



INNERGEX RENEWABLE ENERGY INC.

INITIAL ANNUAL INFORMATION FORM

For the year ended December 31, 2007

March 27, 2008

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## INNERGEX RENEWABLE ENERGY INC.

### ANNUAL INFORMATION FORM AS AT DECEMBER 31, 2007

*The information set out in this Annual Information Form is stated as at December 31, 2007, unless otherwise specified.*

*Terms not otherwise defined have the meaning set forth in the "Glossary of Terms" included at the end of this document.*

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

*In the interest of providing shareholders and potential investors with information regarding the Corporation's future perspectives, this Annual Information Form's headings could contain forward-looking statements, within the meaning of securities legislation. These forward-looking statements express, as at the date of this Annual Information Form, evaluations, forecasts, projections, expectations or opinions of the Corporation regarding future events or results. These forward-looking statements are subject to risks, uncertainties, and other important factors that could cause the Corporation's actual performance to differ materially from that expressed in, or implied by, such forward-looking statements. Important risks and uncertainties that could cause the actual results and future events to differ materially from the expressed current expectations are discussed under the heading Risk Factors of this Annual Information Form. Although the Corporation believes that the expectations conveyed by these forward-looking statements are based on valid and reasonable motives and hypotheses, there is a risk that these forward-looking statements may prove to be inaccurate. Readers of this Annual Information Form are hereby warned not to rely unduly on these forward-looking statements. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or to a person acting on its behalf, are expressly qualified in their entirety by these cautionary statements. The Corporation does not intend to update or revise these forward-looking statements to consider events or circumstances that take place after the date of this Annual Information Form, or after unexpected events, unless required by law.*

#### 1. CORPORATE STRUCTURE

The Corporation was incorporated in Canada under the *Canada Business Corporations Act* by articles of incorporation dated October 25, 2002. On October 25, 2007, the articles of the Corporation were amended to change its name from Innergex Management Inc. to Innergex Renewable Energy Inc. The Corporation's head and registered office is located at 1111, Saint-Charles West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4. The Corporation also has an office in Vancouver, British Columbia.

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

#### 2. GENERAL DEVELOPMENT OF THE BUSINESS

##### *General Development of Business*

The Corporation is an independent developer and operator of renewable power generating facilities with a focus on the hydroelectric and wind power sectors. The Corporation operates, on its own behalf or on behalf of the Innergex Power Income Fund (the "Fund"), various power generating facilities in the Provinces of Québec, Ontario and British Columbia and in the State of Idaho.

The Corporation's management team has been active in the renewable power industry since 1990 and has developed and brought to commercial operation or refurbished, through different ventures, 11 hydroelectric and two wind power facilities, representing an aggregate installed capacity of 347.9 MW. The Corporation owns one 8 MW facility currently in operation, and, together with its partners, nine projects with an aggregate of 565 MW of power generating capacity for which PPAs have been secured. These projects are either under construction or will be under construction over the next five years and are expected to reach commercial operation between 2008 and 2012.

The Corporation's management team also created the Fund, which completed its initial public offering in July 2003, to acquire operating hydroelectric power generating facilities which were developed or refurbished by the Corporation's management team. The Corporation also owns a 16.1% equity interest in the Fund, which owns interests in ten hydroelectric and two wind power generating facilities having an aggregate installed capacity of 339.9 MW. The Corporation also has interests in 1,637.8 MW of prospective power generating projects which are in preliminary stages of development. See "Description of Business – Portfolio of Assets".

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

### *Three Year Summary*

#### Initial Public Offering

On December 6, 2007, pursuant to a prospectus dated November 28, 2007, the Corporation completed its initial public offering (the "Offering") of 10,455,000 common shares at a price of \$11.00 per common share (the "Offering Price") for aggregate gross proceeds of \$115,005,000. In addition, concurrently with the closing of the Offering, the Corporation issued an aggregate of 5,342,620 common shares at the Offering Price to Régime de Rentes du Mouvement Desjardins, Caisse de Dépôt et Placement du Québec ("CDPQ"), Sun Life Assurance Company of Canada, TD Capital Group Limited and Kruger Inc. Master Trust (collectively, the "Institutional Investors") by way of private placement for aggregate proceeds of \$58,768,822 (the "Private Placement"). The common shares of the Corporation trade on the Toronto Stock Exchange (the "TSX") under the symbol "INE.TO". Pursuant to the Offering, the Institutional Investors granted to the Underwriters the right to purchase up to 1,045,000 common shares for a period of 30-days following the closing of the Offering. On January 4, 2008, the Underwriters exercised the over-allotment option and purchased from the Institutional Investors 470,520 common shares for an aggregate purchase price of \$5,175,720.

#### Innergex II Acquisition

Concurrently with the closing of the Offering, the Corporation purchased, using a portion of the proceeds of the Offering, all of the equity interests of the Institutional Investors in Innergex II Income Fund ("Innergex II") not previously held by the Corporation and repaid or purchased, as applicable, all of the outstanding indebtedness owed by Innergex II to the Institutional Investors (collectively, the "Innergex II Acquisition"). Through its acquisition of Innergex II, the Corporation acquired its ownership interests in one operational 8 MW power generating facility and in eight power projects for which power purchase agreements ("PPAs") have been secured and which are expected to reach commercial operation between 2008 and 2012, representing an aggregate of 565 MW of power generating capacity. See also "Significant Acquisitions – Innergex II Acquisition".

#### Acquisition of Interest in the Fund

Concurrently with the closing of the Offering, the Fund acquired Innergex II's 38% interest in the 109.5 MW Baie-des-Sables wind farm and 38% interest in the 100.5 MW Anse-à-Valleau wind farm (collectively, the "Facilities

Acquisition"). In connection with the Facilities Acquisition and the Offering, the Corporation effectively acquired a 16.1% equity interest in the Fund. See also "Significant Acquisitions". Through its 16.1% interest in the Fund, the Corporation acquired an economic interest in the Fund's 12 operational power generating facilities, which have an aggregate of 339.9 MW in installed capacity. The Corporation also entered into agreements pursuant to which the Corporation agreed to continue to provide certain management services to the Fund and a cooperation agreement pursuant to which each party granted to the other a right of first offer in respect of any of its power generating projects. See "Description of Business – Relationship with the Fund – Management of the Fund".

### Recently Completed Projects

The Corporation, as manager of Innergex II, has, with TransCanada Energy Ltd. ("TransCanada"), recently completed the development of two wind projects, namely the Baie-des-Sables Facility and the Anse-à-Valleau Facility. These were successfully completed within their respective construction schedules and budgets and Innergex II's interests therein were sold to the Fund concurrently with the closing of the Offering. See "Acquisition of Interest in the Fund" and "Significant Acquisitions".

The Baie-des-Sables Facility is a 109.5 MW wind power facility located in Baie-des-Sables and Métis-sur-Mer, Québec, which Innergex II developed jointly with TransCanada. Construction of the Baie-des-Sables Facility commenced in March 2006 and was completed, as scheduled, in November 2006. The aggregate construction cost of the Baie-des-Sables Facility was \$185.5 million, which was in line with budget. Electricity produced by the Baie-des-Sables Facility is sold to Hydro-Québec pursuant to a PPA.

The Anse-à-Valleau Facility is a 100.5 MW wind power facility located in Anse-à-Valleau, Québec, which Innergex II developed jointly with TransCanada. Construction of the Anse-à-Valleau Facility commenced in October 2006 and commercial operation of the facility commenced, as scheduled, in November 2007. The aggregate construction cost of the Anse-à-Valleau Facility was \$185.3 million, which was in line with budget. Electricity produced by the Anse-à-Valleau Facility is sold to Hydro-Québec pursuant to a PPA.

Prior to the Innergex II Acquisition, the Corporation, as manager of Innergex II and in partnership with local British Columbia investors, also completed, in 2005, the Rutherford Creek Facility, a 49.9 MW hydroelectric facility located near Pemberton, British Columbia. Prior to its sale to the Fund on December 15, 2005, Innergex II owned a 50% interest in the Rutherford Creek Facility. This 49.9 MW facility was under construction from the fall of 2002 and partly commissioned with only one of the two turbines on May 31, 2004. The second turbine was installed and commissioned during 2005.

### 3. SIGNIFICANT ACQUISITIONS

Upon closing of the Offering, the Corporation completed the Innergex II Acquisition, acquiring from the Institutional Investors their equity interests in Innergex II (such that Innergex II became a wholly-owned subsidiary of the Corporation) for a purchase price of \$63,364,165 which was effectively paid by the issue to the Institutional Investors of 5,760,379 Common Shares of the Corporation at the Offering Price. At the closing of the Offering, using a portion of the net proceeds of the Offering and the Private Placement, the Corporation also repaid and purchased, as applicable, all the outstanding indebtedness owed by Innergex II to the Institutional Investors for a total amount of \$123,875,000.

Concurrently with the closing of the Offering, the Fund completed the Facilities Acquisition pursuant to which it acquired the 38% interest in the 109.5 MW Baie-des-Sables Facility and the 38% interest in the 100.5 MW Anse-à-Valleau Facility held by Innergex II for an acquisition price of \$61.7 million, subject to working capital adjustments (\$172.9 million when aggregated with the non-recourse debt outstanding in connection with the two facilities acquired and an additional debt incurred by the Fund). The \$61.7 million acquisition price was satisfied by the issuance by the Fund of 4,724,409 trust units of the Fund to Innergex II which were, in connection with the Offering, transferred to the

Corporation. The 4,724,409 trust units of the Fund transferred to the Corporation represent approximately a 16.1% equity interest in the Fund.

The Corporation filed a Business Acquisition Report with the Canadian Securities Regulators with respect to the Innergex II Acquisition and the acquisition of 4,724,409 units of the Fund on February 18, 2008 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### 4. INDUSTRY OVERVIEW AND MARKET TRENDS

##### *Renewable Power Generation Industry*

Renewable power producers are involved in the generation of electricity from renewable sources of energy, including (i) water; (ii) wind; (iii) certain waste products, such as biomass (e.g., waste wood from forest products operations) and landfill gas; (iv) geothermal sources, such as heat or steam; and (v) the sun. Demand for renewable power sources in North America continues to grow and is largely driven by the long-term trend toward stronger policies for protecting the environment. While traditional regulated utilities continue to dominate the North American electricity generation markets, it is recognized that independent power producers will play an increasingly important role in the supply of electricity needs in the future. In recent years, governmental authorities and other policymakers have increasingly recognized the benefits of power generated by independent power producers.

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

##### *Renewable Power in Canada*

Significant recent growth in renewable power generation in Canada has been influenced by rising electricity prices, competitive provincial markets, rising fossil fuel prices, public concern over nuclear power generation, air quality and greenhouse gases, improvements in renewable energy technologies and shorter construction lead times for certain renewable projects. Renewable electricity generation in Canada is also supported by federal and provincial incentives such as production tax credits, accelerated depreciation, and Renewable Portfolio standards.

##### Independent Power Producers

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

In recent years there has been a shift to retail and wholesale competition in Alberta and Ontario, and some other provinces have undertaken varying degrees of sector unbundling through the granting of PPAs to independent power producers and greater access to transmission and distribution lines.

## Federal Government Support for Renewable Power in Canada

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

## Provincial Renewable Portfolio Standards and Requests for Proposals

In response to the long-term trend toward stronger policies for protecting the environment, many provincial governments have introduced Renewable Portfolio Standards, or RPSs, which are generally being applied as goals or targets rather than mandatory requirements. RPSs typically set a target for an increased component of renewable generation in the electricity generation supply mix in order to reduce greenhouse gas emissions over time.

Several provinces have recently released, or are currently preparing, significant new requests for proposals (“RFPs”) or Standard Offer Programs with the objective of procuring additional installed electricity generation capacity from renewable sources. The current provincial targets for clean or renewable energy in their supply mix include: British Columbia’s plan that renewable or clean energy continue to account for at least 90% of total power generation in the future; Saskatchewan targeting 50% sustainable and renewable power generation by 2025; Ontario targeting 10% renewable power generation by 2010; Québec pursuing 4,000 MW of installed wind generation capacity by 2015; New Brunswick aiming for 10% renewable power generation by 2016; Nova Scotia requiring 20% renewable power generation by 2013; and Prince Edward Island requiring 30% renewable power generation by 2016.

## Hydroelectric and Wind Power in Canada

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

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

### Québec

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

The Régie de l’énergie, an economic regulation agency created by the Government of Québec in 1996, fixes and modifies the rates and conditions for, *inter alia*, the transmission of electric power by the electricity carrier and the distribution of electric power by the electricity distributors in the Province of Québec. To that end, Hydro-Québec must present to the Régie de l’énergie a forecast of the needs of the Québec market for the next ten years as well as



the nature of the contracts that Hydro-Québec intends to enter into in order to meet the demand over and above 165 TWh (being the heritage electricity pool which must be supplied by Hydro-Québec). To meet demand in excess of this 165 TWh, Hydro-Québec must enter into supply contracts after conducting RFPs with interested power suppliers. The Régie de l'énergie monitors all RFPs for the supply of energy in Québec. In 2003, Hydro-Québec issued an RFP for the supply of nearly 1,000 MW of wind energy. In 2005, another RFP was issued for the supply of 2,000 MW of wind energy, which closed recently and for which Hydro-Québec received 66 bids for a combined total of 7,724 MW (the "Québec 2,000 MW RFP"). Hydro-Québec is expected to award projects under the Québec 2,000 MW RFP before the end of the 2008 calendar year.

### British Columbia

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

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

BC Hydro is currently planning to release a Clean Power Call in the spring of 2008, pursuant to which tenders would be submitted in the summer and contracts would be awarded by BC Hydro to successful bidders in the fall of 2008. Guidelines and contract terms have not yet been released, however BC Hydro's intention is to acquire 5000 GWh per year of seasonal and hourly firm power generated from "clean energy" sources. Draft terms indicate that eligible "clean energy" sources include non-nuclear proven technologies which have been used in at least three commercial generation facilities for at least three years.

### Ontario

In May 2002, Ontario's electricity market opened to wholesale and retail competition, providing open access to regulated transmission systems, and requiring Ontario Power Generation ("OPG") to reduce its share of generation capacity in the market. In 2003, the Government of Ontario took steps which transformed the electricity market into what is now described as a "hybrid market". Such steps included raising the price cap, directing the Ontario Energy Board ("OEB") to regulate residential pricing for power generated from OPG's nuclear and large hydroelectric generation assets and setting annual revenue limits with respect to OPG's coal and smaller hydroelectric generation facilities. In late 2004, the Government of Ontario established the Ontario Power Authority ("OPA") to address system planning and security of supply in Ontario by reviewing demand and resource reliability forecasts, facilitating supply source investment and diversification, and promoting conservation.

In August 2007, the OPA filed with the OEB a comprehensive Integrated Power System Plan ("IPSP") identifying the conservation, generation and transmission investments required in Ontario from 2007 to 2027. Once approved by the OEB, the IPSP will authorize the OPA to procure generation without the need for Ministerial directives, in order to meet Ontario's RPS targets of 10,400 MW (which is 2,700 MW above 2003 levels) of installed renewable energy sources by 2010 and 15,700 MW by 2025. Ontario currently has approximately 8,300 MW of renewable generation sources installed, including major hydroelectric facilities such as Niagara Falls.

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

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

In response to a Ministerial Direction issued in August of 2007 directing the OPA to procure an additional 2,000 MW of renewable energy in Ontario, the OPA recently completed a request for expressions of interest from potential renewable energy developers. The OPA expects to release a 500 MW renewable energy RFP in the spring of 2008, which will be the first phase in the OPA's effort to procure an additional 2,000 MW of renewable energy in the near term.

### *Advantages of Hydroelectric Power Generation*

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

#### *Reliability*

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

#### *Low Operating Costs*

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

#### *Environmentally Preferred*

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

#### *Low Environmental Impact*

Small hydroelectric generating facilities, as generally defined in Canada as facilities with less than 50 MW, are typically run-of-river facilities that do not have significant reservoir capacity. This reduces the potentially harmful effect of upstream flooding and other environmental impacts that may change the seasonality of flow of water within a given area.

### *Advantages of Wind Power Generation*

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

#### *Low Operating Costs*

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

#### *Construction Flexibility*

Wind energy facilities are relatively simple to construct when compared to more traditional electricity producing facilities. A typical wind energy facility can be constructed within a much shorter time frame than other electricity generation facilities such as hydro, natural gas, nuclear or coal facilities, which can take several years to complete for larger scale facilities. As a result, wind energy facilities are susceptible to far fewer risks associated with construction delays and cost overruns.

#### *Reliability*

Modern wind turbines are very reliable. Availability, a measure of an electricity generation system's reliability, is calculated as the percentage of time that an energy system is able to operate relative to total time available. The difference between the two is largely attributable to annual scheduled maintenance. According to the Canadian Wind Energy Association, availability for modern wind turbines is typically approximately 98%.

#### *Environmentally Preferred*

Wind energy facilities do not produce any greenhouse gas emissions or acid rain, both of which have significant negative impacts on the environment. Wind energy generation does not result in thermal, chemical, radioactive, water and air pollution associated with fossil fuel and nuclear generated power.

#### *Limited Use of Land*

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

## 5. DESCRIPTION OF THE BUSINESS AND ASSETS OF THE CORPORATION

### *Portfolio of Assets*

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

The Corporation's interests in the 13 Operating Facilities consist of a 100% interest in the 8 MW Glen Miller Facility and interests in the 12 other Operating Facilities held through its 16.1% equity interest in the Fund. See "Relationship with the Fund". The Corporation intends to continue to own and operate the Development Projects with PPAs and the Prospective Projects as these projects become operational.

The Corporation often teams up with a strategic partner when bidding for projects under an RFP. When this is the case, the Corporation and the strategic partner will typically share in the ownership of such projects. Current partners are TransCanada (owner of 62% of the Cartier Wind Projects), the Kanaka Bar Indian Band (owner of 50% of the

Kwoiek Creek Project) and the Ojibways of the Pic River First Nation (owner of 51% of the Umbata Falls Project). The Corporation's expected capacity measured on an ownership weighted basis represents 293 MW out of the 565 MW capacity of its Development Projects with PPAs and 1,510.5 MW out of the 1,637.8 MW capacity of its Prospective Projects.

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

### Operating Facilities

<u>Province</u>	<u>Type</u>	<u>Plant</u>	<u>Capacity</u> (MW)	<u>Equity</u> <u>Interests</u> <sup>(1)</sup>	<u>Power</u> <u>Purchaser</u>	<u>Estimated Long</u> <u>Term Average</u> <u>Generation</u> (MWh)	<u>Remaining</u> <u>PPA Term</u> <sup>(2)</sup> (years)
<b>Directly Owned</b>							
Ontario.....	Hydro	Glen Miller	8.0	100%	Ontario Power Authority	41,500	17
<b>Indirect Interests</b>							
Québec.....	Hydro	St-Paulin	8.0	12.49%	Hydro-Québec	41,082	6
Québec.....	Hydro	Portneuf - 1	8.0	12.49%	Hydro-Québec	40,822	13
Québec.....	Hydro	Portneuf - 2	9.9	12.49%	Hydro-Québec	68,496	13
Québec.....	Hydro	Portneuf - 3	8.0	12.49%	Hydro-Québec	42,379	13
Québec.....	Hydro	Chaudière	24.0	12.49%	Hydro-Québec	116,651	11
Québec.....	Hydro	Montmagny	2.1	16.10%	Hydro-Québec	8,000	13
Québec.....	Hydro	Windsor	5.5	16.10%	Hydro-Québec	31,000	8
Québec.....	Wind	Baie-des-Sables	109.5	6.12%	Hydro-Québec	298,317	18
Québec.....	Wind	Anse-à-Valleau	100.5	6.12%	Hydro-Québec	298,000	19
Ontario.....	Hydro	Batawa	5.0	16.10%	Ontario Power Authority	32,938	21
B.-C .....	Hydro	Rutherford Creek	49.9	16.10%	BC Hydro	180,000	16
Idaho .....	Hydro	Horseshoe Bend	<u>9.5</u>	16.10%	Idaho Power	<u>46,800</u>	22
<b>Total.....</b>			<b>347.9</b>			<b>1,245,985</b>	

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

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

## Development Projects with PPAs

<u>Province</u>	<u>Type</u>	<u>Plant</u>	<u>Expected Capacity (MW)</u>	<u>Equity Interest</u>	<u>Direct Construction Costs <sup>(1)</sup> (\$mms)</u>	<u>Power Purchaser</u>	<u>Estimated Long Term Average Generation (MWh)</u>	<u>Expected Commercial in Service Date</u>	<u>PPA Term<sup>(2)</sup> (years)</u>
Ontario .....	Hydro	Umbata Falls	23.0	49%	59.0	Ontario Power Authority	109,102	2008	20
Québec.....	Wind	Carleton	109.5	38%	181.2	Hydro-Québec	340,523	2008	20
B.C .....	Hydro	Ashlu Creek	49.9	100%	132.0	BC Hydro	265,000	2009	30
Québec.....	Hydro	Matawin	15.0	100%	24.6	Hydro-Québec	62,529	2009	25
B.C .....	Hydro	Kwoiek Creek	49.9	50%	152.1	BC Hydro	215,000	2010	40
B.C .....	Hydro	Mkw'Alts	47.7	100%	87.3	BC Hydro	156,000	2010	20
Québec.....	Wind	Montagne Sèche	58.5	38%	103.0	Hydro-Québec	182,743	2011	20
Québec.....	Wind	Gros Morne Phase I	100.5	38%	169.80	Hydro-Québec	312,535	2011	21
Québec.....	Wind	Gros Morne Phase II	<u>111.0</u>	38%	<u>178.70</u>	Hydro-Québec	<u>345,188</u>	2012	20
Total.....			565.0		1,087.7		1,988,620		

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

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

## Prospective Projects

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

## *Operating Facilities*

The Glen Miller Facility is the only fully-owned Operating Facility of the Corporation. The Corporation has an economic interest in the remaining 12 Operating Facilities in its portfolio through its ownership of approximately 16.1% of the outstanding units of the Fund. All of the Fund's facilities are operating under long-term fixed price PPAs with investment grade counterparties. See "Relationship with the Fund".

### Glen Miller Facility

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

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

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

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

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

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

## *Development Projects with PPAs*

### Hydroelectric Projects

#### *Umbata Falls Project (49% ownership) — Under Construction*

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

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

The estimated project cost of the Umbata Falls Project is \$60 million, which is expected to be principally financed with (i) a \$51 million non-recourse term loan provided by a recognized Canadian financial institution, and (ii) cash received from the proceeds of the Offering and the cash flows generated by the Corporation’s operations from time to time. The non-recourse term loan was secured by all of the assets of Umbata Falls LP and a pledge by the Ojibways of the Pic River First Nation and a subsidiary of the Corporation of their partnership and equity interests in Umbata Falls LP and Begetekong Power Corporation.

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

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

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

The Corporation expects the Umbata Falls Project to be eligible for the ecoENERGY Initiative providing for an incentive payment of \$10 per MWh for its first ten years of operations. See “Industry Overview and Market Trends — Renewable Power in Canada — Federal Government Support for Renewable Power in Canada”.

*Matawin Project (100% ownership)*

The Matawin Project is a proposed hydroelectric power generating facility with an installed capacity of 15 MW and an estimated yearly energy output of 62,529 MWh. It is located on the Matawin River, a tributary of the Saint-Maurice River, in Québec. Construction of the Matawin Project is expected to commence in the fourth quarter of 2008 and it is expected to commence commercial operations in 2010. The facility will contain a single vertical “Kaplan Frontospiral” turbine with a rated flow of 90 cubic metres per second and a maximum gross head of 21 metres.

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

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

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

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

The price for electricity generated by the Matawin Project in its first year of operation was \$39.40 per MWh at the time the Corporation submitted its bid and is indexed by 0.6% following the date of commencement of commercial operation. This is a favourable price for Hydro-Québec in light of the current market price for electricity, which continues to rise. The Corporation is therefore confident that it will be able to finalize a PPA with Hydro-Québec with respect to the Matawin Project and, for this reason, considers it as one of its Development Projects with PPAs despite the fact that the PPA with respect to the Matawin Project has yet to be executed. Under the terms of the RFP for the Matawin Project, the facility would be required to be transferred to Hydro-Québec 25 years after the commencement of commercial operations.

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

*Ashlu Creek Project (100% ownership) — Under Construction*

The Ashlu Creek Project is a run-of-river hydroelectric power generating facility currently under construction with a nameplate capacity of 49.9 MW and an estimated yearly energy output of 265,000 MWh. It is located on Ashlu Creek, a tributary to the Squamish River, approximately 35 kilometres northwest of Squamish, British Columbia.



Construction of the Ashlu Creek Project commenced in August 2006 and it is expected to commence commercial operations in 2009. The generating equipment of the Ashlu Creek Project is expected to be composed of three 16.6 MW Francis turbines. The 230kV transmission line is approximately three kilometres long and taps into an existing British Columbia Transmission Corporation (“BCTC”) line.

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

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

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

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

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

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

*Kwoiek Creek Project (50% ownership)*

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

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

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

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

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

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

*Mkw'Alts Project (100% ownership)*

The Mkw'Alts Project is a proposed run-of-river hydroelectric power generating facility with a nameplate capacity of 47.7 MW and an estimated yearly energy output of 156,000 MWh. It is located on Ure Creek, a tributary to Lillooet Lake, approximately 11 kilometres south of the village of Mount Currie, British Columbia. Construction of the Mkw'Alts Project is expected to commence in the fourth quarter of 2008 and it is expected to commence commercial

operations in 2010. The generating equipment is planned to be composed of two “Pelton” 23.85 MW turbines fed by a 5.5 kilometre long penstock.

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

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

The Mkw’Alts Project is authorized to divert and use water up to 15.5 cubic metres per second from Ure Creek in accordance with a water licence issued pursuant to the *Water Act* (British Columbia) on August 31, 2005. The water licence will expire on August 31, 2045 but may be renewed upon application to the Regional Water Manager as long as the Mkw’Alts Project continues to use water as authorized under the licence, pays the annual rental and complies with the terms and conditions of the water licence and the *Water Act* (British Columbia). The Mkw’Alts Project is located on public land which is subject to a Licence of Occupation under the *Land Act* (British Columbia). The Licence of Occupation commenced on November 1, 2004 and expired on November 1, 2007. The province of British Columbia has issued a new Licence of Occupation to replace the expired Licence of Occupation with a term of one year commencing on November 1, 2007 and expiring on November 1, 2008. It is anticipated that the licence will be further renewed at the beginning of the construction period and that the right to use the Crown land will continue for as long as the water licence described above remains in full force and effect.

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

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

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

## Wind Projects

### *Cartier Wind Projects*

The Corporation and TransCanada respectively own, as undivided co-owners, 38% and 62% of the following wind power generating projects: (i) the 109.5 MW Carleton Project; (ii) the 58.5 MW Montagne-Sèche Project; (iii) the 100.5 MW Gros Morne Phase I Project; (iv) the 111 MW Gros Morne Phase II Project; and (v) the 150 MW Les Méchins Project. In addition, following the Facilities Acquisition, the Fund and TransCanada own, as undivided co-owners, 38% and 62% of the Baie-des-Sables and Anse-à-Valleau Facilities (collectively with the Carleton Project, the Montagne-Sèche Project, the Gros Morne Phase I Project, the Gros Morne Phase II Project and the Les Méchins Project, the “Cartier Wind Projects”). The 38% interests of Innergex II in each of the Anse-à-Valleau Facility and the Baie-des-Sables Facility were sold to the Fund concurrently with the Offering. See “Significant Acquisitions – Innergex II Acquisition”.

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

### *Cartier Wind Owners and Owners Agreement*

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

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

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

### *Separation Agreement*

The Cartier Wind Owners (including those Cartier Wind Owners of the Fund which hold interests in the Baie-des-Sables and Anse-à-Valleau Facilities) are also party to a Separation Agreement dated as of February 25, 2005 (the “Separation Agreement”), which sets forth the procedure should any of the Cartier Wind Owners request the separation of the Cartier Wind Projects between their respective owners. After two Cartier Wind Projects have

reached final completion, the Separation Agreement allows any of the Cartier Wind Owners, within 60 days after the final completion date for a second Cartier Wind Project, to request the separation of all the Cartier Wind Projects. The Baie-des-Sables Facility has reached final completion. In addition, the Anse-à-Valleau Facility, which has commenced commercial operations but which has not yet reached final completion under the construction agreement, is likely to be the second Cartier Wind Project to reach final completion. However, the Fund has agreed, pursuant to an agreement amongst the Cartier Wind Owners, Innergex AAV L.P., Innergex BDS L.P. and the Corporation dated December 6, 2007 (the "Agreement Related to the Separation Agreement"), not to cause the separation of the Cartier Wind Projects without the prior written consent of the Corporation. Upon a request for separation, the two completed Cartier Wind Projects (being the Anse-à-Valleau Facility and the Baie-des-Sables Facility) would be allocated based on their respective fair market values, with the facility with the highest value being allocated to TransCanada and the other facility being allocated to the Fund. The remaining Cartier Wind Projects would be allocated between the Corporation and TransCanada, on the basis of the total number of MW of the projects and anticipated completion dates, such that following the separation process, each individual Cartier Wind Project will be owned indirectly in its entirety by either the Corporation, the Fund or TransCanada.

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

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

#### **Carleton Project (38% ownership) — Under Construction**

The Carleton Project is a wind power facility under construction in the Town of Carleton-Sur-Mer and the Regional County Municipality of Bonaventure, Québec. It has a planned installed capacity of 109.5 MW and an estimated yearly energy output of 340,523 MWh. Construction of the Carleton Project commenced in October 2007 and it is expected to commence commercial operations in the fourth quarter of 2008. The generating equipment will consist of 73 General Electric Company ("GE") wind turbines, each with a capacity of 1.5 MW. The turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers to be operated in wind speeds of 3.5 to 25 metres per second. Each turbine will have a three-bladed 77-metre diameter rotor. The turbines benefit from a two-year warranty and the Corporation has elected to purchase a three-year extended warranty period. During the warranty period, GE has guaranteed that the aggregate average annual availability of the turbines will be 96% or greater. The Carleton Project will connect to the transmission system via a 34.5 kV substation tapping into an approximately 10-kilometre long 230 kV transmission line to be constructed by Hydro-Québec.

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

Environmental regulatory approval for the Carleton Project was recently secured and the regulatory approvals for completing the construction and operation of the Carleton Project that have not already been obtained are in the process of being obtained. The Carleton Project site is located entirely on public lands of an approximate total area of 4,445 hectares. The Cartier Wind Owners of the Carleton Project have secured access to the public lands by obtaining a letter of intent pursuant to the Wind Farm Construction Program of the MRN. Pursuant to the letter of intent with the MRN, leases or other land rights are expected to be granted by the MRN if conditions are fulfilled to its satisfaction. Royalties payable to the Québec government under such leases or land rights agreements will be based on the established rates pursuant to applicable regulation.

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

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

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

## Gros Morne Projects (38% ownership)

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

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

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

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

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

#### Montagne-Sèche Project (38% ownership)

The Montagne-Sèche Project is a proposed wind power facility located in the Municipality of the Canton of Cloridorme, Québec. It has a planned installed capacity of 58.5 MW and an expected yearly energy output of 182,743 MWh. Construction of the Montagne-Sèche Project is expected to commence and to be completed in 2011. The Montagne-Sèche Project is expected to consist of 39 GE wind turbines, each with a capacity of 1.5 MW. The turbines will be active yaw and pitch regulated, horizontal axis, up-wind turbines, mounted on 80-metre rolled steel towers and operate in wind speeds of 3.5 to 25 metres per second. Each turbine has a three-bladed, 77-metre diameter rotor. The turbines benefit from a two-year warranty and the Corporation has an option to purchase a three-year extended warranty. In connection with operation and maintenance services, GE has guaranteed that the aggregate average annual availability of the turbines will be 96% or greater. The Montagne-Sèche Project will connect to the transmission system via a 34.5 kV substation tapping into an approximately 161 kV transmission line constructed by Hydro-Québec.

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

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

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

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



## *Prospective Projects*

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

### Prospective Wind Projects

#### *The Québec 2,000 MW RFP*

On October 31, 2005, Hydro-Québec issued the Québec 2,000 MW RFP. On September 18, 2007, the Corporation submitted three bids pursuant to this RFP for projects representing a total potential installed capacity of 322.5 MW and a potential yearly energy output of 975,200 MWh. Although it was initially expected that Hydro-Québec would announce the winning bids in February 2008, it is now expected that such awards will be announced in April or May 2008.

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

#### **Roussillon Project (100% ownership)**

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

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

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

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

A preliminary environmental impact assessment report with respect to the Roussillon Project has been submitted to the *Ministre du Développement durable, Environnement et Parcs*. Although some residents of St-Philippe and St-Jacques-le-Mineur have recently demonstrated their opposition to the project, such occurrence is not uncommon as the Corporation is in its initial stages of its public communication and consultation process with the relevant communities. The Corporation is confident that if the Roussillon Project is selected by Hydro-Quebec, it will succeed in getting the approval of the majority of residents and the required authorizations and permits.

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

### **Kamouraska Project (100% ownership)**

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

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

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

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

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

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

### **Massif-du-Sud Project (100% ownership)**

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

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

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

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

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

#### *Other Prospective Québec Wind Projects*

##### **Saint-Constant Project (100% ownership)**

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

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

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

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

##### **Club des Hauteurs Project (100% ownership)**

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Rivière-au-Renard Project (50% ownership)

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

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

#### Les Méchins Project (38% ownership)

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

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

The Les Méchins Project site would consist of approximately 14,000 hectares of which about 40% is located on private lands and 60% on public lands. With respect to the private lands, the options entered into with private landowners prior to 2005 to acquire the right of superficies and necessary servitudes in order to construct roads and/or to erect wind turbines and electrical installations have expired and the Cartier Wind Owners of the Les Méchins Project have entered into new option agreements with only a few of these landowners. Negotiations are

ongoing with the majority of private landowners and difficulties have arisen in securing such rights of superficies and servitudes since, in particular, the landowners have resisted permitting such agreements to be renewable for an additional 25 years after the expiry of the initial 25-year term, although the initial option agreements provided for a 50 year lease. For the public lands, a letter of intent has been issued by the MRN in favour of the Cartier Wind Owners of the Les Méchins Project in accordance with the Wind Farm Construction Program. Pursuant to the letter of intent with the MRN, leases or other land rights are expected to be granted by the MRN if conditions are fulfilled to its satisfaction and royalties payable to the Québec government under such leases or land rights agreements will be based on the established rates pursuant to applicable regulation.

The Les Méchins Project has a PPA with Hydro-Québec with respect to all electricity that will be produced by the Les Méchins Project, expiring 20 years after the date on which the Les Méchins Project begins delivering electricity. The Les Méchins Project PPA required that the Corporation acquire the right of superficies for at least 80% of the total area of the private lands required for the Les Méchins Project by February 1, 2008. This requirement was not met by such date and the Corporation is still negotiating to secure such rights. This would cause the Corporation to be in default under the Les Méchins Project PPA in the case that it does not remedy the default within sixty days of receipt of a notice of such default from Hydro-Québec. No notice of default has been received from Hydro-Québec to date. Furthermore, the delay in acquiring the necessary land rights could have the effect of delaying the Corporation's timely achievement of other required milestones in the development of the Les Méchins Project, including the commencement date of delivery of electricity, which the Corporation has warranted shall be no later than December 1, 2009.

Under the Les Méchins Project PPA, the Cartier Wind Owners of the Les Méchins Project have agreed to deliver and sell a minimum quantity of energy of 395,251 MWh per year. The price of the delivered electricity payable by Hydro-Québec is determined pursuant to a formula set forth in the Les Méchins Project PPA, which is based, up to a certain quantity, on the price at January 1, 2004, being an amount of \$71.81/MWh and adjusted annually in accordance with CPI and certain factors provided therein.

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

#### *Prospective British Columbia Wind Projects*

The Corporation has identified various potential renewable energy projects in British Columbia, namely the Carp Forest project, the Crater Mountain project, the Poplar Hills project, the Nulki Hills project, the Saxton Lake project, the Tatuk Lake project, the Trachyte Hills project, the Hixon Project and the Vancouver Island Range project (the "Prospective BC Wind Projects"). The Corporation recently ceased development of two other prospective wind projects, one located approximately 15 kilometres northwest of Sechelt in the south coast region of British Columbia and one located approximately 20 kilometres northwest of Gibsons in the south coast region of British Columbia, due to its assessment that environmental considerations would restrict the area available for wind farm development on those lands. The Prospective BC Wind Projects have an aggregate potential installed capacity of approximately 1,217.5 MW. The Corporation intends to bid the most feasible Prospective BC Wind Projects pursuant to BC Hydro's

upcoming RFP targeting approximately 5,000 MWh (or 1,250 MW, assuming a capacity factor of 45% for the various clean energy sources) of clean power, expected to be issued in 2008 or the beginning of 2009. The Corporation expects that it will be in a position to bid for Prospective BC Wind Projects having an aggregate potential installed capacity of up to 475 MW for future RFPs, which could include the upcoming RFP expected to be issued in 2008 or the beginning of 2009.

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

#### **Carp Forest Project (100% ownership)**

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

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

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

#### **Crater Mountain Project (100% ownership)**

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

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

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

### **Poplar Hills Project (100% ownership)**

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

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

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

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

### **Nulki Hills Project (100% ownership)**

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

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

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

### **Saxton Lake Project (100% ownership)**

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

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

ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

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

#### **Tatuk Lake Project (100% ownership)**

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

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

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

#### **Trachyte Hills Project (100% ownership)**

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

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

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

#### **Hixon Project (100% ownership)**

The Hixon Project is a prospective wind power project located approximately 60 kilometres south of Prince George in the Central Interior of British Columbia. The Corporation's preliminary assessment is that the Hixon Project could consist of 50 wind turbines with an aggregate potential installed capacity of 100 MW.

The total developable area of the Hixon Project is approximately 6,000 hectares, located on public land and private land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 4,979 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-



ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Hixon Project is located approximately eleven kilometres from a BCTC 230 kV transmission line.

#### **Vancouver Island Range (100% ownership)**

The Vancouver Island Range Project is a prospective wind power project located approximately 26 kilometres south of Port Hardy in the North part of Vancouver Island in British Columbia. The Corporation's preliminary assessment is that the Vancouver Island Range Project could consist of 30 wind turbines with an aggregate potential installed capacity of 60 MW.

The total developable area of the Vancouver Island Range Project is approximately 550 hectares, all of which is located on public land. An application for an investigative permit has been submitted to the Integrated Land Management Bureau with respect to an area of 550 hectares. If granted, the investigative permit would allow for the installation of meteorological towers to collect wind data, engineering data and environmental data and would secure a development option for the Corporation for a period of two years. The investigative permit would secure a first-ranking claim to the land and prevent other applicants from applying for lands within one kilometre of the permit boundary.

The Vancouver Island Range Project is located approximately two kilometres from a BCTC 138 kV transmission line.

#### **Prospective Hydroelectric Projects**

##### **Kaipit Project (100% ownership)**

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

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

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

The Corporation intends to submit the Kaipit Project to the Standard Offer Program currently being developed by BC Hydro for projects in British Columbia with a nameplate capacity of less than 10 MW. The initial proposed regional price for energy under such program in 2007 for projects on Vancouver Island is \$82.05 per MWh, representing an energy price of \$79 per MWh and environment attribute price of \$3.05 per MWh. It is expected that BC Hydro will release the terms of the Standing Offer Program in April 2008.

### **Kokish Project (100% ownership)**

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

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

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

The Corporation intends to submit the Kokish Project to the Standard Offer Program currently being developed by BC Hydro for projects in British Columbia with a nameplate capacity of less than 10 MW. The initial proposed regional price for energy for projects on Vancouver Island under such program is \$82.05 per MWh, representing an energy price of \$79 per MWh and an environment attribute price of \$3.05 per MWh. It is expected that BC Hydro will release the terms of the Standing Offer Program in April 2008.

### **Kipawa Project (48% ownership)**

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

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

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

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

## Other Opportunities — Québec Municipal Wind RFP

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

The Fédération Québécoise des Municipalités (the “FQM”) and the Corporation have entered into a strategic agreement pursuant to which the Corporation is designated as the preferred partner of the FQM for the development and implementation of wind farm projects under the Québec Municipal Wind RFP. The goal of the Corporation is to secure projects in partnership with municipalities and MRC’s under the Québec Municipal Wind RFP with an aggregate capacity of up to 150 MW.

### *Relationship with the Fund*

The Fund is a publicly-traded reporting issuer whose units are listed on the TSX under the symbol “IEF.UN”. Through its subsidiaries, the Fund conducts the business of, and owns, operates and leases assets and property in connection with, the generation, accumulation, transmission, distribution, purchase and sale of electricity. It also invests in and holds other direct and indirect rights in companies or other entities involved in the business of the generation, accumulation, transmission, distribution, purchase and sale of electricity, and engages in all activities ancillary and incidental thereto. The Fund indirectly owns interests in ten hydroelectric and two wind power generating facilities having an aggregate installed capacity of 339.9 MW and which are located in the provinces of Québec, Ontario and British Columbia and in the State of Idaho and of the Fund’s facilities are operating under long-term fixed price PPAs with investment grade counterparties.

The Fund’s objectives are to ensure and enhance the stability and sustainability of its distributable cash per unit to its unitholders and, when possible, to increase the amount of distributable cash per trust unit by enhancing current operational practices of its facilities and by making additional investments in electricity generating facilities, in accordance with guidelines established by the Fund in connection thereto. More information regarding the Fund may be found at [www.sedar.com](http://www.sedar.com). Such information is not incorporated by reference into this Annual Information Form.

The Corporation owns approximately 16.1% of the outstanding units of the Fund. The Corporation sees its investment in the Fund as a further way to benefit from the growth and increasing potential of the renewable power industry in North America and to benefit from the Fund’s stable and diversified cash flow in order to finance its development of projects.

## Management of the Fund

### *The Management Agreement*

Pursuant to an agreement dated December 6, 2007 between the Corporation and the Fund, which amended and restated a management agreement dated July 4, 2003 (the “Management Agreement”), the Corporation provides management services to the Fund. These services include: (i) supervising the operation of the facilities held indirectly by the Fund and administering the investments of the Fund; (ii) assisting the Fund in developing, implementing and monitoring a strategic plan; (iii) assisting the Fund in developing an annual business plan which includes operational and capital expenditure budgets; (iv) assisting the Fund in developing acquisition strategies, investigating and analyzing the feasibility of potential acquisitions; (v) carrying out acquisitions or dispositions and related financings required for such transactions; (vi) assisting in connection with any financing of the Fund; and (vii) assisting the Fund with the preparation, planning and co-ordination of trustee meetings.

The Management Agreement provides that the Corporation is entitled to reimbursement of its operating expenses incurred in connection with the performance of its duties under the Management Agreement, up to a maximum annual amount which is subject to an annual increase corresponding to the inflation rate of the CPI. The maximum chargeable amount for regular services in 2007 was \$887,184. Total amounts of \$395,674 were invoiced in 2007 for non-recurring due diligence expenses relating to an acquisition that the Fund did not complete. An amount of \$111,493 was invoiced for additional services. Furthermore, the Corporation is entitled to an annual incentive fee based on increases in annual distributions per unit of the Fund corresponding to 25% of the annual distributions per unit of the Fund in excess of \$0.925, without taking into account, for the purposes of determining the amount of the incentive fee, any taxes which could become payable by the Fund as a result of the Fund being a "SIFT trust" under the *Income Tax Act* (Canada) or any similar tax imposed by provincial tax authorities. The incentive fee related to increases in distributable cash per trust unit of the Fund is intended to provide the Corporation with an incentive to maximize distributable cash per trust unit of the Fund. An amount of \$334,314 as incentive fee was received for the period ended December 31, 2007.

#### *The Administration Agreement*

Pursuant to an agreement dated December 6, 2007 between the Corporation and the Fund, which amended and restated an administration agreement dated July 4, 2003 (the "Administration Agreement"), the Corporation provides certain administrative and support services to the Fund, including those necessary to ensure compliance by the Fund with its continuous disclosure obligations under applicable securities legislation.

The Administration Agreement provides that all operating expenses incurred by the Corporation in connection with the provision of these services are charged to the Fund up to a maximum annual amount of \$108,859 in 2007, subject to an annual increase equal to the CPI. The Corporation is entitled to the reimbursement of reasonable expenses incurred on behalf of the Fund, such as legal and auditing expenses and trustees' fees.

#### *The Services Agreement*

Pursuant to an agreement dated December 6, 2007 between the Corporation, the Fund and certain other subsidiaries of the Fund which amended and restated a services agreement dated July 4, 2003 (the "Services Agreement"), the Corporation provides management services to the Fund and its subsidiaries mainly for the operations of facilities of the Fund and the supervision of the employees of the Fund's subsidiaries or owners of its facilities. Under the Services Agreement, the Corporation manages, on behalf of the Fund and certain of its subsidiaries, certain of the Fund's facilities in accordance with prudent industry practices and an annual operating plan developed by the Corporation and approved by the Fund. All operating and out-of-pocket expenses incurred by the Corporation in connection with the provision of these services are reimbursed to the Corporation.

#### *Term of Agreements*

The Management Agreement, the Administration Agreement and the Services Agreement (collectively, the "Management Agreements") will all have terms expiring on July 4, 2030. The Management Agreements will be renewed for successive periods of five years, unless the Fund provides notice of non-renewal at least six months before the end of the relevant term. The Management Agreements can be terminated by either party upon the occurrence of customary events of default. The Management Agreement may also be terminated (i) by the Fund in the case of a major disagreement between the Manager and the trustees of Innergex Power Trust who are "unrelated" to the Corporation, upon a 90-day notice; or (ii) by the Corporation in the year following a change of control of the Fund. In either of these cases, the Manager shall be entitled to receive cash compensation. Following such termination, the Fund will no longer be required to pay any fee to the Corporation pursuant to the Management Agreement, including the annual incentive fee described under "Management Agreement" which is expected to be \$735,107 in the year ending December 31, 2008. A change of control of the Fund will occur if a person becomes the

beneficial owner of more than 25% of the units of the Fund. Any party to the Administration Agreement or the Services Agreement may terminate these agreements upon termination of the Management Agreement.

### Cooperation Agreement

Pursuant to an agreement dated December 6, 2007 between the Fund and the Corporation which amended and restated a cooperation agreement dated July 4, 2003 (the "Cooperation Agreement"), each party thereto grants a right of first offer to the other party in respect of any of its power generating projects which it wishes to sell, or intends to offer, to a third party purchaser. However, this right of first offer does not apply to an existing or future project partner of each party who has negotiated such a right of first offer with such party with respect to a project and has indicated in writing to such party its intention to exercise its right of first offer in respect of an offer to sell an interest in a project. The Cooperation Agreement also provides that, if either party acquires power generating assets from a third party and then sells such assets to the other party within a 12-month period following their initial acquisition, the selling party will not be entitled to any remuneration, except for the reimbursement of its costs and expenses incurred in relation thereto.

### *Competitive Conditions*

The Corporation operates in the Canadian power sector, which is affected by the supply of and demand for power in the provinces in which it operates, the availability of import/export transmission lines and overall economic conditions in Canada and the United States. Within this sector, the Corporation faces competition ranging from large utilities to small independent power producers. The Corporation depends upon the sale of its power to provincially owned utilities through long-term PPAs which are generally obtained through an RFP process which can attract bids from many of the Corporation's competitors. The Corporation manages the risk posed by such competitive conditions through its annual and ongoing strategic planning process. In addition, the Corporation's geographically diverse portfolio of projects, its strategy of focusing on low-impact, renewable projects, its proven track record and the experience of its management team mitigate this risk.

### *Seasonality and Cyclicity*

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

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

### *Environmental Protection*

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

## *Employees*

The Corporation has approximately 59 employees (including 14 employees of the Fund which are under the supervision of the Corporation pursuant to the Management Agreements). This workforce includes 18 employees in operations and maintenance, 11 employees in development and construction and 21 employees in finance and legal. The Corporation's employees have the specialized knowledge and skills to carry out its business and the Corporation has a proven ability to complement this internal capacity with an efficient use of external consultants, when required. In addition, the Corporation uses the services of several independent engineering firms to assist it with the feasibility analysis of its projects.

## **6. RISK FACTORS**

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

### *Execution of Strategy*

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

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

### *Senior Management and Key Employees*

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

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

### *Investment in the Fund*

The Corporation holds a substantial equity interest in the Fund. As a result, investors in the Corporation will be subject to the risks that the Corporation will face as a significant unitholder of the Fund. The risks of being an investor in the Fund are described in the continuous disclosure documents of the Fund, which can be found at [www.sedar.com](http://www.sedar.com) (but which are not incorporated by reference as part of this Annual Information Form).

Until the Development Projects with PPAs are in commercial operation, the Corporation's ability to pay interest and other operating expenses and to meet its obligations will in part depend upon receipt of sufficient funds from its

investment in the Fund. The likelihood that the Corporation will receive distributable cash from the Fund will be dependent upon the financial position and creditworthiness of the Fund. There is no guarantee that the Fund will continue to make distributions of cash on a basis consistent with past practices.

### *Construction and Design*

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

### *Relationship with Hydro-Québec*

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

### *Development of New Facilities*

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

### *Prospective Projects*

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

### *Performance of Counterparties*

The Corporation enters into purchase orders with third party suppliers for generation equipment for projects under construction, which involve deposits prior to equipment being delivered. Should one or more of these suppliers be unable to meet their obligations under the contracts, this would result in possible loss of revenue, delay in

construction and increase in construction costs for the Corporation. Failure of any equipment supplier to meet its obligations to the Corporation may result in the Corporation not being able to meet its commitments and thus lead to potential defaults under PPAs.

### *Relationship with Partners*

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

### *Turbine Supply*

The Corporation's development and operation of wind power facilities is dependant on the supply of wind turbines from third parties. Given the rapidly increasing demand for wind turbines, prices for wind turbines have risen sharply and may continue to rise. Any significant increase in the price of supply of wind turbines could negatively affect the future profitability of the Corporation's wind power projects and the Corporation's ability to develop other wind power projects. In addition, manufacturers may not be able or willing to meet the high demand for wind turbines. There is no guarantee that such manufacturers will meet all of their contractual obligations. Failure of any supplier of the Corporation to meet its commitments would adversely affect the Corporation's ability to complete projects on schedule and to honour its obligations under PPAs.

### *Permits*

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

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

### *Regulatory and Political*

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

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



The Corporation holds permits and licenses from various regulatory authorities for the construction and operation of its facilities. These licenses and permits are critical to the operation of the Corporation's business. The majority of these permits and licenses are long-term in nature, reflecting the anticipated useful life of the facilities. In some cases these permits may need to be renewed prior to the end of the anticipated useful life of such facilities and there is no guarantee that such renewals will be granted. These permits and licenses require the Corporation's compliance with the terms thereof. In addition, delays may occur in obtaining necessary government approvals required for future power projects.

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

### *Obtaining New PPAs*

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

### *Ability to Secure Appropriate Land*

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

### *Project Performance*

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

### *Reliance on PPAs*

The power generated by the Corporation is sold under long-term PPAs. If for any reason any of the purchasers of power under such PPAs were unable or unwilling to fulfill their contractual obligations under the relevant PPA or if they refuse to accept delivery of power pursuant to the relevant PPA, the Corporation's business, operating results, financial condition or prospects could be adversely affected.

### *Equipment Failure*

The Corporation's facilities are subject to the risk of equipment failure due to deterioration of the asset from use or age, latent defect and design or operator error, among other things. To the extent that a facility's equipment requires

longer than forecasted down times for maintenance and repair, or suffers disruptions of power generation for other reasons, the Corporation's business, operating results, financial condition or prospects could be adversely affected.

### *Reliance Upon Transmission Systems*

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

### *Water Rental Expense*

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

### *Resource Availability*

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

### *Assessment of Wind Resources and Associated Wind Energy Production*

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

### *Dam Safety*

The occurrence of dam failures at any of the Corporation's hydroelectric power facilities could result in a loss of generating capacity and repairing such failures could require the Corporation to incur significant expenditures of capital and other resources. Such failures could result in the Corporation being exposed to significant liability for damages. There can be no assurance that the dam safety program will be able to detect potential dam failures prior

to occurrence or eliminate all adverse consequences in the event of failure. Safety regulations relating to dam safety could change from time to time, potentially impacting a facility's costs and operations. The consequences of dam failures could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

### *Health, Safety and Environmental Risks*

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

### *Natural Disasters; Force Majeure*

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

### *Capital Resources*

Future development and construction of new facilities and the development of the Development Projects with PPAs and the Prospective Projects and other capital expenditures will be financed out of cash generated from the Corporation's investment in the Fund, operations, sales of additional equity and borrowings. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make necessary capital investments to construct new or maintain existing project facilities and remain in business will be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion.

### *Interest Rate and Refinancing Risk*

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. While the interest rates on the Corporation's long-term debt will be fixed, the Corporation faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities used for construction financing. The Corporation's

ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict.

### *Financial Leverage and Restrictive Covenants*

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

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

### *Foreign Exchange*

The Corporation occasionally purchases equipment from foreign suppliers. As such, the Corporation may be exposed to changes in the Canadian dollar in relation to the foreign currency denominated equipment purchases. Where possible, the Corporation will fix the purchase price in Canadian dollars or enter into a foreign exchange swap to fix the exchange rate.

### *Insurance Limits*

While the Corporation believes that the insurance coverage for its projects addresses all material insurable risks, provides coverage that is similar to what would be maintained by a prudent developer/owner/operator of similar projects, and is subject to deductibles, limits, and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, there is no certainty that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the operation of the projects.

### *Litigation*

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

### *Potential Undisclosed Liabilities Associated with the Innergex II Acquisition*

In connection with the Innergex II Acquisition, there may be liabilities that the Corporation did not discover in its due diligence prior to the consummation of the Innergex II Acquisition or circumstances may exist with respect to Innergex II of which the Corporation is currently unaware but which could lead to future liabilities and, in each case, the Corporation would not be entitled to any recourse against the Institutional Investors under the purchase agreement relating to the Innergex II Acquisition. In particular, to the extent that prior to the closing of the Innergex II Acquisition, Innergex II failed to comply with or otherwise violated applicable laws, including environmental, health and safety laws, the Corporation will be legally and financially responsible for these violations. The discovery of any material liabilities subsequent to the Innergex II Acquisition could have a material adverse effect on the Corporation's business, operating results, financial conditions or prospects.

### *Potential Undisclosed Liabilities Associated with Prior Disposition of Facilities*

Innergex II has sold various power generating facilities to the Fund, namely the Rutherford Creek, Horseshoe Bend, Anse-à-Valleau and Baie-des-Sables Facilities. Through Innergex II, the Corporation may, pursuant to the agreements governing those acquisitions, be required to indemnify the Fund in certain circumstances, including in the event of a breach of the representations and warranties contained therein. If the Corporation were to effectively incur any material liabilities under the agreements governing these acquisitions, this could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

### *Potential Conflicts of Interest*

Pursuant to the Management Agreements, the Corporation is responsible for all management and administrative services in respect of the Fund's businesses. Since the Corporation and the Fund are potential competitors in the power industry in Canada, the Corporation's responsibilities as manager and administrator of the Fund may conflict with the interests of its shareholders.

## **7. DIVIDENDS**

The declaration and payment of dividends on the Corporation's shares is within the discretion on the Board of Directors. The Board of Directors will determine if and when dividends should be paid in the future based on all relevant circumstances, including the desirability of maintaining capital to finance further growth of the Corporation and the Corporation's financial position at the relevant time. Presently, the Corporation anticipates that it will retain future earnings to finance its growth and does not expect to pay dividends in the foreseeable future.

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

## **8. DESCRIPTION OF CAPITAL STRUCTURE**

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of March 27, 2008, 23,500,000 common shares were issued and outstanding and no preferred shares were issued and outstanding.

### *Common Shares*

Subject to the prior rights of the holders of preferred shares (of which there are currently none issued and outstanding), the holders of common shares are entitled to receive, as and when declared by the Board of Directors

out of the moneys of the Corporation properly applicable to the payment of dividends, dividends in such amounts and payable at such times as the Board of Directors will determine.

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

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

### *Preferred Shares*

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

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

The holders of a series of preferred shares are not, as such, entitled to receive notice of or to attend any meetings of the shareholders of the Corporation and are not entitled to vote at any such meetings (except where holders of a specified class or series of shares are entitled to vote separately as a class or series as provided in the *Canada Business Corporations Act*).

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

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

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

## 9. MARKET FOR COMMON SHARES

Since the completion of the Offering on December 6, 2007, the common shares have been listed for trading on the TSX under the symbol "INE.TO".

The following table sets forth the price range, in Canadian dollars, and daily average trading volume, of the common shares on the TSX for the month of December (being the only month in the most recently completed financial year that the common shares were listed on the TSX) and the first two months of the current financial year.

	Highest price	Lowest price	Daily Average Volume
December <sup>(1)</sup>	\$12.49	\$10.85	122,360
January	\$14.00	\$11.50	9,784
February	\$11.80	\$10.92	9,734

(1) The common shares began trading on the TSX on December 6, 2007

## 10. DIRECTORS AND OFFICERS

### *Directors*

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

Name and Municipality of Residence	Director since	Principal Occupation	Common shares beneficially owned or over which control is exercised <sup>(1)</sup>	% of Common shares
GILLES LEFRANÇOIS, CA Longueuil, Québec Canada	2003	Executive Chairman of the Board of Directors of the Corporation	582,769	2.48%
MICHEL LETELLIER, MBA Candiac, Québec Canada	2003	President and Chief Executive Officer of the Corporation	388,592	1.65%
WILLIAM A. LAMBERT <sup>(2)</sup> Toronto, Ontario Canada	2007	Partner of Birch Hill Equity Partners <sup>(3)</sup>	Nil <sup>(3)</sup>	Nil <sup>(3)</sup>
CYRILLE VITTECOQ <sup>(4)</sup> <sup>(5)</sup> Montréal, Québec Canada	2007	Vice President, Investments – Energy and a member the Caisse de depot et placement du Québec Private Equity group management committee	Nil	Nil
RAYMOND LAURIN <sup>(4)</sup> <sup>(6)</sup> Lévis, Québec Canada	2007	Executive Director of the Régime de rentes du Mouvement Desjardins at the Fédération des caisses Desjardins du Québec	600	≈ 0.003%

PIERRE BRODEUR <sup>(2) (4)</sup> St-Bruno, Québec Canada	2007	Corporate Director	2,000	≈ 0.009%
SUSAN M. SMITH <sup>(2)</sup> Toronto, Ontario Canada	2007	President and Chief Executive Officer of RBC Technology Ventures Inc. and Senior Vice President of Royal Bank of Canada	1,000	≈ 0.004%

- (1) The information as to common shares beneficially owned, controlled or directed by each director has been furnished by the respective directors individually
- (2) Member of Compensation, Corporate Governance and Nominating Committee.
- (3) Birch Hill Equity Partners manages certain investments of TD Capital Group Limited, including its current holding of 2,426,276 common shares of the Corporation, representing approximately 10.3% of the Corporation's issued and outstanding common shares.
- (4) Member of Audit Committee.
- (5) Mr. Vittecoq is Vice President, Investment - Energy of the CDPQ which holds 2,426,276 common shares of the Corporation, representing approximately 10.3% of the issued and outstanding common shares of the Corporation.
- (6) Mr. Laurin is Executive Director of the Régime de rentes du Mouvement Desjardins at the Fédération des caisses Desjardins. Régime de rentes du Mouvement Desjardins holds 2,426,276 common shares of the Corporation, representing approximately 10.3% of the issued and outstanding common shares of the Corporation.

During the past five years, each of the above directors has held his or her present principal occupation or other management positions with the same firm or with other associated companies or firms, including affiliates and predecessors, indicated beside his or her name, except for William A. Lambert, who, prior to January 2006, was Managing Director of TD Capital Group Limited; and Raymond Laurin, who, prior to August 2004, was Vice President – Administrative Services, Fédération des Caisses Desjardins du Québec.

### *Executive Officers*

The following table sets forth the name, province or state and country of residence of each executive officer, his or her office and principal occupation, the period of service as an executive officer of the Corporation and the number and percentage of common shares held by him or her as of the date hereof:

<u>Name and Municipality of Residence</u>	<u>Officer since</u>	<u>Office/Principal Occupation</u>
GILLES LEFRANÇOIS, CA Longueuil, Québec Canada	2003	Executive Chairman of the Board of Directors
MICHEL LETELLIER, MBA Candiac, Québec Canada	2003	President and Chief Executive Officer
JEAN PERRON, CA, CMA St-Hubert, Québec Canada	2003	Vice President and Chief Financial Officer
JEAN TRUDEL, MBA Montréal, Québec Canada	2003	Vice President – Finance and Investor Relations
MICHÈLE BEAUCHAMP, LL.B, LL.M. Lachine, Québec Canada	2004	Vice President – Legal Affairs and Corporate Secretary
FRANÇOIS HÉBERT St-Alphonse de Granby, Québec Canada	2003	Vice President – Operation and Maintenance
NORMAND BOUCHARD, ENG. Ile Bizard, Québec Canada	2003	Vice President – Wind Energy



GUY DUFORT St. Romuald, Québec Canada	2005	Vice President – Public Affairs
RENAUD DE BATZ, Geologist, M.Sc., MBA Beaconsfield, Québec Canada	2005	Vice President Eastern Region – Hydroelectric Energy
PETER GROVER, ENG. St-Bruno, Québec Canada	2005	Vice President – Project Management
RICHARD BLANCHET, P. ENG., M.Sc. North Vancouver, British Columbia Canada	2003	Vice President Western Region – Hydroelectric Energy

During the past five years, each of the above executive officers has held his or her present principal occupation or other management positions with the same firm or with other associated companies or firms, including affiliates and predecessors, indicated opposite his or her name, except for Jean Perron, who, prior to December 2003, was senior manager in Canadian taxation at KPMG, Michèle Beauchamp, who, prior to September 2004, was legal counsel to Cascades Inc; and Peter Grover who, prior to April 2005, was director of project management with Alstom Inc.

The directors and executive officers of the Corporation as a group beneficially own, directly or indirectly, or exercise control or direction over 1,957,948 Common Shares, representing 8.33% of the Corporation's total outstanding common shares.

## 11. CONFLICTS OF INTEREST

Certain conflicts of interest may arise as a result of the relationship between the Corporation and the Fund. Pursuant to the Management Agreements, the Corporation is responsible for all management and administrative services in respect of the Fund's businesses and for all of its operating and maintenance services. The Corporation and the Fund are potential competitors within the hydroelectric and wind power sectors of the renewable power industry in Canada and the Corporation's responsibilities as manager of the Fund may, therefore, conflict with the interests of its shareholders. Furthermore, certain executive officers and directors of the Corporation also act as trustees of the Fund or its affiliates. Management of the Corporation will address any conflict of interest which may arise in the future in accordance with reasonable expectations and objectives of each of the Corporation and the Fund and will act in accordance with any duty of care and any duty to act in good faith owed to either of them.

## 12. LEGAL PROCEEDINGS

To the knowledge of the Corporation, there are no legal proceedings threatened or pending to which the Corporation is a party or to which its property is subject. The Corporation was not a party to, nor was its property subject to any legal proceedings in the last financial year.

## 13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding common shares or known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Corporation. However, pursuant to the Innergex II Acquisition, each of Régime de Rentes du Mouvement Desjardins, CDPQ, TD Capital Group Limited and Kruger Inc. Master Trust (collectively, the "Selling Shareholders") subscribed for 2,544,009 common shares, representing approximately 10.8% of the issued and outstanding common shares. Following the exercise of the over-allotment

option by the underwriters, each Selling Shareholder now holds 2,426,276 common shares, representing approximately 10.3% of the issued and outstanding common shares. See “General Development of Business” and “Significant Acquisitions – Innergex II Acquisition”. Prior to the Innergex II Acquisition, none of the Institutional Investors held any securities of the Corporation.

#### 14. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Computershare Investor Services Inc. at its offices in Toronto and Montréal.

#### 15. MATERIAL CONTRACTS

The following are all of the contracts that may be considered to be material to the Corporation, other than contracts entered into in the ordinary course of business, which were entered into within the most recently completed financial year, or prior to January 1, 2007 if they are still in effect:

- (a) An underwriting agreement (the “Underwriting Agreement”) between the Corporation and the Selling Shareholders and BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., Desjardins Securities Inc., National Bank Financial Inc., Canaccord Capital Corporation and Dundee Securities Corporation (collectively, the “Underwriters”), dated as of November 28, 2007. Pursuant to the Underwriting Agreement, the Corporation agreed to sell 10,455,000 common shares and the Underwriters agreed to purchase, as principals, on December 6, 2007 or on any other date agreed upon, but not later than December 28, 2007, subject to the conditions set out in the Underwriting Agreement, all of such common shares at a price of \$11.00 per Common Share payable in cash, for an aggregate amount of \$115,005,000. Pursuant to the Underwriting Agreement, the Underwriters were granted an over-allotment option, exercisable for a 30-day period following the closing of the Offering, entitling the Underwriters to purchase from the Selling Shareholders up to 1,045,000 common shares at the Offering Price. Such over-allotment option was exercised in part on January 4, 2007. See “General Description of the Business – Three Year Summary – Initial Public Offering”.
- (b) A purchase agreement (the “Purchase Agreement”) dated October 26, 2007, as amended on November 28, 2007, between the Corporation and each of the Institutional Investors with respect to the Innergex II Acquisition. Pursuant to the Purchase Agreement, the Corporation acquired from the Institutional Investors their equity interests in Innergex II for a purchase price of \$63,364,165.
- (c) A sale agreement (the “Power Facilities Sale Agreement”) dated October 26, 2007, as amended on November 21, 2007, between Innergex II and the Fund with respect to the Fund’s purchase from Innergex II of all of the direct and indirect interests of Innergex II in the Anse-à-Valleau Facility and the Baie-des-Sables Facility for a purchase price of \$61.7 million, subject to working capital adjustments (\$172.9 million when aggregated with the non-recourse debt outstanding in connection with the two facilities acquired and an additional debt incurred by the Fund). The maximum liability of Innergex II under the Power Facilities Sale Agreement is limited to the purchase price thereunder, provided that claims in respect of each facility purchased thereunder are limited to the purchase price allocated to such facility and that Innergex II will only be required to indemnify the Fund if the liability of Innergex II exceeds \$250,000.
- (d) A subscription agreement dated December 6, 2007 between Innergex II and the Fund to subscribe for the Fund units issued as payment for the purchase price under the Power Facilities Sale Agreement.

- (e) The Administration Agreement, the Management Agreement, the Services Agreement and the Cooperation Agreement referred to under “Description of the Business and Assets of the Corporation — Relationship with the Fund”.
- (f) The Separation Agreement and the Agreement Related to the Separation Agreement referred to under “Description of the Business and Assets of the Corporation – Development Projects with PPAs – Wind Projects – Separation Agreement”.

## 16. INTEREST OF EXPERTS

Samson Belair/Deloitte & Touche s.e.n.c.r.l, the auditor of the Corporation, is the only person, company or partnership which is named as having prepared or certified a statement, report or valuation described, included or referred to in a filing made by the Corporation during or relating to the Corporation's most recently completed financial year and whose profession gives authority to a statement, report or valuation made. Samson Belair/Deloitte & Touche s.e.n.c.r.l. has advised it is independent with respect to the Corporation within the meaning of the *Code of Ethics* of the *Ordre des comptables agréés du Québec*.

## 17. AUDIT COMMITTEE DISCLOSURE

The Audit Committee is composed entirely of unrelated trustees who also meet the independence and experience requirements of *Multilateral Instrument 52-110 – Audit Committees* adopted by the Canadian Securities Administrators. Cyrille Vittecoq is Chairman of the Audit Committee and Pierre Brodeur and Raymon Laurin are its other current members. Each of them is independent and financially literate within the meaning of *Multinational Instrument 52-110 – Audit Committee*. The mandate of the Audit Committee is attached hereto as Schedule “B”.

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

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

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

**Pierre Brodeur** - Mr. Brodeur has over 25 years of experience in management positions in various companies that specialize in the manufacturing and marketing of consumer goods and services. From 1997 to 2003, he was President and Chief Executive Officer of Sico Inc. and, prior to that time, was President and General Manager of Boulangeries Weston, Québec Ltd. (from 1994 to 1997). He also acted as President of Vidéotron International from

1990 to 1994, prior to which he was employed by Steinberg (from 1986 to 1990), where he was President of Steinberg, Québec, from 1989 to 1990. Mr. Brodeur has been a director of Industrial Alliance Insurance and Financial Services Inc. since 1999 and has been a director of Van Houtte Inc. since 2003.

Raymond Laurin - Since 2004, Mr. Laurin has been Executive Director of the Régime de rentes du Mouvement Desjardins at the Fédération des caisses Desjardins du Québec. Mr. Laurin has held various positions with the Desjardins Group over the past 27 years. Mr. Laurin is (i) on the board of directors and a member of the Audit Committee of Société immobilière Trans Québec (SITQ), (ii) on the board of directors, President of the Audit Committee and a member of the pension fund of Ivanhoé Cambridge and (iii) a member of the Teachers' Pension Fund of Laval University. Mr. Laurin is also director for the strategic committees of various European funds. Mr. Laurin holds a bachelor's degree in business administration from HEC and is a member of the Chartered Accountants of Québec, the Institute of Internal Auditors of Canada and Canadian Pension and Benefit Institute.

For each of the financial years ended December 31, 2007 and December 31, 2006, Samson Belair/Deloitte & Touche billed to us fees for services provided as summarized in the table below:

FEES	FINANCIAL YEAR ENDED DECEMBER 31, 2007	FINANCIAL YEAR ENDED DECEMBER 31, 2006
Audit fees	\$776,909 <sup>(2)</sup>	\$12,620
Audit-related fees	\$16,837	Nil
Tax fees	\$12,675	\$9,696
All other fees	Nil	Nil
<b>TOTAL FEES<sup>(1)</sup>:</b>	<b>\$806,421</b>	<b>\$22,316</b>

(1) The aggregate fees paid to Samson Belair/Deloitte & Touche s.e.n.c.r.l. irrespective of the Corporation's proportionate interest in its joint ventures were \$834,046 and \$22,316, for the 2007 and 2006 financial years, respectively.

(2) \$565,759 of such fees are attributable to services provided in connection with the Offering.

In the above table, the terms in the column "Fees" have the following meanings: "Audit fees" refer to all fees incurred in respect of audit services, being the professional services rendered by our auditors for the audit of the annual financial statements of the Corporation and the review of the Corporation's quarterly financial statements as well as services normally provided by the external auditors in connection with statutory and regulatory filings and engagements, including the Offering and the prospectuses filed in connection therewith; "Audit-related fees" refer to the aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees"; "Tax fees" refer to the aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning; and "All other fees" refer to the aggregate fees billed for products and services provided by the Corporation's external auditor, other than "Audit fees", "Audit-related fees" and "Tax fees".

## 18. ADDITIONAL INFORMATION

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

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

## 19. GLOSSARY OF TERMS

“Administration Agreement” has the meaning attributed thereto under “Description of Business – Investment in and Management of the Fund – Management of the Fund – The Administration Agreement”;

“Anse-à-Valleau Facility” means the 100.5 MW wind power facility located in L’Anse-à-Valleau, Québec;

“Ashlu Creek LP” means Ashlu Creek Investments Limited Partnership;

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

“Baie-des-Sables Facility” means the 109.5 MW wind power facility located in Baie-des-Sables and Métis-sur-Mer, Québec;

“BC Hydro” means British Columbia Hydro and Power Authority;

“BCTC” means British Columbia Transmission Corporation;

“Begetekong” means Begetekong Power Corporation;

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

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

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

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

“CDPQ” means the Caisse de Dépôt et Placement du Québec;

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

“Cooperation Agreement” has the meaning attributed thereto under “Description of Business – Investment in and Management of the Fund – Management of the Fund – Cooperation Agreement”;

“CPI” means the consumer price index for Canada;

“Development Projects with PPAs” has the meaning attributed thereto under “Description of Business – Portfolio of Assets”;

“ecoEnergy Initiative” has the meaning attributed thereto under “Industry Overview and Market Trends – Federal Government Support for Renewable Power in Canada”;

“Facilities Acquisition” has the meaning attributed thereto under “General Development of the Business – Three Year Summary – Innergex II Acquisition”;

“FQM” has the meaning attributed thereto under “Description of the Business – Prospective Projects – Other Opportunities – Québec Municipal Wind RFP”;

“FSR” means Forest Service Road;

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

“GE” means General Electric Company;

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

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

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

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

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

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

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

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

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

“Innergex II Acquisition” has the meaning attributed thereto under “Significant Acquisitions – Innergex II Acquisition”;

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

“IPSP” means Integrated Power System Plan;

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

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

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

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

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

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

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

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

“Management Agreement” has the meaning attributed thereto under “Description of Business – Investment in and Management of the Fund – Management of the Fund – The Management Agreement”;

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

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

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

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

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

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

“MW” means one million watts or one megawatt;

“OEB” means Ontario Energy Board;

“Offering” has the meaning attributed thereto under “General Development of the Business”;

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

“OPA” means Ontario Power Authority;

“Operating Facilities” has the meaning attributed thereto under “Description of Business – Portfolio of Assets”;

“OPG” means Ontario Power Generation;

“Owners Agreement” has the meaning attributed thereto under “Description of Business – Development Projects with PPAs – Wind Projects – Cartier Wind Owners and Owners Agreement”;

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

“Private Placement” has the meaning attributed thereto under “General Development of the Business”;

“Prospective BC Wind Projects” has the meaning attributed thereto under “Description of Business – Prospective Projects – Prospective Wind Projects – Prospective British Columbia Wind Projects”;

“Prospective Projects” has the meaning attributed thereto under “Description of Business – Portfolio of Assets”;

“Québec 2,000 MW RFP” has the meaning attributed thereto under “Industry Overview and Market Trends – Regulation and Market for Renewable Power in the Province of Québec”;

“Québec Municipal Wind RFP” has the meaning attributed thereto under “Description of Business — Prospective Projects — Other Opportunities — Québec Municipal Wind RFP”;

“RFP” means a request for proposals;

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

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

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

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

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

“Separation Agreement” has the meaning attributed thereto under “Description of Business – Development Projects with PPAs – Wind Projects – Separation Agreement”;

“Services Agreement” has the meaning attributed thereto under “Description of Business – Investment in and Management of the Fund – Management of the Fund – The Services Agreement”;

“Sonoco” means Sonoco Canada Corporation;

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

“TransCanada” means TransCanada Energy Ltd.;

“TSX” means the Toronto Stock Exchange;

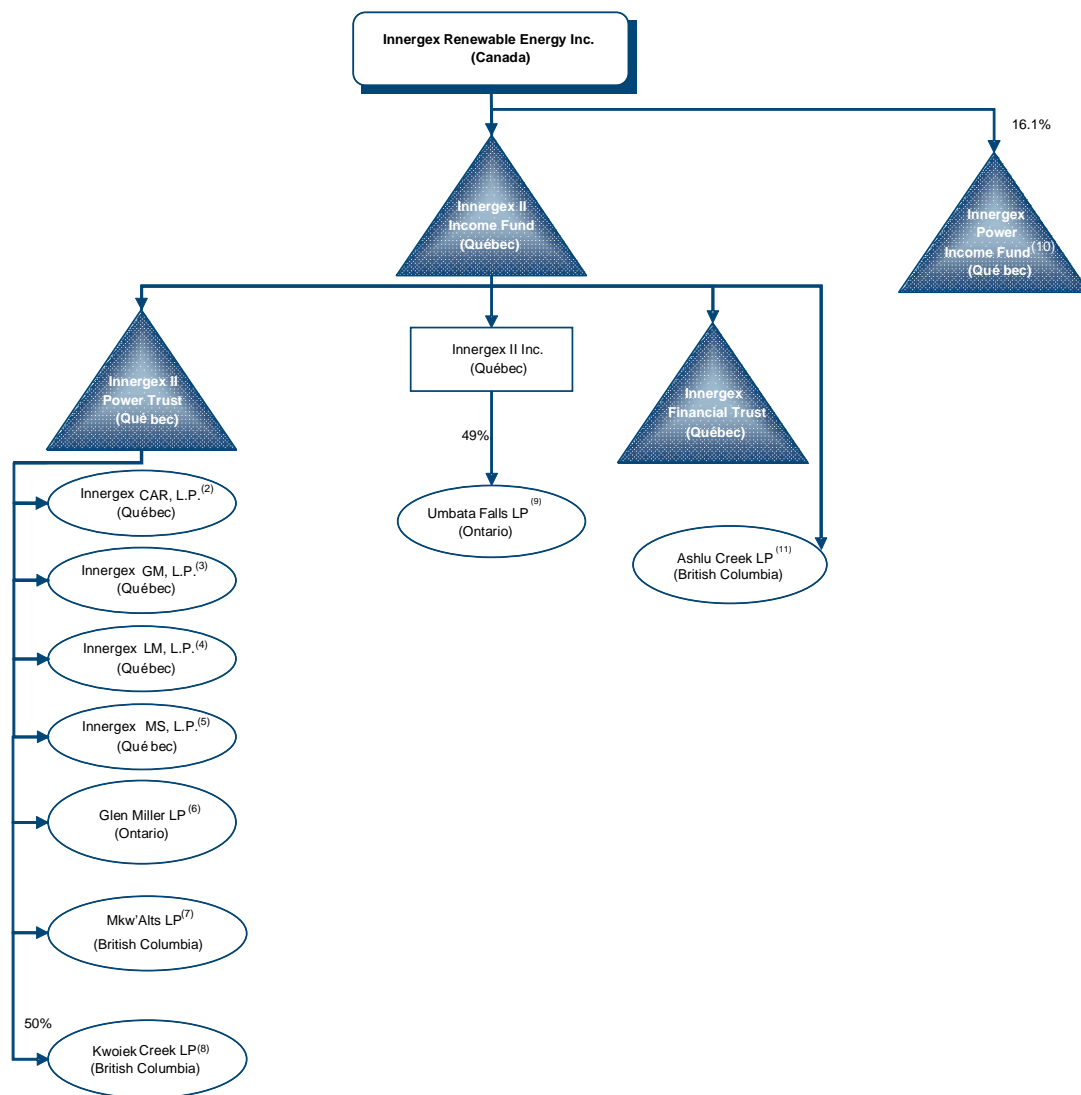
“TWh” means 1,000 gigawatts per hour or one million megawatts per hour; and

“Umbata Falls Project” means the 23 MW Umbata Falls hydroelectric power project located on the White River in Ontario.



**SCHEDULE A**  
**CORPORATE STRUCTURE**

The following chart outlines the corporate structure of the Corporation and its material subsidiaries<sup>(1)</sup> as well as certain other material ownership interests of the Corporation.



- (1) Unless otherwise indicated, the Corporation has a 100% direct or indirect interest in the entity.
- (2) Innergex CAR, L.P. owns a 38% undivided co-ownership interest in the Carleton Project and its general partner is Innergex CAR Inc., a wholly-owned subsidiary of Innergex II.
- (3) Innergex GM, L.P. owns a 38% undivided co-ownership interest in the Gros Morne Projects and its general partner is Innergex GM Inc., a wholly-owned subsidiary of Innergex II.
- (4) Innergex LM, L.P. owns a 38% undivided co-ownership interest in the Les Méchins Project and its general partner is Innergex LM Inc., a wholly-owned subsidiary of Innergex II.
- (5) Innergex MS, L.P. owns a 38% undivided co-ownership interest in the Montagne-Sèche Project and its general partner is Innergex MS Inc., a wholly-owned subsidiary of Innergex II.

- (6) Glen Miller LP owns a 100% interest in the Glen Miller Facility and its general partner is Glen Miller Power Inc., a wholly-owned subsidiary of Innergex II.
- (7) Mkw'Alts LP owns 100% of the Mkw'Alts Project and its general partner is Mkw'Alts Energy Inc., a wholly-owned subsidiary of Innergex II.
- (8) Kwoiek Creek LP owns 100% of the Kwoiek Creek Project and its general partner is Kwoiek Creek Resources GP Inc., which is 50% owned by Innergex II.
- (9) Umbata Falls LP owns 100% of the Umbata Falls Project and its general partner is Begetekong Power Corporation, which is 49% owned by Innergex II.
- (10) The Corporation holds a 16.1% interest in the Fund, a publicly traded income fund, the units of which are listed on the TSX.
- (11) Ashlu Creek LP owns 100% of the Ashlu Creek Project and its general partners are 675729 British Columbia Ltd., which is 50% owned by Innergex II and 888645 Alberta Ltd., the shares of which Innergex II is in the process of purchasing.

## SCHEDULE B

### MANDATE OF THE AUDIT COMMITTEE

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

#### 1. Role

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

#### 2. Composition

##### 2.1 *Number and criteria*

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

##### 2.2 *Selection*

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

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

#### 3. Responsibilities

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

##### 3.1 *With respect to relationship with auditors*

- Recommend to the Board the appointment and compensation of the external auditor.

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

### *3.2 With respect to financial information and to public disclosure*

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

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

### *3.3 With respect to other matters*

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

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

## **4. Meetings**

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

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

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

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

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

The Audit Committee shall determine any desired agenda items.

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

## **5. Advisors**

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

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

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

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

## **6. General**

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

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