Powering a Clean Future
2008 Second Quarter Report

INNERGEX
Énergie renouvelable
Renewable Energy

Consolidated Financial Statements
(Unaudited)

Consolidated Statements of Earnings and Comprehensive Earnings and Deficit	Three-month period ended June 30, 2008	Three-month period ended June 30, 2007	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
	$	$	$	$
Revenues				
Operating	883,495	-	1,595,210	-
Management fees	547,234	1,714,029	1,141,009	3,504,563
Share of net earnings of an entity subject to significant influence	993,571	-	658,657	-
	2,424,300	1,714,029	3,394,876	3,504,563
Expenses				
Operating expenses	(15,277)	-	261,516	-
General and administrative expenses	1,755,478	1,577,221	3,254,768	3,251,721
	1,740,201	1,577,221	3,516,284	3,251,721
Earnings (loss) before interests, income taxes, depreciation and amortization and other items	684,099	136,808	(121,408)	252,842
Depreciation and amortization	367,992	51,560	740,917	103,120
Interest on bank loan	-	-	15,606	-
Interest on long-term debt	209,135	18,871	448,879	23,803
(Gain) loss on derivative financial instruments	(3,436,400)	-	2,635,927	-
Other (revenues) and expenses	(189,706)	6,847	(471,063)	6,747
Write-off of project development costs	1,553,577	-	1,603,339	-
Earnings (loss) before income taxes	2,179,501	59,530	(5,095,013)	119,172
Income taxes				
Current	641	21,043	1,956	42,087
Future (recovery)	605,467	(19,344)	(1,196,285)	(21,052)
	606,108	1,699	(1,194,329)	21,035
Net earnings (loss) and comprehensive earnings (loss)	1,573,393	57,831	(3,900,684)	98,137
Weighted average number of shares outstanding	23,500,000	1,942,001	23,500,000	1,752,116
Basic net earnings (loss) per share	0.07	0.03	(0.17)	0.06
Diluted number of shares outstanding	23,500,000	1,942,001	23,500,000	1,752,116
Diluted net earnings (loss) per share	0.07	0.03	(0.17)	0.06
(Deficit) retained earnings, beginning of period	(3,880,743)	1,843,141	1,593,334	1,802,835
Net earnings (loss)	1,573,393	57,831	(3,900,684)	98,137
(Deficit) retained earnings, end of period	(2,307,350)	1,900,972	(2,307,350)	1,900,972

See accompanying notes to unaudited consolidated financial statements.

Consolidated Financial Statements
(Unaudited)

Consolidated Balance Sheets	June 30, 2008	December 31, 2007
	$	$ (Audited)
Assets		
Current assets		
Cash and cash equivalents	20,528,407	34,690,837
Accounts receivable	6,927,339	19,576,093
Prepaid and others	474,276	328,756
	27,930,022	54,595,686
Property, plant and equipment	136,316,420	111,423,328
Intangible assets	40,687,808	40,832,760
Project development costs	38,315,106	37,335,586
Investment in an entity subject to significant influence	61,441,610	63,144,213
Future income taxes	4,295,127	3,214,616
Goodwill	31,874,198	30,552,578
Other long-term assets	2,581,288	2,160,740
	343,441,579	343,259,507
Liabilities		
Current liabilities		
Bank loan	-	2,000,000
Accounts payable and accrued liabilities	6,964,534	14,824,342
Derivative financial instruments (Note 9)	7,643,484	3,501,225
	14,608,018	20,325,567
Construction holdbacks	3,045,714	1,989,626
Derivative financial instruments (Note 9)	-	1,455,974
Long-term debt (Note 5)	89,526,000	81,135,000
Future income taxes	8,179,739	7,816,862
Minority interest	5,000	5,000
	115,364,471	112,728,029
Shareholders' equity		
Share capital (Note 6)	229,472,343	228,807,842
Contributed surplus	912,115	130,302
(Deficit) retained earnings	(2,307,350)	1,593,334
	228,077,108	230,531,478
	343,441,579	343,259,507

See accompanying notes to unaudited consolidated financial statements.

Consolidated Financial Statements
(Unaudited)

Consolidated Statements of Cash Flows	Three-month period ended June 30, 2008	Three-month period ended June 30, 2007	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
	$	$	$	$
Operating activities				
Net earnings (loss)	1,573,393	57,831	(3,900,684)	98,137
Items not affecting cash:				
Depreciation of property, plant and equipment	281,538	51,560	568,008	103,120
Amortization of intangible assets	86,454	-	172,909	-
Share of net earnings of an entity under significant influence	(993,571)	-	(658,657)	-
Stock-based compensation	390,906	-	781,813	-
Unrealized (gain) loss on derivative financial instruments	(3,436,400)	-	2,635,927	-
Write-off of project development costs	1,553,577	-	1,603,339	-
(Gain) loss on disposal of property, plant and equipment	-	6,847	(300)	6,747
Future income taxes	605,467	(19,344)	(1,196,285)	(21,052)
Changes in non-cash operating working capital items (Note 8)	12,163,600	136,052	6,672,374	(286,218)
	12,224,964	232,946	6,678,444	(99,266)
Financing activities				
Increase in construction holdbacks	625,461	-	1,056,088	-
Decrease in bank loan	-	-	(2,000,000)	-
Issuance of long-term debt	2,401,000	-	8,391,000	-
Issuance of share capital	-	-	-	2,424
	3,026,461	-	7,447,088	2,424
Investing activities				
Distributions received from an investment in an entity subject to significant influence	1,180,630	-	2,361,260	-
Additions to property, plant and equipment	(17,668,088)	(60,940)	(27,226,458)	(107,165)
Additions to project development costs	(1,585,803)	-	(3,024,917)	-
Additions to other long-term assets	(276,196)	-	(398,147)	-
Proceeds from disposal of property, plant and equipment	-	870	300	970
	(18,349,457)	(60,070)	(28,287,962)	(106,195)
Net (decrease) increase in cash and cash equivalents	(3,098,032)	172,876	(14,162,430)	(203,037)
Cash and cash equivalents, beginning of period	23,626,439	147,594	34,690,837	523,507
Cash and cash equivalents, end of period	20,528,407	320,470	20,528,407	320,470
Cash and cash equivalents is comprised of:				
Cash	3,451,277	320,470	3,451,277	320,470
Short-term investments	17,077,130	-	17,077,130	-
	20,528,407	320,470	20,528,407	320,470

Additional information to the consolidated statements of cash flows is presented in Note 8.

See accompanying notes to unaudited consolidated financial statements.

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 developer, owner 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 and the accompanying notes (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 GAAP for annual financial statements and, accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Corporation's latest annual report.

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

These financial statements have been prepared in accordance with the same accounting policies and methods of application as described in the Corporation's latest annual report with the exception of the following new policy which was 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 that are presented in Note 3.

Future accounting change:

The Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for the first quarter of 2011. The Corporation have begun to develop plans to implement the new standards. We cannot at this time reasonably estimate the impact of adopting IFRS on its consolidated financial statements.

3. CAPITAL DISCLOSURES

The Corporation's objectives when managing its capital are twofold: i) to maintain sufficient cash and cash equivalents to pursue its growth strategy; and, ii) to maintain adequate financial leverage and manage financial risks.

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

The Corporation uses equity primarily to finance the development of projects. The Corporation uses long-term debt to finance the construction of facilities. The Corporation expects to finance 70% to 85% of its construction costs through non-recourse long-term debt financing.

The Corporation and its subsidiaries met all the financial and non-financial conditions related to their credit agreements except as disclosed in Note 5.

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

4. BANK LOAN

A subsidiary of the Corporation has an authorized line of credit up to a maximum of $20 million that is secured by a hypothec on the universality of investments and receivables, excluding assets already pledged as guarantees under other secured long-term debt. The credit facility is renegotiable annually and bears interest at the prime rate plus a credit margin. On June 30, 2008, a $6.8 million portion of this line of credit was used to secure letters of credit and a $6.2 million portion was used to secure bond forward contracts. As at June 30, 2008, the unused and available portion of the bank credit facility was $7.0 million. The bank loan includes financial and non-financial covenants that may restrict the use of the borrower's cash flows.

5. LONG-TERM DEBT

An amount of $17 million in long-term debt is related to Glen Miller Power, Limited Partnership. According to terms of the credit agreement, no principal repayments were required until a financial threshold was reached. During the first quarter of 2008, this threshold was reached and, accordingly, principal repayments will resume upon agreement with the lender on an appropriate amortization schedule. See Note 13 for more details.

The financing for the construction of the Ashlu Creek hydroelectric project provides for a certain expected in-service date and equity funding requirements. The Corporation is working with the lenders to reflect in the credit agreement the rescheduled in-service date (as supported by BC Hydro) and the additional equity invested by the Corporation in the quarter.

6. SHARE CAPITAL

In the second quarter of 2008, the issuance costs accounted for in the initial public offering were reduced by an amount of $664,501 (net of $294,652 in income tax). This resulted in an increase in share capital.

7. BUSINESS ACQUISITION

In the second quarter of 2008, the purchase price allocation of Innergex II Income Fund was modified. The Corporation reviewed the allocation and made some adjustments. Net working capital fell $1,137,621 following a reduction in non-interest bearing notes receivable from an entity subject to significant influence. Goodwill and future income tax liabilities grew $1,321,620 and $183,999, respectively.

8. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in Non-cash Operating Working Capital Items	Three-month period ended June 30, 2008	Three-month period ended June 30, 2007	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
	$	$	$	$
Accounts receivable	11,921,196	(590,567)	12,470,286	(1,381,309)
Prepaid and others	(113,291)	8,806	(145,520)	(26,247)
Accounts payable and accrued liabilities	355,695	717,813	(5,652,392)	1,121,338
	12,163,600	136,052	6,672,374	(286,218)
Additional information				
Interest paid	810,610	-	1,912,156	-
Income taxes paid	5,950	19,356	166,898	116,123
Non-cash transactions				
Reduction of issuance costs	664,501	-	664,501	-
Unpaid property, plant and equipment	7,364,365	-	7,364,365	-
Unpaid development costs	222,789	-	222,789	-

During the second quarter, subsidiaries of Innergex Power Income Fund paid $11,590,000 of the notes receivable included in accounts receivable. Combined with the $1,137,621 reduction described in Note 7, the remaining receivable amount stood at $1,280,946.

9. DERIVATIVE FINANCIAL INSTRUMENTS

During the second quarter, the maturity dates of nine bond forward contracts were extended from June 2008 to September 2008 and January 2009. The notional amounts extended to September 2008 totalled $110 million, while the notional amounts of contracts extended to January 2009 totalled $35 million. The interest rate swap contract to mature in June 2009 is now presented as a current liability.

10. SEGMENT INFORMATION

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

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

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

The Corporation's reportable segments conduct their operations using different means of production and types of activities managed by different teams, since each segment has different operating skill requirements.

	Three-month period ended June 30, 2008		
	Hydroelectric Production	Site Development and Management	Total
	$	$	$
Revenues from external customers	883,495	1,540,805	2,424,300
Operating expenses	(15,277)	-	(15,277)
Operating income	898,772	1,540,805	2,439,577
General and administrative expenses	2,834	1,752,644	1,755,478
Earnings (loss) before interest, income taxes, depreciation and amortization and other items	895,938	(211,839)	684,099

	Six-month period ended June 30, 2008		
	Hydroelectric Production	Site Development and Management	Total
	$	$	$
Revenues from external customers	1,595,210	1,799,666	3,394,876
Operating expenses	261,516	-	261,516
Operating income	1,333,694	1,799,666	3,133,360
General and administrative expenses	9,083	3,245,685	3,254,768
Earnings (loss) before interest, income taxes, depreciation and amortization and other items	1,324,611	(1,446,019)	(121,408)

10. SEGMENT INFORMATION (CONT'D)

As at June 30, 2007, the Corporation had no segments, since the segments were acquired on December 6, 2007.

	As at June 30, 2008		
	Hydroelectric Production	Site Development and Management	Total
	$	$	$
Long-term assets	24,808,731	290,702,826	315,511,557
Goodwill	-	31,874,198	31,874,198
Total assets	28,096,623	315,344,956	343,441,579

	As at December 31, 2007		
	Hydroelectric Production	Site Development and Management	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

11. COMMITMENTS

The Corporation is an undivided owner of a 38% interest in four wind projects. Furthermore, the Corporation indirectly owns, through its 16.1% investment in units of the Fund, a portion of the Fund's 38% interest in two wind projects. The same third party is the other undivided owner of the remaining 62% interest in all of the wind projects. The Corporation and the third party have entered into a separation agreement which describes the process should one of the Corporation or the third party request separation of the wind projects held in undivided joint ownership. Once two of the projects have reached final completion, the separation agreement allows one of the undivided owners, within 60 days from the date of final completion of the second project (i.e., the Anse-à-Valleau project), to request the separation of all of the wind projects so held in undivided joint ownership. Should a request for separation be presented, the Fund will be allocated the wind farm that it holds in undivided joint ownership having the lowest fair market value, and the other will be attributed to the third party. The four remaining projects will be allocated between the Corporation and the third party, based on the total number of MW of these projects and their anticipated final completion dates. As such, each of the Corporation and the third party would then own 100% of some of the four projects, which would be close to their current respective overall interests in the four projects. In each case, the parties will then each have to pay an amount to compensate for the difference in value.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in accordance with the current period's presentation.

13. SUBSEQUENT EVENT

On July 14, 2008, the Corporation and the lender of Glen Miller Power, Limited Partnership agreed on an amortization schedule for the $17 million in long-term debt. Accordingly, quarterly principal repayments in an amount of $250,000 will be made starting in the third quarter of 2008 and continuing until full repayment.

This Management's Discussion and Analysis ("MD&A") has been prepared as of August 13, 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 three-month and the six-month periods ended June 30, 2008. This MD&A should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes for the three-month and six-month periods ended June 30, 2008 and with the Corporation's 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 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 have designed or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There have been no changes in the Corporation's internal controls 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 plans and operations, this MD&A may 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 actual results and future events to differ materially from the expressed current expectations are discussed in the *Risks and Uncertainties* of this MD&A and in the *Risk Factors* section of 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 relevant and reasonable concepts and assumptions, 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.

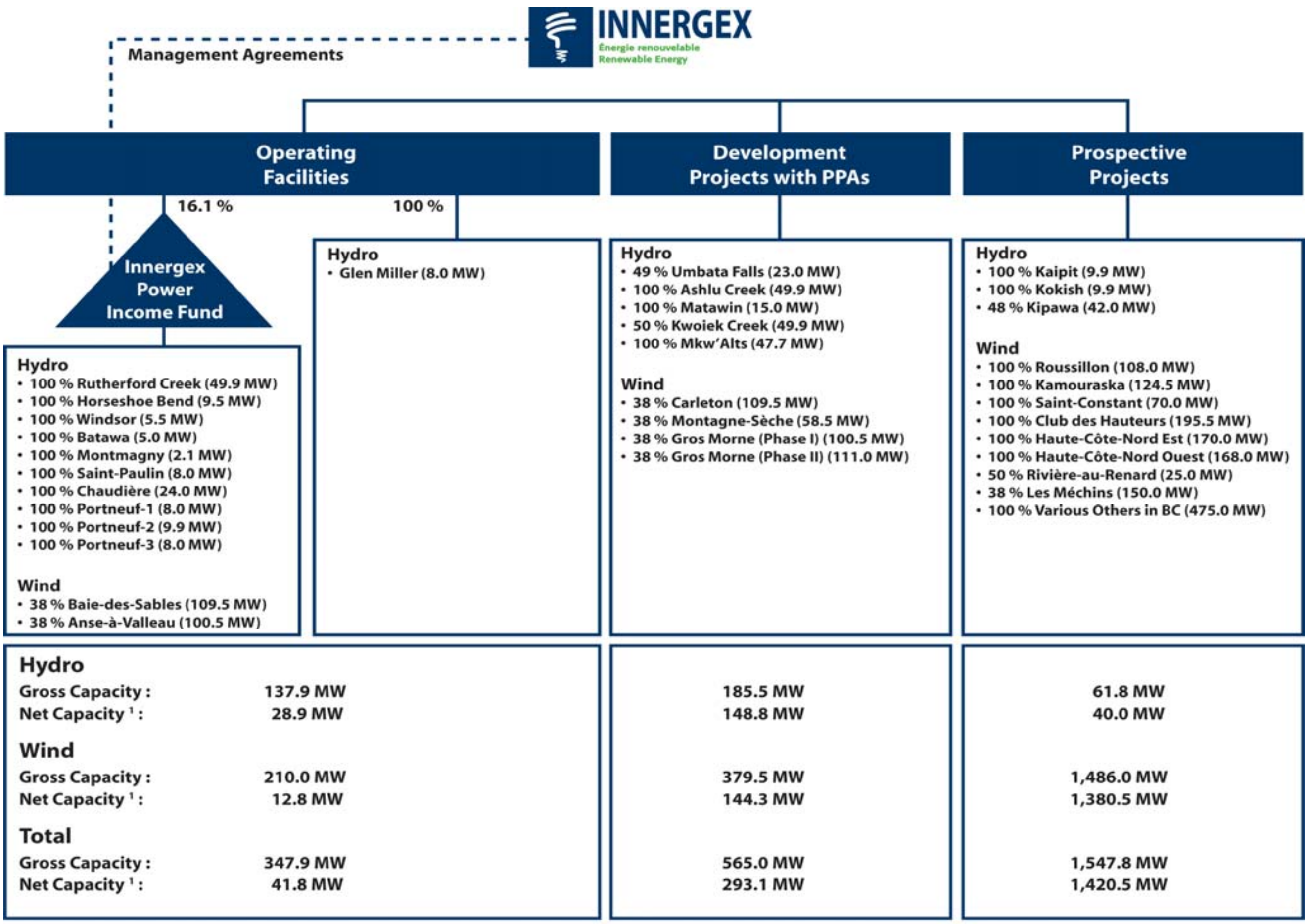
OVERVIEW

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, it completed its Initial Public Offering ("IPO") and was listed on the Toronto Stock Exchange ("TSX") under the symbol INE.

The Corporation is an independent developer, owner and operator of renewable power generating facilities and provides management and administrative services to 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 that 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 2 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) of power generating capacity for which power purchase agreements ("PPA") with public utilities have been secured (of these projects, three are currently under construction, and construction is expected to begin on the other six over the next five years. The projects are expected to reach commercial operation between 2008 and 2012); iii) more than 1,400 MW (1,500 MW gross) of Prospective Projects that are at different stages of development; and, iv) a direct 16.1% interest in the Fund.

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 on the Corporation's facilities can be found in the Corporation's Annual Information Form for the year ended December 31, 2007 that has been 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 production facilities that generate sustainable and growing cash flows, with the objective of achieving a high return on invested capital. As an independent clean power producer, the Corporation aims to generate value from renewable energy sources.

The Corporation's cash flow sources are diversified. First, as owner of an 8-MW hydroelectric facility, the Corporation receives revenues from the electricity generated at this facility. Second, as owner of a 16.1% interest in the Fund, the Corporation receives stable monthly cash distributions. Third, 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 production to increase in the years to come as the pipeline of projects under development reaches commercial operation.

QUARTERLY UPDATE

Corporation's 16.1% interest in the Fund

During the second quarter, the Fund acquired all the shares of IHI Hydro Inc. ("IHI") for $14.4 million. IHI owned a 22.4% minority interest in the Saint-Paulin, Chaudière and three Portneuf hydroelectric facilities. The acquisition was financed by a bank loan. The Fund also refinanced a $52.6 million long-term debt in order to increase available cash by reducing future capital repayment amounts.

Development Projects with PPAs

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

Development Projects with PPAs Currently Under Construction

Project Name	Ownership	Location	Installed Capacity (MW)	Estimated Annual Long-term Average Production (in MW-hr)	Estimated Total Construction Costs ($million)	Total Construction Costs as at June 30, 2008 ($million)	Expected Commercial In-service Date
Umbata Falls	49%	Ontario	23.0	109,102	60.0	48.2	Q4 2008
Carleton	38%	Québec	109.5	340,523	181.2	43.5	Q4 2008
Ashlu Creek	100%	British Columbia	49.9	265,000	138.0	79.2	2009

The construction of the Umbata Falls hydroelectric project is coming to an end. Almost all of the civil works are complete, and almost all components have been received and are being installed. The two butterfly valves were delivered in July and installation will be completed in August 2008. Total estimated construction costs fall within the budgeted amount. The expected commercial-in-service date is October 2008. The Umbata Falls project has obtained from the federal government its commitment for the ecoENERGY initiative, which provides an incentive payment of $10 per MW-hr for the first ten years of operation. An application has been submitted for EcoLogo certification.

At the Carleton wind project, construction of access roads and road improvements is almost complete. Foundation works are completed on 67 of the 73 wind turbines. The first wind turbine was erected on June 6, 2008. As of today, 22 wind turbines are erected. The construction of the sub-station is approximately 70% complete. The planned commercial-in-service date is on schedule for December 2008.

The construction of the Ashlu Creek hydroelectric project is progressing well. Work is complete on the access roads, transmission lines, switchyard, creek diversion using cofferdams, and emergency spillway. Construction activities are approximately 85% complete at the intake and sluiceway, 80% at the concrete substructure of the powerhouse and 90% for the equipment fabrication. The horizontal mining of the tunnel is over 50% complete, but there have been some delays due to unfavourable geotechnical conditions. The tunnelling contractor continues to put additional resources to mitigate these delays, as they could lead to liquidated damages for late delivery. The expected commercial-in-service date is at the end of 2009. Estimated total construction costs of the project could rise by up to 5% since additional construction work is required for modifications made to the design of the intake and for the delays incurred. The financing for the construction of the Ashlu Creek hydroelectric project provides for a certain expected in-service date and equity funding requirements. The Corporation is working with the lenders to reflect in the credit agreement the rescheduled in-service date (as supported by BC Hydro) and the additional equity invested by the Corporation in the quarter.

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

Development Projects with PPAs in Pre-Construction

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

The construction of the Matawin hydroelectric project is ready to commence upon receipt of the decree from the Quebec Minister of Natural Resources and Wildlife.

In respect of the Mkw'alts project on Ure Creek, the Corporation continues its efforts to find an acceptable arrangement with the Lil'wat Nation and the Government of British Columbia.

The construction of the Kwoiek Creek hydroelectric project is expected to commence immediately following the completion of the ongoing permitting phase. Project construction is expected to be complete in 2011.

The Corporation has been informed by the Bureau d'audiences publiques sur l'environnement (environmental public hearing office) that hearings of the Montagne-Sèche and Gros Morne I and II wind projects will be held in September 2008. All reports and studies are in an acceptable form for the hearings.

Prospective Projects

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 available through the British Columbia Hydro and Power Authority. In 2008 the proposed regional price for energy under the program for projects on Vancouver Island is $87.33 per MW-hr, representing an energy price of $84.23 per MW-hr and an Environmental Attributes price of $3.10 per MW-hr.

On April 25, 2008, the Corporation announced that it had reached an agreement with Ledcor Power Group Ltd. ("Ledcor") to acquire 66⅔% of a joint venture that holds the rights to develop 18 run-of-river hydroelectric power projects located in the Lower Mainland of 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, meeting the needs of approximately 98,000 BC homes.

The Corporation will invest $8 million to make this acquisition in addition to issuing 200,000 warrants to Ledcor. The warrants will be exercisable within 24 months of the transaction closing at a strike price of $12.50 per warrant. Ledcor will remain the owner of 33⅓% of the joint venture. The Corporation expects to execute the agreement with Ledcor in the third quarter of 2008.

The Roussillon, Kamouraska and Massif-du-Sud prospective projects were submitted to Hydro-Québec under its 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 successful bidders under its call for tenders. The three projects submitted by the Corporation were not retained. The accounting value of the Massif-du-Sud prospective project was written down in the second quarter in 2008, since it was located in the same area as another winning project in the call. The Roussillon and Kamouraska prospective projects could be submitted under future calls for tenders.

The Corporation is currently engaged in discussions with municipalities and First Nations to eventually submit wind projects under future Hydro-Québec calls for tenders.

OPERATING RESULTS

The Corporation's operating results for the three-month and six month periods ended June 30, 2008 have been compared to operating results for the same periods of 2007. It is important to recall that for most of the 2007 fiscal year (339 days), the Corporation only provided management and administrative services to the Fund and Innergex II Income Fund ("Innergex II") and owned a 15% equity interest in Innergex II. Prior to December 6, 2007, the Corporation did not own any power generating facilities or units of the Fund and had no projects under development.

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 second quarter of 2008, the Corporation reported revenues totalling $2.4 million, as compared to revenues of $1.7 million in the corresponding period of 2007.

For the second quarter of 2008, the Corporation's revenues included $0.9 million in revenues generated from the Glen Miller hydroelectric facility. During the quarter, the Glen Miller hydroelectric facility produced 12,790 MW-hr – which is 8% above the long-term average of 11,860 MW-hr – due to favourable hydrological conditions. The Glen Miller results have a seasonal aspect due to variations in water levels from one quarter to the next during a typical year. The first quarter of the year is generally the one in which gross operating revenues are at their highest, while they are at their lowest in the third quarter. Quarterly results should not be considered representative of the results of a full year.

The Corporation also received $0.5 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 to have significant influence on the Fund. Therefore, the Corporation accounts for its share of the Fund's net results as revenues, adjusting for the amortization of intangibles and future income taxes related to the excess of the cost of its investment in the Fund over the underlying net book value of assets acquired. For the second quarter of 2008, the Corporation recorded earnings of $1.0 million from its share of an entity subject to significant influence. This amount should not be extrapolated over a full year, as the second quarter is normally the period for which the Fund posts its best results.

Share of the Net Earnings of an Entity Subject to Significant Influence	For the three-month period ended June 30, 2008	For the six-month period ended June 30, 2008
	$	$
Corporation's 16.1% share in the Fund's net earnings	1,206,216	1,083,947
Amortization of intangibles	(293,303)	(586,606)
Future income taxes	80,658	161,316
Share of net earnings of an entity subject to significant influence	993,571	658,657

In the second quarter of 2007, the Corporation received management fees from both the Fund ($ 0.6 million) and Innergex II ($1.1 million), for a total amount of $1.7 million. Since Innergex II is now a wholly-owned subsidiary, the Corporation does not record management fees from Innergex II as income in its consolidated financial statements.

For the six-month period ended June 30, 2008, the Corporation reported revenues totalling $3.4 million, as compared to revenues of $3.5 million for the corresponding period of 2007. The $3.5 million reported for 2007 were comprised of management fees from both the Fund ($1.0 million) and Innergex II ($2.5 million).

For the six-month period ended June 30, 2008, the Corporation's revenues included $1.6 million in revenues from the Glen Miller hydroelectric facility. In this period the Glen Miller facility produced 23,437 MW-hr, which is 8% below its long-term average of 25,351 MW-hr. Electrical generation was affected by a partial shutdown of the facility. For a five-week period during the first quarter of 2008, one of the two turbines suffered from a failure of the generator's downstream guide bearing. The repairs were performed under the manufacturer's warranty. Since the beginning of the year 2008, the Corporation also received $1.1 million in management fees from the Fund.

For the six-month period ended June 30, 2008, the Corporation recorded earnings of $0.7 million from its share of an entity subject to significant influence. This amount should not be extrapolated over a full year.

During the second quarter of 2008 the Corporation was entitled to receive its share of the Fund's monthly cash distributions, which totalled $1.2 million (nil in 2007). For the six-month period ended June 30, 2008, the Corporation received $2.4 million (nil in 2007) in monthly cash distributions from the Fund. 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 second quarter of 2008 totalled $1.8 million, as compared to $1.6 million for the corresponding quarter of 2007. The difference was due to a $0.4 million non-cash expense related to stock-based compensation and a $0.2 million reduction in other general and administrative expenses incurred during the second quarter of 2008 as compared to 2007. For the second quarter of 2008, the Corporation also recorded revenues of $15,277 in operating expenses related to operations at the Glen Miller hydroelectric facility (nil in 2007). These revenues resulted from the reversal of a $0.2 million repair expense which was recorded in the first quarter of 2008. The expense was recovered through the manufacturer's warranty. Operating expenses consist primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes, property taxes, maintenance and repairs.

For the six-month period ended June 30, 2008, general and administrative expenses totalled $3.3 million, an amount almost identical to that reported for the corresponding period of 2007. However, the expenses for 2008 included a $0.8 million non-cash expense related to stock-based compensation and an equivalent reduction in other general and administrative expenses. For the six-month period ended June 30, 2008, the Corporation also recorded $0.3 million in operating expenses related to the operation of the Glen Miller hydroelectric facility (nil in 2007).

Depreciation and Amortization

Depreciation and amortization expenses totalled $0.4 million for the second quarter of 2008 and $0.7 million for the six-month period ended June 30, 2008, as compared to $51,560 and $0.1 million, respectively, for the corresponding periods of 2007. These differences are mainly attributable to the Glen Miller hydroelectric facility, which was not included in the Corporation's results for 2007.

Interest Expenses

During the second quarter of 2008, the Corporation incurred a $1.2 million interest expense on its long-term debt and bank loans ($18,871 in 2007). Of this amount, $1.0 million represents interest costs incurred to finance the construction of projects, capitalized as property, plant and equipment. Another $0.2 million in interest expense relates to debts for the Glen Miller hydroelectric facility.

During the six-month period ending June 30, 2008, the Corporation incurred a $2.5 million interest expense on its long-term debt and bank loans ($23,823 in 2007). Of this amount, $2.0 million represents interest costs incurred to finance the construction of projects, capitalized as property, plant and equipment. Another $0.5 million in interest expense relates mostly to debts 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 rising interest rates on debt incurred for projects under construction. During the second quarter of 2008, the Corporation recorded an unrealized gain on derivative financial instruments of $3.4 million (nil in 2007). This gain is the result of changes in the fair market value of swap and bond forward contracts due to the rising overall interest rate environment in the second quarter of 2008. Since the beginning of the year, the Corporation recorded an unrealized loss on derivative financial instruments of $2.6 million (nil in 2007) due to the declining overall interest rate environment since December 31, 2007. This loss had no impact on the Corporation's cash on hand.

Other revenues and expenses

Other revenues and expenses relate mainly to interest income earned on excess cash temporarily invested.

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

During the quarter and the six-month period ended June 30, 2008, other revenues were in the amount of $0.2 million and $0.5 million, respectively, earned on the cash and cash equivalents raised in the initial public offering.

Write-off of project development costs

During the second quarter ended June 30, 2008, $1.6 million in project development costs were written off. For the six-month period ended June 30, 2008, a similar amount was reported. This is mainly due to the fact that the Massif-du-Sud project in Hydro-Québec's 2,000 MW call for tender was awarded to another bidder in May 2008.

Provision for Income Taxes

The Corporation recorded a $0.6 million income tax expense during the second quarter of 2008, as compared to a nominal expense for the corresponding quarter of 2007. For the six-month period ended June 30, 2008, the Corporation recorded a $1.2 million recovery of income taxes, as compared to a $21,035 recovery for the corresponding period of 2007. The large increases in these amounts are due to substantially greater net earnings and losses in the corresponding periods.

Net Earnings (Loss) and Comprehensive Earnings (Loss)

For the second quarter of 2008, the Corporation posted net earnings and comprehensive earnings of $1.6 million (basic and diluted earnings of $0.07 per share). For the corresponding quarter of 2007, net earnings and comprehensive earnings totalled $57,831 (basic and diluted earnings of $0.03 per share). The increase was mainly due to higher revenues, an unrealized gain on derivative financial instruments that was partly offset by a write-off of project development costs and income taxes. For the six-month period ended June 30, 2008, the Corporation posted a net loss and comprehensive loss of $3.9 million (basic and diluted loss of $0.17 per share). For the corresponding period of 2007, net earnings and comprehensive earnings totalled $98,137 (basic and diluted earnings of $0.06 per share). The decrease was mainly due to an unrealized loss on derivative financial instruments and a write-off of project development costs that was partly offset by income taxes.

Basic per-share figures are based on a weighted average of 23,500,000 shares outstanding for the quarter and the six-month period ended June 30, 2008, as compared to a weighted average of 1,942,001 shares outstanding for the second quarter of 2007 and 1,752,116 shares outstanding for the six-month period ended June 30, 2007.

On December 6, 2007, the Corporation granted 1,410,000 options entitling 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.

For the quarter and the six-month period ended June 30, 2008, diluted per-share figures are based on a weighted average number of 23,500,000 shares outstanding, as compared to a weighted average of 1,942,001 shares outstanding for the second quarter and 1,752,116 shares outstanding for the six-month period ended June 30, 2007.

As at June 30, 2008, the Corporation had a total of 23,500,000 common shares outstanding, as compared to 1,942,001 shares outstanding as at June 30, 2007. As such, the Corporation's per-share figures for 2008 are expected to vary greatly from the figures presented for 2007.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

For the quarter ended June 30, 2008, cash flows from operating activities totalled $12.2 million, compared to $0.2 million for 2007. This increase is mainly due to a $12.2 million increase in non-cash working capital items stemming from the reception of accounts receivable totalling $11.9 million and a $0.4 million increase in accounts payable and accrued liabilities.

For the quarter ended June 30, 2007, non-cash working capital items increased in an amount of $0.1 million. This change was mainly the result of a $0.6 million increase in accounts receivable that was offset by a $0.7 million increase in accounts payable and accrued liabilities.

For the six-month period ended June 30, 2008, cash flows from operating activities totalled $6.7 million, as compared to $0.1 million used by operating activities in the corresponding period of 2007. This change is mainly due to a $6.7 million increase in non-cash working capital items stemming from a $12.5 million reduction in accounts receivable that was partly offset by the payment of $5.7 million in accounts payable and accrued liabilities.

For the corresponding six-month period ended June 30, 2007, non-cash working capital items fell $0.3 million. This change was mainly the result of a $1.4 million increase in accounts receivable that was partly offset by a $1.1 million increase in accounts payable and accrued liabilities.

Cash Flows from Financing Activities

For the quarter ended June 30, 2008, cash flows from financing activities totalled $3.0 million as a result of increases in long-term debt and the construction holdback, both of which were related to projects under construction. Cash flows from financing activities for the corresponding period of 2007 were nil.

For the six-month period ended June 30, 2008, cash flows from financing activities totalled $7.4 million as a result of increases in long-term debt and construction holdbacks that were partly offset by the repayment of a $2.0 million bank loan. For the corresponding six-month period of 2007, $2,424 was received from the issuance of share capital.

Cash Flows from Investing Activities

For the second quarter of 2008, the Corporation's cash flows from investing activities were negative, at $18.3 million. Additions to property, plant and equipment under construction used $17.7 million of the Corporation's cash on hand, and additions to project development costs used another $1.6 million. These amounts were partly offset by a total of $1.2 million in distributions received from the Corporation's 4,724,409 units in the Fund, an entity under significant influence.

For the corresponding quarter of 2007, the Corporation's cash flows from investing activities were negative at $0.1 million, stemming mainly from additions to property, plant and equipment.

For the six-month period ended June 30, 2008, the Corporation's cash flows from investing activities were negative, at $28.3 million. Additions to property, plant and equipment under construction used $27.2 million of cash on hand, and additions to project development costs used another $3.0 million. These amounts were partially offset by a total of $2.4 million in distributions received on 4,724,409 units in the Fund, an entity under significant influence.

For the corresponding six-month period of 2007, the Corporation's cash flows from investing activities were negative, at $0.1 million, stemming mainly from additions to property, plant and equipment.

Cash and Cash Equivalents

During the quarter and six-month period ended June 30, 2008, the Corporation used $3.1 million and $14.2 million, respectively, in cash and cash equivalents. As at June 30, 2008, the Corporation had $20.5 million in cash and cash equivalents. This amount was raised mostly through the IPO. This level of cash on hand, when coupled with the Corporation's future cash flows and an additional, reasonable amount of debt, is deemed sufficient by management to complete the Corporation's nine development projects with PPAs. During the corresponding quarter and six-month period of 2007, the Corporation used $0.2 million in cash and cash equivalents. As at June 30, 2007, the Corporation reported cash and cash equivalents of $0.3 million.

FINANCIAL POSITION

Assets

As at June 30, 2008, the Corporation had $343.4 million in total assets, compared to $343.3 million in total assets as at December 31, 2007.

Working capital

As at June 30, 2008, working capital stood at $13.3 million, with a working capital ratio of 1.91:1.00. This compares with $34.3 million in working capital and a working capital ratio of 2.69:1.00 as at December 31, 2007. The Corporation considers its current level of working capital to be sufficient to meet all of its needs. If necessary, the Corporation can use a bank credit facility in an amount of $20.0 million. Of this amount, $6.8 million has been used to issue letters of credit and $6.2 million has been used to secure bond forward contracts. As at June 30, 2008, an amount of $7.0 million was available to the Corporation under this credit facility.

Accounts receivable fell from $19.6 million as at December 31, 2007 to $6.9 million as at June 30, 2008. Accounts receivable were mainly composed of $1.3 million in non-interest bearing notes receivable from subsidiaries of the Fund in relation to the sale of Innergex II's interest in the Anse-à-Valleau and Baie-des-Sables wind farms and $2.4 million of receivables in the form of an investment tax credit. The Corporation received a partial payment of $11.6 million on the notes receivable during the second quarter of 2008. The notes receivable were adjusted from $14.0 million to $12.9 million, due to a revision that was made to the Innergex II purchase price allocation during the second quarter of 2008.

Accounts payable and accrued liabilities fell from $14.8 million as at December 31, 2007 to $7.0 million as at June 30, 2008. This account consisted mainly of trade payables and holdbacks related to the construction of the Ashlu Creek, Carleton and Umbata Falls projects, as well as other projects.

Derivative financial instruments included in current liabilities grew to $7.6 million as at June 30, 2008, from $3.5 million as at December 31, 2007. This increase is partially due to an interest rate swap contract maturing in June 2009 being included in the current liabilities reported as at June 30, 2008. It is also due to the overall decline in interest rates experienced since December 31, 2007, which resulted in an unrealized loss on financial instruments.

Property, Plant and Equipment

Property, plant and equipment is comprised mainly of hydroelectric and wind farm projects that are either in operation or under construction. These projects are recorded at cost and depreciated using the straight-line method based on their estimated useful lives upon commissioning. The Corporation had $136.3 million in property, plant and equipment as at June 30, 2008, as 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: Umbata Falls, Carleton and Ashlu Creek.

Intangible Assets

The intangible assets account consists of various permits, licenses and agreements. The Corporation reported $40.7 million in intangible assets as at June 30, 2008, as compared to $40.8 million as at December 31, 2007. Intangible assets are amortized using the straight-line method over 20- to 40-year periods that commence when the related projects are commissioned.

Project Development Costs

Project development costs represent costs incurred to research, acquire and develop power-generating facilities. These costs are transferred to either property, plant and equipment or intangible assets, depending on their nature, when a project reaches the construction phase. As at June 30, 2008, the Corporation had $38.3 million in project development costs ($37.3 million as at December 31, 2007). This amount represents development projects with PPAs in the pre-construction phase and prospective projects.

Investment in an entity subject to significant influence

The $61.4 million investment in an entity subject to significant influence ($63.1 million as at December 31, 2007) refers to the 4,724,409 Fund units owned by the Corporation, which represent 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, and is not incorporated by reference.

Goodwill

As at June 30, 2008, the Corporation had $31.9 million in goodwill recorded following the acquisition of Innergex II, as compared to $30.6 million as at December 31, 2007. The $1.3 million increase is due to a review of the purchase price allocation made during the second quarter of 2008.

Other long-term assets

Other long-term assets amount to $2.6 million ($2.2 million as at December 31, 2007) and are mainly comprised of a loan granted to a partner and derivative financial instruments.

Long-term Debt

As at June 30, 2008, long-term debt stood at $89.5 million and the debt-to-enterprise value ratio was 32.5%. As at December 31, 2007, long-term debt stood at $81.1 million and the debt-to-enterprise value ratio was 21.7%. This debt consisted of:

i) a $17 million non-recourse term loan secured by the Glen Miller hydroelectric facility that has a five-year term and for which principal repayments are waived as long as a threshold debt service coverage ratio is met. During the first quarter of 2008 this threshold was reached and, accordingly, the principal repayments will resume after an appropriate amortization schedule has been agreed upon with the lender (see the *Subsequent Event* section). The loan has been granted at a variable rate that is equal to the bankers' acceptances plus an applicable credit margin;

ii) a $51 million non-recourse construction loan, of which $37.4 million has been drawn (of this amount, $18.3 million represents the Corporation's 49% ownership interest in the project) and which is secured by the Umbata Falls hydroelectric facility. This 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 bankers' acceptances plus an applicable credit margin;

iii) a $110.0 million non-recourse construction loan, of which $54.2 million has been drawn, and which is 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 bankers' 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 ability of these subsidiaries to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations. Since the beginning of the 2008 fiscal year, the Corporation and its subsidiaries met all the financial and non-financial conditions related to their credit agreements except as follows.

The financing for the construction of the Ashlu Creek hydroelectric project provides for a certain expected in-service date and equity funding requirements. The Corporation is working with the lenders to reflect in the credit agreement the rescheduled in-service date (as supported by BC Hydro) and the additional equity invested by the Corporation in the quarter.

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

Future Income Taxes

The tax impact of temporary differences may result in material future tax assets or liabilities. As at June 30, 2008, the Corporation's net future income tax liability was $3.9 million. As at December 31, 2007, the Corporation's net future income tax liability was $4.6 million. This net liability stemmed mainly from an excess in accounting value over the tax basis of the Innergex II assets acquired on December 6, 2007.

Shareholders' Equity

As at June 30, 2008, the Corporation's shareholders' equity totalled $228.1 million, as compared to $230.5 million as at December 31, 2007. The difference is mainly due to the $3.9 million net loss that was recorded in the interim and that was partially offset by an $0.8 million increase in contributed surplus related to stock-based compensation and a $0.7 million reduction in issuance costs previously recorded for the initial public offering.

Off-balance Sheet Arrangements

There were no off-balance sheet arrangements as at June 30, 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: a Management Agreement, an Administration Agreement, and a Services Agreement. For the second quarter of 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 receive incentive fees corresponding to 25% of the Fund's annual distributable cash per trust unit that exceeds $0.925 per trust unit. During the second quarter of 2008, the Corporation earned $0.18 million ($0.08 million in 2007) in incentive fees. Other fees for additional services totalling $0.03 million ($0.03 million in 2007) were also invoiced to the Fund.

For the six-month period ended June 30, 2008, the Corporation was paid $0.5 million for regular services provided under the three agreements ($0.5 million in 2007). During the six-month period ended June 30, 2008, the Corporation earned $0.4 million ($0.16 million in 2007) in incentive fees. Other fees for additional services totalling $0.2 million ($0.08 million in 2007) were also invoiced to the Fund.

As an investor in Innergex Power Income Fund

The Corporation's investment in Fund units and the related earnings are described in detail in the *Revenues* section of this MD&A under *Operating Results*.

The Corporation's investment in notes receivable from the Fund is described in the *Working Capital* section of the *Financial Position* description of this MD&A.

As the Manager of Innergex II Income Fund

Prior to its acquisition on December 6, 2007, the Corporation provided management services to Innergex II. Revenues from management fees totalled $0.9 million for the second quarter of 2007. For the six-month period ended June 30, 2007, revenues from management fees totalled $2.5 million.

SEGMENT INFORMATION

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

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

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

The Corporation's reportable segments conduct their operations using different means of production and types of activities managed by different teams, since each segment has different operating skill requirements.

	Three-month period ended June 30, 2008		
	Hydroelectric Production	**Site Development and Management**	**Total**
	$	**$**	**$**
Revenues from external customers	883,495	1,540,805	2,424,300
Operating expenses	(15,277)	-	(15,277)
Operating income	898,772	1,540,805	2,439,577
General and administrative expenses	2,834	1,752,644	1,755,478
Earnings (loss) before interest, income taxes, depreciation and amortization and other items	895,938	(211,839)	684,099

	Six-month period ended June 30, 2008		
	Hydroelectric Production	**Site Development and Management**	**Total**
	$	**$**	**$**
Revenues from external customers	1,595,210	1,799,666	3,394,876
Operating expenses	261,516	-	261,516
Operating income	1,333,694	1,799,666	3,133,360
General and administrative expenses	9,083	3,245,685	3,254,768
Earnings (loss) before interest, income taxes, depreciation and amortization and other items	1,324,611	(1,446,019)	(121,408)

As at June 30, 2007, the Corporation had no segments, since the segments were acquired on December 6, 2007.

	As at June 30, 2008		
	Hydroelectric Production	**Site Development and Management**	**Total**
	$	**$**	**$**
Long-term assets	24,808,731	290,702,826	315,511,557
Goodwill	-	31,874,198	31,874,198
Total assets	28,096,623	315,344,956	343,441,579

	As at December 31, 2007		
	Hydroelectric Production	Site Development and Management	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

Hydroelectric production segment

During the three-month period ended June 30, 2008, the Glen Miller hydroelectric facility produced 12,790 MW-hr – which is 8% above the long-term average of 11,860 MW-hr – due to favourable hydrological conditions. This resulted in revenues of $0.9 million.

The Glen Miller results have a seasonal aspect, due to variations in water level from one quarter to the next during a typical year. The first quarter of the year is generally the one in which gross operating revenues are at their highest, while they are at their lowest in the third quarter.

For the second quarter in 2008, the Corporation also recorded revenues of $15,277 in operating expenses related to the operations of the Glen Miller hydroelectric facility. The revenues resulted from the reversal of a $0.2 million repair expense which was recorded in the first quarter of 2008. The expense was recovered through the manufacturer's warranty. Operating expenses consist primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes, property taxes, maintenance and repairs.

Earnings for the second quarter of 2008 stood at $0.9 million, which is 25% better than the budgeted amount.

For the six-month period ended June 30, 2008, the Glen Miller hydroelectric facility generated revenues of $1.6 million. In this period the Glen Miller hydroelectric facility generated 23,437 MW-hr, which is 8% below the long-term average of 25,351 MW-hr. Electrical generation was nevertheless affected by a partial shutdown of the facility. For a five-week period in the first quarter of 2008, one of the two turbines suffered from a failure of the generator downstream guide bearing. The repairs were performed under the manufacturer's warranty.

The Corporation also recorded $0.3 million in operating expenses related to the Glen Miller hydroelectric facility, which exceeded the budget. The earnings represented approximately 88% of the budgeted amount.

Site development and management segment

As the Manager and owner of 16.1% of the outstanding units of the Fund, the Corporation is considered to have significant influence on the Fund. Therefore, the Corporation accounts for its share of the Fund's net results as revenues, with adjustments for the amortization of intangibles and future income taxes related to the excess of the cost of its investment in the Fund over the underlying net book value of assets acquired. For the second quarter of 2008, the Corporation recorded earnings of $1.0 million from its share of an entity subject to significant influence. This amount should not be extrapolated over a full year, as the second quarter is normally the period for which the Fund posts its best results. The Corporation also received $0.5 million in management fees from the Fund.

General and administrative expenses for the second quarter of 2008 totalled $1.8 million and included a $0.4 million non-cash expense related to stock-based compensation.

Loss for the second quarter of 2008 were a $0.2 million loss.

For the six-month period ending June 30, 2008, the Corporation recorded earnings of $0.7 million from its share of an entity subject to significant influence. Since the beginning of the year, the Corporation also received $1.1 million in management fees from the Fund.

General and administrative expenses totalled $3.2 million and included a $0.8 million non-cash expense related to stock-based compensation.

For the six-month period ended June 30, 2008, the segment reported a loss of $1.4 million, compared to the loss of $0.2 million for the quarter ended June 30, 2008. This difference is mainly due to the loss recorded in the first quarter related to Fund results.

Increases to long-term assets since December 31, 2007 have mainly been due to construction of the Umbata Falls, Carleton and Ashlu Creek projects.

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 that are presented in Note 3 of the consolidated financial statements for the quarter ended June 30, 2008.

FUTURE ACCOUNTING CHANGE

In February 2008, the Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for our first quarter of 2011. We have begun to develop plans to implement the new standards. We cannot at this time reasonably estimate the impact of adopting IFRS on our consolidated financial statements.

FINANCIAL DERIVATIVE INSTRUMENTS

Due to a decline in bond yields and the lower interest rate environment as at June 30, 2008, the outstanding bond forward contracts and the interest rate swap carried an aggregate negative value of $7.6 million ($5.0 million as at December 31, 2007). These amounts are accounted for on the balance sheet under *Derivative financial instruments* and their changes in the statement of earnings under *(Gain) loss on derivative financial instruments*.

In 2005, Innergex II (now a subsidiary of the Corporation) sold the 50 MW Rutherford Creek hydroelectric project to the Fund. Rutherford Creek Power, Limited Partnership, which owns the asset, has agreed, following the expiry or termination of the Rutherford Creek PPA in June 2024, to pay to Innergex II royalties based on achieving certain revenue thresholds. As at June 30, 2008, the fair value of this financial instrument was $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 changes in this account are shown on the statement of earnings under *(Gain) loss on derivative financial instruments*.

RISK MANAGEMENT

The Corporation uses derivative financial instruments to manage its exposure to the risk of rising interest rates on debt financing. Since these financial instruments are entered into with large 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 second quarter, the maturity dates of nine bond forward contracts were extended from June 2008 to September 2008 and January 2009. The notional amounts extended to September 2008 totalled $110 million, and the contracts extended to January 2009 totalled $35 million. The interest rate swap contract maturing in June 2009 is now presented as a current liability.

These bond forward and swap contracts allow the Corporation to mitigate the risk of interest rate increases on long-term debt, which notional amount total approximately $181.2 million as at June 30, 2008 ($176.2 million as at December 31, 2007).

RISKS AND UNCERTAINTIES

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

The Corporation is an undivided owner of a 38% interest in four wind projects. Furthermore, the Corporation indirectly owns, through its 16.1% investment in units of the Fund, a portion of the Fund's 38% interest in two wind projects. The same third party is the other undivided owner of the remaining 62% interest in all of the wind projects. The Corporation and the third party have entered into a separation agreement which describes the process should one of the Corporation or the third party request separation of the wind projects held in undivided joint ownership. Once two of the projects have reached final completion, the separation agreement allows one of the undivided owners, within 60 days from the date of final completion of the second project (i.e., the Anse-à-Valleau project), to request the separation of all of the wind projects so held in undivided joint ownership. Should a request for separation be presented, the Fund will be allocated the wind farm that it holds in undivided joint ownership having the lowest fair market value, and the other will be attributed to the third party. The four remaining projects will be allocated between the Corporation and the third party, based on the total number of MW of these projects and their anticipated final completion dates. As such, each of the Corporation and the third party would then own 100% of some of the four projects, which would be close to their current respective overall interests in the four projects. In each case, the parties will then each have to pay an amount to compensate for the difference in value.

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):

	June 30 2008	March 31 2008	Dec. 31 2007	Sept.30 2007
Revenues ($ thousands)	2,424	971	3,067	1,478
Net earnings (loss) and comprehensive earnings (loss) ($ thousands)	1,573	(5,474)	5,392	56
Net earnings (loss) and comprehensive earnings (loss)				
Basic ($/share)	0.07	(0.23)	0.67	0.03
Diluted ($/share)	0.07	(0.23)	0.67	0.03
Weighted average number of shares outstanding (thousands)				
Basic	23,500	23,500	8,034	1,942
Diluted	23,500	23,544	8,135	1,942

	June 30 2007	March 31 2007	Dec. 31 2006	Sept.30 2006
Revenues ($ thousands)	1,714	1,791	1,847	1,399
Net earnings and comprehensive earnings ($ thousands)	58	40	42	43
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	1,942	1,560	1,359	1,359
Diluted	1,942	1,560	1,359	1,359

SUBSEQUENT EVENT

On July 14, 2008, the Corporation and the lender of Glen Miller Power, Limited Partnership agreed on an amortization schedule for the $17 million in long-term debt. Accordingly, quarterly principal repayments in an amount of $250,000 will be made starting in the third quarter of 2008 and continuing until full repayment.

Investor Information

Stock Exchange Listing

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

Transfer Agent and Registrar

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

Auditors

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

Electronic Delivery

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

Investor Relations

If you have inquiries, please visit our Web site at www.innergex.com or contact:
Jean Trudel
Vice President – Finance and Investor Relations

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