INNERGEX

Renewable Energy.
Sustainable Development.

QUARTERLY REPORT 2012

FOR THE PERIOD ENDED JUNE 30, 2012

These condensed consolidated financial statements have neither been audited nor reviewed by the Corporation's external auditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The following is a discussion of the financial position, operating results and cash flows of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three- and six-month periods ended June 30, 2012. This Management's Discussion and Analysis ("MD&A") reflects all material events up to August 7, 2012, the date on which this MD&A was approved by the Corporation's Board of Directors. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes for the three- and six-month periods ended June 30, 2012, and with the 2011 Annual Report of Innergex. Additional information relating to Innergex, including its Annual Information Form, can be found on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or on the Corporation's website at www.innergex.com.

The unaudited condensed consolidated financial statements contained in this MD&A and the accompanying notes for the three- and six-month periods ended June 30, 2012, along with the 2011 comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Some amounts included in this MD&A have been rounded to make reading easier, which may affect some calculations.

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ESTABLISHMENT AND MAINTENANCE OF DC&P AND ICFR

The President and Chief Executive Officer and the Chief Financial Officer and Senior Vice President of the Corporation have designed, or caused to be designed, under their supervision:

- Disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Corporation is accumulated and communicated by others to the President and Chief Executive Officer and the Chief Financial Officer and Senior Vice President, in a timely manner, particularly during the period in which the interim and annual 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 time periods specified in securities legislation.

- Internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS applicable to the Corporation.

In accordance with *Regulation 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*, the President and Chief Executive Officer and the Chief Financial Officer and Senior Vice President of the Corporation have certified that there were no material weaknesses relating to the DC&P and ICFR for the three-month period ended June 30, 2012. There was no change to the ICFR during the quarter ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR other than the following. During the quarter, the Corporation has continued working on the automation of its consolidation process in order to reduce the likelihood of human errors.

FORWARD-LOOKING INFORMATION

In order to inform shareholders of the Corporation as well as potential investors in the Corporation's future prospects, this MD&A contains forward-looking information within the meaning of securities legislation ("Forward-Looking Information"). Forward-Looking Information can generally be identified by the use of words and phrases such as "may," "will," "about," "approximate," "potential," "estimates," "anticipates," "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.

The Forward-Looking Information includes forward-looking financial information or financial outlook, within the meaning of securities laws, such as projected revenues, project costs, adjusted EBITDA or results to inform investors and shareholders of the potential financial impact of recently announced acquisitions or expected results. Such information may not be appropriate for other purposes.

Forward-Looking Information 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 Information 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 Information. The material risks and uncertainties that may cause the actual results and developments to be materially different from the current expressed expectations are referred to in this MD&A under the "Risks and Uncertainties" heading and include the ability of the Corporation to execute its strategy; the ability to access sufficient capital resources; liquidity risks related to derivative financial instruments; changes in hydrology, wind regime and solar irradiation; failure to close the recently announced transactions; delays in construction and design; health, safety and environmental risks; uncertainty relating to development of new facilities; obtainment of permits; variability of project performance and related penalties; equipment failure; interest rate fluctuation and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; declaration of dividends at the discretion of the board; securing new power purchase agreements; the ability to retain senior management and key employees; litigation; performance of major counterparties; relationship with stakeholders; wind turbine supply; changes to regulatory and political factors; the ability to secure appropriate land; reliance on power performance agreements; reliance upon transmission systems; water rental expense; assessment of wind resources and associated wind energy production; dam safety; natural disasters and force majeure; foreign exchange fluctuations; insurance limits; potential undisclosed liabilities associated with the acquisition of Cloudworks; limited representations and warranties and indemnities in the agreement with the shareholders of Cloudworks, failure to realize the anticipated benefits of the acquisition of Cloudworks; failure on shared transmission and interconnection infrastructure and introduction to solar photovoltaic power facility operation. Although the Corporation believes that the expectations instigated by the Forward-Looking Information are based on reasonable and valid assumptions, there is a risk that the Forward-Looking Information may be incorrect. The reader of this MD&A is cautioned not to rely unduly on this Forward-Looking Information. Forward-Looking Information, expressed verbally or in writing by the Corporation or by a person acting on its behalf, is expressly qualified by this cautionary statement. The Forward-Looking Information contained herein is made as at the date of this MD&A and the Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless required by legislation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(in thousands of Canadian dollars, except as noted, and amounts per share)

OVERVIEW
General
The Corporation is a developer, owner and operator of renewable power-generating facilities. The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol INE. The Corporation has been active in the Canadian renewable power industry since 1990, with a focus on hydroelectric, wind power and solar photovoltaic ("PV") projects that benefit from low operating and management costs and simple proven technologies. The Corporation is rated BBB- by Standard and Poor's Rating Services ("S&P") and BBB (low) by DBRS Limited ("DBRS").

Portfolio of Assets
As at the date of this MD&A, the Corporation owns interests in three groups of power-generating projects:

- 26 facilities that are in commercial operation (the "Operating Facilities"). Commissioned between November 1994 and May 2012, the facilities have a weighted average age of approximately 6.4 years. They sell the generated power under long-term Power Purchase Agreements ("PPA") that have a weighted average remaining life of 19.5 years;

- nine projects for which PPAs have been secured and which are either under construction or scheduled to begin commercial operation on planned dates (the "Development Projects"). Construction is ongoing at three of the projects and is expected to begin on the remaining six projects between 2013 and 2014. The projects are expected to reach the commercial operation stage between 2012 and 2016; and

- numerous projects that have secured certain land rights, for which an investigative permit application has been filed or for which a proposal has either been submitted under a Request for Proposal ("RFP") or could be submitted under a Standing Offer Program ("SOP") or Feed-In Tariff Program ("FIT Program") (collectively the "Prospective Projects"). These projects are at various stages of development.

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

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	Operating Facilities	Development Projects	Prospective Projects
Hydro			
Gross capacity:	368.3 MW	238.5 MW	993.8 MW
Net capacity[1]:	279.1 MW	175.9 MW	928.0 MW
Wind			
Gross capacity:	478.5 MW	135.6 MW	2,073.9 MW
Net capacity[1]:	1818 MW	54.5 MW	1,916.9 MW
Solar			
Gross capacity:	33.2 MW	-	59.0 MW
Net capacity[1]:	33.2 MW	-	59.0 MW
Total			
Gross capacity:	880.0 MW	374.1 MW	3,126.7 MW
Net capacity[1]:	494.1 MW	230.4 MW	2,903.9 MW

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

(in thousands of Canadian dollars, except as noted, and amounts per share)

BUSINESS STRATEGY

The Corporation's strategy for building shareholder value is to develop or acquire high-quality renewable power production facilities generating sustainable cash flows and providing a high return on invested capital, and to distribute a stable dividend.

Annual Dividend Policy

The Corporation intends to distribute an annual dividend of $0.58 per common share payable quarterly. Its dividend policy is based on the long-term cash flow generating capacities of its Operating Facilities. Innergex's investments in the Development Projects and Prospective Projects are financed through excess cash flows and a combination of additional indebtedness and equity.

Key Performance Indicators

The Corporation measures its performance using key performance indicators that include or could include: power generated in megawatt-hours ("MWh") and gigawatt-hours ("GWh"); and operating revenues less operating expenses, general and administrative expenses and prospective project expenses ("Adjusted EBITDA"). These indicators are not recognized measures under IFRS and therefore may not be comparable with 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, wind regime and solar irradiation. Lower than expected water flows, wind regime or solar irradiation in any given year could have an impact on the Corporation's revenues and hence on its profitability. Innergex owns interests in 20 hydroelectric facilities, which draw on 17 watersheds, five wind farms and one solar farm, providing significant diversification in terms of operating revenue sources. Furthermore, given the nature of hydroelectric, wind and solar power generation, seasonal variations are partially offset, as illustrated in the following table:

LTA[1] (GWh and %) - Net Interest [2]

Energy	Q1		Q2		Q3		Q4		Total
HYDRO	230.1	14%	583.3	37%	449.1	28%	333.1	21%	1,595.5
WIND	172.7	32%	116.0	21%	90.9	17%	167.4	31%	546.9
SOLAR[3]	7.5	19%	12.7	33%	12.9	33%	5.9	15%	39.0
Total	410.3	19%	712.0	33%	552.9	25%	506.4	23%	2,181.4

1. Long-term average.
2. Net interest adjusted in accordance with revenue recognition accounting rules under IFRS.
3. Solar farm LTA diminishes over time due to expected solar panel degradation.

QUARTERLY UPDATE

Highlights

	Three months		Six months	
For the periods ended June 30	2012	2011	2012	2011
Power generated (MWh)	714,700	595,317	1,042,208	835,497
Operating revenues	56,047	43,845	84,804	64,661
Adjusted EBITDA	46,196	34,618	65,079	49,342
Net loss	(11,865)	(6,834)	(4,060)	(1,104)
Dividends declared on Series A Preferred Shares	1,063	1,127	2,125	2,255
Dividends declared on common shares	11,786	11,786	23,572	20,418
Dividends declared on common shares ($ per share)	0.145	0.145	0.290	0.290

For the three- and six-month periods ended June 30, 2012, the increases in the power generated, operating revenues and Adjusted EBITDA, which is detailed in the financial results table, were due mainly to the addition of the Montagne Sèche and Gros-Morne Phase I wind farms in November 2011 and the Stardale solar farm in May 2012 to the existing 23 Operating Facilities. The addition of six facilities as part of the acquisition of Cloudworks Energy Inc. ("Harrison Operating Facilities") on April 4, 2011, also explains the increases for the six-month period.

(in thousands of Canadian dollars, except as noted, and amounts per share)

The unfavourable variation in net loss for the three- and six-month periods ended June 30, 2012 is attributable mainly to an unrealized net loss on derivative financial instruments. Excluding the unrealized net loss on derivative financial instruments of $28.0 million ($10.9 million in 2011) and the related deferred income tax recoveries of $7.3 million ($2.9 million in 2011), the net earnings for the second quarter of 2012 would have been $8.9 million ($1.1 million in 2011). Excluding the unrealized net loss on derivative financial instruments of $7.0 million ($1.4 million in 2011) and the related deferred income tax recoveries of $1.8 million ($0.4 million in 2011), the net earnings for the six-month period ended June 30, 2012, would have been $1.1 million (net loss of $0.1 million in 2011).

Acquisition of Two Operating Hydro Facilities in British Columbia
On June 14, 2012, the Corporation announced that it had signed a purchase and sale agreement to acquire from Capital Power Corp. of all the units of the entity owning the Brown Lake and Miller Creek hydroelectric facilities located in British Columbia. The purchase price of these assets is approximately $69.2 million. Brown Lake is a 7.2 MW facility with an average annual production of 51,800 MWh. The electricity it produces is sold to BC Hydro under a power purchase agreement which expires in 2016. The Corporation expects to double the plant's installed capacity to 14.4 MW and increase its expected average annual production by 27,000 MWh for an additional investment of approximately $20.0 million. Miller Creek is a 33 MW facility with an average annual production of 97,900 MWh. The electricity it produces is sold to BC Hydro under a power purchase agreement which expires in 2023. The Corporation expects to upgrade the penstock and water intake which should increase the plant's expected average annual production by 4,895 MWh, for an additional investment of approximately $8.5 million.

Innergex expects the transaction to close in August 2012, subject to regulatory approvals and other customary closing conditions.

DEVELOPMENT PROJECTS
The Corporation currently has nine projects that are expected to reach the commercial operation stage between 2012 and 2016.

PROJECTS UNDER CONSTRUCTION

Project name and location	Ownership	Gross installed capacity	Expected COD[1]	Gross estimated LTA	PPA term	Total project costs		Expected year-one	
						Estimated [2]	As at June 30, 2012 ($M)	Revenues [2]	Adjusted EBITDA [2]
	%	(MW)		(GWh)	(years)	($M)		($M)	($M)
HYDRO (British Columbia)									
Kwoiek Creek	50.0	49.9	Q4 2013	215.0	40	153.2	58.3	18.2	14.8
Northwest Stave River	100.0	17.5	Q4 2013	61.9	40	91.4	30.9	7.4	5.9
WIND (Québec)									
Gros-Morne II	38.0	111.0	Q4 2012	341.1	20	68.0 [3,4]	23.1 [4]	9.2 [4]	8.1 [4]

1. Commercial operation date.
2. This information is intended to inform the reader of the projects' potential impact on the Corporation's results. The actual results may vary. Please refer to the "Forward-Looking Information" section for details.
3. See the "Project cost and revenue adjustments of Gros-Morne II" paragraph below for details.
4. Corresponding to the Corporation's 38% interest in this project.

HYDRO
Kwoiek Creek
The construction of this hydroelectric facility began in the last quarter of 2011. By the end of the second quarter of 2012, bulk excavation of the intake diversion channel was nearly completed and concrete work at the powerhouse was well under way. Transmission line construction and penstock bulk excavation were ongoing. Current activities also include installation of the penstock and construction of the fish habitat compensation channel.

Northwest Stave River
The construction of this hydroelectric facility began in the last quarter of 2011. By the end of the second quarter of 2012, powerhouse excavation was nearly completed, the penstock bulk excavation began and the clearing of the intake site continued. Current activities include construction of the transmission line, the gate and diversion weir and the cofferdam.

(in thousands of Canadian dollars, except as noted, and amounts per share)

WIND

Gros-Morne Phase II

The construction of the Gros-Morne Phase II wind farm ("Gros-Morne II") began in the second quarter of 2010. As planned, construction activities were halted for the winter period and resumed during the second week of May 2012. At the end of June 2012, 26 out of 74 turbines had been erected. Innergex expects Gros-Morne II to be completed by December 1, 2012.

Project cost and revenue adjustments of Gros-Morne II

In the above table, the 2004 original estimated project costs, revenues and Adjusted EBITDA will be revised to be adjusted for the indices included in the turbine supply agreement and the PPA. For the turbine supply agreement, these indices include the Canadian and U.S. consumer price index, the USD/CAD exchange rate, and a Canadian steel index. However, the Gros-Morne II PPA provides for a corresponding adjustment to the selling price received from Hydro-Québec, based on similar indices. These adjustment mechanisms allow the Corporation to protect the economic value of this wind farm. The total project costs as at June 30, 2012, are reported using current dollars. Of these total project costs, wind turbine costs represent approximately 65%. Furthermore, 90% of the price of wind turbines is payable after COD. Therefore, a significant portion of the wind farm's total estimated accrued project costs will be payable following COD.

PROJECTS UNDER PERMIT PHASE

Project name and location	Ownership	Gross installed capacity	Expected COD	Gross estimated LTA	PPA term	Total project costs	
						Estimated [1]	As at June 30, 2012 ($M)
	%	(MW)		(GWh)	(years)	($M)	
HYDRO (British Columbia)							
Boulder Creek	66.7	23.0	2015	85.7	40	84.2	0.7
Tretheway Creek	100.0	21.2	2015	81.9	40	91.5	14.0
North Creek	66.7	16.0	2016	59.7	40	72.0	0.8
Upper Lillooet	66.7	74.0	2016	270.2	40	264.2	6.6
Big Silver-Shovel Creek	100.0	36.9	2016	147.1	40	165.4	26.5
WIND (Québec)							
Viger-Denonville	50.0	24.6	2013	67.6	20	36.6 [2]	1.0 [2]

1. This information is intended to inform the reader of the projects' potential impact on the Corporation's results. The actual results may vary. Please refer to the "Forward-Looking Information" section for details.
2. Corresponding to the Corporation's 50% interest in this project.

HYDRO

Boulder Creek, North Creek and Upper Lillooet

Current activities include hydrometric monitoring, environmental studies, consultation with the various stakeholders, applications for obtaining the relevant permits and preliminary engineering. An important milestone was reached when the Environmental Assessment was accepted for review by the Environmental Assessment Office on May 28, 2012. The Corporation expects to start construction of the Boulder Creek and Upper Lillooet in 2013 and of the North Creek in 2014.

Tretheway Creek and Big Silver-Shovel Creek

Current activities include hydrometric monitoring, environmental studies, consultation with the various stakeholders, applications for obtaining the relevant permits and preliminary engineering. The Corporation expects to start construction of these projects in 2013.

WIND

Viger-Denonville

Current activities include environmental studies, consultation with the various stakeholders and applications for obtaining the relevant permits. The Corporation expects to start construction of the Viger-Denonville project in 2013

PROSPECTIVE PROJECTS

All the Prospective Projects, with a combined potential net installed capacity of 2,904 MW (gross 3,127 MW), are in the preliminary development stage. Some Prospective Projects are targeted towards specific future RFPs, SOPs or FIT Programs while others will be available for future RFPs yet to be announced. There is no certainty that any Prospective Project will be realized.

Additional information about the Corporation's facilities and projects can be found in the Corporation's Annual Information Form for the year ended December 31, 2011, which is filed at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

OPERATING RESULTS

The Corporation's operating results for the three- and six-month periods ended June 30, 2012, are compared with the operating results for the same period in 2011.

Electricity Production

When evaluating its operating results, the Corporation compares actual electricity generation with a long-term average for each hydroelectric facility, wind farm and solar farm. These long-term averages are determined carefully and prudently to allow long-term forecasting of the expected generation for each of the Corporation's facilities.

For the three-month periods ended June 30	2012				2011			
	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average price[1] ($/MWh)	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average price[1] ($/MWh)
HYDRO								
Québec	126,671	117,910	107%	73.94	124,065	117,910	105%	71.84
Ontario	35,193	39,339	89%	78.56	44,267	39,339	113%	76.68
British Columbia	409,214	409,074	100%	74.41	338,217	403,824	84%	72.14
United States	18,945	16,956	112%	58.78	14,982	16,956	88%	53.74
Subtotal	590,023	583,279	101%	73.91	521,531	578,029	90%	71.70
WIND								
Québec	110,873	115,929	96%	81.48	73,786	76,031	97%	87.41
SOLAR								
Ontario [2]	13,804	12,797	108%	245.90	-	-	-	-
Total	714,700	712,005	100%	78.40	595,317	654,060	91%	73.65

1. Including all payment adjustments linked to month, day and hour of delivery; environmental attributes and the ecoENERGY Initiative as applicable.
2. Average price includes energy delivered before COD which was priced at market rates. All energy delivered post-COD is priced at $420/MWh.

The Corporation's facilities produced 715 GWh in the second quarter of 2012, a level of production slightly higher than the LTA of 712 GWh. This is due mainly to better than anticipated hydrologic conditions in Quebec and the United States, which were mostly offset by lower than anticipated hydrologic conditions in Ontario and lower than anticipated wind conditions at the Baie-des-Sables and Carleton wind farms. The Stardale solar farm performed above its LTA.

For the six-month periods ended June 30	2012				2011			
	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average price[1] ($/MWh)	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average price[1] ($/MWh)
HYDRO								
Québec	193,876	181,227	107%	84.15	193,830	181,227	107%	82.15
Ontario	67,713	71,927	94%	78.21	76,831	71,927	107%	76.93
British Columbia	484,384	535,337	90%	77.21	366,683	445,061	82%	72.18
United States	26,583	24,883	107%	57.90	21,315	24,883	86%	54.76
Subtotal	772,556	813,374	95%	78.09	658,659	723,098	91%	74.73
WIND								
Québec	255,848	288,660	89%	82.35	176,838	187,998	94%	87.29
SOLAR								
Ontario [2]	13,804	12,797	108%	245.90	-	-	-	-
Total	1,042,208	1,114,831	93%	81.36	835,497	911,096	92%	77.39

1. Including all payment adjustments linked to month, day and hour of delivery; environmental attributes and the ecoENERGY Initiative as applicable.
2. Average price includes energy delivered before COD which was priced at market rates. All energy delivered post-COD is priced at $420/MWh.

(in thousands of Canadian dollars, except as noted, and amounts per share)

During the six-month period ended June 30, 2012, the Corporation's facilities produced 1,042 GWh, 7% less than the LTA of 1,115 GWh. This production level is due mainly to low water flows at all British Columbia and Ontario facilities and to wind conditions lower than the LTA at most wind farms. In addition, converters damaged in December 2011, after a load rejection event, required that repairs be carried out at the Gros-Morne I wind farm during the first half of the first quarter of 2012. Production resumed on February 12, 2012, allowing the facility to reach 49% of its first quarter LTA. The United States facility and most of the Quebec hydroelectric facilities performed above their LTA.

The overall performance of the Corporation's facilities for the six-month period ended June 30, 2012, demonstrates the benefits of geographic diversification and the complementarity of hydroelectric, wind and solar power generation.

Financial results

	Three months		Six months	
For the periods ended June 30	2012	2011	2012	2011
Operating revenues	56,047	43,845	84,804	64,661
Operating expenses	6,530	5,682	12,254	9,469
General and administrative expenses	2,674	2,843	5,741	4,841
Prospective project expenses	647	702	1,730	1,009
Adjusted EBITDA	46,196	34,618	65,079	49,342
Finance costs	18,499	17,463	32,743	24,191
Other net (revenues) expenses	(825)	129	(1,426)	1,037
Depreciation and amortization	16,116	13,651	31,166	22,916
Unrealized net loss on derivative financial instruments	28,010	10,907	7,004	1,373
Income tax (gain) expenses	(3,739)	(698)	(348)	929
Net loss	(11,865)	(6,834)	(4,060)	(1,104)
Net loss attributable to:				
Owners of the parent	(9,055)	(6,478)	(132)	(503)
Non-controlling interests	(2,810)	(356)	(3,928)	(601)
	(11,865)	(6,834)	(4,060)	(1,104)

Revenues

In the second quarter of 2012, the Corporation recorded operating revenues of $56.0 million ($43.8 million in 2011). This increase is due mainly to the additional revenues from the Stardale solar farm ($3.4 million) and the Montagne Sèche and Gros-Morne I wind farms ($2.9 million). The remaining difference is explained mainly by higher production at the British Columbia facilities, which resulted in higher revenues ($6.1 million).

For the six-month period ended June 30, 2012, the Corporation recorded operating revenues of $84.8 million ($64.7 million in 2011). This increase is due mainly to the additional revenues from the Stardale solar farm ($3.4 million), the Montagne Sèche and Gros-Morne I wind farms ($5.8 million), to higher production at the British Columbia facilities in the second quarter of 2012 ($6.1 million) and to additional revenues from the Harrison Operating Facilities for the first quarter of 2012 compared with the same period in 2011 ($5.2 million), the acquisition of Cloudworks Energy Inc. ("Cloudworks Acquisition") having been finalized on April 4, 2011.

Expenses

Operating expenses consist primarily of the operators' salaries, insurance premiums, expenditures related to operation and maintenance and property taxes and royalties.

In the second quarter of 2012, the Corporation incurred $6.5 million in operating expenses related to the operation of the power-producing facilities ($5.7 million in 2011). This increase is due mainly to higher operating expenses at most facilities and to the addition of the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms ($0.4 million). For the six-month period ended June 30, 2012, the Corporation recorded $12.3 million in operating expenses ($9.5 million in 2011). This increase is due mainly to the Corporation's operating a greater number of facilities in 2012 than in 2011 following the Cloudworks Acquisition ($1.5 million) and the addition of the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms ($0.8 million).

General and administrative expenses totalled $2.7 million for the three-month period ended June 30, 2012 ($2.8 million in 2011). For the six-month period ended June 30, 2012, the Corporation incurred $5.7 million in general and administrative expenses ($4.8 million in 2011). This increase is due to the Corporation's larger size as a result of the Cloudworks Acquisition.

Prospective project expenses include the costs incurred for the development of Prospective Projects. Prospective project expenses totalled $0.6 million and $1.7 million respectively for the three- and six-month periods ended June 30, 2012 ($0.7 million and $1.0 million respectively in 2011).

Finance Costs
Finance costs include interest on long-term debt and convertible debentures, compensation interest, amortization of financing fees, amortization of the revaluation of long-term debt and convertible debentures, accretion expense on asset retirement obligations and accretion expense on contingent considerations.

For the second quarter of 2012, finance costs totalled $18.5 million ($17.5 million in 2011). This difference is due mainly to the Stardale and Montagne Sèche loans.

For the six-month period ended June 30, 2012, finance costs totalled $32.7 million ($24.2 million in 2011). This difference is due mainly to the increase in finance costs on the long-term debt resulting from the Cloudworks Acquisition and the Stardale and Montagne Sèche loans. These items were partially offset by lower compensation interest.

As at June 30, 2012, 85% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (94% as at June 30, 2011). The difference is due to drawings on the revolving credit term facility greater than at the same date in 2011 and to drawings on the Stardale construction loan whose interest will be hedged by a swap effective September 2012.

The effective all-in interest rate on the Corporation's debt and convertible debentures was 5.64% as at June 30, 2012 (6.36% as at June 30, 2011). The decrease stems from a reduction in fixed interest rates on swap contracts that took effect in the fourth quarter of 2011; better conditions of the revolving credit term facility following its refinancing in the third quarter of 2011; lower compensation interest rates related to the real return bonds due to a lower inflation rate; and lower interest rates related to the floating-rate debts that are not hedged by swap contracts. Please see the "Derivative Financial Instruments and Risk Management" section for more information.

Other Net Revenues (Expenses)
Other net revenues (expenses) include the transaction costs, gain on contingent considerations, compensation for loss of revenues, unrealized net gain on foreign exchange and other net revenues.

For the three- and six-month periods ended June 30, 2012, other net revenues totalled $0.8 million and $1.4 million respectively (other net expenses of $0.1 million and $1.0 million respectively in 2011). The difference is due mainly to transaction costs related to the Cloudworks Acquisition and the acquisition of Stardale recognized in 2011 and to compensation for loss of revenues received in 2012.

Depreciation and Amortization
For the three-month period ended June 30, 2012, depreciation and amortization expenses totalled $16.1 million ($13.7 million in 2011). The increase is attributable to the addition of the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms. For the six-month period ended June 30, 2012, depreciation and amortization expenses totalled $31.2 million ($22.9 million in 2011). The increase is attributable mainly to the greater asset base resulting from the Cloudworks Acquisition, the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms.

Derivative Financial Instruments
The Corporation uses derivative financial instruments to manage its exposure to the risk of rising interest rates on its debt financing ("Derivatives"), thereby protecting the economic value of its projects. Innergex also has derivative financial instruments embedded in some of its PPAs. The Corporation does not use hedge accounting for its derivative financial instruments nor does it own or issue financial instruments for speculative purposes.

Since several Derivatives are entered into for a term equal in length to the underlying debt amortization schedule, which can reach 30 years, a Derivative's fair market value can be very sensitive to quarter-to-quarter variations in long-term interest rates. The Corporation recorded a $28.0 million unrealized net loss on derivative financial instruments for the second quarter of 2012 ($10.9 million in 2011), due mainly to the decrease in benchmark interest rates since the end of the first quarter of 2012. For the six-month period ended June 30, 2012, the Corporation recorded a $7.0 million unrealized net loss on derivative financial instruments ($1.4 million in 2011) due mainly to the decrease in benchmark interest rates since the end of 2011.

(in thousands of Canadian dollars, except as noted, and amounts per share)

Provision for Income Taxes

In the second quarter of 2012, Innergex recorded current provision for income taxes of $0.5 million ($0.1 million in 2011) and deferred income tax recoveries of $4.2 million ($0.8 million in 2011). For the six-month period ended June 30, 2012, the Corporation recorded current provision for income taxes of $1.0 million (income tax recoveries of $1.0 million in 2011) and deferred income tax recoveries of $1.3 million (deferred provision for income taxes of $1.9 million in 2011).

Net Earnings (Loss)

For the second quarter of 2012, the Corporation recorded a net loss of $11.9 million (basic and diluted net loss of $0.12 per share). For the corresponding period of 2011, Innergex recorded a net loss of $6.8 million (basic and diluted net loss of $0.09 per share). The following two tables outline the main items that contributed to this unfavourable variation in net loss:

Main items - Positive impact	Variation	Explanation
Adjusted EBITDA	11,578	Primarily due to higher production at the British Columbia facilities and to additional revenues from Stardale, Montagne Sèche and Gros-Morne I.
Other net revenues	954	Due mainly to higher transation costs in 2011 related to the Cloudworks Acquisition and the acquisition of Stardale and to compensation received in 2012.
Income tax recoveries	3,041	Due mainly to the loss before income taxes.

Main items - Negative impact	Variation	Explanation
Finance costs	1,036	Primarily due to the Stardale and Montagne Sèche loans.
Depreciation and amortization	2,465	Primarily due to Stardale, Montagne Sèche and Gros-Morne I.
Unrealized net loss on the derivative financial instruments	17,103	Primarily due to the decrease in benchmark interest rates since the end of the first quarter of 2012.

For the six-month period ended June 30, 2012, the Corporation recorded a net loss of $4.1 million (basic and diluted net loss of $0.03 per share). For the corresponding period of 2011, Innergex recorded a net loss of $1.1 million (basic and diluted net loss of $0.04 per share). The following two tables outline the main items that contributed to this unfavourable variation in net loss:

Main items - Positive impact	Variation	Explanation
Adjusted EBITDA	15,737	Primarily due to higher production at the British Columbia facilities in the second quarter of 2012 and to additional revenues from Stardale, Montagne Sèche and Gros-Morne I and the Harrison Operating Facilities in the first quarter of 2012.
Other net revenues	2,463	Due mainly to higher transation costs in 2011 related to the Cloudworks Acquisition and the acquisition of Stardale and to compensation received in 2012.
Income tax recoveries	1,277	Due mainly to the loss before income taxes.

Main items - Negative impact	Variation	Explanation
Finance costs	8,552	Primarily due to the Cloudworks Acquisition and to the Stardale and Montagne Sèche loans.
Depreciation and amortization	8,250	Primarily due to the Cloudworks Acquisition, Stardale, Montagne Sèche and Gros-Morne I.
Unrealized net loss on the derivative financial instruments	5,631	Primarily due to the decrease in benchmark interest rates since the end of 2011.

The basic and diluted per-share figures for the three-month period ended June 30, 2012, are respectively based on a weighted average number of 81,282,460 and 81,439,011 common shares outstanding. The basic and diluted per-share figures for the six-month period ended June 30, 2012, are respectively based on a weighted average number of 81,282,460 and 81,436,155 common shares outstanding. 1,034,000 stock options were non-dilutive during the periods concerned, as the average market price of the Corporation's common share was below the strike price. The other 1,643,444 stock options were non-dilutive in the computation of per-share figure, despite the average market price of the Corporation's common share being above the strike price, as the Corporation recognized a net loss for the three- and six-month periods ended June 30, 2012. Convertible Debentures were also non-dilutive as the average market price was below the conversion price. A total of 7,558,684 common shares could potentially be issued on conversion of the convertible debentures.

The basic and diluted per-share figures for the three-month period ended June 30, 2011, were based on a weighted average number of 80,326,422 common shares outstanding. The basic and diluted per-share figures for the six-month period ended June 30, 2011, were based on a weighted average number of 69,986,956 common shares outstanding. 1,034,000 stock options were non-dilutive during the periods concerned, as the average market price of the Corporation's common share was below the strike price. The other 808,024 stock options were non-dilutive in the computation of per-share figure, despite the average market price of the Corporation's common share being above the strike price, as the Corporation recognized a net loss for the three- and six-month periods ended June 30, 2011. Convertible Debentures were also non-dilutive as the average market price was below the conversion price. A total of 7,558,684 common shares could have potentially been issued on conversion of the convertible debentures.

As at June 30, 2012, the Corporation had a total of 81,282,460 common shares, 80,500 convertible debentures, 3,400,000 Series A Preferred Shares and 2,677,444 stock options outstanding. As at June 30, 2011, it had 81,282,460 common shares, 80,500 convertible debentures, 3,400,000 Series A Preferred Shares and 1,842,024 stock options outstanding. As at the date of this MD&A, the Corporation had a total of 93,322,959 common shares, 80,500 convertible debentures, 3,400,000 Series A Preferred Shares and 2,677,444 stock options outstanding.

Non-controlling Interests

For the three- and six-month periods ended June 30, 2012, the Corporation allocated losses of $2.8 million and $3.9 million respectively to non-controlling interests ($0.4 million and $0.6 million respectively in 2011). These non-controlling interests are related mostly to the Harrison Operating Facilities, the Fitzsimmons Creek Operating Facility and the Kwoiek Creek Development Project.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

For the six-month period ended June 30, 2012, cash flows generated by operating activities totalled $33.5 million ($18.8 million in 2011). This difference is due primarily to a $15.7 million increase in Adjusted EBITDA, a $1.5 million decrease in transaction costs and an $8.7 million decrease in changes in non-cash operating working capital items, partly offset by a $10.4 million increase in interest paid. The variation in non-cash working capital items stems mainly from a lesser increase in accounts receivable and prepaid and others, and a decrease in accounts payable and accrued liabilities compared to an increase for the corresponding period in 2011.

Cash Flows from Financing Activities

For the six-month period ended June 30, 2012, cash flows generated by financing activities totalled $31.4 million ($173.6 million in 2011). This results mainly from a $57.1 million net increase in long-term debt ($38.0 million in 2011), partly offset by the $25.7 million paid in dividends to preferred and common shareholders ($19.8 million in 2011). The remaining difference is due to a $155.3 million issuance of share capital in 2011.

(in thousands of Canadian dollars, except as noted, and amounts per share)

Use of Financing Proceeds

For the six-month periods ended June 30	2012	2011
Proceeds from issuance of long-term debt	88,752	56,000
Proceeds from issuance of share capital	-	155,321
	88,752	211,321
Cash acquired on business acquisitions	-	4,943
Business acquisitions	-	(160,844)
Additions to property, plant and equipment	(76,081)	(24,017)
Additions to intangible assets	(335)	(302)
Additions to project development costs	(2,127)	(11,375)
Additions to other long-term assets	(171)	(642)
Payment of deferred financing costs	(326)	(88)
Repayment of long-term debt	(31,362)	(17,924)
Use of financing proceeds	(110,402)	(210,249)
(Reduction of) contribution to working capital	(21,650)	1,072

During the six-month period ended June 30, 2012, the Corporation borrowed $88.8 million and used $21.7 million of its working capital to pay for the construction of the Kwoiek Creek, Northwest Stave River and Gros-Morne II projects, for the construction of Stardale and to repay the Glen Miller long-term debt. During the corresponding period of 2011, the Corporation borrowed $56.0 million and issued common shares for $155.3 million to pay for the Cloudworks Acquisition and additions to assets and to repay long-term debt.

Cash Flows from Investing Activities
For the six-month period ended June 30, 2012, cash flows used by investing activities amounted to $40.2 million ($191.4 million in 2011). During this period, additions to property, plant and equipment accounted for a $76.1 million outflow ($24.0 million in 2011), additions to project development costs for a $2.1 million outflow ($11.4 million 2011), additions to intangible assets and other long-term assets for a combined $0.5 million outflow ($0.9 million in 2011), partly offset by a decrease in restricted cash and short-term investments for a $38.5 million inflow ($0.9 million in 2011). Business acquisitions and cash acquired concurrently with the Cloudworks Acquisition accounted for $160.8 million outflow and $4.9 million inflow, respectively in 2011.

Cash and Cash Equivalents
For the six-month period ended June 30, 2012, the Corporation generated $24.6 million in cash and cash equivalents ($0.9 million in 2011) as a net result of its operating, financing and investing activities.

As at June 30, 2012, the Corporation had cash and cash equivalents amounting to $59.9 million ($43.0 million as at June 30, 2011).

DIVIDENDS

	Three months		Six months	
For the periods ended June 30	2012	2011	2012	2011
Dividends declared on Series A Preferred Shares	1,063	1,127	2,125	2,255
Dividends declared on common shares	11,786	11,786	23,572	20,418
Dividends declared on common shares ($ per share)	0.145	0.145	0.290	0.290

Dividends to Preferred Shareholders
On August 7, 2012, the Corporation declared a dividend of $0.3125 per Series A Preferred Share payable on October 15, 2012, to Series A preferred shareholders of record at the close of business on September 28, 2012.

Dividends to Common Shareholders
On August 7, 2012, the Corporation declared a dividend of $0.1450 per common share payable on October 15, 2012, to common shareholders of record at the close of business on September 28, 2012.

(in thousands of Canadian dollars, except as noted, and amounts per share)

FINANCIAL POSITION

Assets

As at June 30, 2012, the Corporation had $2,054 million in total assets ($2,033 million as at December 31, 2011). This increase is due primarily to the following:

- an increase in accounts receivable from $36.9 million as at December 31, 2011, to $54.1 million as at June 30, 2012, as explained in the "Working Capital" section below; and
- an increase in property, plant and equipment from $1,260 million to $1,314 million due mainly to Stardale and the Development Projects under construction.

These increases were partly offset by:

- a net decrease in cash and cash equivalents and restricted cash and short-term investments from $88.7 million to $74.8 million due mainly to the construction of Kwoiek Creek and Northwest Stave River projects;
- intangible assets decreased from $441.3 million to $430.8 million due mainly to amortization;
- deferred tax assets decreased from $24.5 million to $10.9 million due to an internal reorganization which resulted in a reclassification to deferred tax liabilities; and
- other long-term assets decreased from $18.0 million to $3.6 million due mainly to the reimbursement of the Gros-Morne I and II substation receivables, which are expected to be received within one year.

Working Capital

As at June 30, 2012, working capital was positive at $42.6 million with a working capital ratio of 1.46:1.00. As at December 31, 2011, working capital was positive at $50.1 million with a working capital ratio of 1.60:1.00. The variation in the working capital ratio over the last six months is due mainly to a net increase in short-term derivative financial instruments liability related to the Kwoiek Creek and Northwest Stave River bond forward contracts and a net increase in the current portion of long-term debt.

In view of these ratios, the Corporation considers its current level of working capital to be sufficient to meet its needs. As at June 30, 2012, the Corporation had a $350.0 million revolving credit term facility, of which US$13.9 million and $212.8 million had been drawn as cash advances, and $31.6 million had been used for issuing letters of credit. As at the date of this MD&A, the Corporation had exercised a portion of the accordion feature on its revolving term credit facility, increasing its borrowing capacity from $350.0 million to $425.0 million.

As part of the Cloudworks Acquisition, the Corporation maintained restricted cash and short-term investments, which amounted to $53.4 million as at December 31, 2011. In the first quarter of 2012, the distribution conditions related to the Harrison Operating Facilities long-term debt were met and $40.0 million of this amount was released.

Accounts receivable increased from $36.9 million as at December 31, 2011, to $54.1 million as at June 30, 2012. The increase stems mainly from Hydro-Québec receivables for the reimbursement of the Gros-Morne I and II substation and from higher revenues in the second quarter of 2012 than in the fourth quarter of 2011.

Accounts payable and accrued liabilities decreased from $26.6 million as at December 31, 2011, to $26.0 million as at June 30, 2012 due to the payment of accrued expenses during the first semester of 2012.

Derivative financial instruments included in current liabilities increased from $20.3 million as at December 31, 2011, to $28.4 million as at June 30, 2012 due mainly to the decrease in the benchmark interest rates since the end of 2011.

The current portion of long-term debt relates to the payments due on the credit facilities and bonds of some Operating Facilities.

Reserve Accounts

	June 30, 2012	December 31, 2011
Hydrology / wind / solar reserve	39,045	39,045
Major maintenance reserve	3,100	3,109
Total	42,145	42,154

The Corporation holds two types of reserve accounts designed to help ensure its stability:

i) The Hydrology / wind / solar reserve is established at the start of commercial operations at a facility to compensate for the variability of cash flows related to fluctuations in hydrology, wind regime and solar irradiation and to other unpredictable events. The amounts in this reserve are expected to vary from quarter to quarter according to the seasonality of cash flows.

ii) The Major maintenance reserve is established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity.

The availability of funds in the Hydrology / wind / solar and Major maintenance reserve accounts may be restricted by credit agreements and trust indentures.

Property, Plant and Equipment
Property, plant and equipment are comprised mainly of hydroelectric facilities, wind farms and solar farms that are either in operation or under construction. They are recorded at cost less accumulated depreciation and accumulated impairment losses. They are depreciated using the straight-line method over the lesser of (i) the period for which the Corporation owns the rights to the assets or (ii) a period of 15 to 75 years for hydroelectric facilities or 15 to 25 years for wind and solar farm facilities. The Corporation had $1,314 million in property, plant and equipment as at June 30, 2012, compared with $1,260 million as at December 31, 2011. This increase stems mainly from Stardale and Development Projects under construction, partly offset by depreciation.

Intangible Assets
Intangible assets consist of various PPAs, permits and licences. They also include the extended warranty for the L'Anse-à-Valleau, Carleton, Montagne Sèche and Gros-Morne I wind farm turbines. The Corporation reported $430.8 million in intangible assets as at June 30, 2012, a decrease from the $441.3 million reported as at December 31, 2011. This decrease stems from amortization. Intangible assets, excluding $4.2 million related to the wind farms' extended warranty, are amortized using the straight-line method over 11- to 40-year periods that commence when the related project is commissioned or acquired. The wind farms' extended warranty is amortized using the straight-line method over the three-year extended warranty period.

Project Development Costs
Project development costs are the costs to acquire and develop Development Projects and to acquire Prospective Projects. Depending on their nature, these costs are transferred either to property, plant and equipment or to intangible assets once the project reaches the construction phase. As at June 30, 2012, the Corporation had $100.2 million in project development costs ($98.0 million as at December 31, 2011). This increase is due to the Development Projects in permit phase.

Goodwill
The Corporation had $8.3 million in goodwill as at June 30, 2012 (idem as at December 31, 2011). Goodwill is tested for impairment annually, or more frequently when there is indication that it may be impaired. No impairment was recognized for the six-month period ended June 30, 2012.

Accrual for Acquisition of Long-Term Assets
Accrual for acquisition of long-term assets consists of long-term debt commitments that have been secured and will be drawn on to finance the Corporation's projects currently under construction or for which construction has been completed but costs remained to be paid. As at June 30, 2012, the Corporation had $36.3 million in accrual for acquisition of long-term assets ($41.3 million as at December 31, 2011). This decrease stems mainly from drawings under the Stardale construction loan and from payments made for the Montagne Sèche and Gros-Morne I wind farms.

Long-Term Debt
As at June 30, 2012, long-term debt totalled $1,111 million ($1,050 million as at December 31, 2011). The increase in long-term debt results mainly from drawings under the Stardale construction loan and net drawings under the revolving credit term facility, partly offset by the repayment of the $13.5 million Glen Miller term loan in the first quarter of 2012 and by scheduled long-term debt repayments of $13.6 million.

If they are not met, certain financial and non-financial covenants included in the credit agreements, trust indentures or PPAs entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries 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 2012 fiscal year, the Corporation and its subsidiaries have met all the financial and non-financial conditions related to their credit agreements, trust indentures and PPAs.

Convertible Debentures
There were no material changes during the second quarter of 2012.

Preferred Shares
There were no material changes during the second quarter of 2012.

Derivative Financial Instruments and Risk Management
The Corporation uses derivative financial instruments to manage its exposure to the risk of increasing interest rates on its debt financing. While Derivatives are entered into with major financial institutions rated BBB or better by S&P, the current European economic situation may affect some of the Corporation's counterparties. The Corporation nevertheless considers the risk of illiquidity to be low, as current interest rate swap valuation results in amounts being treated as Innergex liabilities owed to the counterparties.

For a long-term debt subject to variable interest rates, Innergex will use bond forward contracts and interest rate swaps to protect the economic return of the related Operating Facility or Development Project. The Corporation does not intend to settle its Derivatives before maturity. The Corporation does not own or issue any Derivatives for speculation purposes. The Corporation does not use hedge accounting to account for its Derivatives.

Taken together, the bond forward and swap contracts allow the Corporation to eliminate the risk of interest rate increases in actual and planned long-term debt ($418.4 million and $239.5 million respectively). As at June 30, 2012, interest rate swaps related to outstanding debts combined with the $523.3 million in existing fixed-rate debts and the $79.6 million in convertible debentures mean that 85% of outstanding debts are protected from interest rate increases. Derivatives were also executed for Stardale and for planned long-term debt for the Kwoiek Creek and Northwest Stave River projects.

Derivatives had a net negative value of $97.6 million at June 30, 2012 (negative $91.4 million at December 31, 2011). This unfavourable difference is due mainly to the decrease in the benchmark interest rates since the end of 2011. The estimated impact of a 0.1% interest rate increase would decrease the Derivatives-related liability by $8.0 million. Conversely, a 0.1% interest-rate decrease would increase the Derivatives-related liability by $8.1 million.

Some interest rate swaps have imbedded early termination options that are exercisable only on their underlying debt's maturity date. The triggering of these options could pose a liquidity risk. Should the early termination option be triggered, a presumed realized loss would be offset by the savings realized on future interest expenses, as a negative swap value would be the result of an environment in which interest rates were lower than the rate embedded in the swap.

The Corporation has recorded Derivatives using an estimated credit-adjusted mark-to-market valuation that is determined by increasing the swap-based discount rates used to calculate the estimated mark-to-market valuation by an estimated credit spread for the relevant term and counterparty for each Derivative. In the case of Derivatives that Innergex accounts for as assets (i.e. Derivatives for which the counterparties owe Innergex), the credit spread for the bank counterparty was added to the swap-based discount rate to determine the estimated credit-adjusted value whereas, in the case of Derivatives accounted for as liabilities (i.e. Derivatives for which Innergex owes the counterparties), Innergex's credit spread was added to the swap-based discount rate. As at June 30, 2012, all Derivatives were accounted for as liabilities and credit spreads from 0.41% to 2.98% were added to the swap-based discount rates. The estimated credit-adjusted values of the Derivatives are subject to changes in credit spreads of Innergex and its counterparties.

As at June 30, 2012, the fair market value of the derivative financial instruments related to some PPAs with Hydro-Québec was positive at $9.2 million ($10.0 million as at December 31, 2011). These instruments represent the value attributed to minimum inflation clauses of 3% per year included in these PPAs.

Deferred Income Taxes
The tax impact of temporary differences may result in future tax assets or liabilities. As at June 30, 2012, the Corporation's net deferred tax liability was $114.7 million, compared with a net deferred tax liability of $116.0 million as at December 31, 2011. This decrease resulted mainly from the loss incurred for the first six months of 2012.

Off-Balance-Sheet Arrangements
As at June 30, 2012, the Corporation had issued letters of credit totalling $38.0 million to meet its obligations under its various PPAs and other agreements. Of this amount, $31.6 million was issued under its revolving credit term facility and the remainder under the projects' non-recourse credit facilities. As at that date, Innergex had also issued a total of $31.2 million in corporate guarantees to support the construction of the Montagne Sèche and Gros-Morne I and II wind farms and some bond forward contracts.

(in thousands of Canadian dollars, except as noted, and amounts per share)

Shareholders' Equity

As at June 30, 2012, the shareholders' equity of the Corporation totalled $549.6 million, including $110.5 million of non-controlling interests, compared with $579.1 million, including $114.4 million of non-controlling interests as at December 31, 2011. The decrease in total shareholders' equity stems mainly from the dividends declared and the net loss.

Contractual Obligations

There were no material changes during the second quarter of 2012.

Contingencies

There were no material changes during the second quarter of 2012.

SEGMENT INFORMATION

Geographic Segments

As at June 30, 2012, the Corporation had 19 hydroelectric facilities, five wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three- and six-month periods ended June 30, 2012, operating revenues generated by the Horseshoe Bend hydroelectric facility in the United States totalled $1.1 million and $1.6 million respectively ($0.8 million and $1.2 million respectively in 2011), representing contributions of 2.0% and 1.8% respectively (1.8% for both periods in 2011) to the Corporation's consolidated operating revenues for these periods.

Reportable Segments

As at June 30, 2012, the Corporation had four reportable segments: hydroelectric generation; wind power generation; solar power generation; and site development.

Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind farm and solar facilities to publicly owned utilities. Through its site development segment, Innergex analyses potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the "Significant Accounting Policies" section of the Corporation's audited consolidated financial statements for the year ended December 31, 2011. The Corporation evaluates performance based on Adjusted EBITDA and accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind power or solar power generation segments are accounted for at cost.

The operations of the Corporation's reportable segments are conducted by different teams, as each segment has different skill requirements.

	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
For the three-month period ended June 30, 2012					
Power generated (MWh)	590,023	110,873	13,804	-	714,700
Operating revenues	43,619	9,034	3,394	-	56,047
Expenses:					
Operating expenses	4,721	1,768	41	-	6,530
General and administrative expenses	1,517	589	29	539	2,674
Prospective project expenses	-	-	-	647	647
Adjusted EBITDA	37,381	6,677	3,324	(1,186)	46,196
For the three-month period ended June 30, 2011					
Power generated (MWh)	521,531	73,786	-	-	595,317
Operating revenues	37,395	6,450	-	-	43,845
Expenses:					
Operating expenses	4,517	1,165	-	-	5,682
General and administrative expenses	1,218	422	-	1,203	2,843
Prospective project expenses	-	-	-	702	702
Adjusted EBITDA	31,660	4,863	-	(1,905)	34,618

(in thousands of Canadian dollars, except as noted, and amounts per share)

	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
For the six-month period ended June 30, 2012					
Power generated (MWh)	772,556	255,848	13,804	-	1,042,208
Operating revenues	60,342	21,068	3,394	-	84,804
Expenses:					
Operating expenses	8,506	3,707	41	-	12,254
General and administrative expenses	2,898	1,385	29	1,429	5,741
Prospective project expenses	-	-	-	1,730	1,730
Adjusted EBITDA	48,938	15,976	3,324	(3,159)	65,079
For the six-month period ended June 30, 2011					
Power generated (MWh)	658,659	176,838	-	-	835,497
Operating revenues	49,223	15,438	-	-	64,661
Expenses:					
Operating expenses	6,898	2,571	-	-	9,469
General and administrative expenses	2,064	956	-	1,821	4,841
Prospective project expenses	-	-	-	1,009	1,009
Adjusted EBITDA	40,261	11,911	-	(2,830)	49,342
As at June 30, 2012					
Goodwill	8,269	-	-	-	8,269
Total assets	1,285,738	357,614	143,686	266,573	2,053,611
Total liabilities	803,514	309,655	145,476	245,390	1,504,035
Acquisition of property, plant and equipment since the beginning of the year	52	3,227	-	71,689	74,968
As at December 31, 2011					
Goodwill	8,269	-	-	-	8,269
Total assets	1,307,949	386,343	-	339,117	2,033,409
Total liabilities	814,435	330,015	-	309,843	1,454,293
Acquisition of property, plant and equipment during the year	1,305	484	-	192,396	194,185

Hydroelectric Generation Segment

For the three-month period ended June 30, 2012, the hydroelectric generation segment produced 1% more power than the LTA, resulting in operating revenues of $43.6 million. For the six-month period ended June 30, 2012, this segment produced 5% less power than the LTA, resulting in operating revenues of $60.3 million. The production level for the six-month period ended in June 30, 2012 was due mainly to lower than anticipated water flows at the segment's British Columbia facilities in the first quarter of 2012.

For the three- and six-month periods ended June 30, 2011, the hydroelectric generation segment produced 10% and 9% less power than the LTA respectively due to lower than anticipated hydrologic conditions at the segment's facilities located in British Columbia and the United States, resulting in operating revenues of $37.4 million and $49.2 million respectively.

The difference in operating revenues stems mainly from higher production at the British Columbia facilities during the second quarter of 2012, resulting in higher revenues ($6.1 million). The remaining difference is attributable to the Harrison Operating Facilities which generated $5.2 million for the first quarter of 2012, compared with none for the corresponding period in 2011, as the Cloudworks Acquisition was finalized on April 4, 2011.

The decrease in total assets since December 31, 2011, is attributable mainly to depreciation and amortization of property, plant and equipment as well as intangible assets.

The decrease in total liabilities since December 31, 2011, is attributable mainly to scheduled repayment of long-term debt.

Wind Power Generation Segment
For the three- and six-month periods ended June 30, 2012, the wind power generation segment produced 4% and 11% less power than expected respectively, resulting in operating revenues of $9.0 million and $21.1 million respectively. For the three-month period ended June 30, 2012, the performance level is due mainly to lower than anticipated wind conditions at the Baie-des-Sables and Carleton wind farms. For the six-month period ended June 30, 2012, the lower performance level is due to the 42 days period during which Gros-Morne I was halted and the lower than anticipated wind regime at the L'Anse-à-Valleau, Carleton and Montagne Sèche wind farms in the first quarter of 2012.

For the three- and six-month periods ended June 30, 2011, the wind power generation segment produced 3% and 6% less power than expected respectively, resulting in operating revenues of $6.5 million and $15.4 million respectively. This was the result of lower than anticipated wind conditions at the L'Anse-à-Valleau, Carleton and Baie-des-Sables wind farms.

Total assets have decreased since December 31, 2011, due mainly to depreciation and amortization of property, plant and equipment as well as intangible assets.

The decrease in total liabilities since December 31, 2011, is attributable mainly to scheduled repayment of long-term debt.

Solar Power Generation Segment
This new segment was added after the start of commercial operation of the Stardale solar farm on May 15, 2012. For the three-month period ended June 30, 2012, the solar power generation segment produced 8% more power than expected, resulting in operating revenues of $3.4 million.

Site Development Segment
The decrease in general and administrative expenses for the three- and six-month periods ended June 30, 2012 compared to the same periods in 2011 is due to a greater allocation to the hydroelectric generation segment since the Cloudworks Acquisition.

For the three-month period ended June 30, 2012, the prospective project expenses are similar to those for the same period in 2011. For the six-month period ended June 30, 2012, the increase in prospective project expenses compared with the same period in 2011 is attributable to a greater amount of Prospective Projects and to an increase of their related expenses.

The decrease in total assets since December 31, 2011, results mainly from the transfer of Stardale assets to the solar power generation segment, partly offset by Development Projects in construction.

The decrease in total liabilities since December 31, 2011, is attributable to the transfer of the Stardale long-term debt to the solar power generation segment, partly offset by Development Projects, in particular the Gros-Morne II, Kwoiek Creek and Northwest Stave River projects.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. During the reporting period, management made a number of estimates and assumptions pertaining primarily to the fair value calculation of the assets acquired and liabilities assumed in business acquisitions, impairment of assets, useful lives and recoverability of property, plant and equipment and intangible assets, deferred income taxes as well as the fair value of financial assets and liabilities, including derivative financial instruments. These estimates and assumptions are based on current market conditions, management's planned course of action and assumptions about future business and economic conditions. Changes in the underlying assumptions and estimates could have a material impact on the reported amounts. These estimates are reviewed periodically. If adjustments prove necessary, they are recognized in earnings in the period in which they are made. Other significant accounting policies are listed in Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2011.

ACCOUNTING CHANGES

FUTURE CHANGES

IAS 1 – Presentation of Financial Statements

The IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income between those that are reclassified to earnings and those that do not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The Corporation has reviewed this standard and it has no impact on its results of operations and financial position.

RISKS AND UNCERTAINTIES

The Corporation is exposed to various business risks and uncertainties and, in its 2011 Annual Report, has outlined those that it considers material. Additional risks and uncertainties are discussed in the "Risk Factors" section of the Corporation's Annual Information Form for the year ended December 31, 2011. However, additional risks and uncertainties that are not presently known to the Corporation or that are currently believed to be immaterial may adversely affect the Corporation's business.

ADDITIONAL INFORMATION AND UPDATES

Additional and 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 website at www.innergex.com and on the SEDAR website at www.sedar.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

QUARTERLY FINANCIAL INFORMATION

	For the three-month periods ended			
(in millions of dollars, unless otherwise stated)	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Power generated (MWh)	714,700	327,508	403,920	666,009
Operating revenues	56.0	28.8	33.1	50.5
Adjusted EBITDA	46.2	18.9	21.8	40.1
Unrealized net (loss) gain on derivative financial instruments	(28.0)	21.0	(19.6)	(40.5)
Net (loss) earnings attributable to owners of the parent	(9.1)	8.9	(13.9)	(26.2)
Net (loss) earnings attributable to owners of the parent ($ per share – basic and diluted)	(0.12)	0.10	(0.18)	(0.34)
Dividends declared on Series A Preferred Shares	1.1	1.1	1.1	1.1
Dividends declared on common shares	11.8	11.8	11.8	11.8
Dividends declared on common shares ($ per share)	0.145	0.145	0.145	0.145

	For the three-month periods ended			
(in millions of dollars, unless otherwise stated)	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010
Power generated (MWh)	595,317	240,180	343,754	356,262
Operating revenues	43.8	20.8	26.8	25.2
Adjusted EBITDA	34.6	14.7	18.9	19.7
Unrealized net (loss) gain on derivative financial instruments	(10.9)	9.5	15.5	(20.1)
Net (loss) earnings attributable to owners of the parent	(6.5)	6.0	14.9	(11.6)
Net (loss) earnings attributable to owners of the parent ($ per share – basic and diluted)	(0.09)	0.08	0.23	(0.20)
Dividends declared on Series A Preferred Shares	1.1	1.1	1.4	-
Dividends declared on common shares	11.8	8.6	8.6	8.6
Dividends declared on common shares ($ per share)	0.145	0.145	0.145	0.145

Comparing the results for the most recent quarters makes apparent the seasonality that is characteristic of the Corporation's assets, i.e. that power generated, operating revenues and Adjusted EBITDA vary from quarter to quarter. As the Corporation's total average long-term production is 73% hydroelectric, this seasonality can be explained by water flows that are normally at their highest in the second quarter due to the snow melt season and at their lowest in the first quarter due to the cold temperatures, which limit precipitation in the form of rain. Furthermore, solar irradiation is at its highest during the summer months and at its lowest during the winter months. However, premiums for the electricity generated during the coldest months of the year included in some PPAs of the Corporation's hydroelectric facilities attenuate this seasonality. The production of the wind farms also partially compensates for this seasonality experienced by hydroelectric facilities, as wind regimes are generally best in the first quarter of a typical year.

By excluding non-recurring items, readers would expect that the net earnings (loss) attributable to owners of the parent and net earnings (loss) per share attributable to owners of the parent reflect this seasonality characteristic of run-of-river hydroelectric plants, of wind farms and of solar farms. However, other factors also influence these figures, some of which have a relatively stable quarter-to-quarter impact while others are more variable. For the Corporation, the factor that causes the largest fluctuations in net earnings (loss) attributable to owners of the parent and net earnings (loss) per share attributable to owners of the parent is change in the market value of derivative financial instruments. Historical analysis of net earnings (loss) attributable to owners of the parent and net earnings (loss) per share attributable to owners of the parent should therefore take this factor into account. It is important to bear in mind that changes in the market value of derivative financial instruments result from interest rate and inflation rate fluctuations and do not have an impact on the Corporation's Adjusted EBITDA or finance costs.

SUBSEQUENT EVENTS

Closing of the Kwoiek Creek Project Financing

On July 17, 2012, the Corporation announced that the Kwoiek Creek Resources Limited Partnership had closed a $168.5 million non-recourse construction and term project financing for the Kwoiek Creek project. The construction loan will carry a fixed interest rate of 5.075%; it will convert in a 39-year term loan following the start of the project's commercial operation and will amortize over a 36-year period starting three years later. The financing has been arranged with a group of life insurance companies comprised of The Manufacturers Life Insurance Company as agent and lead lender, and also The Canada Life Assurance Company and The Great-West Life Assurance Company also as lenders.

Increase of the Revolving Term Credit Facility to $425.0 million

On July 17, 2012, Innergex announced that it had exercised a portion of the accordion feature on its revolving term credit facility, increasing its borrowing capacity from $350.0 million to $425.0 million. All terms and conditions remain unchanged, including an August 2016 maturity.

Partnership Agreement with the Mi'gmawei Mawiomi

On July 20, 2012, the Corporation and the Mi'gmawei Mawiomi (the Mi'gmaq of Quebec) announced that they had concluded a partnership agreement for the development, financing, construction, and operation of a 150 MW wind farm on the Gaspé Peninsula in Quebec. The two partners intend to submit the project under the Aboriginal wind energy program of 250 MW as part of a call for tenders for the commissioning of 700 MW of wind energy.

Acquisition of a Wind Farm Project in British Columbia

On July 26, 2012, the Corporation announced that it had signed a purchase and sale agreement to acquire from Finavera Wind Energy its Wildmare wind farm project. The purchase price of this asset is approximately $22.0 million. All of the power produced will be sold to BC Hydro under a 25-year power purchase agreement, which provides for an annual adjustment to the selling price based on a portion of the Consumer Price Index. Wildmare will have a total installed capacity of 77 MW and an estimated yearly energy output of 238,200 MWh. The Corporation believes that this project, currently in the permitting phase, should begin commercial operations in 2015. The total cost of the project is estimated to be $217.0 million, approximately two-thirds of which will be financed with project level debt and the balance financed with equity.

Acquisition of an Operating Hydroelectric Facility in Quebec

On July 26, 2012, the Corporation announced that it had signed a purchase and sale agreement to acquire from the Hydromega Group of Companies ("Hydromega") its 70% interest in the Magpie facility located in the Minganie RCM, in Northeastern Quebec. The purchase price of this asset is approximately $30.3 million, plus assumption of approximately $52.0 million in fixed-rate project level debt. Magpie is a 40.6 MW run-of-river hydroelectric facility with an estimated yearly energy output of 185,000 MWh. All the power produced is sold to Hydro-Québec under a 25-year power purchase agreement.

The Corporation also signed a deposit agreement, as well as a letter of intent with Hydromega with respect to the acquisition of its equity interest in six other sites, including one 30.5 MW hydroelectric facility in Quebec, four hydroelectric projects under construction totaling 22.0 MW in Ontario, and one 10.0 MW hydroelectric project under development, also in Ontario.

Private placement of common shares totaling $123.7 million

On July 26, 2012, the Corporation announced it had closed a private placement with the Caisse de dépôt et placement du Québec and one other institutional investor to issue a total of 12,040,499 common shares at a price of $10.27 per share, for gross proceeds of $123.7 million. These proceeds will be used to finance the acquisitions recently announced by the Corporation, including the Brown Lake and Miller Creek hydroelectric facilities, the Wildmare wind farm project, and the Magpie hydroelectric facility.

Implementation of a Dividend Reinvestment Plan ("DRIP")

On July 26, 2012, the Corporation announced that its board of directors had recently approved the implementation of a dividend reinvestment plan for its shareholders. The plan will allow eligible common shareholders the opportunity to reinvest a portion or all of the dividends they receive to purchase additional common shares of the Corporation, without paying fees such as brokerage commissions and service charges. Shares will either be purchased on the open market or issued from treasury. The board of directors of the Corporation has further elected, until further notice, that shares purchased under the DRIP will be issued from treasury and that their purchase price will be subject to a discount of 2.5% for participating shareholders.

Enrolment in the Corporation's DRIP will start on August 31, 2012, subject to approval by the Toronto Stock Exchange. Starting on August 31, 2012, eligible shareholders will be able to obtain a plan package, including a copy of the Dividend Reinvestment Plan and the enrolment form, from the Computershare website. Information will also be available on the Corporation's website at www.innergex.com, under the Investors section.

(in thousands of Canadian dollars, except as noted, and amounts per share)

INFORMATION FOR INVESTORS

Stock Exchange Listing

Common Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.
Series A Preferred Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.PR.A.
Convertible Debentures of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.DB.

Rating Agencies

Innergex Renewable Energy Inc. is rated BBB- by S&P and BBB (low) by DBRS.
Series A Preferred Shares of Innergex Renewable Energy Inc. are rated P-3 by S&P and Pfd-3 (low) by DBRS.

Transfer Agent and Registrar

Computershare Trust Company of Canada
1500 University Street, Suite 700, Montreal, Québec, 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 via the Internet rather than in printed form by mail. Shareholders wishing to use this service should contact Computershare Trust Company of Canada.

Investor Relations

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

Jean Trudel, MBA
Chief Investment Officer and Senior Vice President – Communications

Marie-Josée Privyk, CFA
Director – Investor Relations

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Sustainable Development.

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)
(in thousands of Canadian dollars except as noted and amounts per share)

	Notes	Three-month period ended June 30, 2012	Three-month period ended June 30, 2011	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Revenues					
Operating		56,047	43,845	84,804	64,661
Expenses					
Operating	6	6,530	5,682	12,254	9,469
General and administrative		2,674	2,843	5,741	4,841
Prospective project expenses		647	702	1,730	1,009
Earnings before finance costs, income taxes, depreciation, amortization, other net (revenues) expenses and unrealized net loss on derivative financial instruments		46,196	34,618	65,079	49,342
Finance costs	7	18,499	17,463	32,743	24,191
Other net (revenues) expenses	8	(825)	129	(1,426)	1,037
Earnings before income taxes, depreciation, amortization and unrealized net loss on derivative financial instruments		28,522	17,026	33,762	24,114
Depreciation	6	10,698	8,378	20,391	13,781
Amortization	6	5,418	5,273	10,775	9,135
Unrealized net loss on derivative financial instruments		28,010	10,907	7,004	1,373
Loss before income taxes		(15,604)	(7,532)	(4,408)	(175)
Provision (recovery) for income taxes					
Current		478	97	950	(991)
Deferred		(4,217)	(795)	(1,298)	1,920
		(3,739)	(698)	(348)	929
Net loss		(11,865)	(6,834)	(4,060)	(1,104)
Net loss attributable to:					
Owners of the parent		(9,055)	(6,478)	(132)	(503)
Non-controlling interests		(2,810)	(356)	(3,928)	(601)
		(11,865)	(6,834)	(4,060)	(1,104)
Weighted average number of common shares outstanding (in 000)	9	81,282	80,326	81,282	69,987
Basic net loss per share	9	(0.12)	(0.09)	(0.03)	(0.04)
Diluted weighted average number of common shares outstanding (in 000)	9	81,439	80,406	81,436	70,062
Diluted net loss per share	9	(0.12)	(0.09)	(0.03)	(0.04)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)
(in thousands of Canadian dollars except as noted and amounts per share)

	Three-month period ended June 30, 2012	Three-month period ended June 30, 2011	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Net loss	(11,865)	(6,834)	(4,060)	(1,104)
Other items of comprehensive income (loss)				
Foreign exchange gain (loss) on translation of a self-sustaining foreign subsidiary (including $30 of income tax recovery for the three-month period ended June 30, 2012 and nil for the six-month period ended June 30, 2012, nil income tax expense for both periods in 2011)	69	(18)	7	(103)
Foreign exchange (loss) gain on the designated portion of the US$ denominated debt used as hedge on the investment in a self-sustaining foreign subsidiary (net of $11 of income tax recovery for the three-month period ended June 30, 2012 and $2 for the six-month period ended June 30, 2012, nil for both periods in 2011)	(75)	19	(12)	104
	(6)	1	(5)	1
Comprehensive loss	(11,871)	(6,833)	(4,065)	(1,103)
Total comprehensive loss attributable to:				
Owners of the parent	(9,061)	(6,477)	(137)	(502)
Non-controlling interests	(2,810)	(356)	(3,928)	(601)
	(11,871)	(6,833)	(4,065)	(1,103)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(in thousands of Canadian dollars except as noted and amounts per share)

As at	Notes	June 30, 2012	Dec. 31, 2011
Assets			
Current assets			
Cash and cash equivalents		59,899	35,279
Restricted cash and short-term investments		14,929	53,415
Accounts receivable		54,073	36,894
Income tax receivable		1,082	1,664
Derivative financial instruments		1,723	1,791
Prepaid and others		4,098	4,074
		135,804	133,117
Reserve accounts		42,145	42,154
Property, plant and equipment	4	1,314,404	1,259,834
Intangible assets		430,823	441,262
Project development costs		100,195	98,042
Derivative financial instruments		7,437	8,248
Deferred tax assets		10,908	24,485
Goodwill		8,269	8,269
Other long-term assets		3,626	17,998
		2,053,611	2,033,409
Liabilities			
Current liabilities			
Dividends payable to shareholders		12,848	12,848
Accounts payable and accrued liabilities		26,005	26,616
Income tax liabilities		1,422	2,835
Derivative financial instruments		28,407	20,287
Long-term debt	5	23,516	19,475
Contingent considerations		983	983
		93,181	83,044
Construction holdbacks		5,697	2,081
Derivative financial instruments		69,163	71,158
Accrual for acquisition of long-term assets		36,273	41,267
Long-term debt	5	1,087,531	1,030,037
Liability portion of convertible debentures		79,571	79,490
Contingent considerations		2,661	2,904
Asset retirement obligations		4,381	3,858
Deferred tax liabilities		125,577	140,454
		1,504,035	1,454,293
Shareholders' equity			
Common share capital		1	1
Preferred shares		82,589	82,589
Contributed surplus from reduction of capital on common shares		656,281	656,281
Share-based payment		1,583	1,361
Equity portion of convertible debentures		1,340	1,340
Deficit		(302,912)	(277,083)
Accumulated other comprehensive income		223	228
Equity attributable to owners		439,105	464,717
Non-controlling interests		110,471	114,399
Total shareholders' equity		549,576	579,116
		2,053,611	2,033,409

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)
(in thousands of Canadian dollars except as noted and amounts per share)

For the six-month period ended June 30, 2012	Number of common shares (In 000's)	Common share capital account	Preferred shares	Contributed surplus from reduction of capital on common shares	Share-based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive income	Equity attributable to owners	Non-controlling interests	Shareholders' equity
Balance January 1, 2012	81,282	1	82,589	656,281	1,361	1,340	(277,083)	228	464,717	114,399	579,116
Net loss							(132)		(132)	(3,928)	(4,060)
Other items of comprehensive loss								(5)	(5)		(5)
Comprehensive loss	-	-	-	-	-	-	(132)	(5)	(137)	(3,928)	(4,065)
Share-based payment					222				222		222
Dividends declared on common shares							(23,572)		(23,572)		(23,572)
Dividends declared on preferred shares							(2,125)		(2,125)		(2,125)
Balance June 30, 2012	81,282	1	82,589	656,281	1,583	1,340	(302,912)	223	439,105	110,471	549,576

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars except as noted and amounts per share)

For the six-month period ended June 30, 2011	Number of common shares (In 000's)	Common share capital account	Preferred shares	Contributed surplus from reduction of capital on common shares	Share-based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive income	Equity attributable to owners	Non-controlling interests	Shareholders' equity
Balance January 1, 2011	59,533	5,720	82,589	453,793	928	1,340	(188,295)	238	356,313	2,588	358,901
Common shares issued on April 4, 2011											
- public offering	17,750	163,527							163,527	-	163,527
- private placement	3,999	39,018							39,018	-	39,018
Issuance fees (Net of $2,236 of future income taxes)		(5,970)							(5,970)	-	(5,970)
Business acquisition									-	114,968	114,968
Reduction of capital on common shares		(202,294)		202,294					-	-	-
Net loss							(503)		(503)	(601)	(1,104)
Other items of comprehensive income								1	1	-	1
Comprehensive loss							(503)	1	(502)	(601)	(1,103)
Share-based payment					256				256	-	256
Dividends declared on common shares							(20,418)		(20,418)	-	(20,418)
Dividens declared on preferred shares (including $130 of income taxe)							(2,255)		(2,255)	-	(2,255)
Balance June 30, 2011	81,282	1	82,589	656,087	1,184	1,340	(211,471)	239	529,969	116,955	646,924

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands of Canadian dollars except as noted and amounts per share)

	Notes	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Operating activities			
Net loss		(4,060)	(1,104)
Items not affecting cash:			
Depreciation of property, plant and equipment		20,391	13,781
Amortization of intangible assets		10,775	9,135
Unrealized net loss on derivative financial instruments		7,004	1,373
Compensation interest	7	3,356	4,765
Amortization of financing fees	7	308	103
Amortization of revaluation of long-term debt and convertible debenture	7	758	347
Accretion expense on asset retirement obligations	7	353	58
Accretion expense on contingent considerations	7	115	-
Share-based payment		222	256
Unrealized net gain on foreign exchange	8	-	(47)
Deferred income taxes provision		(1,298)	1,920
Effect of exchange rate fluctuations		(12)	(33)
Interest on long-term debt and convertible debentures	7	27,853	18,918
Interest paid		(27,712)	(17,343)
Gain on contingent considerations	8	(358)	-
Provision for current income taxes (recovery)		950	(991)
Net income taxes paid		(1,783)	(209)
		36,862	30,929
Changes in non-cash operating working capital items	11	(3,406)	(12,115)
		33,456	18,814
Financing activities			
Dividends paid on common shares	10	(23,572)	(17,264)
Dividends paid on preferred shares	10	(2,125)	(2,495)
Increase of long-term debt		88,752	56,000
Repayment of long-term debt		(31,362)	(17,924)
Payment of deferred financing costs		(326)	(88)
Issuance of share capital		-	155,321
		31,367	173,550

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands of Canadian dollars except as noted and amounts per share)

	Notes	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Investing activities			
Cash acquired on business acquisition		-	4,943
Business acquisitions		-	(160,844)
Additions to property, plant and equipment		(76,081)	(24,017)
Additions to intangible assets		(335)	(302)
Additions to project development costs		(2,127)	(11,375)
Additions to other long-term assets		(171)	(642)
Decrease of restricted cash and short-term investments		38,486	906
Proceeds from disposal of property, plant and equipment		7	-
Net funds withdrawn from the levelization reserve		-	494
Net funds withdrawn from (invested into) the hydrology/wind power/solar power reserve		2	(560)
Net funds withdrawn from the major maintenance reserve		8	2
		(40,211)	(191,395)
Effects of exchange rate changes on cash and cash equivalents		8	(36)
Net increase in cash and cash equivalents		24,620	933
Cash and cash equivalents, beginning of period		35,279	42,116
Cash and cash equivalents, end of period		59,899	43,049
Cash and cash equivalents is comprised of:			
Cash		50,766	12,017
Short-term investments		9,133	31,032
		59,899	43,049

Additional information is presented in Note 11.

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

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. (the "Corporation") was incorporated under the *Canada Business Corporation Act* on October 25, 2002. The Corporation is a developer, owner and operator of renewable power-generating facilities, essentially focused on the hydroelectric, wind power and solar photovoltaic sectors. The head office of the Corporation is located at 1111, St-Charles Street West, East Tower, Suite 1255, Longueuil, Qc, J4K 5G4, Canada.

These unaudited condensed consolidated financial statements were approved by the Board of Directors on August 7, 2012.

The Corporation's revenues are variable with each season and are normally at their lowest in the first quarter due to cold temperature. As a result, earnings of interim periods should not be considered as indicative of results for an entire year.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"). The condensed consolidated financial statements are in compliance with IAS-34 Interim Financial Reporting. The same accounting policies and methods of application as described in the Corporation's latest annual report have been used. However, these condensed consolidated financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Corporation's latest annual report.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values as described in the significant accounting policies.

2. CHANGES IN ACCOUNTING POLICIES

a) Future accounting changes

IAS 1 - Presentation of Financial Statement

The IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income between those that are reclassified to earnings and those that do not.

The standard is required to be adopted for periods beginning on or after July 1, 2012. The Corporation has reviewed this standard and it has no impact on its results of operations and financial position.

3. BUSINESS ACQUISITIONS

a) Acquisition of Cloudworks Energy Inc.

The final valuation of the acquisition of Cloudworks Energy Inc. has been made and no material adjustment was required to the purchase price allocation since the latest annual report.

b) Acquisition of Stardale Solar Project

The final valuation of the acquisition of Stardale Solar Project has been made and no adjustment was required to the purchase price allocation since the latest annual report.

(in thousands of Canadian dollars except as noted and amounts per share)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Hydroelectric facilities	Wind Farm facilities	Solar Facility	Facilities under construction	Other equipment	Total
Cost							
As at January 1, 2012	1,887	886,163	303,101	-	161,239	4,650	1,357,040
Additions	-	52	3,227	-	71,046	643	74,968
Transfer of assets upon commissioning	-	-	-	123,980	(123,980)	-	-
Dispositions	-	-	-	-	-	(56)	(56)
Net foreign exchange differences	-	6	-	-	-	-	6
As at June 30, 2012	1,887	886,221	306,328	123,980	108,305	5,237	1,431,958
Accumulated depreciation							
As at January 1, 2012	-	(63,803)	(31,918)	-	-	(1,485)	(97,206)
Depreciation	-	(11,563)	(7,259)	(990)	-	(579)	(20,391)
Dispositions	-	-	-	-	-	45	45
Net foreign exchange differences	-	(2)	-	-	-	-	(2)
As at June 30, 2012	-	(75,368)	(39,177)	(990)	-	(2,019)	(117,554)
Net value as at June 30, 2012	1,887	810,853	267,151	122,990	108,305	3,218	1,314,404

All of the property, plant and equipment are given as securities under the respective project financing or for the corporate financing.

Property, plant and equipment includes capitalized financing costs of $5,227 as at June 30, 2012 ($2,795 at December 31, 2011) incurred prior to their intended use or sale.

The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to corporate financing are capitalized for the portion of the financing actually used for a specific property, plant and equipment.

The cost of the wind farm facilities under construction were reduced by investment tax credits of $508 ($352 as at December 31, 2011).

(in thousands of Canadian dollars except as noted and amounts per share)

5. LONG-TERM DEBT

Glen Miller

During the first quarter of 2012, the Corporation repaid entirely the Glen Miller term loan in an amount of $13,500.

6. OPERATING EXPENSES

	Three-month period ended June 30, 2012	Three-month period ended June 30, 2011	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Salaries	722	686	1,369	1,046
Insurance	422	376	830	629
Operation and maintenance	2,732	2,543	5,531	4,630
Property taxes and royalties	2,654	2,077	4,524	3,164
	6,530	5,682	12,254	9,469

Depreciation and amortization recorded in the statement of earnings are mainly related to operating expenses.

7. FINANCE COSTS

	Three-month period ended June 30, 2012	Three-month period ended June 30, 2011	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Interest on long-term debt and on convertible debentures	14,095	12,184	27,853	18,918
Compensation interest	3,581	4,765	3,356	4,765
Amortization of financing fees	173	50	308	103
Amortization of revaluation of long-term debt and of convertible debentures	349	331	758	347
Accretion expense on asset retirement obligations	244	133	353	58
Accretion expense on contingent considerations	57	-	115	-
	18,499	17,463	32,743	24,191

8. OTHER NET (REVENUES) EXPENSES

	Three-month period ended June 30, 2012	Three-month period ended June 30, 2011	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Transaction costs	95	452	95	1,563
Gain on contingent considerations	-	-	(358)	-
Other net revenues	(150)	(317)	(393)	(479)
Compensation for loss of revenues	(770)	-	(770)	-
Unrealized net gain on foreign exchange	-	(6)	-	(47)
	(825)	129	(1,426)	1,037

(in thousands of Canadian dollars except as noted and amounts per share)

9. COMPUTATION OF EARNINGS AVAILABLE TO COMMON SHAREHOLDERS

The net loss of the Corporation is adjusted for the preferential dividend on the preferred shares as follows:

	Three-month period ended June 30, 2012	Three-month period ended June 30, 2011	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Net loss attributable to owners of the parent	(9,055)	(6,478)	(132)	(503)
Dividends declared on preferred shares	(1,063)	(1,127)	(2,125)	(2,255)
Net loss available to common shareholders	(10,118)	(7,605)	(2,257)	(2,758)
Weighted average number of common shares (in 000)	81,282	80,326	81,282	69,987
Basic net loss per share ($)	(0.12)	(0.09)	(0.03)	(0.04)
Weighted average number of common shares (in 000)	81,282	80,326	81,282	69,987
Effect of dilutive stock options (in 000) (a)	157	80	154	75
Diluted weighted average number of common shares (in 000)	81,439	80,406	81,436	70,062
Diluted net loss per share ($) (b)	(0.12)	(0.09)	(0.03)	(0.04)

(a) During the period, 1,034,000 of 2,677,444 stock options (1,034,000 of 1,842,024 as of June 30, 2011), and 7,558,684 shares potentially issued on conversion of convertible debentures (same as of June 30, 2011) were excluded from the calculation of diluted weighted average number of shares outstanding as the exercise price was above the average market price of common shares during the period.

(b) During the period covered by the financial statements, 1,643,444 stock options were excluded from the calculation of diluted net loss per share as it was anti-dilutive due to a net loss available to common shareholders.

(in thousands of Canadian dollars except as noted and amounts per share)

10. DIVIDENDS

The following are the dividends paid by the Corporation during the year.

Common shares

Date of announcement	Record date	Payment date	Dividends per share ($)	Shares outstanding (000's)	Total payment
11/09/2011	12/30/2011	01/16/2012	0.1450	81,282	11,786
03/21/2012	03/30/2012	04/16/2012	0.1450	81,282	11,786
05/14/2012	06/29/2012	07/16/2012	0.1450	81,282	11,786
			0.4350		35,358

Preferred shares

Date of announcement	Record date	Payment date	Dividends per share ($)	Shares outstanding (000's)	Total payment
11/09/2011	12/30/2011	01/16/2012	0.3125	3,400	1,063
03/21/2012	03/30/2012	04/16/2012	0.3125	3,400	1,062
05/14/2012	06/29/2012	07/16/2012	0.3125	3,400	1,063
			0.9375		3,188

11. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating working capital items

	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Accounts receivable	(2,627)	(11,646)
Prepaid and others	(24)	(2,653)
Accounts payable and accrued liabilities	(755)	2,184
	(3,406)	(12,115)

b) Additional information

	Six-month period ended June 30, 2012	Six-month period ended June 30, 2011
Interest paid (including $2,175 capitalized interest ($820 in 2011))	29,887	18,163
Non-cash transactions		
in unpaid property, plant and equipment	(1,289)	16,675
in unpaid development costs	26	(145)
in unpaid intangibles assets	-	(5)
in unpaid long-term assets	-	(50)
in unpaid financing fees	-	4

12. SEGMENTED INFORMATION

Geographic Segments

The Corporation has 19 hydroelectric facilities, 5 wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three-month and the six-month periods ended June 30, 2012, operating revenues generated by the Horseshoe Bend hydroelectric facility located in the United States totalled $1,125 and $ 1,551, ($805 and $1,167 in 2011), representing a contribution of 2.0% and 1.8% for the three-month and six-month periods ended June 30, 2012, (1.8% for both periods in 2011) to the Corporation's consolidated operating revenues for these periods.

Reportable segments

The Corporation has four reportable segments: (a) hydroelectric generation (b) wind power generation (c) solar power generation and (d) site development.

Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind farm and solar facilities to publicly owned utilities. Through its site development segment, it analyses potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the significant accounting policies of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2011. The Corporation evaluates performance based on earnings (loss) before finance costs, income taxes, depreciation, amortization, other net (revenues) expenses and unrealized net loss on derivative financial instruments. The Corporation accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind power generation or solar power generation are segments accounted for at cost.

The operations of the Corporation's reportable segments are conducted by different teams, as each segment has different skill requirements.

The solar power generation segment was added following the beginning of commercial operation of the Stardale solar farm on May 15, 2012.

(in thousands of Canadian dollars except as noted and amounts per share)

12. SEGMENTED INFORMATION (Continued)

For the three-month period ended June 30, 2012

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Operating revenues	43,619	9,034	3,394	-	56,047
Expenses:					
Operating	4,721	1,768	41	-	6,530
General and administrative	1,517	589	29	539	2,674
Prospective project expenses	-	-	-	647	647
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues and unrealized net loss on derivative financial instruments	37,381	6,677	3,324	(1,186)	46,196
Finance costs					18,499
Other net revenues					(825)
Earnings before income taxes, depreciation, amortization and unrealized net loss on derivative financial instruments					28,522
Depreciation					10,698
Amortization					5,418
Unrealized net loss on derivative financial instruments					28,010
Loss before income taxes					(15,604)

(in thousands of Canadian dollars except as noted and amounts per share)

12. SEGMENTED INFORMATION (Continued)

For the three-month period ended June 30, 2011

Reportable Segments	Generation	Wind Power Generation	Site Development	Total
Operating revenues	37,395	6,450	-	43,845
Expenses:				
Operating	4,517	1,165	-	5,682
General and administrative	1,218	422	1,203	2,843
Prospective project expenses	-	-	702	702
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net loss on derivative financial instruments	31,660	4,863	(1,905)	34,618
Finance costs				17,463
Other net expenses				129
Earnings before income taxes, depreciation, amortization and unrealized net loss on derivative financial instruments				17,026
Depreciation				8,378
Amortization				5,273
Unrealized net loss on derivative financial instruments				10,907
Loss before income taxes				(7,532)

(in thousands of Canadian dollars except as noted and amounts per share)

12. SEGMENTED INFORMATION (Continued)

For the six-month period ended June 30, 2012

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Operating revenues	60,342	21,068	3,394	-	84,804
Expenses:					
Operating	8,506	3,707	41	-	12,254
General and administrative	2,898	1,385	29	1,429	5,741
Prospective project expenses	-	-	-	1,730	1,730
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues and unrealized net loss on derivative financial instruments	48,938	15,976	3,324	(3,159)	65,079
Finance costs					32,743
Other net revenues					(1,426)
Earnings before income taxes, depreciation, amortization and unrealized net loss on derivative financial instruments					33,762
Depreciation					20,391
Amortization					10,775
Unrealized net loss on derivative financial instruments					7,004
Loss before income taxes					(4,408)
As at June 30, 2012					
Goodwill	8,269				8,269
Total assets	1,285,738	357,614	143,686	266,573	2,053,611
Total liabilities	803,514	309,655	145,476	245,390	1,504,035
Acquisition of property, plant and equipment	52	3,227	-	71,689	74,968

(in thousands of Canadian dollars except as noted and amounts per share)

12. SEGMENTED INFORMATION (Continued)

For the six-month period ended June 30, 2011

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Site Development	Total
Operating revenues	49,223	15,438	-	64,661
Expenses:				
Operating	6,898	2,571	-	9,469
General and administrative	2,064	956	1,821	4,841
Prospective project expenses	-	-	1,009	1,009
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net loss on derivative financial instruments	40,261	11,911	(2,830)	49,342
Finance costs				24,191
Other net expenses				1,037
Earnings before income taxes, depreciation, amortization and unrealized net loss on derivative financial instruments				24,114
Depreciation				13,781
Amortization				9,135
Unrealized net loss on derivative financial instruments				1,373
Loss before income taxes				(175)
As at December 31, 2011				
Goodwill	8,269	-	-	8,269
Total assets	1,307,949	386,343	339,117	2,033,409
Total liabilities	814,435	330,015	309,843	1,454,293
Acquisition of property, plant and equipment	1,305	484	192,396	194,185

13. SUBSEQUENT EVENTS

a) Dividends on Series A preferred Shares

On August 7, 2012, the Corporation declared a dividend of $0.3125 per Series A preferred share payable on October 15, 2012 to Series A preferred shareholders of record at the close of business on September 28, 2012.

b) Dividends on Common Shares

On August 7, 2012, the Corporation declared a dividend of $0.145 per common share payable on October 15, 2012, to common shareholders of record at the close of business on September 28, 2012.

13. SUBSEQUENT EVENTS (Continued)

c) Closing of the Kwoiek Creek Project Financing

On July 17, 2012, the Corporation announced that the Kwoiek Creek Resources Limited Partnership had closed a $168,500 non-recourse construction and term project financing for the Kwoiek Creek project. The construction loan will carry a fixed interest rate of 5.075%; it will convert in a 39-year term loan following the start of the project's commercial operation and will amortize over a 36-year period starting three years later.

d) Increase of the Revolving Term Credit Facility to $425,000

On July 17, 2012, the Corporation announced that it had exercised a portion of the accordion feature on its revolving term credit facility, increasing its borrowing capacity from $350,000 to $425,000. All terms and conditions remain unchanged, including an August 2016 maturity.

e) Partnership Agreement with the Mi'gmawei Mawiomi

On July 20, 2012, the Corporation and the Mi'gmawei Mawiomi (the Mi'gmaq of Quebec) announced that they had concluded a partnership agreement for the development, financing, construction, and operation of a 150 MW wind farm on the Gaspé Peninsula in Quebec. The two partners intend to submit the project under the Aboriginal wind energy program of 250 MW as part of a call for tenders for the commissioning of 700 MW of wind energy.

f) Acquisition of a Wind Farm Project in British Columbia

On July 26, 2012, the Corporation announced that it had signed a purchase and sale agreement to acquire from Finavera Wind Energy its Wildmare wind farm project. The purchase price of this asset is approximately $22,000. All of the power produced will be sold to BC Hydro under a 25-year power purchase agreement, which provides for an annual adjustment to the selling price based on a portion of the Consumer Price Index. Wildmare will have a total installed capacity of 77 MW and an estimated yearly energy output of 238,200 MWh.

g) Acquisition of an Operating Hydroelectric Facility in Quebec

On July 26, 2012, the Corporation announced that it had signed a purchase and sale agreement to acquire from the Hydromega Group of Companies ("Hydromega") its 70% interest in the Magpie facility located in the Minganie RCM, in Northeastern Quebec. The purchase price of this asset is approximately $30,500, plus assumption of approximately $51,000 in fixed-rate project level debt. Magpie is a 40.6 MW run-of-river hydroelectric facility with an estimated yearly energy output of 185,000 MWh. All the power produced is sold to Hydro-Québec under a 25-year power purchase agreement.

The Corporation also signed a deposit agreement, as well as a letter of intent with Hydromega with respect to the acquisition of its equity interest in six other sites, including one 30.5 MW hydroelectric facility in Quebec, four hydroelectric projects under construction totaling 22.0 MW in Ontario, and one 10.0 MW hydroelectric project under development, also in Ontario.

h) Private placement of common shares totaling $123,700

On July 26, 2012, the Corporation announced it had closed a private placement with the Caisse de dépôt et placement du Québec and one other institutional investor to issue a total of 12,040,499 common shares at a price of $10.27 per share, for gross proceeds of $123,700. These proceeds will be used to finance the acquisitions recently announced by the Corporation, including the Brown Lake and Miller Creek hydroelectric facilities, the Wildmare wind farm project, and the Magpie hydroelectric facility.

13. SUBSEQUENT EVENTS (Continued)

i) Implementation of a Dividend Reinvestment Plan ("DRIP")

On July 26, 2012, the Corporation announced that its board of directors had recently approved the implementation of a dividend reinvestment plan for its shareholders. The plan will allow eligible common shareholders the opportunity to reinvest a portion or all of the dividends they receive to purchase additional common shares of the Corporation, without paying fees such as brokerage commissions and service charges. Shares will either be purchased on the open market or issued from treasury. The board of directors of the Corporation has further elected, until further notice, that shares purchased under the DRIP will be issued from treasury and that their purchase price will be subject to a discount of 2.5% for participating shareholders.

Enrolment in the Corporation's DRIP will start on August 31, 2012, subject to approval by the Toronto Stock Exchange.