDAR at www.sedar.com).

The failure to complete the Arrangement and to extend the initial maturity date of the Debentures (which is tied to the completion of the Arrangement) could have a material adverse effect on the Corporation’s business, operating results, financial conditions or prospects.

Additional risk factors relating to the Arrangement are contained in the section “The Arrangement – Risk Factors Relating to the Arrangement” at page 35 of the Joint Information Circular of the Corporation and the Fund dated February 17, 2010, which is available on SEDAR at www.sedar.com, in particular under the headings “The Fund and IRE May Not Realize the Anticipated Benefits of the Arrangement”, “Payment of Termination Fee and Expense Reimbursement upon Occurrence of Certain Events”, “Approval of Fund Unitholders Required for the Arrangement” and “Approval of IRE Shareholders Required for the Arrangement”.

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 facilities. The Corporation may underestimate the costs necessary to bring power generating facilities into commercial operation or may be unable to quickly and efficiently integrate new acquisitions into its existing operations.

Capital Resources

Future development and construction of new facilities and the development of the Development Projects and the Prospective Projects and other capital expenditures will be financed out of cash generated from the Corporation’s operating facilities, investment in the Fund, borrowing and/or sales of additional equity. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation’s ability to make necessary capital investments to construct or maintain existing 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.

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

Derivative Financial Instruments

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

Current Economic and Financial Crisis

As of the date of publication of this Annual Information Form, challenges relating to obtaining debt and equity financing existed as a result of the worldwide economic and financial crisis. Accordingly, the Corporation cannot assure that additional financing required to develop and build the Development Projects and the Prospective Projects will materialize on a timely basis, be obtained on commercially acceptable terms or be available at all. If the Development Projects are not brought into commercial operation within the delay stipulated in their respective PPA, the Corporation may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

Hydrology and Wind Regime

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.

Investment in the Fund

The Corporation holds a substantial equity interest in the Fund. As a result, investors in the Corporation will be subject to the risks that the Corporation will face as a significant unitholder 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 consulted at www.sedar.com (but which are not incorporated by reference as part of this Annual Information Form).

Until additional Development Projects reach 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, the Prospective Projects and future projects that the Corporation will undertake. A number of factors which could cause such delays or cost over-runs include, but are not limited to, permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. In addition, if the Development Projects are not brought into commercial operation within the delay stipulated in their respective PPA, the Corporation may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

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.

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.

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.

Interest Rate and Refinancing Risk

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. The Corporation faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities used for construction 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 are 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.

Separation Agreement

The Corporation is an undivided owner of a 38% interest in four wind farms projects. Furthermore, the Corporation indirectly owns, through its 16.1% investment in units of the Fund, a portion of the Fund's 38% undivided co-ownership interest in the L'Anse-à-Valleau Wind Farm and the Baie-des-Sables Wind Farm. TransCanada is the other undivided owner of the remaining 62% interest in all six of the wind projects. The Corporation and TransCanada have entered into the Separation Agreement which describes the process that will apply should one of the Cartier Owners request separation of the Cartier Wind Projects. Once two of the Cartier Wind Projects have reached final completion pursuant to the turbine supply agreement, the Separation Agreement allows one of the Cartier Owners, within the 31st and the 60th day following the date of final completion of the second project, to request the separation of all of the Cartier Wind Projects. The date of final completion of the second Cartier Wind Project still has to be established. See "Description of the Business and Assets of the Corporation – Development Projects – Wind Projects – Separation Agreement".

Relationship with Hydro-Québec

The Cartier Wind Project PPAs provide for certain penalties that could become due to Hydro-Québec 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 the Business and Assets of the Corporation - Development Projects - Québec Wind Projects – Montagne-Sèche and Gros Morne Projects (38% ownership)".

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.

Performance of Major Counterparties

The Corporation enters into purchase orders with third party suppliers for generation equipment for projects under construction, which involve deposits prior to equipment being delivered. 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.

Wind 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 or the Prospective Projects, including environmental approvals and permits necessary to construct and operate the Development Projects or the Prospective Projects. The failure to obtain or delays in obtaining all necessary licenses, approvals or permits, including renewals thereof or modifications thereto, could result in construction of the Development Projects or the Prospective Projects being delayed or not being completed. 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 may contain conditions that need to be satisfied prior to construction, during construction and during and after the operation of the Development Projects. 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 the Business and Assets of the Corporation – Development Projects".

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 Requests for Proposals processes. During these processes, the Corporation faces competitors ranging from large utilities to small independent power producers, some of which have significantly greater financial and other resources than the Corporation. There is no assurance that the Corporation will be selected as power supplier following any particular Request for Proposals in the future or that existing PPAs will be renewed or will be renewed on equivalent terms and conditions upon the expiry of their respective terms.

Ability to Secure Appropriate Land

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

Reliance on PPAs

The power generated by the Corporation is 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.

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.

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 make access for repair of damage difficult.

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". A pending litigation, not directly involving the Corporation, may have an important impact on the maintenance costs of the wind farms. The *Mécanicien industriel-Millwright*, section 2182 (the "**Millwright**") is trying to obtain the application of the *Act respecting labour relations, vocational training and workforce management in the construction industry*, R.S.Q. c. R-20 for the replacement of a gearbox of a wind turbine. A motion to institute proceedings for evocation was filed by the Millwright on December 22, 2009 (Ref. 500-17-055 204-096).

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 under the purchase agreement relating to the Innergex II Acquisition. 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.

Potential Undisclosed Liabilities Associated with Prior Disposition of Facilities

Innergex II has sold various power generating facilities to the Fund, namely the Rutherford Creek, Horseshoe Bend, L'Anse-à-Valleau and Baie-des-Sables facilities. Through Innergex II, 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 effectively 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.

6. DIVIDENDS

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 maintaining capital to finance further growth of the Corporation and the Corporation's financial position at the relevant time. Subject to the completion of the combination of the Corporation with Innergex Power Income Fund pursuant to the Arrangement, it is intended that the combined corporation adopt a dividend policy of \$0.58 per share per annum.

Since the Offering, the Corporation has not paid any dividend on the common shares. However, immediately prior to the Offering, the Corporation declared and paid on its then outstanding common shares dividends for an aggregate amount of \$6,029,987.

7. DESCRIPTION OF CAPITAL STRUCTURE

The Corporation's authorized share capital consists of an unlimited number of common shares (the "**Common Shares**") and an unlimited number of preferred shares issuable in series (the "**Preferred Shares**"). As of March 22, 2010, 23,500,000 Common Shares were issued and outstanding and no preferred shares were issued and outstanding.

Common Shares

Subject to the prior rights of the holders of Preferred Shares (of which there are currently none issued and outstanding), the holders of Common Shares are entitled to receive, as and when declared by the Board of Directors out of the moneys of the Corporation properly applicable to the payment of dividends, dividends in such amounts and payable at such times as the Board of Directors will determine.

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, 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.

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

Preferred Shares

Preferred Shares are issuable in series. The Board of Directors has the right to fix the number of and to determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series. No Preferred Shares are issued and outstanding.

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

The holders of 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 *Canada Business Corporations Act*).

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

The 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.

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.

5.75% Convertible Debentures

The Corporation completed its offering (the "**Offering**") of extendible convertible unsecured subordinated debentures in the aggregate principal amount of \$70 million (the "**Debentures**") on March 8, 2010. The Debentures have an initial maturity date of April 30, 2010 which will automatically be extended to April 30, 2017 upon the closing of the Arrangement.

The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually, and are convertible at the option of the holder into Common Shares of the Corporation at a conversion rate of 93.8967 Common Shares per \$1,000 principal amount of Debentures, which is equal to a conversion price of \$10.65 per Common Share. The Corporation has granted the underwriters an option, for a period of 30 days following the closing of the offering, to purchase up to an additional 15% of the principal amount of Debentures purchased to cover over-allotments.

On March 16, 2010, the over-allotment option was exercised by the syndicate of underwriters to purchase an additional \$10.5 million principal amount, bringing the aggregate gross proceeds of the offering to \$80.5 million.

8. MARKET FOR SECURITIES

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

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

	Highest price	Lowest price	Daily Average Volume
January 2009	\$4.39	\$3.80	11,048
February 2009	\$4.10	\$3.55	3,255
March 2009	\$4.08	\$3.70	1,624
April 2009	\$3.99	\$2.75	10,088
May 2009	\$3.95	\$3.00	27,406
June 2009	\$4.50	\$3.20	20,038
July 2009	\$4.45	\$3.12	12,991
August 2009	\$5.25	\$3.76	17,795
September 2009	\$5.15	\$4.50	32,682
October 2009	\$5.75	\$4.91	24,617
November 2009	\$5.35	\$5.00	9,499
December 2009	\$5.50	\$5.01	10,483

The Debentures were not traded in the most recent financial year and only began trading on March 8, 2010. The Debentures are listed on the TSX under the symbol INE.DB.

The Debentures may not be redeemed by the Corporation on or before April 30, 2013 (except in certain limited circumstances following a change of control (as defined therein)). After April 30, 2013 and prior to April 30, 2015, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60-day and not less than 30-day prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after April 30, 2015 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60-day and not less than 30-day prior notice at a price equal to their principal amount plus accrued and unpaid interest. Subject to required regulatory approval and provided that there is not a current event of default, the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity, in whole or in part, through the issuance of freely tradeable Common Shares upon at least 40-day and not more than 60-day prior notice, by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures by 95% of the current market price. Any accrued or unpaid interest will be paid in cash.

9. DIRECTORS AND OFFICERS

Directors

The following table sets forth the name, province or state and country of residence of each director, his principal occupation and the period during which each has acted as a director. Each director is elected until the next annual meeting of shareholders or until a successor is elected by shareholders, unless the director resigns or his office becomes vacant by removal, death or other cause.⁽¹⁾

Name and Municipality of Residence	Director since	Principal Occupation	Common shares beneficially owned or controlled or directed ⁽²⁾	% of Common shares
PIERRE BRODEUR ⁽³⁾⁽⁵⁾⁽⁸⁾⁽¹⁰⁾ St-Bruno, Québec, Canada	2007	Corporate Director	2,000	0.009%
WILLIAM A. LAMBERT ⁽³⁾ Toronto, Ontario, Canada	2007	Corporate Director ⁽³⁾	Nil ⁽³⁾	Nil ⁽³⁾
RAYMOND LAURIN ⁽⁵⁾⁽⁷⁾ Lévis, Québec, Canada	2007	Senior Vice President, Finance and Treasury Executive Division and CFO of Mouvement des caisses Desjardins and Caisse centrale Desjardins	600	0.003%
GILLES LEFRANÇOIS, CA ⁽⁹⁾ Longueuil, Québec, Canada	2003	Chairman of the Board of Directors of the Corporation	582,769	2.48%
MICHEL LETELLIER, MBA Candiac, Québec, Canada	2003	President and Chief Executive Officer of the Corporation	407,292	1.73%
SUSAN M. SMITH ⁽³⁾⁽¹⁰⁾ Toronto, Ontario, Canada	2007	Corporate Director	1,000	0.004%
CYRILLE VITTECOQ ⁽⁵⁾⁽⁶⁾⁽¹⁰⁾ Montréal, Québec, Canada	2007	Vice President, Investments of Caisse de dépôt et placement du Québec	Nil ⁽⁵⁾	Nil ⁽⁵⁾

- (1) The board of directors of the combined entity following the Arrangement will be composed of nine directors, consisting of five current members of the Fund Board (being John A. Hanna, Lise Lachapelle, Jean La Couture, Richard Laflamme and Daniel L. Lafrance); three current members of the Corporation Board (being Pierre Brodeur, William A. Lambert and Susan M. Smith); and one director who currently sits on both the Fund Board and the Corporation Board (being Michel Letellier). Michel Letellier, as the President and Chief Executive Officer of the Corporation, will be the only non-independent director on the initial board of directors of the combined entity. Mr. Jean La Couture, current Chairman of the Board of the Fund, will be appointed Chairman of the Board of the combined entity.
- (2) The information as to common shares beneficially owned, controlled or directed by each director has been furnished by the respective directors individually.
- (3) Member of Compensation, Corporate Governance and Nominating Committee.
- (4) Until December 2009, Mr. Lambert was a partner at Birch Hill Equity Partners which manages certain investments of TD Capital Group Limited, including its current holding of 2,426,379 common shares of the Corporation, representing approximately 10.3% of the Corporation's issued and outstanding common shares.
- (5) Member of Audit Committee.
- (6) Mr. Vittecoq is Vice President, Investment of the CDPQ which holds 2,426,379 common shares of the Corporation, representing approximately 10.3% of the issued and outstanding common shares of the Corporation.
- (7) Mr. Laurin is Senior Vice President, Finance and Treasury Executive Division and Office of the CFO of Mouvement des caisses Desjardins and Chief Financial Officer of Caisse centrale Desjardins. Régime de rentes du Mouvement Desjardins holds 2,426,379 common shares of the Corporation, representing approximately 10.3% of the issued and outstanding common shares of the Corporation.
- (8) Mr. Brodeur is Lead Director.
- (9) On February 1, 2010, Mr. Gilles Lefrançois, founder and Executive Chairman of the Board of Directors of the Corporation, announced that he retiring from the Corporation as an employee but will continue to act as Chairman of the Board of the Corporation and be a member of the Fund's Board of Trustees until the closing of the Arrangement. Over the next 12 months, Mr. Lefrançois will continue to share his experience and expertise with the Corporation as a special advisor.
- (10) Member of the Special Committee formed in connection with the Arrangement.

During the past five years, each of the above directors has held his or her present principal occupation or other management positions with the same firm or with other associated companies or firms, including affiliates and predecessors, indicated beside his or her name, except for William A. Lambert, who, prior to January 2010, was a partner of Birch Hill Equity Partners; Raymond Laurin, who, until May 2009, was Senior Vice-President and Chief Financial Officer of Mouvement des caisses Desjardins and Chief Financial Officer of Caisse centrale Desjardins and Gilles Lefrançois who, prior to his retirement on January 31, 2010, was Executive Chairman of the Board of Directors.

Executive Officers

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

<u>Name and Municipality of Residence</u>	<u>Officer since</u>	<u>Office/Principal Occupation</u>
GILLES LEFRANÇOIS, CA Longueuil, Québec Canada	2003	Chairman of the Board of Directors
MICHEL LETELLIER, MBA Candiac, Québec Canada	2003	President and Chief Executive Officer
JEAN PERRON, CA, CMA Brossard, Québec Canada	2003	Vice President and Chief Financial Officer
MICHÈLE BEAUCHAMP, LL.B, LL.M. Lachine, Québec Canada	2004	Vice President – Legal Affairs and Corporate Secretary
RICHARD BLANCHET, P. ENG., M.Sc. North Vancouver, British Columbia Canada	2004	Vice President Western Region – Hydroelectric Energy
NORMAND BOUCHARD, ENG. Ile Bizard, Québec Canada	2004	Vice President – Wind Energy
RENAUD DE BATZ, Geologist, M.Sc., MBA Beaconsfield, Québec Canada	2005	Vice President Eastern Region – Hydroelectric Energy
GUY DUFORT St-Romuald, Québec Canada	2005	Vice President – Public Affairs
PETER GROVER, ENG. St-Bruno, Québec Canada	2005	Vice President – Project Management
FRANÇOIS HÉBERT Bromont, Québec Canada	2003	Vice President – Operation and Maintenance
JEAN TRUDEL, MBA Montréal, Québec Canada	2003	Vice President – Finance and Investor Relations

During the past five years, each of the above executive officers has held his or her present principal occupation or other management positions with the Corporation, except for Peter Grover who, prior to April 2005, was director of

project management with Alstom Inc. and Gilles Lefrançois who, prior to his retirement on January 31, 2010, was also Executive Chairman of the Board of Directors.

The directors and executive officers of the Corporation as a group beneficially own, directly or indirectly, or exercise control or direction over 1,985,348 Common Shares, representing 8.45% of the Corporation's total issued and outstanding common shares.

10. CONFLICTS 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. Furthermore, certain executive officers and directors of the Corporation also act as trustees of the Fund or its affiliates. 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.

11. LEGAL PROCEEDINGS

None of the Corporation's property is, nor was it during the year ended December 31, 2009, subject to any legal proceedings. To the Corporation's knowledge, no such legal proceedings involving its property are contemplated.

12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set forth below, 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 during the current financial year or in any proposed transaction, that has materially affected or will materially affect the Corporation.

In the context of the Arrangement, Gilles Lefrançois and Michel Letellier, as board members of the Corporation and Innergex Power Income Fund, have disclosed their interests and abstained from voting on such transaction.

13. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Computershare Trust Company of Canada at its offices in Toronto and Montréal.

14. MATERIAL CONTRACTS

Prior to the last financial period, the Corporation entered into material contracts, which are still valid. A copy of all such agreements is available on SEDAR at www.sedar.com.

During financial year 2009, the Corporation did not enter into any contract which was material to the Corporation, other than material contracts entered into in the normal course of business.

Since January 2010, the Corporation has entered into the following material contracts in connection with the Arrangement and the Offering, all of which are available on SEDAR at www.sedar.com.

Agreement	Date	Counterparties
Arrangement Agreement	January 31, 2010	Innergex Power Income Fund.
Support and Voting Agreement	January 31, 2010	Michèle Beauchamp
	January 31, 2010	Richard Blanchet
	January 31, 2010	Guy Dufort
	January 31, 2010	Normand Bouchard
	January 31, 2010	Peter Grover
	January 31, 2010	François Hébert
	January 31, 2010	Richard Laflamme.
	January 31, 2010	Jean Perron
	January 31, 2010	Gilles Lefrançois
	January 31, 2010	Michel Letellier
	January 31, 2010	Jean Trudel
Underwriting Agreement	January 31, 2010	Goodman & Company, Investment Counsel Ltd.
	January 31, 2010	MFC Global Investment Management (Canada), a division of Elliott & Page Limited
	February 18, 2010	BMO Nesbitt Burns Inc. TD Securities Inc. CIBC World Markets Inc. RBC Dominion Securities Inc. Scotia Capital Inc. Desjardins Securities Inc. Laurentian Bank Securities Inc. Innergex Power Income Fund

15. INTEREST OF EXPERTS

Samson Belair/Deloitte & Touche s.e.n.c.r.l, the auditor of the Corporation, is the only person, company or partnership which is named as having prepared or certified a statement, report or valuation described, included or referred to in a filing made by the Corporation during or relating to the Corporation's most recently completed financial year and whose profession gives authority to a statement, report or valuation made. Samson

Belair/Deloitte & Touche s.e.n.c.r.l. has advised it is independent with respect to the Corporation within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

16. AUDIT COMMITTEE DISCLOSURE

The Audit Committee is composed entirely of directors who meet the independence and experience requirements of *Regulation 52-110 Respecting Audit Committees* adopted under the *Securities Act* (Québec). Cyrille Vittecoq is Chairman of the Audit Committee and Pierre Brodeur and Raymond Laurin are its other current members. Each of them is independent and financially literate within the meaning of *Regulation 52-110 Respecting Audit Committees*. The charter of the Audit Committee is attached hereto as Schedule B.

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

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

Cyrille Vittecoq (Chair) - Cyrille Vittecoq was, prior to the Offering, a trustee of Innergex II. Mr. Vittecoq has been Vice-President, Investments and a member of the CDPQ Private Equity Group management committee since March 2006. His mandate is to manage a portfolio of energy and financial services investments, in particular those related to energy infrastructure, petroleum, natural gas, banking and insurance. Mr. Vittecoq's career at the CDPQ was mostly 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 CDPQ in 2000 as an investment manager and then senior manager. Mr. Vittecoq has also been a director of Canadian Hydro Developers Inc. from 2002 to 2008. He holds a bachelor's degree in management from the Université de Sherbrooke (1989) and has been a chartered financial analyst since 1994.

Pierre Brodeur - 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 Ltd. from 1990 to 1994, prior to which he was employed by Steinberg Inc. (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.

Raymond Laurin - Mr. Laurin has been Senior Vice President, Finance and Treasury Executive Division and Office of the CFO of Mouvement des caisses Desjardins since May 2009 and Chief Financial Officer of Caisse centrale Desjardins since July 2008. From May 2008 to May 2009, Mr. Laurin was Senior Vice President and Chief Financial Officer of Mouvement des caisses Desjardins and from August 2004 to May 2008, Mr. Laurin was Executive Director of 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 29 years. Mr. Laurin holds a bachelor's degree in business administration from HEC and is a member of the *Ordre des comptables agréés du Québec*, the Institute of Internal Auditors of Canada and Canadian Pension and Benefit Institute.

The aggregate fees paid, including the Corporation's pro rata share of the fees paid by its joint ventures, for professional services rendered by Samson Bélair / Deloitte & Touche LLP and its affiliates, the Corporation's auditors, for the year ended December 31, 2009 and for the year ended December 31, 2008, are presented below.

FEES	FINANCIAL YEAR ENDED DECEMBER 31, 2009	FINANCIAL YEAR ENDED DECEMBER 31, 2008
Audit fees	\$238,868	\$280,690
Audit-related fees	Nil	\$1,159
Tax fees	Nil	Nil
All other fees	Nil	Nil
TOTAL FEES⁽¹⁾:	\$238,868	\$281,849

(1) The aggregate fees paid to Samson Bélair / Deloitte & Touche LLP, irrespective of the Corporation's proportionate interest in its joint ventures, totalled \$262,285 in 2009 and \$332,145 in 2008.

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

17. ADDITIONAL INFORMATION

Additional financial information, including our audited financial statements and management's discussion and analysis of financial condition and results of operations for the most recently completed financial year is available on SEDAR at www.sedar.com.

The Joint Information Circular dated February 17, 2010, which is specifically incorporated by reference into and forms an integral part of this Annual Information Form, is also available on SEDAR at www.sedar.com.

All requests for the above-mentioned documents must be addressed to the Vice President – Legal Affairs and Corporate Secretary of Innergex Renewable Energy Inc. at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4 or by fax at 450-928-2544.

18. GLOSSARY OF TERMS

"Administration Agreement" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation – Relationship with the Fund – Management of the Fund – The Administration Agreement";

"Anse-à-Valleau Wind Farm" means the 100.5 MW wind power facility located in L'Anse-à-Valleau, Québec;

"Arrangement" has the meaning attributed thereto under "General Development of the Business – Three-Year Summary – Subsequent Event".

"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 Wind Farm" means the 109.5 MW wind power facility located in Baie-des-Sables and Métis-sur-Mer, Québec;

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

"BCTC" means British Columbia Transmission Corporation;

"Begetekong" means Begetekong Power Corporation, the general partner of Umbata Falls Limited Partnership;

"Boulder Creek Project" means the prospective 23 MW hydroelectric power project located 56 km northwest of Pemberton, British Columbia;

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

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

"Cartier Owner" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation – Development Projects – Wind Projects – Cartier Wind Projects";

"Cartier Wind Projects" has the meaning attributed thereto under "Description of Business – Development Projects with PPAs – Wind Projects – Cartier Wind Projects";

"CDPQ" means the Caisse de dépôt et placement du Québec;

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

"Cooperation Agreement" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation – Relationship with the Fund – Cooperation Agreement";

"CPI" means the consumer price index for Canada;

"Creek Power" means Creek Power Inc.;

"Creek Power Projects" has the meaning attributed thereto under "General Development of the Business – Three Year Summary – Acquisition of Rights in 18 Hydroelectric Projects in British Columbia";

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

"ecoENERGY Initiative" has the meaning attributed thereto under "Industry Overview and Market Trends – Renewable Power in Canada - Federal Government Support for Renewable Power in Canada";

"FIT Program" has the meaning attributed thereto under "Industry Overview and Market Trends – Regulatory Framework and Market for Renewable Power in the Corporation's Key Markets – Ontario";

"Fitzsimmons Creek Project" means the 7.5 MW hydroelectric project located on Fitzsimmons Creek in British Columbia;

"Fund" means Innergex Power Income Fund and its subsidiaries;

"Fund Agreements" means the Administration Agreement, the Management Agreement and the Services Agreement;

"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;

"Gun Creek Project" means the prospective 36 MW hydroelectric power project located approximately 7 km northwest of Gold Bridge, British Columbia;

"Haute-Côte-Nord Est Project" means the prospective wind power project with a potential 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 potential installed capacity of up to 168 MW located in the Regional Municipal County of Fjord-du-Saguenay, Québec;

"Hurley Creek Project" means the prospective 46 MW hydroelectric power project located in the region of Lillooet/Pemberton British Columbia;

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

"Innergex II" means Innergex II Income Fund and its subsidiaries;

"Innergex II Acquisition" has the meaning attributed thereto under "General Development of the Business- Three-year Summary – Innergex II Acquisition";

"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;

"IPSP" means Integrated Power System Plan;

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

"Kamouraska Project" means the prospective wind power project with a potential installed capacity of 124.5 MW 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 Project" means the 49.9 MW hydroelectric power project located on Kwoiek Creek in British Columbia;

"Les Méchins Project" means the abandoned wind power project with a potential installed capacity of 150 MW located in the Municipalities of Grosse-Roche and Les Méchins, Québec;

"Management Agreement" has the meaning attributed thereto under "Description of Business and Assets of the Corporation – Investment in and Management of the Fund – Management of the Fund – The Management Agreement";

"Matawin Project" means the abandoned 15 MW hydroelectric power project located on the Matawin River in Québec;

"Mkw'Alts Project" means the abandoned 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;

"MRNF" means the Ministère des Ressources naturelles et de la Faune du Québec;

"MW" means one million watts or one megawatt;

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

"North Creek Project" means the prospective 16 MW hydroelectric power project located approximately 38 km northwest of Pemberton, British Columbia;

"OEB" means Ontario Energy Board;

"Offering" has the meaning attributed thereto under "General Development of the Business – Three Year Summary – Initial Public Offering";

"Offering Price" has the meaning attributed thereto under "General Description of the Business – Three Year Summary – Initial Public Offering";

"OPA" means Ontario Power Authority;

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

"OPG" means Ontario Power Generation;

"Owners Agreement" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation – Development Projects – Wind Projects – Cartier Owners and Owners Agreement";

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

"Private Placement" has the meaning attributed thereto under "General Development of the Business – Three Year Summary – Initial Public Offering";

"Prospective BC Wind Projects" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation – Prospective Projects – Prospective Wind Projects – Prospective British Columbia Wind Projects";

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

"Québec 2,000 MW Request for Proposals" has the meaning attributed thereto under "Industry Overview and Market Trends – Regulatory Framework and Market for Renewable Power in the Corporation's Key Markets - Québec";

"Québec 500 MW Request for Proposals" has the meaning attributed thereto under "Industry Overview and Market Trends – Regulatory Framework and Market for Renewable Power in the Corporation's Key Markets - Québec";

"Québec Community Wind Request for Proposals" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation — Prospective Projects — Other Opportunities — Québec Community Wind Request for Proposals";

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

"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;

"Roussillon Project" means the prospective wind power project with a potential installed capacity of 108 MW located in the Municipalities of Saint-Philippe, La Prairie and Saint-Jacques-Le Mineur, Québec;

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

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

"Separation Agreement" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation – Development Projects – Wind Projects – Separation Agreement";

"Services Agreement" has the meaning attributed thereto under "Description of the Business and Assets of the Corporation – Relationship with the Fund – Management of the Fund – The Services Agreement";

"Sonoco" means Sonoco Canada Corporation;

"Standard Offer Program" or **"SOP"** means a program or mechanism, established by a provincial government or an entity created by such government for such purpose, through which a standard and simplified contracting process

and contractual terms are provided for independent power producers to enter into PPAs for relatively small renewable electricity generating projects;

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

“**Upper Lillooet River Project**” means the prospective 74 MW hydroelectric power project located approximately 70 km northwest of Pemberton, British Columbia;

“**Various Community Projects**” means the community wind energy projects located in Québec which will be submitted to the Québec Community Wind Request for Proposals;

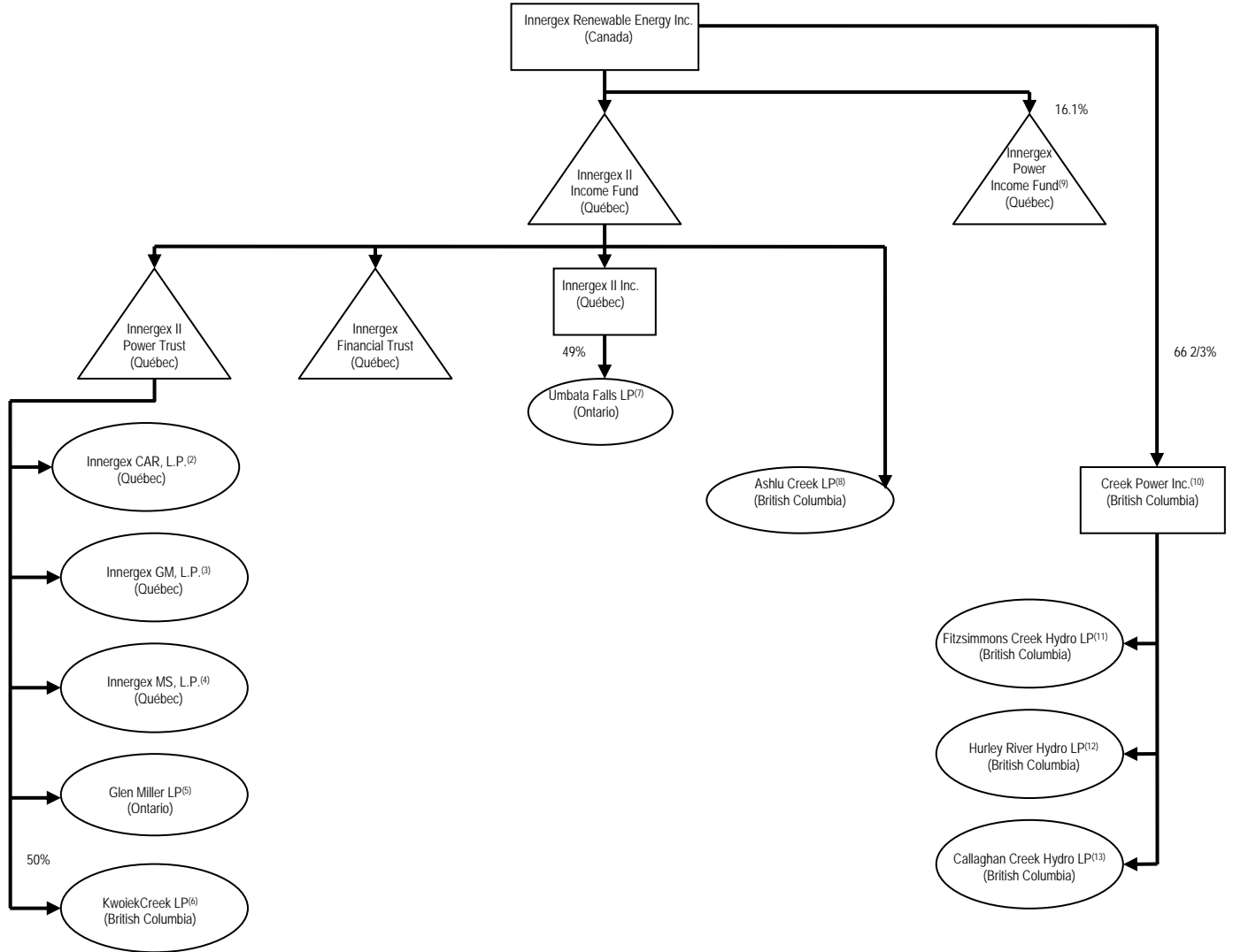
“**Various Other Creek Power Projects**” means the 12 projects out of the Creek Power Projects located in the lower mainland of British Columbia which have not been submitted under the BC Hydro SOP or in the Clean Power Call Request for Proposals; and

“**Wind Farms Disposition**” has the meaning attributed thereto under “General Development of the Business – Three Year Summary – Acquisition of Interest in the Fund”.

SCHEDULE A

CORPORATE STRUCTURE

The following chart outlines the corporate structure of the Corporation and its material subsidiaries⁽¹⁾ as well as certain other material ownership interests held by the Corporation.



(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 Wind Farm and its general partner is Innergex CAR Inc., a wholly-owned subsidiary of Innergex II Inc.

(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 Inc.

(4) 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 Inc.

(5) Glen Miller Power, 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 Inc.

(6) Kwoiek Creek Resources 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 Inc.

- (7) Umbata Falls LP owns 100% of the Umbata Falls Facility and its general partner is Begetekong Power Corporation, which is 49% owned by Innergex II Inc.
- (8) Ashlu Creek Investments LP owns 100% of the Ashlu Creek Project and its general partners are 675729 British Columbia Ltd. and 888645 Alberta Ltd., wholly-owned subsidiaries of Innergex II Inc.
- (9) The Corporation holds an interest of approximately 16.1% in Innergex Power Income Fund, a publicly traded income fund, the units of which are listed on the TSX.
- (10) The Corporation holds 66 2/3% of all issued and outstanding common shares of Creek Power Inc. and 9,865,808 Series 1 preferred shares of Creek Power Inc. Creek Power Inc. owns rights in relation to 15 prospective hydroelectric projects in British Columbia.
- (11) Fitzsimmons Creek Hydro LP owns 100% of the Fitzsimmons Creek Project and its general partner is Fitzsimmons Creek Investments Ltd., a wholly-owned subsidiary of Innergex II Inc.
- (12) Hurley River Hydro LP owns 100% of the Hurley River Project and its general partner is Hurley River Developments Ltd., a wholly-owned subsidiary of Innergex II Inc.
- (13) Callaghan Creek Hydro LP owns 100% of the Callaghan Creek Project and its general partner is Callaghan Creek Developments Ltd., a wholly-owned subsidiary of Innergex II Inc.

SCHEDULE B

CHARTER OF THE AUDIT COMMITTEE

This charter prescribes the role of the Audit Committee of the Board of Innergex Renewable Energy Inc. (the "**Audit Committee**"). This charter is subject to the provisions of the Corporation's Articles and By-Laws and to applicable laws. This charter is not intended to limit, enlarge or change in any way the responsibilities of the Committee as determined by such Articles and By-Laws and applicable laws.

1. Role

In addition to the powers and authorities conferred upon the directors in the Corporation's Articles and by-laws and as prescribed by applicable laws, the mandate of the Audit Committee is primary to ensure compliance of the Corporation in respect to applicable governmental and authorities' legislation and regulation pertaining to financial information disclosure; adequacy of the accounting principles and decisions regarding the presentation of financial statements, in accordance with generally accepted accounting principles; fair presentation of the Corporation's financial situation in its quarterly and annual financial statements; timely disclosure of relevant information to shareholders and to the general public; implementation of efficient internal controls for all of the Corporation's transactions; and review of such controls on a regular basis.

2. Composition

2.1. Number and criteria

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

2.2. Selection

The members of the Committee and its Chairman shall be elected by the Board on an annual basis, or until their successors are duly appointed. Unless a Chairman is elected by the full Board, the members of the Committee may designate a Chairman by majority vote of the full Committee Membership.

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

3. Responsibilities

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

3.1. Relationship with external auditor

- Recommend to the Board the appointment and compensation of the external auditor.
- Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- Oversee the work of the external auditor, including the resolution of any issues between the external auditor and management.
- Pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation or its subsidiaries by the external auditor.
- Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Corporation to assess their independence.
- Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- Arrange for the external auditor to be available to the Committee and the Board as needed.
- Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

3.2. Financial information and public disclosure

- Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- Consider proposed major changes to the Corporation's accounting principles and practices.
- If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- Review and recommend the approval of the annual and interim financial statements, related management discussion and analysis ("MD&A"), and annual and interim earnings press releases before such information is publicly disclosed.
- Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than those described in the above paragraph, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures.
- Review the public disclosure regarding the Audit Committee required by Regulation 52-110.

- Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor.
- Periodically consider the need for an internal audit function, if not present.
- Following completion of the annual audit and, if applicable, quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.

3.3. Other matters

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

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

4. Meetings

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

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

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

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

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon reasonable notice to each of its members, which shall not be less than 48 hours. The notice period may be waived by all members of the Audit Committee. Each of the Chairman of the Board, the external auditor, the President, the Chief Executive Officer, the Chief Financial Officer or the Secretary of the Corporation, shall be entitled to request that any member of the Audit Committee call a meeting.

The Audit Committee shall determine any desired agenda items.

The Audit Committee should record minutes of its meetings and submit those to the whole Board on a timely basis.

5. Advisors

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

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

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

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

6. General

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

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