09

First Quarter Report

Growing with Energy

Innergex Renewable Energy Inc.

Consolidated financial statements

Three-month period ended March 31, 2009
(Unaudited)

Consolidated statements of Earnings	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	$	$
Revenues		(Restated, Note 3 (a))
Operating	4,646,372	711,715
Management fees	597,008	593,775
Share of net earnings (loss) of an entity subject to significant influence	272,493	(334,914)
	5,515,873	970,576
Expenses		
Operating expenses	335,641	276,793
Stock-based compensation	390,907	390,907
General and administrative expenses	1,627,542	1,108,383
	2,354,090	1,776,083
Earnings (loss) from operations	3,161,783	(805,507)
Prospective projects expenses	509,306	524,236
Earnings (loss) before interests, income taxes, depreciation and amortization and other items	2,652,477	(1,329,743)
Interest on long-term debt	1,104,361	239,744
Realized loss on derivative financial instrument	1,496,950	-
Other revenues	(19,353)	(265,751)
Earnings (loss) before income taxes, depreciation and amortization and other items	70,519	(1,303,736)
Depreciation and amortization	1,516,762	372,925
Unrealized net loss on derivative financial instruments	1,125,405	6,072,327
Loss before income taxes and minority interests	(2,571,648)	(7,748,988)
Income taxes		
Current	1,204	1,315
Future	(582,811)	(1,931,470)
	(581,607)	(1,930,155)
Net loss before minority interests	(1,990,041)	(5,818,833)
Losses allocated to minority interests	72,468	-
Net loss	(1,917,573)	(5,818,833)
Weighted average number of shares outstanding	23,500,000	23,500,000
Basic net loss per share	(0.08)	(0.25)
Diluted number of shares outstanding	23,500,000	23,544,428
Diluted net loss per share	(0.08)	(0.25)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Consolidated financial statements
Three-month period ended March 31, 2009
(Unaudited)

Consolidated statements of Comprehensive income	**Three-month period ended March 31, 2009**	**Three-month period ended March 31, 2008**
	$	**$**
		(Restated, Note 3 (a))
Net loss	(1,917,573)	(5,818,833)
Other items of comprehensive income		
Unrealized foreign exchange gain on a self-sustaining foreign subsidiary of the investment in an entity subject to significant influence	19,213	-
Unrealized foreign exchange loss on the designated portion of the debt used as hedge on the investment in a self-sustaining foreign subsidiary of the investment in an entity subject to significant influence	(19,290)	-
	(77)	-
Comprehensive loss	(1,917,650)	(5,818,833)

Consolidated statements of Deficit	**Three-month period ended March 31, 2009**	**Three-month period ended March 31, 2008**
	$	**$**
(Deficit) retained earnings, beginning of period, as previously reported	(32,315,983)	1,593,334
Cumulative effect of change in accounting policy on previous years (Note 3 (a))	(1,987,708)	(105,581)
Restated (deficit) retained earnings, beginning of period	(34,303,691)	1,487,753
Net loss	(1,917,573)	(5,818,833)
Deficit, end of period	(36,221,264)	(4,331,080)
Cumulative other comprehensive income - beginning of period	1,221	-
Other items of comprehensive income	(77)	-
Cumulative other comprehensive income - end of period	1,144	-
Total deficit and cumulative other comprehensive income	(36,220,120)	(4,331,080)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Consolidated financial statements
For the period ended March 31, 2009
(Unaudited)

Consolidated Balance Sheets	**March 31, 2009**	**December 31, 2008**
	$	**$**
Assets		(Restated, Note 3 (a))
Current assets		
Cash and cash equivalents	9,060,906	5,957,780
Accounts receivable (Note 4)	6,156,366	22,891,011
Prepaid and others	1,986,743	1,242,318
	17,204,015	30,091,109
Property, plant and equipment	237,210,455	229,527,304
Intangible assets	44,610,744	44,376,880
Project development costs	28,463,928	27,881,244
Investment in an entity subject to significant influence	56,143,842	57,052,056
Future income taxes	11,525,978	10,992,537
Goodwill	30,511,446	30,511,446
Other long-term assets	2,034,472	1,268,236
	427,704,880	431,700,812
Liabilities		
Current liabilities		
Bank loan (Note 5)	12,000,000	9,750,000
Accounts payable and accrued liabilities	15,865,478	12,019,239
Derivative financial instruments	19,910,912	20,411,968
Current portion of long-term debt (Note 6)	3,527,360	15,993,983
	51,303,750	58,175,190
Construction holdbacks	975,830	5,057,542
Derivative financial instruments	3,966,097	2,311,110
Accrual for acquisition of long-term assets	7,260,150	14,120,894
Long-term debt (Note 6)	163,202,431	149,514,434
Asset retirement obligations	462,719	453,452
Future income taxes	4,841,444	4,776,520
Minority interests	180,400	252,868
	232,192,821	234,662,010
Shareholders' equity		
Share capital	229,472,343	229,472,343
Contributed surplus	2,084,836	1,693,929
Warrants	175,000	175,000
Total deficit and cumulative other comprehensive income	(36,220,120)	(34,302,470)
	195,512,059	197,038,802
	427,704,880	431,700,812

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Consolidated financial statements
For the period ended March 31, 2009
(Unaudited)

Consolidated statements of Cash Flows	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	$	$
		(Restated, Note 3 (a))
Operating activities		
Net loss	(1,917,573)	(5,818,833)
Items not affecting cash:		
Depreciation of property, plant and equipment	1,250,526	286,470
Amortization of intangible assets	266,236	86,455
Share of net (earnings) loss of an entity subject to significant influence	(272,493)	334,914
Stock-based compensation	390,907	390,907
Unrealized net loss on derivative financial instruments	1,125,405	6,072,327
Future income taxes	(582,811)	(1,931,470)
Losses allocated to minority interests	(72,468)	-
Other items	68,487	-
Changes in non-cash operating working capital items (Note 7)	18,173,190	(5,491,226)
	18,429,406	(6,070,456)
Financing activities		
Increase in (repayment of) bank loan	2,250,000	(2,000,000)
Issuance of long-term debt	15,054,000	5,990,000
Repayment of long-term debt	(13,891,846)	-
	3,412,154	3,990,000
Investing activities		
Additions to property, plant and equipment	(17,159,012)	(9,127,743)
Additions to intangible assets	(500,100)	-
Additions to project development costs	(1,522,242)	(914, 878)
Distributions received from an entity subject to significant influence	1,180,630	1,180,630
Additions to other long-term assets	(737,710)	(121,951)
	(18,738,434)	(8,983,942)
Net increase (decrease) in cash and cash equivalents	3,103,126	(11,064,398)
Cash and cash equivalents, beginning of period	5,957,780	34,690,837
Cash and cash equivalents, end of period	9,060,906	23,626,439
Cash and cash equivalents is comprised of:		
Cash	2,576,782	3,654,319
Short-term investments	6,484,124	19,972,120
	9,060,906	23,626,439

Additional information is presented in Note 7.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Notes to the consolidated financial statements
(Unaudited)

1. Description of business

Innergex Renewable Energy Inc. (the "Corporation") was incorporated under the Canada Business Corporation Act on October 25, 2002. The Corporation is an independent developer, owner and operator of renewable power-generating facilities, essentially focused on the hydroelectric and wind power sectors.

2. Significant accounting policies

These unaudited interim consolidated financial statements (the "financial statements") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements include the accounts of the Corporation and its subsidiaries as well as those of the variable interest entity for which the Corporation is the primary beneficiary and the accounts of joint ventures to the extent of the Corporation's proportional interest in their respective assets, liabilities, revenues and expenses. Investments over which the Corporation is able to exercise significant influence are accounted for by the equity method. All material intercompany balances and transactions have been eliminated. These financial statements do not contain all disclosures required by GAAP for annual financial statements and, accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Corporation's latest annual report.

The Corporation's revenues are variable with each season and, as a result, earnings of interim periods should not be considered as indicative of results for an entire year. These financial statements have neither been audited nor reviewed by the Corporation's external auditors.

These financial statements have been prepared in accordance with the same accounting policies and methods of application as described in the Corporation's latest annual report with the exception of the new policy, described in Note 3, which was adopted effective retroactively to January 1, 2008.

Liquidity

The Corporation's working capital deficiency amounts to $34,099,735 as of March 31, 2009. The deficiency is due to (i) the bank loan of $12,000,000 and (ii) to $19,910,912 of hedging derivative financial instruments mainly used by Ashlu Creek LP, a subsidiary of the Corporation, to protect the Ashlu project from interest rate risks movements.

During the first quarter of 2009, as discussed in Note 5, the bank loan was renewed until February 26, 2010 and doesn't need to be repaid prior to that date.

Unless benchmark interest rates increase to revert to more favourable conditions in which case the negative value of the hedges would reduce, failure to extend the maturity of the hedging contracts or in obtaining new financing could result in a shortfall of liquidities. The subsidiary could then become in default under its financing agreement. The subsidiary's financing agreement and hedging contracts are non-recourse to the Corporation and can be exercise solely upon the assets and guarantees of the subsidiary. To the extent the Corporation or the subsidiary are unable to remedy the situation, the subsidiary could be in a position where it could not repay the financial obligation under the hedging program upon maturity. This would impair the Corporation's investment in the subsidiary but not the other assets of the Corporation.

In the past, the Corporation and its subsidiaries have been able to extend/renew their hedging derivative financial instruments or obtain outside financing to meet their capital requirements with the anticipation that once their projects are completed and operational, they contribute to future liquidity needs. Management's ongoing plan with respect to the significant uncertainty described above is to (i) continue discussions with the subsidiary's lenders to extend the maturity of the hedging contracts until the in-service date of the Ashlu project expected in November of 2009, in the unlikely event that management is unable to come to an agreement with its lenders, management could take the following actions (ii) seek additional financing to repay the hedging contracts (iii) consider issuance of additional securities by the subsidiary or the Corporation or (iv) monetize other assets of the Corporation.

During the first quarter of 2009, as discussed in Note 8, the bond forwards contracts were all renewed. See also Note 11 for further renewals.

In the current economic environment, while financial institutions continue to lend, they are much more cautious and certain terms and conditions could result in credit becoming more onerous or simply unavailable for the pursuit of the Corporation's development or prospective projects. If the Corporation is unable to conclude project financing in a timely manner and on commercially acceptable terms, construction of additional development projects or prospective projects could be postponed. The Corporation's present operating and construction activities are financed using long-term non-recourse project financings provided by strong relationship banks. As of May 13, 2009, only the Fitzsimmons Creek financing needs to be obtained in order for the Corporation to have fulfilled all of its financing needs for projects under construction. The Corporation has therefore executed a committed term sheet for the Fitzsimmons Creek financing in March 2009 with a Canadian financial institution. Following the usual syndication process, the Corporation expects to finalize this financing by the end of the second quarter of 2009.

Accordingly, the Corporation concluded that there is no substantial doubt about its ability to continue as a going concern, and its financial statements have been prepared on a going concern basis.

3. Changes in accounting policies

(a) The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section, issued in February 2008, is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation adopted the new standard for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Corporation's activities include prospective projects costs that were capitalized into the costs of new projects. Under Section 3064, these costs are expensed as incurred. The application of this new standard is retroactive and requires the Corporation to expense prospective projects costs previously capitalized. The effect of this new standard on the consolidated balance sheet of the Corporation as of January 1, 2008 is as follows:

Consolidated balance sheet accounts	Assets	Liabilities and Shareholders' equity
	$	$
Project development costs	(145,312)	
Future Income taxes		(39,731)
Shareholders' equity		(105,581)
	(145,312)	(145,312)

The effect of this new standard on the Consolidated statements of Earnings for the first quarter of 2008 period is as follows:

Consolidated statements of Earnings accounts	Three-month period ended March 31, 2008
	$
Prospective projects expenses increase	524,236
Impairment of project development costs (decrease)	(49,762)
Future income taxes (recovery)	(129,718)
Net increase of loss	344,756
Basic and diluted net increase of loss per share	(0.01)

Notes to the consolidated financial statements
(Unaudited)

The effect of this new standard on the consolidated balance sheet of the Corporation as of January 1, 2009 is as follows:

Consolidated balance sheet accounts	Assets	Liabilities and Shareholders' equity
	$	$
Project development costs	(3,112,701)	
Goodwill	(705,344)	
Future income taxes assets	470,457	
Future income taxes liabilities		(154,857)
Minority interests		(1,205,023)
Shareholders' equity		(1,987,708)
	(3,347,588)	(3,347,588)

(b) The Canadian Accounting Standards Board has announced the adoption of International Financial Reporting Standards ("IFRS") for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. Accordingly, the Corporation will adopt IFRS effective in the quarter ending March 31, 2011. The Corporation has begun to develop plans to implement the new standards. A calendar of all steps to be followed by the Corporation has been established in order to meet the conversion date. The Corporation cannot at this time reasonably estimate the impact on its consolidated financial statements of adopting IFRS.

4. Accounts receivable

During the first quarter of 2009, an amount of $8,801,534 receivable from Hydro-Quebec for the Carleton wind farm substation was received. An amount of $5,908,632 of commodity taxes receivable related to the Carleton wind farm was also received during the same period. See Note 6 (a) for more details.

5. Bank loan

The Corporation has an authorized credit facility which was increased on February 27, 2009 from $25,000,000 to $30,000,000. The credit facility is secured by a hypothec on the universality of investments and receivables, excluding assets already pledged under non-recourse long-term debt. The credit facility is renegotiable 364 days after its increase and bears interest at bankers' acceptances ("BA") rate plus 425 basis points.

6. Long-term debt

	March 31, 2009	December 31, 2008
	$	$
Glen Miller Power, Limited Partnership	16,250,000	16,500,000
Umbata Falls Limited Partnership	24,500,000	21,266,000
Innergex CAR, L.P.	52,285,238	64,407,084
Ashlu Creek Investments Limited Partnership	74,800,000	64,500,000
Deferred financing fees	(1,105,447)	(1,164,667)
	166,729,791	165,508,417
Current portion of long-term debt:		
Glen Miller Power, Limited Partnership	1,000,000	1,000,000
Umbata Falls Limited Partnership	313,264	176,307
Innergex CAR, L.P.	2,450,977	15,054,557
Deferred financing fees	(236,881)	(236,881)
	3,527,360	15,993,983
	163,202,431	149,514,434

(a) Innergex CAR, L.P.

The Innergex CAR, L.P. lenders agreed to make available to Innergex CAR, L.P. two short-term loans; i) the HQT substation loan and ii) the GST/PST loan.

i) HQT substation loan

The lenders had made available a short-term loan, maturing on March 31, 2009, to Innergex CAR, L.P., in an amount of $7,300,000. The loan was reimbursed upon reception of the substation reimbursement by Hydro-Quebec TransEnergie (“HQT”). See Note 4 for more details.

ii) GST / PST loan

The lenders had also made available a short-term loan, maturing on March 31, 2009, to Innergex CAR, L.P., in an amount of $5,500,000. The loan was reimbursed upon reception from the government agencies of the GST/PST paid on construction costs. See Note 4 for more details.

(b) Fitzsimmons financing

On March 24, 2009, the Corporation and a Lender executed a committed term sheet regarding the financing of the Fitzsimmons Creek Hydro LP project. Completion of this financing is subject to further syndication and is expected to close before the end of the second quarter of 2009.

Notes to the consolidated financial statements
(Unaudited)

7. Additional information to the Consolidated Statements of Cash Flows

Changes in non-cash operating working capital items

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	$	$
Accounts receivable	16,734,645	549,090
Prepaid and others	(744,425)	(32,229)
Accounts payable and accrued liabilities	2,182,970	(6,008,087)
	18,173,190	(5,491,226)
Additional information		
Interest paid	1,413,532	1,272,056
Income taxes paid	-	168,266
Non-cash transactions		
Decrease of unpaid property, plant and equipment	1,735,999	431,049
Decrease of unpaid development costs	939,558	357,178
Decrease of accrual for acquisition of long-term assets	6,860,744	-

The property, plant and equipment comprises an asset with no tax basis resulting in an increase of future income tax liabilities of $114,294 as at March 31, 2009 (nil at March 31, 2008).

8. Financial instruments

Interest rate risk

The terms of the contracts reducing the Corporation's risk of interest rate fluctuations are as follows:

Face value of contracts reducing risk of interest rate fluctuations	March 31, 2009	December 31, 2008
	$	$
Bond forwards		
Six bond forwards with a yield from 4.05 % to 4.88 %, maturing on April 30, 2009 (March 17, 2009 in 2008)	85,000,000	85,000,000
A bond forward with a yield at 5.04 %, maturing on June 16, 2009 (March 16, 2009 in 2008), with a collateral of $4,878,119 ($4,591,385 in 2008) that was put down towards the bond	25,000,000	25,000,000
Two bond forwards with a yield from 4.39 % to 4.63 %, maturing on January 27, 2009 (total of $35,000,000, 49% share)	-	17,150,000
	110,000,000	127,150,000
Interest rate swap		
An amortizing interest rate swap bearing interest at 3.45 %, maturing on March 31, 2027	52,285,238	53,127,084
An amortizing interest rate swap bearing interest at 4,11 %, effective on June 30, 2009, maturing in June 2034 (total of $51,000,000, 49% share)	24,990,000	-
	187,275,238	180,277,084

On January 28, 2009, Umbata Falls Limited Partnership terminated its $35,000,000 bond forward contracts for a cash consideration of $3,055,000 and an amount of $1,660,000 was rolled in an interest rate swap. Umbata Falls Limited Partnership entered into an amortizing swap contract maturing in June 2034 allowing it to pay a fixed interest rate of 4.11% effective on June 30, 2009. The Corporation's share is 49% of these amounts.

On March 16, 2009, the $25,000,000 bond forward contract was renewed until June 16, 2009.

On March 17, 2009, the six bond forwards contracts, totalling $85,000,000, were renewed until March 31, 2009. They were further renewed until April 30, 2009. (See Note 2 – *Liquidity* and Note 11).

9. Segment Information

The Corporation has three reportable segments: (a) hydroelectric generation (b) wind power generation and (c) development and management of sites.

The hydroelectric generation and the wind power generation segments sells electricity produced from hydroelectric and wind farm facilities to publicly owned utilities. The development and management of sites segment explores potential sites, develops them to the operational stage and manages them.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the latest annual report. The Corporation evaluates performance based on earnings (loss) before interest, income taxes, depreciation and amortization and other items. The Corporation accounts for inter-segment and management sales at cost. Any transfers of assets from the development and management of sites segment to the hydroelectric generation segment or the wind power generation segment are accounted for at cost.

Notes to the consolidated financial statements
(Unaudited)

The Corporation's reportable segments conduct their operations and activities using different teams, as each segment requires different skills.

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and management of sites	Total
	$	$	$	$
Three-month period ended March 31, 2009				
Gross operating revenues from external clients	1,527,469	3,119,263	869,141	5,515,873
Expenses:				
Operating expenses	128,060	207,581	-	335,641
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	43,429	65,477	1,518,636	1,627,542
Prospective projects expenses	-	-	509,306	509,306
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	1,355,980	2,846,205	(1,549,708)	2,652,477
Three-month period ended March 31, 2008				
Gross operating revenues from external clients	711,715	-	258,861	970,576
Expenses:				
Operating expenses	276,793	-	-	276,793
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	6,249	-	1,102,134	1,108,383
Prospective projects expenses	-	-	524,236	524,236
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	428,673	-	(1,758,416)	(1,329,743)
As at March 31, 2009				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	64,721,397	89,282,100	273,701,383	427,704,880
Acquisition of capital assets since the beginning of the year	121,159	56,364	9,921,921	10,099,444
As at December 31, 2008				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	63,768,010	102,839,825	265,092,977	431,700,812

Following the adoption of CICA Handbook section 3064, described in Note 3 (a), prospective projects expenses are now deducted in the computation of the earnings (losses) before interests, income taxes, depreciation and amortization and other items.

Notes to the consolidated financial statements
(Unaudited)

10. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

11. Subsequent events

On April 30, 2009, the six bond forwards contracts described in Note 8, totalling $85,000,000, were renewed until May 29, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three-month period ended March 31, 2009

This Management's Discussion and Analysis ("MD&A") has been prepared as of May 13, 2009.

The purpose of this MD&A is to provide the reader with an overview of the financial position, operating results, and cash flows of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three-month period ended March 31, 2009. This MD&A should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes for the financial quarter ended March 31, 2009 and with the Corporation's 2008 annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Corporation reports its results in Canadian dollars. Certain amounts included in this MD&A are rounded, to make reading easier. These rounded numbers may affect certain calculations.

DISCLOSURE CONTROLS AND PROCEDURES
The President and Chief Executive Officer and the Vice President and Chief Financial Officer of the Corporation have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) material information relating to the Corporation, including its consolidated subsidiaries, is made known to the President and Chief Executive Officer and the Vice President and Chief Financial Officer of the Corporation by others within those entities, particularly during the period in which interim filings are being prepared and (ii) the information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING
The President and Chief Executive Officer and the Vice President and Chief Financial Officer of the Corporation have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's GAAP.

There was no change in the Corporation's internal controls over financial reporting during the period beginning January 1, 2009 and ended March 31, 2009 that materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

FORWARD-LOOKING STATEMENTS
In order to inform shareholders of the Corporation as well as potential investors on the Corporation's future prospects, sections of this MD&A may contain forward-looking statements within the meaning of securities legislation ("Forward-looking Statements"). Forward-looking Statements 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. Forward-looking Statements represent, as of the date of this MD&A, the estimates, forecasts, projections, expectations or opinions of the Corporation relating to future events or results. Forward-looking Statements involve known and unknown risks, uncertainties and other important factors which may cause the actual results or performance to be materially different from those expressed, implied, or presented by the Forward-looking Statements. The material risks and uncertainties that may cause the actual results and developments to be materially different from the current expressed expectations are discussed in this MD&A under the heading *Risk and Uncertainties* and include execution of strategy, capital resources, derivative financial instruments, current economic and financial crisis, hydrology and wind regimes, investment in the Fund (as hereinafter defined), construction and design, development of new facilities, project performance, equipment failure, interest rates and refinancing risks, financial leverage and restrictive covenants, separation agreement and the relationship with Hydro-Québec. Although the Corporation believes that the expectations instigated by the Forward-looking Statements are based on reasonable and valid assumptions, there is a risk that the Forward-looking Statements may be incorrect. The reader of this MD&A is cautioned not to rely unduly on these Forward-looking Statements. Forward-looking Statements, expressed verbally or in writing by the Corporation or by a person acting on its behalf, are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to update or revise any Forward-looking Statements, whether as a result of events or circumstances occurring after the date hereof, unless required by legislation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period ended March 31, 2009

OVERVIEW

General

The Corporation is a developer, owner and operator of renewable power-generating facilities and provides management and administrative services to Innergex Power Income Fund (the "Fund"), a trust listed on the Toronto Stock Exchange ("TSX") under the symbol "IEF.UN", under long-term agreements. The Corporation's shares are listed on the TSX under the symbol "INE". The Corporation is one of the most active in the Canadian renewable power industry, with a focus on hydroelectric and wind power projects that benefit from low operating and management costs and simple and proven technologies. The Corporation's management team, which has been active in the renewable power industry since 1990, has developed and brought to commercial operation or refurbished, through various ventures, 13 hydroelectric and three wind power facilities, representing an aggregate installed capacity of 491 megawatts ("MW"). The Corporation owns interests in:

- three operating facilities with an aggregate net installed capacity of 60.9 MW (gross 140.5 MW). These interests are composed of two hydroelectric facilities and one wind farm, with aggregate net installed capacities of 19.3 MW (gross 31.0 MW) and 41.6 MW (gross 109.5 MW) respectively. These facilities, commissioned between 2005 and 2008, had a weighted average age of less than a year as at the end of the most recent quarter. They sell the generated power under long-term Power Purchase Agreements ("PPA") that had a weighted average remaining life of 19.3 years as at March 31, 2009;
- seven development projects with an aggregate net installed capacity of 197.5 MW (gross 392.3 MW) for which PPAs with public utilities have been secured or that are eligible under the terms of the Standing Offer Program ("SOP") for small renewable power generation facilities with a nameplate capacity of less than 10 MW implemented by the British Columbia Hydro and Power Authority ("BC Hydro"). Construction is under way on two of these projects and expected to begin on the remaining five over the coming years. The projects are expected to reach the commercial operation stage between 2009 and 2012;
- a net capacity of more than 1,600 MW (gross 1,800 MW) in Prospective Projects that are at different stages of development; and
- a direct 16.1% interest in the Fund, which indirectly owns interest in 10 hydroelectric power plants and two wind farms with a total installed capacity of 340 MW, representing a net interest of 210 MW.

The Corporation's cash flow sources are diversified. Firstly, as owner of interests in two operating hydroelectric facilities and one operating wind farm, the Corporation receives revenues from the electricity generated by these facilities. Secondly, as the owner of a 16.1% interest in the Fund, the Corporation receives stable monthly cash distributions. Thirdly, as manager of the Fund, the Corporation receives annual management, administration and incentive fees. Finally, as a developer of renewable energy facilities, the Corporation expects its revenues from electricity generation to increase again in the fourth quarter of 2009 and in years to come as some projects under development reach the commercial operation stage.

Portfolio of Assets

The Corporation's portfolio is comprised of interests in three groups of power generating projects: (i) facilities that have reached commercial operations ("Operating Facilities"); (ii) projects for which PPAs have been secured or which are eligible under BC Hydro's SOP and are either under construction or scheduled to begin commercial operations on planned dates ("Development Projects"); and (iii) projects that have secured certain land rights, for which an investigative permit application has been filed or with respect to which a proposal has been submitted under a Request for Proposal ("RFP") ("Prospective Projects"). The Corporation's portfolio of projects is comprised of interests in 15 Operating Facilities, seven Development Projects and a number of Prospective Projects.

The following chart sets out the Corporation's direct and indirect interests in the Operating Facilities, Development Projects, and Prospective Projects.

INNERGEX
Énergie renouvelable
Renewable Energy

Management Agreements

Operating Facilities

16.1%

Innergex Power Income Fund

Hydro
- 100% Rutherford Creek (49.9 MW)
- 100% Horseshoe Bend (9.5 MW)
- 100% Windsor (5.5 MW)
- 100% Batawa (5.0 MW)
- 100% Montmagny (2.1 MW)
- 100% St-Paulin (8.0 MW)
- 100% Chaudière (24.0 MW)
- 100% Portneuf-1 (8.0 MW)
- 100% Portneuf-2 (9.9 MW)
- 100% Portneuf-3 (8.0 MW)

Wind
- 38% Baie-des-Sables (109.5 MW)
- 38% Anse-à-Valleau (100.5 MW)

Hydro
- 100% Glen Miller (8.0 MW)
- 49% Umbata Falls (23.0 MW)

Wind
- 38% Carleton (109.5 MW)

Development Projects

Hydro under construction (PPA or SOP)
- 100% Ashlu Creek (49.9 MW)
- 66⅔% Fitzsimmons Creek (7.5 MW)[2]

Hydro, other (PPAs)
- 100% Matawin (15.0 MW)
- 50% Kwoiek Creek (49.9 MW)

Wind, other (PPAs)
- 38% Montagne-Sèche (58.5 MW)
- 38% Gros Morne (Phase I) (100.5 MW)
- 38% Gros Morne (Phase II) (111.0 MW)

Prospective Projects

Hydro
- 100% Mkw'Alts (47.7 MW)
- 100% Kaipit (9.9 MW)
- 100% Kokish (9.9 MW)
- 48% Kipawa (42.0 MW)
- 66⅔% Creek Power Inc.
  - Hurley River (46.0 MW)
  - Upper Lillooet (74.0 MW)
  - Gun Creek (36.0 MW)
  - Boulder Creek (23.0 MW)
  - North Creek (16.0 MW)
  - Others Creek Power Inc. (50.0 MW)

Wind
- 100% Roussillon (108.0 MW)
- 100% Kamouraska (124.5 MW)
- 100% Saint-Constant (70.0 MW)
- 100% Club des Hauteurs (195.5 MW)
- 100% Haute-Côte-Nord Est (170.0 MW)
- 100% Haute-Côte-Nord Ouest (168.0 MW)
- 50% Rivière-au-Renard (25.0 MW)
- 38% Les Méchins (150.0 MW)
- 100% Various others in B.C. (475.0 MW)
  - Carp Forest
  - Crater Mountain
  - Poplar
  - Nulki Hills
  - Tatuk
  - Trachyte
  - Vancouver Island Range

	Operating Facilities	Development Projects	Prospective Projects
Hydro			
Gross capacity:	160.9 MW	122.3 MW	354.5 MW
Net capacity[1]:	40.2 MW	94.9 MW	251.0 MW
Wind			
Gross capacity:	319.5 MW	270.0 MW	1,486.0 MW
Net capacity[1]:	54.5 MW	102.6 MW	1,380.5 MW
Total			
Gross capacity:	480.4 MW	392.3 MW	1,840.5 MW
Net capacity[1]:	94.6 MW	197.5 MW	1,631.5 MW

[1] Net capacity represents the proportional share of the total capacity attributable to the Corporation, based on its ownership interest in these facilities and projects. The remaining capacity is attributable to the strategic partners' ownership share.

[2] Project eligible under BC Hydro's Standing Offer Program

Business Strategy

The Corporation's strategy for building shareholder value is to develop or acquire high-quality power production facilities that generate sustainable and stable cash flows, with the objective of achieving a high return on invested capital. As an independent clean power producer, the Corporation aims to generate value from renewable energy sources.

Key Performance Indicators

The Corporation measures its performance through key indicators that include or could include power generated in megawatt-hours (MW-hr), net operating cash flows and EBITDA, defined as earnings before interest, provision for income taxes, depreciation and amortization and other items. These indicators are not recognized measures under GAAP, and therefore may not be comparable to those presented by other issuers. The Corporation believes that these indicators are important since they provide management and the reader with additional information about its production and cash generation capabilities and facilitate the comparison of results over different periods.

Seasonality

The amount of energy generated by the Operating Facilities is generally dependent on the availability of water flows and the wind regime. Lower-than-expected water flows or wind regimes in any given year could have an impact on the Corporation's revenues and hence on its profitability. It should be noted that the Corporation owns interests in two hydroelectric facilities drawing on two watersheds and one wind farm, offering significant diversification in terms of operating revenue sources. Furthermore, given the complementary nature of hydroelectric and wind farm production, seasonal variations are partially offset.

IMPACT OF THE FINANCIAL CRISIS

In view of the current volatile and uncertain times faced by most developed countries, this section is intended to inform investors about five specific major drivers that have changed as a result of the crisis: (i) credit availability and cost, (ii) customer demand, (iii) currencies, (iv) commodities and (v) counterparties.

Credit Availability and Cost

While financial institutions continue to lend, they are doing so much more cautiously and imposing certain terms and conditions that could make credit more onerous or simply unavailable for the pursuit of the Corporation's Development or Prospective Projects. If the Corporation is unable to conclude project financing in a timely manner and on commercially acceptable terms, construction of additional Development Projects and Prospective Projects could be postponed. The Corporation's present operations and construction activities are financed using long-term non-recourse project financings provided by strong relationship banks. As of the date of this MD&A, only the Fitzsimmons Creek project financing remains to be obtained in order for the Corporation to have fulfilled all its financing needs for projects under construction. The Corporation executed a committed term sheet for the Fitzsimmons Creek project financing with a Canadian financial institution in March 2009. Following the usual syndication process, the Corporation expects to finalize this financing by the end of the second quarter of 2009.

Customer Demand

The Corporation sells its electricity to creditworthy public utilities owned by provincial governments through long-term take-or-pay PPAs. These public utilities are rated A+ or better by Standard & Poor's. As such, the financial crisis has no impact on the Corporation's customers demand for its electricity. However, the financial crisis could ultimately result in a decrease in overall electricity consumption by the end-customers of these public utilities. Nevertheless, the Corporation believes that renewable energy will continue to be the preferred source of new energy supply and public utilities will continue to issue RFPs to meet their renewable energy objectives.

Currencies

Since the Corporation is presently active only in Canada, it is not materially exposed to currency fluctuations with respect to its operations. Nevertheless, currency fluctuations could have an impact on major purchases drawn up in a foreign currency. When such a situation occurs, the Corporation uses hedging instruments to eliminate this risk.

Commodities

The Corporation could be exposed to commodity price variations in relation to its construction costs. However, the Development Projects currently under construction, namely Ashlu Creek and Fitzsimmons Creek, are being built under fixed-price construction contracts and as such, are not affected by commodity price variations. Nevertheless, future project construction costs could benefit from a lower commodity price environment since the pricing of many project components is influenced by commodity prices, such as those for steel and copper.

Counterparties

The financial crisis could have an impact on various economic players like clients, suppliers and financial institutions, among others. The Corporation believes that its counterparty risk is not material for the following reasons:

i. The Corporation's clients are rated A+ or better by Standard and Poor's and are owned by provincial governments.
ii. The Corporation relies on certain contractors and sub-contractors to achieve construction of its facilities. Such contractors could be affected by the financial crisis, to the detriment of the Corporation. In order to protect the Corporation from such risk, contractors were requested to post performance, material and labour bonds issued by insurance companies for amounts equivalent to 50% of the value of their contracts with the Corporation.
iii. The Corporation has entered into long-term debt agreements and derivative financial instruments with major financial institutions that are rated BBB or better by Standard and Poor's.

QUARTERLY UPDATE

Corporation's 16.1% interest in the Fund

The Fund's facilities generated 163,912 MW-hr during the first quarter of 2009, while power generation during the corresponding period of 2008 totalled 160,939 MW-hr. This represents a 2% increase in power generation over the first quarter of 2008 but is below the long-term average by 2%. This growth is mainly attributable to the Anse-à-Valleau wind farm which is now operating at full capacity whereas it was still in its start-up period during the first quarter of 2008, having started commercial operations in November 2007. During the first quarter of 2009, this level of power generation resulted in gross operating revenues of $13.9 million and EBITDA of $11.1 million. During the corresponding period of 2008, revenues reached $13.6 million and EBITDA totalled $10.9 million.

Additional information about the Fund can be found on SEDAR at www.sedar.com. Such information is not incorporated by reference.

Operating Facilities

The Corporation owns interests in three operating facilities with an aggregate net installed capacity of 60.9 MW (gross 140.5 MW). These interests are composed of the Glen Miller and Umbata Falls hydroelectric facilities (aggregate net installed capacity of 19.3 MW, gross 31.0 MW) and the Carleton wind farm (net installed capacity of 41.6 MW, gross 109.5 MW).

Production	Operating Period from January 1 to March 31, 2009		Operating Period from January 1 to March 31, 2008	
	Production (MW-hr)	Long-term average (MW-hr)	Production (MW-hr)	Long-term average (MW-hr)
Glen Miller	14,986	13,500	10,647	13,500
Umbata Falls [1]	6,400	8,901	-	-
Carleton [2]	38,697	38,085	-	-
Total	60,083	60,486	10,647	13,500

1 The Corporation owns 49% of this facility
2 The Corporation owns 38% of this wind farm

The Corporation's Operating Facilities produced 60,083 MW-hr during the first quarter of 2009, while 10,647 MW-hr were generated in the corresponding quarter of 2008. This represents a sixfold increase. This improvement is essentially due to the contribution of the newly completed Umbata Falls hydroelectric facility and Carleton wind farm, which have been in commercial operation since November 2008. However, the Umbata Falls facility generated less electricity than anticipated because of lower-than-expected hydrology conditions. Nevertheless, the Glen Miller hydroelectric facility experienced better-than-expected hydrology conditions and generated 11% more energy than the long-term average. The Carleton wind farm also produced more energy than anticipated due to better-than-expected wind conditions.

Development Projects

The Corporation owns seven Development Projects. Of these projects, two are presently under construction and five are in the permitting phase. The table below provides an overview of the advancement of the Corporation's projects under construction.

Development Projects (under construction)

Project Name	Location	Installed Capacity (MW)	Estimated Long-term Average Production (in MW-hr)	Estimated Total Construction Costs ($M)	Total Construction Costs as at March 31, 2009 ($M)	Expected Commercial In-service Date
HYDRO						
Ashlu Creek	British Columbia	49.9	265,000	138.0	105.8	Q4 2009
Fitzsimmons Creek[1]	British Columbia	7.5	33,000	33.2	14.7	Q4 2010

1 The Corporation owns 66 ⅔% of this project

Ashlu Creek

On March 4, 2009, Ashlu Creek Investments Limited Partnership signed an agreement with the Federal government confirming that the project will receive incentive payments under the ecoENERGY Initiative, provided certain conditions are met and upon the start of commercial operations. The ecoENERGY Initiative provides for an incentive payment of $10 per MW-hr for the first ten years of operations. The Corporation estimates that this incentive payment should increase EBITDA by approximately $2.5 million per year for the first ten years of operations.

Construction Update

During the first quarter of 2009, the Ashlu Creek project achieved a significant milestone with the completion of the horizontal mining of the 4.4-km power tunnel. As of the date of this MD&A, mining of the 120-meter vertical shaft is progressing as expected with more than 95% completed. Work has also been completed on the access roads, transmission lines, switchyard, creek diversion using cofferdams, emergency spillway and rockfill weir. Construction activities at the intake, sluiceway and powerhouse are essentially completed and equipment manufacturing is finished. The commercial in-service date is expected for the end of 2009.

Fitzsimmons Creek

On March 24, 2009, the Corporation and a lender executed a committed term sheet regarding the Fitzsimmons Creek project. Completion of this financing is subject to further syndication and is expected to close before the end of the second quarter of 2009.

The Fitzsimmons Creek project is eligible under the BC Hydro SOP, and the Corporation expects to enter into a PPA with BC Hydro before the end of the second quarter of 2009. The Corporation also expects that the Fitzsimmons Creek project will be eligible under the ecoENERGY Initiative, which provides for an incentive payment of $10 per MW-hr for the first ten years of operations.

Construction Update

The project is progressing according to plan and on budget. As of the date of this MD&A, approximately 45% of the access roads, 30% of the penstock, 66% of the cofferdams and 85% of the emergency spillway have been completed. Excavation at the powerhouse site is also continuing. This project is expected to begin commercial operations in the fourth quarter of 2010.

The table below provides an overview of the other Development Projects which are in the permit phase.

Development Projects (permit phase)

Project Name	Location	Installed Capacity (MW)	Estimated Total Construction Costs ($ M)	Expected Commercial In-service Date
HYDRO				
Matawin	Québec	15.0	24.6	2011
Kwoiek Creek[1]	British Columbia	49.9	152.1	2011
WIND				
Montagne-Sèche[2]	Québec	58.5	103.0	2011
Gros Morne – Phase I[2]	Québec	100.5	348.5	2011
Gros Morne – Phase II[2]	Québec	111.0	for both phases	2012

1 The Corporation owns 50% of this project
2 The Corporation owns 38% of this project

On March 19, 2009, the Kwoiek Creek hydroelectric project took a significant step forward when it received its environmental assessment (EA) certificate from the province of British Colombia ("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 level.

Prospective Projects

The Corporation owns hydroelectric and wind Prospective Projects with a net potential installed capacity of more than 1,600 MW (gross 1,800 MW).

Prospective Projects

Project Name	Location	Ownership Interest	Gross Installed Capacity (MW)	RFP
HYDRO				
Kipawa	Québec	48.0%	42.0	Future Hydro-Québec RFPs
Mkw'Alts	British Columbia	100.0%	47.7	PPA with BC Hydro
Kaipit	British Columbia	100.0%	9.9	BC Hydro SOP or future RFPs
Kokish	British Columbia	100.0%	9.9	BC Hydro SOP or future RFPs
Hurley River	British Columbia	66⅔%	46.0	2008 BC Hydro CPC RFP
Upper Lillooet	British Columbia	66⅔%	74.0	2008 BC Hydro CPC RFP
Gun Creek	British Columbia	66⅔%	36.0	2008 BC Hydro CPC RFP
Boulder Creek	British Columbia	66⅔%	23.0	2008 BC Hydro CPC RFP
North Creek	British Columbia	66⅔%	16.0	2008 BC Hydro CPC RFP
Other Creek Power Inc. projects	British Columbia	66⅔%	Potential of 50 MW out of a total aggregate of over 100 MW	BC Hydro SOP or future RFPs
Sub-total HYDRO			**354.5**	
WIND				
Roussillon	Québec	100.0%	108.0	Future Hydro-Québec RFPs
Kamouraska	Québec	100.0%	124.5	Future Hydro-Québec RFPs
Saint-Constant	Québec	100.0%	70.0	Future Hydro-Québec RFPs
Club des Hauteurs	Québec	100.0%	195.5	Future Hydro-Québec RFPs
Haute-Côte-Nord Est	Québec	100.0%	170.0	Future Hydro-Québec RFPs
Haute-Côte-Nord Ouest	Québec	100.0%	168.0	Future Hydro-Québec RFPs
Rivière-au-Renard	Québec	50.0%	25.0	Future Hydro-Québec RFPs
Les Méchins	Québec	38.0%	150.0	PPA with Hydro-Québec
Other projects	British Columbia	100.0%	Potential of 475 MW out of a total aggregate of over 975 MW	Future BC Hydro RFPs
Sub-total WIND			**1,486.0**	
Total			**1,840.5**	

In November 2008, five hydroelectric Prospective Projects were submitted under the 2008 BC Hydro Clean Power Call RFP. Results are expected by the end of June 2009.

On April 30, 2009, Hydro-Quebec launched a 500-MW wind RFP divided into two blocks of 250 MW each. The first block targets community projects and the second Aboriginal projects. The Corporation believes that the conditions of this RFP reflect the increasing construction costs faced by clean energy developers. As such, the Corporation intends to continue its discussions with communities and Aboriginal nations to submit wind projects under this RFP.

OPERATING RESULTS
The Corporation's operating results for the three-month period ended March 31, 2009 are compared to operating results for the same period in 2008. The following table presents a breakdown of the Corporation's revenues.

Revenues		Three-month period ended March 31, 2009		Three-month period ended March 31, 2008
Operating revenues	$	4,646,372	$	711,715
Management fees		597,008		593,775
Share of net earnings (loss) of an entity subject to significant influence		272,493		(334,914)
Revenues	$	5,515,873	$	970,576

Revenues
The Corporation reported revenues of $5.5 million during the first quarter of 2009 compared to revenues of $1.0 million in the corresponding period of 2008. This improvement is mainly due to the increase in electricity production resulting from the start of commercial operations at the Umbata Falls and Carleton facilities in November 2008. By comparison, the Corporation only benefited from the contribution of the Glen Miller hydroelectric facility in the first quarter of 2008.

During the first quarter of 2009, the Corporation received $0.6 million in management fees from the Fund, an amount almost identical to the fees received for the same period of 2008.

As manager of the Fund and owner of 16.1% of its outstanding units, the Corporation is considered, on an accounting basis, to have significant influence on the Fund. The Corporation therefore accounts for its share of the Fund's net earnings or net loss as revenues, adjusting for the amortization of intangibles and future income taxes related to the excess of the cost of its investment in the Fund over the underlying net book value of assets acquired. In the first quarter of 2009, the Fund's net earnings contributed $0.3 million to the Corporation's revenues whereas the Fund's net loss in the same period of 2008 negatively impacted revenues by $0.3 million. The Fund's net earnings in the first quarter of 2009 are the result of general normal conditions whereas its net loss in the first quarter of 2008 was the result of unrealized and realized net losses on derivative financial instruments. These losses negatively affected the Fund's net earnings and, as a result, the Corporation's share of the Fund's net earnings.

Share of the Net Earnings (Loss) of an Entity Subject to Significant Influence		Three-Month Period Ended March 31, 2009		Three-Month Period Ended March 31, 2008
Corporation's 16.1% share in the Fund's net earnings (loss)	$	485,138	$	(122,269)
Amortization of intangibles		(293,303)		(293,303)
Future income taxes		80,658		80,658
Share of net earnings (loss) of an entity subject to significant influence	$	272,493	$	(334,914)

Expenses
Expenses are composed of operating expenses, stock-based compensation, general and administrative expenses and prospective projects expenses.

Operating expenses consist primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes, property taxes, maintenance and repairs. For the quarter ended March 31, 2009, the Corporation recorded $0.34 million in operating expenses related to the operation of the two hydroelectric facilities and one wind farm. By comparison, operating expenses totalled $0.28 million in the corresponding period of 2008 when the Corporation only had one operating facility but it experienced higher-than-normal maintenance costs.

Stock-based compensation relates to the amortization of the fair value of options, granted on December 6, 2007 concurrently with the initial public offering ("IPO"), over the applicable four-year vesting period. During the first quarters of 2009 and 2008, a $0.39 million non-cash stock-based expense was recorded.

General and administrative expenses totalled $1.6 million during the first three months of 2009, a $0.5 million increase over the same period in 2008. This variation is explained by the higher number of projects in operation which resulted in fewer costs being capitalized.

Prospective projects expenses include costs incurred for the development of Prospective Projects. Before 2009, these expenses were capitalized but a change in accounting policy now requires these costs to be expensed. Please refer to the *Changes in Accounting Policies* section of this MD&A for more information on this subject. During the first quarter of 2009, prospective projects expenses totalled $0.51 million, a level similar to that for the corresponding period of 2008.

Interest Expenses

During the first quarter of 2009, the Corporation incurred $1.1 million in interest expenses on its long-term debt ($0.2 million in 2008). This increase is due to a higher level of indebtedness for which interests are expensed stemming from the Umbata Falls and Carleton operating facilities, partly offset by the decrease in variable interest rates.

Derivative Financial Instruments

The Corporation uses derivative financial instruments, primarily bond forward contracts and interest rate swaps, to manage its exposure to the risk of rising interest rates on its long-term debt, thus protecting the economic value of its projects. During the quarter ended March 31, 2009, the Corporation recorded a realized loss on derivative financial instruments of $1.5 million (nil in 2008) due to the conversion of two bond forward contracts into a 25-year interest rate swap related to the Umbata Falls hydroelectric project. The realized loss on these two bond forward contracts is offset by the project benefiting from a lower-than-expected fixed interest rate over the next 25 years.

The Corporation also recorded an unrealized net loss on derivative financial instruments totalling $1.1 million during the first quarter of 2009 (net loss of $6.1 million in 2008). This unrealized net loss is due mainly to the decrease in interest rates for shorter maturities, partly offset by an increase in interest rates for longer maturities since the end of 2008. These losses had no cash impact on the Corporation's results.

Other Revenues and Expenses

During the first quarter of 2009, other revenues, mainly composed of interest earned on cash and cash equivalents, amounted to $0.02 million ($0.27 million in 2008). This decrease is due to a higher average cash balance in 2008 compared to 2009 and to lower interest rates earned on deposits.

The Corporation invests its cash in liquid assets such as bankers' acceptances and term deposits with short-term maturities. The Corporation did not invest in any form of asset-backed commercial paper.

Depreciation and Amortization

The depreciation and amortization expense totalled $1.5 million for the quarter ended March 31, 2009 compared to $0.4 million in the corresponding quarter of 2008. This difference is attributable mostly to the depreciation of three operating facilities, compared to the depreciation of only one in 2008.

Provision for Income Taxes

The provision for current income taxes for the first quarters of 2009 and 2008 was minimal due to the Corporation's young pool of property, plant and equipment that made a substantial unused capital cost allowance available.

The Corporation recorded a future income tax recovery of $0.6 million for the three-month period ended March 31, 2009 stemming primarily from realized and unrealized losses on derivative financial instruments that affected results. In the corresponding quarter of 2008, the Corporation recorded a future income tax recovery of $1.9 million, essentially due to unrealized losses on derivative financial instruments.

Losses Allocated to Minority Interests

The minority interests represented the third parties' share of earnings or losses and are attributable mainly to Creek Power Inc. Since a 66⅔% interest in Creek Power Inc. was acquired on August 29, 2008, the Corporation did not allocate any earnings or losses to this minority interest prior to that date. During the first quarter of 2009, losses totalling $0.1 million were allocated to minority interests (nil in 2008).

Net (Loss) Earnings and Comprehensive (Loss) Income

The Corporation posted a net loss and comprehensive loss of $1.9 million (basic and diluted loss of $0.08 per share) for the period. For the corresponding period in 2008, the net loss and comprehensive loss totalled $5.8 million (basic and diluted loss of $0.25 per share). This improvement is attributable mostly to an EBITDA increase of $4.0 million and to lower realized and unrealized losses on derivative financial instruments of $3.4 million, partially mitigated by higher depreciation and amortization of $1.1 million, increased interest on long-term debt of $0.9 million, and a lower income tax recovery of $1.3 million.

Basic and diluted per-share figures for the quarter ended March 31, 2009 are based on a weighted average number of 23,500,000 shares outstanding. Basic and diluted per-share figures for the corresponding quarter of 2008 are based on a weighted average of 23,500,000 and 23,544,428, respectively.

NET OPERATING CASH FLOWS

The Corporation believes that net operating cash flows represents important additional information for management and the reader because it provides a measure of the cash generated by the Corporation's assets by excluding certain non-cash, unusual and non-recurring items and including a significant cash element (e.g. distributions received from an entity subject to significant influence). The Corporation calculates net operating cash flows as demonstrated below:

Net Operating Cash Flows	Three-Month Period Ended March 31, 2009	Three-Month Period Ended March 31, 2008
Net (loss)	$ (1,917,573)	$ (5,818,833)
Add / (deduct):		
Losses allocated to minority interests	(72,468)	-
Future income taxes	(582,811)	(1,931,470)
Unrealized net loss on derivative financial instruments	1,125,405	6,072,327
Depreciation and amortization	1,516,762	372,925
Non-cash stock-based compensation	390,907	390,907
Share of net (earnings) loss from an entity subject to significant influence	(272,493)	334,914
Distributions received from an entity subject to significant influence	1,180,629	1,180,629
Net Operating Cash Flows	$ 1,368,358	$ 601,399

The Corporation generated $1.4 million in net operating cash flows during the first quarter of 2009, compared to $0.6 million in the corresponding quarter of 2008. This increase of 128% stems essentially from the Operating Facilities' contribution.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

For the quarter ended March 31, 2009, cash flows generated by operating activities totalled $18.4 million, compared to cash flow utilization of $6.1 million for the first quarter of 2008. This change is due primarily to a positive $18.2 million variation in non-cash working capital items (negative $5.5 million in 2008) stemming from a decrease of $16.7 million in accounts receivable and increases of $0.7 million and $2.2 million in prepaid expenses and accounts payable and accrued liabilities, respectively. The cash generated from the decrease in accounts receivable is mainly the result of two payments totalling $14.7 million received with respect to the Carleton wind farm.

Cash Flows from Financing Activities

Cash flows from financing activities totalled $3.4 million during the period, mostly as a result of net increases in the bank loan ($2.3 million) and long-term debt ($1.2 million). The $15.1 million increase in long-term debt is the result of the Ashlu Creek project currently under construction and completed projects, namely the Umbata Falls and Carleton facilities. Most of the $13.9 million decrease in long-term debt comes from the repayment of the HQT and GST/PST loans (defined in the *Long-Term Debt* section of this MD&A) with respect to the Carleton wind farm. In the corresponding quarter of 2008, cash flow from financing activities totalled $4.0 million as a result of construction activities at the Umbata Falls, Ashlu Creek and Carleton projects, partly offset by the repayment of $2.0 million on the bank loan.

Cash Flows from Investing Activities

The Corporation's cash flows from investing activities for the period were negative at $18.7 million. From this amount, $17.2 million was used for additions to property, plant and equipment, mostly related to the Carleton, Ashlu Creek, Fitzsimmons Creek and Umbata Falls projects; $0.5 million for additions to intangible assets; $1.5 million for additions to project development costs and $0.7 million for additions to other long-term assets. These amounts were partially offset by distributions totalling $1.2 million received from the Corporation's 16.1% interest in the Fund, an entity under significant influence.

The Corporation's cash flows from investing activities for the corresponding period of 2008 were negative at $9.0 million. Additions to property, plant and equipment represented $9.1 million and additions to project development costs accounted for $0.9 million. These amounts were partially offset by distributions totalling $1.2 million received from the Corporation's 16.1% interest in the Fund, an entity under significant influence.

Cash and Cash Equivalents

The Corporation generated $3.1 million in cash and cash equivalents during the first quarter of 2009, mainly from changes in non-cash operating working capital items, partly offset by investments to finance the construction of the Fitzsimmons Creek project. The construction of the Ashlu Creek project had a minimal impact since costs to complete are financed through the project's debt facility. The Corporation expects that future construction costs to complete the Ashlu Creek project will also be financed through the project's debt facility. The Corporation also expects to recover a portion of the amounts invested in the Fitzsimmons Creek project upon execution of the project's credit agreement.

As at March 31, 2009, the Corporation had cash and cash equivalents amounting to $9.1 million. As at the same date in 2008, it had reported cash and cash equivalents of $23.6 million, mainly as a result of the IPO which occurred in December 2007.

FINANCIAL POSITION

Assets

As at March 31, 2009, the Corporation had $427.7 million in total assets, compared to $431.7 million in total assets as at December 31, 2008. This decrease stems from a reduction in accounts receivable in relation to the Carleton wind farm. However, ongoing construction of the Ashlu Creek and Fitzsimmons Creek projects contributed to mitigate this impact.

Working Capital

As at the end of the first quarter of 2009, working capital was negative at $34.1 million, with a working capital ratio of 0.34:1.00. When the bank loan facility of $12.0 million that is expected to be renewed on a yearly basis and the negative market value of derivative financial instruments of $19.9 million are excluded, working capital was negative at $2.2 million with an adjusted working capital ratio of 0.89:1.00. As at the end of 2008, working capital was negative at $28.1 million and the working capital ratio was 0.52:1.00. When the bank loan facility of $9.8 million and the negative market value of derivative financial instruments of $20.4 million are also excluded, working capital was positive at $2.1 million with an adjusted working capital ratio of 1.07:1.00. The decrease over the last three months is mostly the result of an increase in accounts payable and accrued liabilities.

Given (i) the expected cash flow contribution from the Corporation's three operating facilities, (ii) the Ashlu Creek project financing which should not require the Corporation to invest additional equity, and (iii) the execution of a committed term sheet in relation to the debt financing of the Fitzsimmons Creek project, which should enable the Corporation to recover a portion of its equity investment in the project, the Corporation considers its current level of working capital to be sufficient to meet its needs. However, the Corporation could postpone the development of Prospective Projects and/or of Development Projects not already in construction if necessary in order to preserve cash. The Corporation can also use its $30.0 million bank credit facility. As at March 31, 2009, $12.0 million of this credit facility had been drawn as cash advances, $6.5 million used for the issuance of letters of credit and $3.9 million reserved as collateral to secure bond forward contracts. The unused and available portion of the bank credit facility was therefore $7.6 million as at this date.

Accounts receivable decreased from $22.9 million as at December 31, 2008 to $6.2 million as at March 31, 2009 as a result of two payments totalling $14.7 million received with respect to the Carleton wind farm.

Accounts payable and accrued liabilities increased from $12.0 million as at December 31, 2008 to $15.9 million as at the end of the first quarter of 2009. This line item is comprised mainly of trade payables and holdbacks related to the construction of the Ashlu Creek and Fitzsimmons Creek projects and completion of the Carleton wind farm, among others.

Derivative financial instruments included in current liabilities decreased from $20.4 million as at December 31, 2008 to $19.9 million as at March 31, 2009. This variation is mainly due to the conversion of two bond forward contracts into a 25-year interest rate swap related to the Umbata Falls hydroelectric project, mitigated by a decrease in interest rates for shorter maturities.

The current portion of long-term debt relates to the Glen Miller, Umbata Falls and Carleton credit facilities.

Property, Plant and Equipment

Property, plant and equipment are mainly comprised of hydroelectric and wind farm projects that are either in operation or under construction. They are recorded at cost and depreciated using the straight-line method, based on their estimated useful lives upon commissioning. The Corporation had $237.2 million in property, plant and equipment on its books as at March 31, 2009 as compared to $229.5 million as at December 31, 2008. This increase stems from capital expenditures incurred with respect to ongoing development of the Ashlu Creek and Fitzsimmons Creek projects, which are currently under construction.

Intangible Assets

Intangible assets consist of various permits, licences and agreements. The Corporation reported $44.6 million in intangible assets as at March 31, 2009, a small increase when compared to $44.4 million as at December 31, 2008. Intangible assets are amortized using the straight-line method over 20 to 40-year periods that commence when the project in question is commissioned.

Project Development Costs

Project development costs represent costs incurred to acquire and develop Development Projects that have a PPA or have been deemed to be eligible under a SOP as well as costs to acquire Prospective Projects. These costs are transferred to either property, plant and equipment or intangible assets, depending on their nature, once the project reaches the construction phase. As at March 31, 2009, the Corporation had $28.5 million in project development costs ($27.9 million as at December 31, 2008).

Investment in an Entity Subject to Significant Influence

The $56.1 million investment in an entity subject to significant influence ($57.1 million as at December 31, 2008) refers to the 4,724,409 Fund units owned by the Corporation, representing a 16.1% interest in the Fund. This investment is accounted for using the equity method.

Future Income Taxes

The tax impact of temporary differences may result in material future tax assets or liabilities. As at March 31, 2009, the Corporation's net future income tax asset was $6.7 million versus a net future income tax asset of $6.2 million as at December 31, 2008. This increase in net tax asset resulted from the net losses before taxes realized during the first quarter of 2009.

Goodwill

The Corporation had $30.5 million in goodwill as at March 31, 2009 and December 31, 2008. The amounts recorded are identical since there was no material change in the Corporation's various facilities and projects during the first quarter of 2009.

Other Long-Term Assets

Other long-term assets, mainly comprised of funds held in reserve and derivative financial instruments, stood at $2.0 million at the end of the period. As at December 31, 2008, the amount recorded for this line item was $1.3 million. The increase is due to a $0.7 million investment made to the Umbata Falls reserve accounts.

Long-Term Debt
As at March 31, 2009, long-term debt stood at $166.7 million, versus $165.5 million at the end of 2008. As at the end of the first quarter of 2009, long-term debt consisted of:

i) a $16.3 million non-recourse term loan secured by the Glen Miller hydroelectric facility maturing in 2011. This loan is amortized at the rate of $250,000 per quarter including a bullet payment at the end of the term. The loan bears interest at the bankers' acceptances ("BA") rate plus an applicable credit margin.

ii) a $51.0 million non-recourse construction loan, of which $50.0 million has been drawn (of this amount, $24.5 million corresponds to the Corporation's 49% ownership interest in the project) and is secured by the Umbata Falls hydroelectric facility. This loan matures in 2014. The loan's principal payments will begin during the third quarter of 2009 and will be based on a 25-year amortization period. The loan bears interest at the BA rate plus an applicable credit margin.

iii) a $52.3 million non-recourse term loan maturing in 2013 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: a) the $7.3 million Hydro-Quebec TransEnergie ("HQT") substation loan and b) the $5.5 million GST/PST loan. Both loans were repaid during the first quarter of 2009. The former was reimbursed upon receipt of the substation reimbursement by HQT and the latter, upon receipt of a refund from the governmental agencies of the Federal goods and services tax and Provincial sales tax paid as part of the purchase of the wind turbines.

iv) a $110.0 million non-recourse construction loan of which $74.8 million has been drawn as at March 31, 2009. The loan is secured by the Ashlu Creek hydroelectric facility and matures 15 years following term conversion. The loan's principal payments will begin on term conversion and will be based on a 25-year amortization period. The loan bears interest at the BA rate plus an applicable credit margin.

If they are not met, certain financial and non-financial conditions included in the credit agreements entered into with some of the Corporation's subsidiaries could limit their ability to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations. Since the beginning of the 2009 fiscal year, the Corporation and its subsidiaries have met all financial and non-financial conditions related to their credit agreements.

Shareholders' Equity
As at March 31, 2009, the Corporation's shareholders' equity totalled $195.5 million, as compared to $197.0 million as at December 31, 2008. The difference is attributable mainly to the $1.9 million net loss recorded during the first quarter of 2009, which was partially offset by a $0.4 million increase in contributed surplus related to stock-based compensation.

As at May 13, 2009, the Corporation has a total of 23,500,000 common shares outstanding.

RELATED PARTY TRANSACTIONS

As Manager of the Innergex Power Income Fund
The Corporation provides services to the Fund and its subsidiaries under three agreements: a Management Agreement, an Administration Agreement, and a Services Agreement. During the first quarter of 2009, the Corporation received $0.54 million for regular services provided under these three agreements ($0.57 million in 2008). This amount is comprised of $0.25 million for management services ($0.22 million in 2008); $0.06 million for additional services ($0.05 million in 2008); $0.18 million in incentive fees (identical in 2008); $0.03 million for administrative services (identical in 2008) and $0.02 million for services rendered to the BDS and AAV wind farms operators ($0.01 million in 2008). Furthermore, the Corporation received $0.08 million for services rendered during the BDS and AAV wind farms acquisition in the first quarter of 2008 (nil in 2009).

As an Innergex Power Income Fund Investor
The Corporation's investment in Fund units, along with related earnings, is described in detail in the *Operating Results* section of this MD&A under *Revenues*.

SEGMENT INFORMATION

The Corporation has three reportable segments: (a) hydroelectric generation; (b) wind power generation and (c) development and management of sites.

Through its hydroelectric generation and wind power generation segments, the Corporation sells electricity produced from its hydroelectric and wind farm facilities to publicly owned utilities. Through its site development and management segment, it develops hydroelectric and wind farm facilities through to the commissioning stage and then manages them.

The accounting policies for these segments are the same as those described in the significant accounting policies provided in the 2008 annual report. The Corporation evaluates performance based on earnings (loss) before interest, income taxes, depreciation and amortization and other items, and accounts for inter-segment and management sales at cost. Any transfers of assets from the site development and management segment to the hydroelectric or wind power generation segments are accounted for at cost.

The operations of the Corporation's reportable segments are conducted by different teams since each segment has different skills requirements. There was no wind power segment prior to the commissioning of the Carleton wind farm in November 2008, since it represents the Corporation's first wind power production asset.

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and Management of Sites	Total
	$	$	$	$
Three-month period ended March 31, 2009				
Revenues from external customers	1,527,469	3,119,263	869,141	5,515,873
Operating expenses	128,060	207,581	-	335,641
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	43,429	65,477	1,518,636	1,627,542
Prospective projects expenses	-	-	509,306	509,306
Earnings (loss) before interest, income taxes, depreciation and amortization and other items	1,355,980	2,846,205	(1,549,708)	2,652,477
Three-month period ended March 31, 2008				
Revenues from external customers	711,715	-	258,861	970,576
Operating expenses	276,793	-	-	276,793
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	6,249	-	1,102,134	1,108,383
Prospective projects expenses	-	-	524,236	524,236
Earnings before interest, income taxes, depreciation and amortization and other items	428,673	-	(1,758,416)	(1,329,743)
As at March 31, 2009				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	64,721,397	89,282,100	273,701,383	427,704,880
Acquisitions of long-term assets since the beginning of the year	121,159	56,364	9,921,921	10,099,444
As at December 31, 2008				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	63,768,010	102,839,825	265,092,977	431,700,812

Hydroelectric Generation Segment

During the quarter ended March 31, 2009, the Glen Miller and Umbata Falls hydroelectric facility produced 14,986 MW-hr and 6,400 MW-hr, respectively. The Glen Miller production level exceeded the long-term average of 13,500 MW-hr by 11% due to better hydrological conditions. It also surpassed the 10,647 MW-hr level produced during the corresponding quarter of 2008, which was affected by a five-week partial shutdown of one of the two turbines. On the other hand, the Umbata Falls production level during the first quarter of 2009 fell short of the long-term average of 8,901 MW-hr due to lower-than-expected hydrological conditions.

This segment therefore benefited from the performance of the Glen Miller facility and the addition of the Umbata Falls facility to generate revenues and EBITDA of $1.5 million and $1.4 million during the first quarter of 2009, respectively. By comparison, revenues and EBITDA stood at $0.7 million and $0.4 million in the corresponding period of 2008.

The increase in total assets since December 31, 2008 is attributable to the completion of the Umbata Falls project.

The results of the hydroelectric facilities are seasonal in nature due to variations in the hydrological conditions from one quarter to another during a typical year. As such, quarterly results should not be extrapolated over a full year. Gross operating revenues are generally at their highest in the second and third quarters of any given year.

Wind Power Generation Segment

After adjusting production statistics for the Corporation's 38% interest in the Carleton wind farm, electricity production reached 38,697 MW-hr during the period, above the long-term average of 38,085 MW-hr due to above-average wind conditions. This resulted in revenues and EBITDA of $3.1 million and $2.8 million, respectively.

Total assets have decreased since December 31, 2008 as a result of two payments totalling $14.7 million received with respect to the Carleton wind farm, affecting accounts receivable. These amounts were used to repay the HQT and the GST/PST loans that were part of the Carleton credit facility.

The results achieved by the Carleton wind farm are seasonal in nature, due to quarterly variations in wind conditions during a typical year. As such, quarterly results should not be extrapolated over a full year. Gross operating revenues are generally at their highest in the first and fourth quarters of any given year.

Development and Management of Sites Segment

As the manager and owner of 16.1% of the outstanding units of the Fund, the Corporation is considered, from an accounting point of view, to have significant influence on the Fund. Therefore, the Corporation accounts for its share of the Fund's net results as revenues, with adjustments for the amortization of intangibles and future income taxes related to the excess of the cost of its investment in the Fund over the underlying net book value of the assets acquired.

For the period ended March 31, 2009, the Corporation recorded net earnings of $0.3 million from its share of an entity subject to significant influence. During the same period, the Corporation also received a total of $0.6 million in management fees from the Fund and the BDS and AAV wind farm operators.

As a result of operating expenses (nil), stock-based compensation ($0.4 million), general and administrative expenses ($1.6 million) and prospective project expenses ($0.5 million), the segment's EBITDA for the period was negative, at $1.5 million.

Increases in total assets since December 31, 2008 are attributable mainly to construction of the Ashlu Creek and Fitzsimmons Creek projects.

CRITICAL ACCOUNTING ESTIMATES

The critical accounting estimates for the Corporation are related to the valuation of assets acquired and liabilities assumed in business acquisitions, impairment of assets, useful lives for depreciation and amortization, and future income taxes. Fixed assets, comprised essentially of hydroelectric and wind power generating facilities, are recorded at cost. Financing costs related to the construction of fixed assets are capitalized when incurred. Depreciation of hydroelectric and wind power generating facilities is based on the estimated useful life of the assets using the straight-line method over the lesser of a period of 50 years for hydroelectric facilities and 25 years for wind facilities and the period for which the Corporation owns the rights to the assets. Intangible assets consist of various permits, licences and agreements related to the hydroelectric and wind power generating facilities. These intangible assets are amortized using the straight-line method over the period when the facility becomes commercially operational until the first maturity date of permits, licences and agreements for each facility. Other significant accounting policies are listed in Note 2 to the 2008 audited consolidated financial statements.

ACCOUNTING CHANGES

The Canadian Institute of Chartered Accountants (CICA) has issued the following new Sections:

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section, issued in February 2008, is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation adopted the new standard for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Corporation's activities include prospective projects costs that were capitalized into the costs of new projects. Under Section 3064, these costs are expensed as incurred. The application of this new standard is retroactive and requires the Corporation to expense prospective projects costs previously capitalized. The effect of this new standard on the consolidated balance sheet of the Corporation as of January 1, 2008 is as follows:

Consolidated balance sheet accounts	Assets	Liabilities and Shareholders' equity
	$	$
Project development costs	(145,312)	
Future Income taxes		(39,731)
Shareholders' equity		(105,581)
	(145,312)	(145,312)

The effect of this new standard on the Consolidated statements of Earnings for the first quarter of 2008 period is as follows:

Consolidated statements of Earnings accounts	Three-month period ended March 31, 2008
	$
Prospective projects expenses increase	524,236
Impairment of project development costs (decrease)	(49,762)
Future income taxes (recovery)	(129,718)
Net increase of loss	344,756
Basic and diluted net increase of loss per share	(0.01)

The effect of this new standard on the consolidated balance sheet of the Corporation as of January 1, 2009 is as follows:

Consolidated balance sheet accounts	Assets	Liabilities and Shareholders' equity
	$	$
Project development costs	(3,112,701)	
Goodwill	(705,344)	
Future income taxes assets	470,457	
Future income taxes liabilities		(154,857)
Minority interests		(1,205,023)
Shareholders' equity		(1,987,708)
	(3,347,588)	(3,347,588)

The Canadian Accounting Standards Board has announced the adoption of International Financial Reporting Standards ("IFRS") for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. Accordingly, the Corporation will adopt IFRS effective in the quarter ending March 31, 2011. The Corporation has begun to develop plans to implement the new standards. A calendar of all steps to be followed by the Corporation has been established in order to meet the conversion date. The Corporation cannot at this time reasonably estimate the impact on its consolidated financial statements of adopting IFRS.

RISK MANAGEMENT

The Corporation uses derivative financial instruments to manage its exposure to the risk of increasing interest rates on its debt financing. Since these financial instruments are entered into with major financial institutions rated A+ or better by Standard and Poor's, the Corporation considers the risk of illiquidity to be low.

Given that the Corporation's debt is set at variable interest rates, it uses bond forward contracts and interest rate swaps to protect the economic return of its projects under construction and of its operating facilities. The Corporation does not intend to settle its derivative financial instruments before maturity, since it does not own or issue any financial instruments for speculation purposes.

DERIVATIVE FINANCIAL INSTRUMENTS

As at March 31, 2009, the Corporation had two interest rate swaps related to the Umbata Falls and Carleton facilities for which its share was totalling $77.3 million. It also had seven bond forwards contracts totalling $110.0 million related to the Ashlu Creek project (the "Ashlu Bond Forwards"). As of that date, the Corporation's share of their combined fair market value was negative at $23.9 million. Unrealized net losses on derivative financial instruments during the first quarter of 2009, caused mainly by the decrease in interest rates for shorter maturities, partly offset by an increase in interest rates for longer maturities since the end of 2008, explain this increase in the negative value of derivative financial instruments. As at December 31, 2008, the Corporation's share of the total notional amount of derivative financial instruments was $180.3 million and its share of their combined fair market value was negative, at $22.7 million. These fair market values are reported on the balance sheet under *Derivative financial instruments* and their variations are accounted for in the statement of earnings under *Net loss on derivative financial instruments*. The Corporation does not use hedge accounting for its derivative financial instruments.

During the first quarter of 2009, the Umbata bond forwards were partially settled and partially rolled into an amortizing interest rate swap in the amount of $51.0 million (of this amount, $25.0 million represents the Corporation's 49% ownership interest in the project). This swap has allowed the Corporation to fix the interest rate at 4.108% until the June 2034 maturity date (the "Umbata Swap"), thus eliminating its exposure to variable interest rates on this amount. It also extended the maturity dates of the Ashlu Bond Forwards to April 30 and June 16, 2009. The Corporation intends to roll or extend these bond forward contracts, or enter into new bond forward contracts or equivalent swaps, in order to match the maturity of the underlying debt and protect its projects' economic value.

Since the end of the first quarter of 2009, six bond forward contracts (notional of $85.0 million) included in the Ashlu Bond Forwards were extended to May 29, 2009.

Failure to further extend the maturity of the Ashlu Bond Forwards could result in a shortfall of liquidity. Nevertheless, the Corporation and its subsidiaries have historically been able to extend or renew bond forward contacts or obtain outside financing to meet their capital requirements. Once projects are completed and operational, bond forward contracts are expected to be rolled into interest rate swaps, allowing the Corporation to protect its projects' economic value.

Exercising of the early termination option imbedded in the interest rate swap related to the Carleton facility by the counterparty could also result in a shortfall of liquidity. Nonetheless, this swap's early termination option is only exercisable on one specific occasion, that is, the 2013 maturity of the underlying debt. At that time, should the early termination option be exercised, a presumed realized loss would be offset by the savings realized on future interest expenses since a negative swap value would be the result of an environment in which interest rates were lower than the rate embedded in the swap.

In 2005, Innergex II Income Fund (now a subsidiary of the Corporation) sold the 50-MW Rutherford Creek hydroelectric project to the Fund. Rutherford Creek Power, Limited Partnership, which owns the asset, has agreed, following the expiry or termination of the Rutherford Creek PPA in September 2024, to pay royalties to Innergex II Income Fund conditional upon achieving certain revenue thresholds. As at March 31, 2009, the fair value of this financial instrument was $0.8 million (also $0.8 million as at December 31, 2008). This amount is recorded in the balance sheet under *Other long-term assets,* and changes in this account are shown on the statement of earnings under *Unrealized net loss (gain) on derivative financial instruments*.

RISKS AND UNCERTAINTIES

The Corporation is exposed to a variety of business risks and uncertainties and discussed those it considers material in its 2008 annual report. However, additional risks and uncertainties that are not presently known to the Corporation or that are currently believed to be immaterial may also adversely affect the Corporation's business. Additional risks and uncertainties are discussed in the *Risk Factors* section of the Corporation's Annual Information Form for the year ended December 31, 2008.

ADDITIONAL INFORMATION AND UPDATES

Updated information on the Corporation is available through its regular press releases, quarterly financial statements, and Annual Information Form, which can be found on the Corporation's Web site at www.innergex.com, or on the SEDAR Web site at www.sedar.com.

QUARTERLY FINANCIAL INFORMATION

For the three-month periods ended (unaudited):

(In thousands, unless otherwise stated)	**Mar. 31, 2009**	**Dec. 31, 2008**	**Sept. 30, 2008**	**June 30, 2008**
Revenues	$ 5,516	$ 811	$ 1,660	$ 2,424
Net (loss) earnings	$ (1,918)	$ (30,055)	$ (1,225)	$ 1,309
Net (loss) earnings per share				
Basic ($ per share)	(0.08)	(1.28)	(0.05)	0.06
Diluted ($ per share)	(0.08)	(1.28)	(0.05)	0.06
Weighted average number of shares outstanding				
Basic	23,500	23,500	23,500	23,500
Diluted	23,500	23,500	23,500	23,500

(In thousands, unless otherwise stated)	**Mar. 31, 2008**	**Dec. 31, 2007**	**Sept. 30, 2007**	**June 30, 2007**
Revenues	$ 971	$ 3,067	$ 1,478	$ 1,714
Net (loss) earnings	$ (5,819)	$ 5,287	$ 56	$ 58
Net (loss) earnings per share				
Basic ($ per share)	(0.25)	0.66	0.03	0.03
Diluted ($ per share)	(0.25)	0.65	0.03	0.03
Weighted average number of shares outstanding				
Basic	23,500	8,034	1,942	1,942
Diluted	23,544	8,135	1,942	1,942

SUBSEQUENT EVENT

Ashlu Creek Project

On April 30, 2009, six bond forward contracts totalling $85.0 million were renewed until May 29, 2009.

Information for Investors

Stock Exchange Listing

Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.

Transfer Agent and Registrar

Computershare Trust Company of Canada
1500 University Street, Suite 700, Montreal, Quebec, H3A 3S8
Telephone: 1 800 564-6253 or 514 982-7555
Email: service@computershare.com

Auditors

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

Electronic Delivery

Shareholders may elect to receive Innergex Renewable Energy Inc.'s documents (such as the Quarterly and Annual Reports and the Proxy Circular) in electronic form through the Internet rather than in hard copy by mail. Shareholders wishing to use this service should contact Computershare Trust Company of Canada.

Investor Relations

If you have inquiries, please visit our Web site at www.innergex.com or contact:

Jean Trudel
Vice President – Finance and Investor Relations

Édith Ducharme
Director – Financial Communications and Investor Relations

INNERGEX
Énergie renouvelable
Renewable Energy

Innergex Renewable Energy Inc.
1111 Saint Charles Street West
East Tower, Suite 1255
Longueuil, Quebec
J4K 5G4
Telephone: (450) 928-2550
Fax: (450) 928-2544
Email: info@innergex.com