

We power a clean future

2008 First quarter report



INNERGEX
Énergie renouvelable
Renewable Energy

Consolidated Financial Statements

For the period ended March 31, 2008

(Unaudited)

Consolidated Statements of Earnings and Comprehensive Earnings and Deficit	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
Revenues		
Operating	711,715	-
Management fees	593,775	1,790,534
Share of net loss of an entity subject to significant influence	(334,914)	-
	970,576	1,790,534
Expenses		
Operating expenses	276,793	-
General and administrative expenses	1,499,290	1,674,500
	1,776,083	1,674,500
(Loss) earnings before interests, income taxes, depreciation and amortization and other items	(805,507)	116,034
Depreciation and amortization	372,925	51,560
Interest on bank loan	15,606	-
Interest on long-term debt	239,744	4,932
Net loss on derivative financial instruments	6,072,327	-
Other (revenues) and expenses	(281,357)	(100)
Write-off of project development costs	49,762	-
(Loss) earnings before income taxes	(7,274,514)	59,642
Income taxes		
Current	1,315	21,044
Future	(1,801,752)	(1,708)
	(1,800,437)	19,336
Net (loss) earnings and comprehensive (loss) earnings	(5,474,077)	40,306
Weighted average number of shares outstanding	23,500,000	1,560,121
Basic net (loss) earnings per share	(0.23)	0.03
Diluted number of shares outstanding	23,544,428	1,560,121
Diluted net (loss) earnings per share	(0.23)	0.03
Retained earnings, beginning of period	1,593,334	1,802,835
Net (loss) earnings	(5,474,077)	40,306
(Deficit) retained earnings, end of period	(3,880,743)	1,843,141

See accompanying notes to unaudited consolidated financial statements.

Consolidated Financial Statements

For the period ended March 31, 2008

(Unaudited)

Consolidated Balance Sheets	March 31, 2008 \$	December 31, 2007 \$ (Audited)
Assets		
Current assets		
Cash and cash equivalents	23,626,439	34,690,837
Accounts receivable	19,027,003	19,576,093
Prepaid and others	360,985	328,756
	43,014,427	54,595,686
Property, plant and equipment	120,264,179	111,423,328
Intangible assets	40,746,305	40,832,760
Project development costs	38,367,760	37,335,586
Investment in an entity subject to significant influence	61,628,669	63,144,213
Future income taxes	4,800,953	3,214,616
Goodwill	30,552,578	30,552,578
Other long-term assets	2,307,870	2,160,740
	341,682,741	343,259,507
Liabilities		
Current liabilities		
Bank loan	-	2,000,000
Accounts payable and accrued liabilities	8,028,028	14,824,342
Derivative financial instruments	8,438,371	3,501,225
	16,466,399	20,325,567
Construction holdbacks	2,420,253	1,989,626
Derivative financial instruments	2,616,334	1,455,974
Long-term debt (Note 4)	87,125,000	81,135,000
Future income taxes	7,601,447	7,816,862
Minority interest	5,000	5,000
	116,234,433	112,728,029
Shareholders' equity		
Share capital	228,807,842	228,807,842
Contributed surplus	521,209	130,302
(Deficit) retained earnings	(3,880,743)	1,593,334
	225,448,308	230,531,478
	341,682,741	343,259,507

See accompanying notes to unaudited consolidated financial statements.

Consolidated Financial Statements

For the period ended March 31, 2008

(Unaudited)

Consolidated Statements of Cash Flows	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
Operating activities		
Net (loss) earnings	(5,474,077)	40,306
Items not affecting cash:		
Depreciation of property, plant and equipment	286,470	51,560
Amortization of intangible assets	86,455	-
Share of net loss of an entity subject to significant influence	334,914	-
Stock-based compensation	390,907	-
Unrealized net loss on derivative financial instruments	6,072,327	-
Write-off of project development costs	49,762	-
Gain on disposal of property, plant and equipment	(300)	(100)
Future income taxes	(1,801,752)	(1,708)
Changes in non-cash operating working capital items (Note 5)	(5,491,226)	(422,270)
	(5,546,520)	(332,212)
Financing activities		
Increase in construction holdbacks	430,627	-
Repayment of bank loan	(2,000,000)	-
Increase of long-term debt	5,990,000	-
Issuance of share capital	-	2,424
	4,420,627	2,424
Investing activities		
Distributions received from an investment in an entity subject to significant influence	1,180,630	-
Additions to property, plant and equipment	(9,558,370)	(46,225)
Additions to project development costs	(1,439,114)	-
Additions to other long-term assets	(121,951)	-
Proceeds from disposal of property, plant and equipment	300	100
	(9,938,505)	(46,125)
Net decrease in cash and cash equivalents	(11,064,398)	(375,913)
Cash and cash equivalents, beginning of period	34,690,837	523,507
Cash and cash equivalents, end of period	23,626,439	147,594
<i>Cash and cash equivalents is comprised of:</i>		
Cash	3,654,319	147,594
Short-term investments	19,972,120	-
	23,626,439	147,594

Additional information to the consolidated statements of cash flows is presented in Note 5.

See accompanying notes to unaudited consolidated financial statements.

Notes to the Consolidated Financial Statements

For the period ended March 31, 2008

(Unaudited)

1. DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on October 25, 2002. The Corporation provided management and administrative services up to its initial public offering on December 6, 2007. The Corporation is an independent manager, developer and operator of renewable power generating facilities with a focus on the hydroelectric and wind power sectors. On October 25, 2007, the Corporation changed its name from Innergex Management Inc. to Innergex Renewable Energy Inc.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"), and include the accounts of the Corporation and its subsidiaries as well as those of the variable interest entity for which the Corporation is the primary beneficiary and the accounts of joint ventures to the extent of the Corporation's proportional interest in their respective assets, liabilities, revenues and expenses. These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, the financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Corporation's latest annual report.

These financial statements follow the same accounting policies and methods of application as described in the Corporation's latest annual report with the exception of the following which has been adopted effective January 1, 2008.

CICA Handbook Section 1535 *Capital Disclosures* requires an entity to disclose information that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital. This Section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The application of this Section requires additional disclosures presented in Note 3.

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

3. CAPITAL DISCLOSURES

The Corporation's objectives when managing its capital are twofold: i) ensuring it has sufficient liquidities to pursue its growth strategy; and, ii) making sure the financial leverage and management of financial risk are adequate.

The Corporation's capital is composed of cash and cash equivalents, bank loan, long-term debts and shareholders' equity.

The Corporation's primary use of equity is to finance the development of projects. The Corporation raised sufficient working capital from its initial public offering to complete the development of its nine development projects with PPA. The Corporation uses long-term debt to finance the construction of its facilities.

The Corporation and its subsidiaries met all financial and non-financial conditions which could constitute a default under their credit agreements.

The Corporation's capital management objective, policies and procedures were unchanged since the last period.

4. LONG-TERM DEBT

An amount of \$17 million in long-term debt is related to the Glen Miller Power, Limited Partnership. In 2007, the credit agreement was amended and among other adjustments, no principal repayments were required until a financial threshold was reached. During the quarter, this threshold was reached and accordingly, the principal repayments could resume after an appropriate amortization schedule has been agreed upon with the lender.

Notes to the Consolidated Financial Statements

For the period ended March 31, 2008

(Unaudited)

5. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
Accounts receivable	549,090	(790,742)
Prepaid and others	(32,229)	(35,053)
Accounts payable and accrued liabilities	(6,008,087)	403,525
	(5,491,226)	(422,270)
<i>Additional information</i>		
Interest paid	1,272,056	-
Income taxes paid	168,266	96,767
<i>Non-cash transactions</i>		
Unpaid property, plant and equipment	8,698,674	22,723
Unpaid development costs	307,669	-

6. SEGMENT INFORMATION

The Corporation has two reportable segments: (a) hydroelectric production and (b) development and management of sites.

Through its hydroelectric production segment, the Corporation sells electricity produced from hydroelectric facilities to publicly owned utilities. Through its development and management of sites segment, the Corporation explores potential sites, develops them to the operational stage and manages them.

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

The Corporation's reportable segments are operating using different means of production or type of activities. They are managed by different teams as they require different skills to operate them.

	Three-month period ended March 31, 2008		
	Hydroelectric production	Development and management of sites	Total
	\$	\$	\$
Revenues from external customers	711,715	258,861	970,576
Operating expenses	276,793	-	276,793
Operating Income	434,922	258,861	693,783
General and administrative expenses	6,249	1,493,041	1,499,290
(Loss) earnings before interest, income taxes, depreciation and amortization and other items	428,673	(1,234,180)	(805,507)

There were no segments as at March 31, 2007 since those were acquired on December 6, 2007.

Notes to the Consolidated Financial Statements

For the period ended March 31, 2008

(Unaudited)

6. SEGMENT INFORMATION (CONTINUED)

	As at March 31, 2008		
	Hydroelectric production	Development and management of sites	Total
	\$	\$	\$
Long-term assets	25,005,605	273,662,709	298,668,314
Goodwill	-	30,552,578	30,552,578
Total assets	26,113,188	315,569,553	341,682,741
Acquisitions of long-term assets	-	10,306,625	10,306,625

	As at December 31, 2007		
	Hydroelectric production	Development and management of sites	Total
	\$	\$	\$
Long-term assets	25,313,901	263,349,920	288,663,821
Goodwill	-	30,552,578	30,552,578
Total assets	25,571,910	317,687,597	343,259,507

7. COMPARATIVE FIGURES

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

8. SUBSEQUENT EVENTS

On April 23, 2008, the Corporation announced that it had reached an agreement with Ledcor Power Group Ltd. ("Ledcor") to acquire 66 ⅔% of a joint venture, holding rights to develop 18 run-of-river hydroelectric power projects located in Lower Mainland in British Columbia. These projects would represent a potential installed capacity of more than 200 MW and produce over 1,000 GW-hr of clean energy.

The Corporation will invest \$8 million for this acquisition in addition to issuing 200,000 warrants to Ledcor. Subject to TSX approval, the warrants will be exercisable within 24 months from closing of the transaction, at a strike price of \$12.50 per warrant. Ledcor will remain the owner of 33 ⅓% of the joint venture. The Corporation and Ledcor will work together over the next few months to further finalize the details of the agreement and close the transaction. The closing of the acquisition which is expected to occur within 90 days following its announcement is subject to customary conditions for similar transaction including satisfactory due diligence review. The Corporation intends to temporarily finance the acquisition with cash on hand.

On September 18 2007, the Corporation submitted three potential wind projects within Hydro-Québec's call for tenders for 2,000 MW of wind power. On May 5, 2008, Hydro-Quebec Distribution announced the winners of its call for tenders. The three wind projects submitted were not retained and hence the Corporation will not be able to enter into long-term power purchase agreement with the public utility for those projects. The Corporation is currently assessing the potential accounting impact of this announcement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

This Management's Discussion and Analysis ("MD&A") has been prepared as of May 14, 2008.

The purpose of this MD&A is to provide the reader with an overview of the financial position, operating results, and cash flows of Innergex Renewable Energy Inc. (the "Corporation") for the quarter ended March 31, 2008. This MD&A should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes for the quarter ended March 31, 2008 and with the 2007 annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Corporation reports its results in Canadian dollars. Certain amounts included in this MD&A are rounded, to make reading easier. These rounded numbers may affect certain sums.

EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES OF FINANCIAL REPORTING

The President and Chief Executive Officer and the Vice President and Chief Financial Officer of the Corporation have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to the President and Chief Executive Officer and the Vice President and Chief Financial Officer of the Corporation by others within those entities, particularly during the period in which the interim filings are being prepared.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Vice President and Chief Financial Officer of the Corporation designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There was no change in the Corporation's internal control over financial reporting during the most recent period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control.

FORWARD-LOOKING STATEMENTS

In the interest of providing shareholders and potential investors with information regarding the Corporation's future perspectives, this MD&A's could contain forward-looking statements, within the meaning of securities legislation. These forward-looking statements express, as at the date of this MD&A, 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 *Risk and Uncertainties* of this MD&A and in the section *Risk Factors* in the Corporation's Annual Information Form for the year ended December 31, 2007. 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 MD&A 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 MD&A, or after unexpected events, unless required by law.

OVERVIEW

General

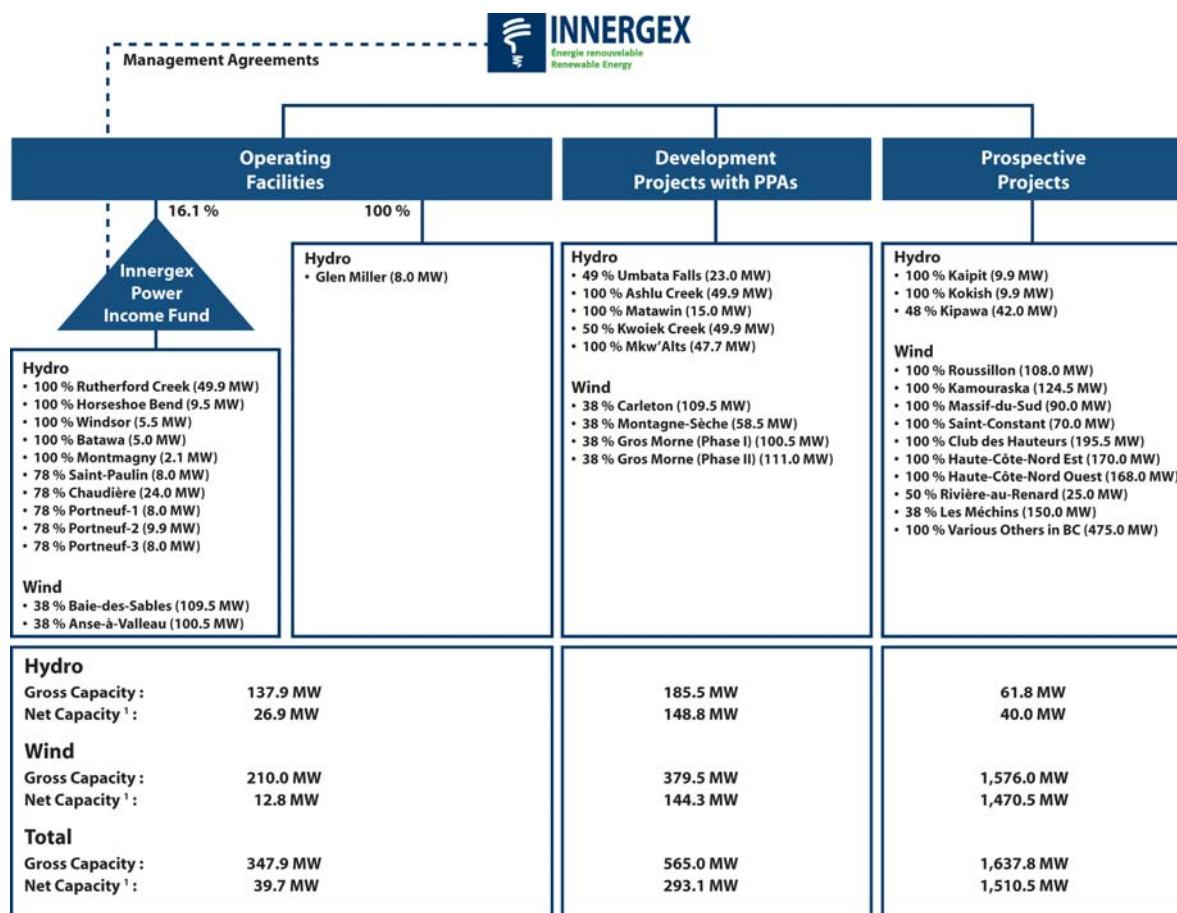
The Corporation (formerly known as Innergex Management Inc.) was incorporated on October 25, 2002 under the laws of Canada and on December 6, 2007, completed its Initial Public Offering ("IPO") and was listed on the Toronto Stock Exchange ("TSX") under the ticker INE.

The Corporation is an independent developer, owner and operator of renewable power generating facilities and provides management and administrative services to the Innergex Power Income Fund (TSX: IEF.UN) (the "Fund") under long-term agreements. The Corporation is one of the most active in the Canadian renewable power industry with a focus on hydroelectric and wind power projects which benefit from low operating and management costs and simple and proven technology. The Corporation's management team has been active in the renewable power industry since 1990 and has developed and brought to commercial operation or refurbished, through different ventures, 11 hydroelectric and two wind power facilities, representing an aggregate installed capacity of 348 MW. The Corporation owns: i) one 8 MW hydroelectric facility currently in operation; ii) nine projects with an aggregate net installed capacity of 293 MW (gross 565 MW) for which power purchase agreements ("PPA") with public utilities have been secured. Of these projects, three are currently under construction and six are expected to be under construction over the next five years. The projects are anticipated to reach commercial operation between 2008 and 2012; iii) more than 1,600 MW of Prospective Projects which are at different stages of development; and, iv) a direct 16.1% interest in the Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

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



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

Additional information about the Corporation's facilities can be found in the Corporation's Annual Information Form for the year ended December 31, 2007 filed on SEDAR at www.sedar.com.

Business Strategy

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

The Corporation's cash flow sources are diversified. Firstly, as owner of an 8-MW hydroelectric facility, the Corporation receives revenues from the electricity generated from this facility. Secondly, as owner of a 16.1% interest in the Fund, the Corporation receives stable monthly cash distributions. Thirdly, as manager of the Fund, the Corporation receives annual management fees and incentive fees. Finally, as a developer of renewable energy facilities, the Corporation expects its revenues from electricity generation to increase in years to come as the pipeline of projects under development reaches commercial operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

QUARTERLY UPDATE

Development Projects with PPAs

The table below gives an overview of the advancement of the projects under construction owned by the Corporation. These projects are: i) the 23 MW Umbata Falls hydroelectric project located in Ontario; ii) the 109.5 MW Carleton wind farm located in Quebec; and iii) the 49.9 MW Ashlu Creek hydroelectric project located in British Columbia.

Development Projects with PPAs (under construction)							
Project Name	Ownership	Location	Installed Capacity (MW)	Estimated Annual Long-term Average Production (in MW-hr)	Estimated Total Construction Costs (\$million)	Total Construction Costs as at March 31, 2008 (\$million)	Expected Commercial In-service Date
Umbata Falls	49%	Ontario	23.0	109,102	60.0	43.0	Q4 2008
Carleton	38%	Québec	109.5	340,523	181.2	27.1	Q4 2008
Ashlu Creek	100%	British Columbia	49.9	265,000	132.0	71.3	2009

Although the construction is progressing as planned, the delivery of some components from a supplier for the Umbata Falls project was delayed. More specifically, the delivery dates for the turbines and the butterfly valves were postponed. The supplier reorganized its installation schedule to mitigate the impact of these delays. The contractor could be subject to liquidated damages for late delivery. The expected commercial-in-service date is October 2008.

At the Carleton wind project, construction of access roads and roads improvements is approximately 60% complete. Foundation works were undertaken for 14 of the 73 wind turbines. The delivery, during last winter, of tower sections and blade sets to the temporary lay down area, will allow the contractor to begin erecting parts of wind turbines before the end of the thawing period. The Corporation expects to erect the first wind turbine by the end of June 2008.

The construction of the Ashlu Creek hydroelectric project is moving along well. The access roads, transmission lines, switchyard, creek diversion using cofferdams, and the excavation of the emergency spillway, the intake, the sluiceway and the powerhouse have all been virtually completed. Equipment design and procurement is almost complete while fabrication is 66% completed. The horizontal mining of the tunnel is approximately 30% complete but experiencing some delays. Efforts are being made by the tunnelling contractor to mitigate the delays. The contractor could be subject to liquidated damages for late delivery. The expected commercial-in-service date is late fall 2009.

The table below gives an overview of other development projects with PPAs that have not yet entered the construction phase.

Development Projects with PPAs (pre-construction phase)					
Project Name	Ownership	Location	Installed capacity (MW)	Estimated Total Construction Costs (\$million)	Expected Commercial In-service Date
Hydro					
Matawin	100%	Québec	15.0	24.6	2009
Mkw'Alts	100%	British Columbia	47.7	87.3	2010
Kwoiek Creek	50%	British Columbia	49.9	152.1	2011
Wind					
Montagne-Sèche	38%	Québec	58.5	103.0	2011
Gros Morne I	38%	Québec	100.5	[348.5]	2011
Gros Morne II	38%	Québec	111.0		2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

The construction of the Matawin hydroelectric project is ready to commence upon receipt of the decree from the Quebec *Ministère du Développement durable, de l'Environnement et des Parcs*.

In respect of the Mkw'alts project to be located in BC on Ure Creek, the Government of British Columbia announced on April 11, 2008 that the Lil'wat Nation and the Province signed a Land Use Planning Agreement. The Agreement gives the Province certainty over the use of the land area as they are planning for the 2010 Olympics. This agreement acknowledges that the zoning for Ure Creek remains unresolved. Furthermore, the agreement stipulates that the Lil'wat Nation and the Government will work together to reach an agreement on the land use zones, designations and management directions for the Ure Creek watershed within 18 months of signing the Land Use Agreement. The Land Use Agreement also stipulates that the Province is committed to seeking a creative solution in order to resolve issues relating to the construction of a hydroelectric project on Ure Creek.

The construction of the Kwoiek Creek hydroelectric project is expected to commence in 2009 following the conclusion of the permitting phase. The construction of the project is expected to end in 2011.

The Corporation still expects the Montagne-Sèche and Gros Morne I and II wind projects to hold their review before the *Bureau d'audiences publiques sur l'environnement* (environmental public hearing office) next fall.

Prospective Projects

The Roussillon, Kamouraska and Massif-du-Sud prospective projects were submitted into Hydro-Québec's call for tenders for 2,000 MW of wind power, which closed on September 18, 2007. On May 5, 2008, Hydro-Quebec Distribution announced the winners of its call for tenders. The three projects submitted were not retained and hence the Corporation will not be able to enter into long-term power purchase agreement with the public utility for those projects. More information regarding this announcement can be found under the heading *Subsequent Events* of this MD&A.

The Corporation intends to submit the Kokish and Kaipit hydroelectric projects to the Standing Offer Program for small renewable power generation facilities with a nameplate capacity of less than 10 MW currently made available by British Columbia Hydro and Power Authority. The proposed regional price for energy under such program in 2008 for projects on Vancouver Island is \$87.33 per MW-hr, representing a \$84.23 per MW-hr energy price and an Environmental Attributes price of \$3.10 per MW-hr.

Subsequent to the end of the first quarter, the Corporation announced that it has signed an agreement with Ledcor Power Group Ltd. regarding rights to develop the hydroelectric potential of 18 sites in BC. More information regarding this agreement can be found under the heading *Subsequent Events* of this MD&A.

OPERATING RESULTS

The Corporation's operating results for the first quarter of 2008 cover the period from January 1st, 2008 to March 31, 2008, and are compared to operating results for the same period in 2007. It is important to recall that for most of the year 2007 (339 days), the Corporation solely provided management and administrative services to Innergex Power Income Fund and Innergex II Income Fund ("Innergex II") and owned a 15% equity interest in Innergex II. The Corporation did not own any power generating facility, projects under development or units of the Fund prior to December 6, 2007.

Revenues

Revenues are comprised of: i) operating revenues from the Glen Miller facility; ii) management fees received from the Fund and, iii) the 16.1% share in the Fund's net results.

For the first quarter in 2008, the Corporation reported revenues totalling \$1.0 million, compared to revenues of \$1.8 million in 2007. For the first quarter in 2007, the Corporation received management fees from both the Fund and Innergex II for a total amount of \$1.8 million.

For the first quarter in 2008, the Corporation's revenues included \$0.7 million in revenues generated from the Glen Miller hydroelectric facility. During the first quarter, the Glen Miller hydroelectric facility produced 10,647 MW-hr, which is 21% below the long-term average of 13,491 MW-hr. The electricity production was affected by lower than normal hydrological conditions on the Trent River and by the partial shutdown of the facility. During a five week period, one of the two turbines suffered from a failure of the generator downstream guide bearing. The repair was done under the manufacturer's warranty. The Corporation also received \$0.6 million in management fees from the Fund.

As the Manager and owner of 16.1% of the outstanding units of the Fund, the Corporation is considered having a significant influence on the Fund. Therefore, the Corporation includes its share of the Fund's net results as revenues, adjusted for the amortization of intangibles and future income taxes related to the excess of the cost of the investment in the Fund over the underlying net book value of assets acquired. For the first quarter in 2008, the Corporation recorded a loss of \$0.3 million from its share of an entity subject to significant influence. This amount should not be extrapolated over a full year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

Share of the Net Loss of an Entity Subject to Significant Influence	For the quarter ended March 31, 2008
Corporation's 16.1% share in the Fund's net loss	\$ (122,269)
Amortization of intangibles	(293,303)
Future income taxes	80,658
Share of net loss of an entity subject to significant influence	(334,914)

During the first quarter, the Corporation was entitled to receive its share of the Fund's monthly cash distributions, which totalled \$1.2 million (nil in 2007). More information regarding the Fund may be found at www.sedar.com. Such information is not incorporated by reference.

Expenses

General and administrative expenses for the first quarter in 2008, totalled \$1.5 million compared to \$1.7 million for the corresponding quarter in 2007. For the first quarter in 2008, the Corporation also recorded \$0.3 million in operating expenses related to the operations of the Glen Miller hydroelectric facility. Operating expenses consist primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes, property taxes, maintenance and repairs.

Depreciation and Amortization

The depreciation and amortization expense totalled \$0.4 million for the first quarter in 2008 compared to \$0.05 million for the corresponding quarter in 2007. This difference in depreciation and amortization expense is mainly attributable to the Glen Miller hydroelectric facility that was not included in the Corporation's results for the first quarter in 2007.

Interest Expenses

During the first quarter in 2008, the Corporation incurred \$1.4 million of interest expense on its long-term debt and bank loans (\$4,932 in 2007). Of this amount, \$1.1 million represent interest costs incurred to finance the construction of projects and are capitalized to projects under construction or development. An amount of \$0.3 million in interest expenses was recorded on the income statement for the quarter and relates mostly to the indebtedness for the Glen Miller hydroelectric facility.

Derivative Financial Instruments

The Corporation uses derivative financial instruments, mainly bond forward contracts and interest rate swaps, to manage its exposure to the risk of an increase in interest rates on its debt related to projects under construction. During the first quarter in 2008, the Corporation recorded an unrealized net loss on derivative financial instruments of \$6.1 million (nil in 2007). This loss is the result of fluctuations in the fair market value of swap and bond forward contracts due to the decreasing overall interest rate environment. This loss had no impact on the liquidity of the Corporation.

Provision for Income Taxes

The Corporation recorded a \$1.8 million recovery of income taxes during the first quarter of 2008 compared to a \$19,336 expense for the corresponding period in 2007. This recovery is mainly due to the significant unrealized net loss on derivative financial instruments which resulted in a \$1.7 million future taxes asset.

Net (Loss) Earnings and Comprehensive (Loss) Earnings

For the first quarter, the Corporation posted net loss and comprehensive loss of \$5.5 million (basic and diluted \$0.23 per share). For the corresponding quarter in 2007, the net earnings and comprehensive earnings totalled \$40,306 (basic and diluted \$0.03 per share). The difference can mainly be explained by lower revenues and the unrealized net loss on derivative financial instruments mentioned above.

On December 6, 2007, the Corporation granted 1,410,000 options entitling the holders to purchase a total of 1,410,000 common shares at \$11.00 per share. The options are valid for a 10-year period and 25% become vested on each anniversary of the grant date.

Consequently, basic per-share figures are based on a weighted average number of 23,500,000 shares outstanding for the quarter ended March 31, 2008, compared to a weighted average number of 1,560,121 shares outstanding for the quarter ended March 31, 2007.

For the quarter ended March 31, 2008, diluted per-share figures are based on a weighted average number of 23,544,428 shares outstanding, compared to a weighted average number of 1,560,121 shares outstanding for the quarter ended March 31, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

As at March 31, 2008, the Corporation had a total of 23,500,000 common shares outstanding compared to 1,942,001 shares outstanding as at March 31, 2007. As such, the Corporation's per share figures for 2008 are expected to vary greatly from the figures presented in 2007.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

For the quarter ended March 31, 2008, the Corporation used \$5.5 million of cash flows from operating activities, compared to a use of \$0.3 million of cash flows from operating activities in 2007. This increase is mainly due to a negative \$5.5 million change in non-cash working capital items stemming from the payment of accounts payable and accrued liabilities totalling \$6.0 million partly offset by a \$0.5 million decrease in accounts receivable.

For the quarter ended March 31, 2007, the change in non-cash working capital items was negative at \$0.4 million. The change in non-cash working capital items in 2007 resulted mainly from a \$0.8 million increase in accounts receivable partly offset by an increase in accounts payable and accrued liabilities of \$0.4 million.

Cash Flows from Financing Activities

For the quarter ended March 31, 2008, cash flow from financing activities totalled \$4.4 million resulting mainly from the increase of long-term debt partly offset by the repayment of a \$2.0 million bank loan. In 2007, \$2,424 was received from the issuance of share capital.

Cash Flows from Investing Activities

For the first quarter in 2008, the Corporation's cash flows from investing activities were negative at \$10.0 million. Additions to property, plant and equipment used \$9.6 million of cash and additions to project development costs used \$1.4 million. These amounts were partially offset by distributions totalling \$1.2 million received from the 4,724,409 units of the Fund, an entity under significant influence.

For the first quarter in 2007, the Corporation's cash flows from investing activities were negative at \$46,125, stemming mainly from addition to property, plant and equipment.

Cash and Cash Equivalents

During the first quarter in 2008, the Corporation used \$11.1 million in cash and cash equivalents. As at March 31, 2008, the Corporation had \$23.6 million in cash and cash equivalents. This level of cash raised mostly from the IPO is deemed sufficient by management, when coupled with future cash flows of the Corporation and an additional reasonable amount of debt, to complete the Corporation's nine Development projects with PPAs. During the corresponding period in 2007, the Corporation used \$0.4 million in cash and cash equivalents. As at March 31, 2007, the Corporation had cash and cash equivalents of \$0.1 million.

The Corporation invests its cash in liquid assets such as banker's acceptances and term deposits having short-term maturities. The Corporation did not invest amounts in any form of asset-backed commercial papers.

FINANCIAL POSITION

Assets

As at March 31, 2008, the Corporation had \$341.7 million in total assets, compared to \$343.3 million in total assets as at December 31, 2007.

Property, Plant and Equipment

Property, plant and equipment are comprised mainly of hydroelectric and wind farms projects operating or under construction, and are recorded at cost and depreciated using the straight-line method based on their estimated useful life upon commissioning. The Corporation had \$120.3 million in capital assets as at March 31, 2008 compared to \$111.4 million as at December 31, 2007. This increase can be explained by the ongoing development and capital expenditures made on three projects currently under construction.

Intangible Assets

The intangible assets consist in various permits, licenses and agreements. The Corporation had \$40.8 million of intangible assets as at March 31, 2008. Intangibles are depreciated using the straight-line method over a period of 20 to 40 years upon commissioning of the projects.

Project Development Costs

Project development costs represent costs incurred in the investigation, acquisition and development of power generating facilities. These costs are transferred to either property, plant and equipment or intangible assets depending on their nature, when construction of a project starts. As at March 31, 2008, the Corporation had \$38.4 million of project development costs

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

(\$37.3 million as at December 31, 2007). This relates to Development projects with PPA in pre-construction phase and Prospective Projects.

Investment in an entity subject to significant influence

The \$61.6 million investment in an entity subject to significant influence (\$63.1 million as at December 31, 2007) relates to the 4,724,409 Fund units owned by the Corporation, representing a 16.1% interest in the Fund. This investment is accounted for using the equity method. Additional information on the Fund is available on SEDAR at www.sedar.com.

Goodwill

As at March 31, 2008, the Corporation had \$30.6 million in goodwill recorded following the acquisition of Innergex II.

Other long-term assets

Other long-term assets amount to \$2.3 million (\$2.2 million as at December 31, 2007) and are mainly comprised of a loan to a partner and derivative financial instruments.

Working capital

As at March 31, 2008, the working capital was \$26.5 million, with a working capital ratio of 2.61:1.00, compared to \$34.3 million and a working capital ratio of 2.69:1.00 as at December 31, 2007. The Corporation considers its current working capital to be sufficient to meet all of its needs. If necessary, the Corporation can use a bank credit facility in the amount of \$20.0 million. From this amount, \$6.5 million was used to secure letters of credit and \$4.3 million to secure bond forward contracts. As at March 31, 2008, an amount of \$9.2 million was available to the Corporation under its credit facility.

Accounts receivable slightly decreased from \$19.6 million as at December 31, 2007 to \$19.0 million as at March 31, 2008. Accounts receivable are mainly composed of \$14.0 million notes receivable from subsidiaries of the Fund in relations to the sale of the Innergex II interest in the Anse-à-Valleau and Baie-des-Sables wind farms. The notes are expected to be paid upon receipt of amounts due by Hydro-Quebec TransEnergie relating to the construction of a substation and by the Federal and Provincial governments in relations with recoverable sales taxes. The Corporation expects to receive payment of the notes during the second quarter of 2008.

Accounts payable and accrued liabilities decreased from \$14.8 million as at December 31, 2007 to \$8.0 million and are mainly comprised of trade payable and holdbacks related to the construction of the Ashlu Creek, Carleton, Umbata Falls and other projects.

Long-term Debt

As at March 31, 2008, the long-term debt was \$87.1 million and the debt-to-enterprise value ratio represented 25.6%. As at December 31, 2007, the long-term debt was \$81.1 million and the debt-to-enterprise value ratio represented 21.7%. The debt consists in: i) a \$17 million non-recourse term loan secured by the Glen Miller hydroelectric facility having a five year term and for which the principal repayments were waived off as long as a threshold debt service coverage ratio is reached. During the quarter, this threshold was reached and accordingly, the principal repayments could resume after an appropriate amortization schedule has been agreed upon with the lender. The loan is set at variable rate, which is equal to the banker's acceptances plus a credit margin of 140 basis points; ii) a \$51 million non recourse construction loan of which \$32.5 million has been drawn (from that amount, \$15.9 million represents the Corporation's 49% ownership interest in the project) secured by the Umbata Falls hydroelectric facility. The loan matures five years following term conversion. The loan's principal payments will begin on term conversion and will be based on a 20-year amortization period. The loan bears interest at banker's acceptances plus an applicable credit margin; iii) a \$110.0 million non-recourse construction loan, of which \$54.2 million has been drawn, secured by the Ashlu Creek hydroelectric facility. The loan matures 15 years following term conversion. The loan's principal payments will begin on term conversion and will be based on a 25-year amortization period. The loan bears interest at banker's acceptances plus an applicable credit margin.

If they are not met, certain financial and non-financial conditions included in the credit agreements entered into with certain of the Corporation's subsidiaries could limit the capacity of these subsidiaries to transfer sums to the Corporation. These restrictions could have a negative impact on the Corporation's capacity to meet its obligations. During the first quarter of 2008 and 2007, the Corporation and its subsidiaries met all financial and non-financial conditions which could constitute a default under their credit agreements.

Despite current financial market turmoil, the management does not expect to have difficulties in securing new financing for the development of its projects. However, terms of new debt financing could be less favourable and include more restrictive covenants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

Future Income Taxes

The tax impact of temporary differences can result in material future tax assets or liabilities. As at March 31, 2008, the Corporation has net future income taxes liability of \$2.8 million. As at December 31, 2007, the Corporation had a net future income taxes liability of \$4.6 million. This net liability mainly comes from the excess of the accounting value over the tax basis of Innergex II's assets acquired on December 6, 2007.

Shareholders' Equity

As at March 31, 2008, the Corporation's shareholders' equity totalled \$225.4 million compared to \$230.5 million as at December 31, 2007. The difference is mainly due to the \$5.5 million net loss recorded during the quarter.

Off-balance Sheet Arrangements

There are no off-balance sheet arrangements as at March 31, 2008 and December 31, 2007.

RELATED PARTY TRANSACTIONS

As the Manager of Innergex Power Income Fund

The Corporation provides services to the Fund and its subsidiaries under three agreements, namely a Management Agreement, an Administration Agreement, and a Services Agreement. For the quarter ended March 31, 2008, the Corporation was paid \$0.25 million for regular services provided under the three agreements (\$0.25 million in 2007). The Corporation is also entitled to incentive fees corresponding to 25% of the Fund's annual distributable cash per trust unit exceeding \$0.925 per trust unit. During the first quarter of 2008, the Corporation earned \$0.18 million (\$0.08 million in 2007) in incentive fees. Other fees for additional services totalling \$0.13 million (\$0.05 million in 2007) were invoiced to the Fund.

As the Manager of Innergex II Income Fund

Prior to its acquisition on December 6, 2007, the Corporation provided management services to Innergex II. Management fee revenues totalled to \$1.4 million for the quarter ended March 31, 2007.

SEGMENT INFORMATION

The Corporation has two reportable segments: (a) hydroelectric production and (b) development and management of sites.

Through its hydroelectric production segment, the Corporation sells electricity produced from hydroelectric facilities to publicly owned utilities. Through its development and management of sites segment, the Corporation explores potential sites, develops them to the operational stage and manages them.

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

The Corporation's reportable segments are operating using different means of production or type of activities. They are managed by different teams as they require different skills to operate them.

	Three-month period ended March 31, 2008		
	Hydroelectric production	Development and management of sites	Total
	\$	\$	\$
Revenues from external customers	711,715	258,861	970,576
Operating expenses	276,793	-	276,793
Operating income	434,922	258,861	693,783
General and administrative expenses	6,249	1,493,041	1,499,290
(Loss) earnings before interest, income taxes, depreciation and amortization and other items	428,673	(1,234,180)	(805,507)

There were no segments as at March 31, 2007 since those were acquired on December 6, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

SEGMENT INFORMATION (continued)

	As at March 31, 2008		
	Hydroelectric production	Development and management of sites	Total
	\$	\$	\$
Long-term assets	25,005,605	273,662,709	298,668,314
Goodwill	-	30,552,578	30,552,578
Total assets	26,113,188	315,569,553	341,682,741
Acquisitions of long-term assets	-	10,306,625	10,306,625

	As at December 31, 2007		
	Hydroelectric production	Development and management of sites	Total
	\$	\$	\$
Long-term assets	25,313,901	263,349,920	288,663,821
Goodwill	-	30,552,578	30,552,578
Total assets	25,571,910	317,687,597	343,259,507

CHANGES IN ACCOUNTING POLICIES

CICA Handbook Section 1535 *Capital Disclosures* requires an entity to disclose information that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital. This Section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The application of this Section requires additional disclosures presented in Note 3 of the consolidated financial statements for the quarter ended March 31, 2008.

FINANCIAL DERIVATIVE INSTRUMENTS

Due to a decline in bond yields and lower interest rate environment as at March 31, 2008, the outstanding bond forward contracts and the interest rate swap carried an aggregate negative value of \$11.1 million (\$5.0 million as at December 31, 2007). These amounts are accounted for in the balance sheet under *Derivative financial instruments* and their fluctuations in the statement of earnings under *Net loss on derivative financial instruments*.

RISK MANAGEMENT

The Corporation uses derivative financial instruments to manage its exposure to the risk of an increase in interest rates on debt financing. Since these financial instruments are entered into with important financial institutions, the Corporation considers the risk of illiquidity to be low. The Corporation does not own or issue financial instruments for speculation purposes.

During the year 2007, the Corporation entered into eight bond forward contracts maturing between June 20 and June 30, 2008, and in one interest rate swap maturing on June 4, 2009. It is the intention of the Corporation to roll or extend these contracts or enter into new contracts in order to match the maturity of the underlying debt and protect the economic value of the projects.

These bond forward and swap contracts allow the Corporation to mitigate the risk of interest rate increases on long-term debt totalling approximately \$176.0 million in long-term debt (nil in 2007).

In 2005, Innergex II (now a subsidiary of the Corporation) sold the 50 MW Rutherford Creek hydroelectric project to the Fund. The entity which owns the asset, Rutherford Creek Power, Limited Partnership, has agreed, following the expiry or termination of the Rutherford Creek PPA in June 2024, to pay to Innergex II royalties based on achieving certain revenue thresholds. As at March 31, 2008, the fair value of this financial instrument is \$0.7 million (\$0.7 million as at December 31, 2007). This amount is included in the balance sheet under *Other long-term assets* and its fluctuation in the statement of earnings under *Net loss on derivative financial instruments*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended March 31, 2008

RISKS AND UNCERTAINTIES

The Corporation is exposed to a variety of business risks, and has outlined risks it considers material in its 2007 annual report. However, additional risks and uncertainties not presently known to the Corporation or that it currently believes to be immaterial may also adversely affect its business. Additional risks and uncertainties can be found in the *Risk Factors* section of the Corporation's Annual Information Form for the year ended December 31, 2007 filed on www.sedar.com.

ADDITIONAL INFORMATION AND UPDATES

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

QUARTERLY FINANCIAL INFORMATION

For the three-month periods ended (unaudited):

	March 31 2008	Dec. 31 2007	Sept.30 2007	June 30 2007
Revenues (\$ thousands)	971	3,067	1,478	1,714
Net (loss) earnings and comprehensive (loss) earnings (\$ thousands)	(5,474)	5,392	56	58
Net (loss) earnings and comprehensive (loss) earnings Basic (\$/share)	(0.23)	0.67	0.03	0.03
Diluted (\$/share)	(0.23)	0.67	0.03	0.03
Weighted average number of shares outstanding (thousands)				
Basic	23,500	8,034	1,942	1,942
Diluted	23,544	8,135	1,942	1,942

	March 31 2007	Dec. 31 2006	Sept.30 2006	June 30 2006
Revenues (\$ thousands)	1,791	1,847	1,399	1,556
Net earnings and comprehensive earnings (\$ thousands)	40	42	43	47
Net earnings and comprehensive earnings Basic (\$/share)	0.03	0.03	0.03	0.03
Diluted (\$/share)	0.03	0.03	0.03	0.03
Weighted average number of shares outstanding (thousands)				
Basic	1,560	1,359	1,359	1,359
Diluted	1,560	1,359	1,359	1,359

SUBSEQUENT EVENTS

On April 25, 2008, the Corporation announced that it has reached an agreement with Ledcor Power Group Ltd. ("Ledcor") to acquire 66 ⅔% of a joint venture, holding rights to develop 18 run-of-river hydroelectric power projects located in Lower Mainland in British Columbia. These projects would represent a potential installed capacity of more than 200 MW and produce over 1,000 GW-hr of clean energy for the Province, filling the needs of approximately 98,000 BC homes.

The Corporation will invest \$8 million for this acquisition in addition to issuing 200,000 warrants to Ledcor. Subject to TSX approval, the warrants will be exercisable within 24 months from closing of the transaction, at a strike price of \$12.50 per warrant. Ledcor will remain the owner of 33 ⅓% of the joint venture. The closing of the acquisition which is expected to occur within 90 days following its announcement is subject to customary conditions for similar transaction including satisfactory due diligence review. The Corporation intends to temporarily finance the acquisition with cash on hand.

On September 18 2007, the Corporation submitted three prospective wind projects within Hydro-Québec's call for tenders for 2,000 MW of wind power. On May 5, 2008, Hydro-Quebec Distribution announced the winners of its call for tenders. The three wind projects submitted were not retained and hence the Corporation will not be able to enter into long-term power purchase agreement with the public utility for those projects. The Corporation is currently assessing the potential accounting impact of this announcement.

Investor Information

Stock Exchange Listing

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

Transfer Agent and Registrar

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1500 University Street, Suite 700, Montreal, Quebec, H3A 3S8

Telephone : 1 800 564-6253 or 514 982-7555

Email: service@computershare.com

Auditors

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

Electronic Delivery

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

Investor Relations

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

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