

09

Second Quarter Report

Growing with Energy

Innergex Renewable Energy Inc.



Consolidated Financial Statements

(Unaudited)

Consolidated Statements of Earnings	Three-Month Period Ended June 30, 2009	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
	\$	\$	\$	\$
Revenues		(Restated, Note 3 (a))		(Restated, Note 3 (a))
Operating	4,998,751	883,495	9,645,123	1,595,210
Management fees	535,853	547,234	1,132,861	1,141,009
Share of net earnings of an entity subject to significant influence	1,932,794	993,571	2,205,287	658,657
	7,467,398	2,424,300	12,983,271	3,394,876
Expenses				
Operating expenses	415,418	(15,277)	751,059	261,516
Stock-based compensation	390,907	390,906	781,814	781,813
General and administrative expenses	1,293,261	1,364,572	2,920,803	2,472,955
	2,099,586	1,740,201	4,453,676	3,516,284
Earnings (loss) from operations	5,367,812	684,099	8,529,595	(121,408)
Prospective projects expenses	559,760	470,112	1,069,066	994,348
Earnings (loss) before interests, income taxes, depreciation and amortization and other items	4,808,052	213,987	7,460,529	(1,115,756)
Interest on long-term debt	931,818	209,135	2,036,179	448,879
Realized loss on derivative financial instruments	-	-	1,496,950	-
Other expenses (revenues)	16,464	(189,706)	(2,889)	(455,457)
Earnings (loss) before income taxes, depreciation and amortization and other items	3,859,770	194,558	3,930,289	(1,109,178)
Depreciation and amortization	1,514,875	367,992	3,031,637	740,917
Unrealized net (gain) loss on derivative financial instruments	(9,457,264)	(3,436,400)	(8,331,859)	2,635,927
Write-off of project development costs	-	1,440,093	-	1,440,093
Earnings (loss) before income taxes and minority interests	11,802,159	1,822,873	9,230,511	(5,926,115)
Income taxes				
Current	4,579	641	5,783	1,956
Future	3,465,660	512,790	2,882,849	(1,418,680)
	3,470,239	513,431	2,888,632	(1,416,724)
Net earnings (loss) before minority interests	8,331,920	1,309,442	6,341,879	(4,509,391)
Losses allocated to minority interests	89,475	-	161,943	-
Net earnings (loss)	8,421,395	1,309,442	6,503,822	(4,509,391)
Weighted average number of shares outstanding	23,500,000	23,500,000	23,500,000	23,500,000
Basic net earnings (loss) per share	0.36	0.06	0.28	(0.19)
Diluted number of shares outstanding (Note 7)	23,500,000	23,500,000	23,500,000	23,500,000
Diluted net earnings (loss) per share	0.36	0.06	0.28	(0.19)

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

Consolidated Financial Statements

(Unaudited)

Consolidated Statements of Comprehensive Income	Three-Month Period Ended June 30, 2009	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
	\$	\$	\$	\$
		(Restated, Note 3 (a))		(Restated, Note 3 (a))
Net earnings (loss)	8,421,395	1,309,442	6,503,822	(4,509,391)
Other items of comprehensive income				
Unrealized foreign exchange loss on a self-sustaining foreign subsidiary of the investment in an entity subject to significant influence	(42,618)	-	(23,405)	-
Unrealized foreign exchange gain on the designated portion of the debt used as hedge on the investment in a self-sustaining foreign subsidiary of the investment in an entity subject to significant influence	41,623 (995)	- -	22,333 (1,072)	- -
Comprehensive income (loss)	8,420,400	1,309,442	6,502,750	(4,509,391)
Consolidated Statements of Deficit			Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
			\$	\$
(Deficit) retained earnings, beginning of period, as previously reported			(32,315,983)	1,593,334
Cumulative effect of change in accounting policy on previous years (Note 3 (a))			(1,987,708)	(105,581)
Restated (deficit) retained earnings, beginning of period			(34,303,691)	1,487,753
Net earnings (loss)			6,503,822	(4,509,391)
Deficit, end of period			(27,799,869)	(3,021,638)
Cumulative other comprehensive income - beginning of period			1,221	-
Other items of comprehensive income			(1,072)	-
Cumulative other comprehensive income - end of period			149	-
Total deficit and cumulative other comprehensive income			(27,799,720)	(3,021,638)

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

Consolidated Financial Statements

(Unaudited)

Consolidated Balance Sheets	June 30, 2009	December 31, 2008
	\$	\$
Assets		(Restated, Note 3 (a))
Current assets		
Cash and cash equivalents	8,110,220	5,957,780
Accounts receivable (Note 4)	5,645,449	22,891,011
Prepaid and others	1,184,076	1,242,318
	14,939,745	30,091,109
Reserve accounts	3,853,431	453,028
Property, plant and equipment	248,479,544	229,527,304
Intangible assets	44,344,694	44,376,880
Project development costs	29,151,246	27,881,244
Investment in an entity subject to significant influence	56,894,256	57,052,056
Future income taxes	8,027,862	10,992,537
Goodwill	30,511,446	30,511,446
Other long-term assets	2,954,030	815,208
	439,156,254	431,700,812
Liabilities		
Current liabilities		
Bank loan (Note 5)	14,100,000	9,750,000
Accounts payable and accrued liabilities	10,769,165	12,019,239
Derivative financial instruments	16,529,041	20,411,968
Current portion of long-term debt (Note 6)	3,640,315	15,993,983
	45,038,521	58,175,190
Construction holdbacks	1,456,250	5,057,542
Derivative financial instruments	-	2,311,110
Accrual for acquisition of long-term assets	10,070,433	14,120,894
Long-term debt (Note 6)	172,895,785	149,514,434
Asset retirement obligations	471,986	453,452
Future income taxes	4,808,988	4,776,520
Minority interests	90,925	252,868
	234,832,888	234,662,010
Shareholders' equity		
Share capital	229,472,343	229,472,343
Contributed surplus	2,475,743	1,693,929
Warrants	175,000	175,000
Total deficit and cumulative other comprehensive income	(27,799,720)	(34,302,470)
	204,323,366	197,038,802
	439,156,254	431,700,812

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

Consolidated Financial Statements

(Unaudited)

Consolidated Statements of Cash Flows	Three-Month Period Ended June 30, 2009	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
	\$	\$	\$	\$
		(Restated, Note 3 (a))		(Restated, Note 3 (a))
Operating activities				
Net earnings (loss)	8,421,395	1,309,442	6,503,822	(4,509,391)
Items not affecting cash:				
Depreciation of property, plant and equipment	1,248,925	281,538	2,499,451	568,008
Amortization of intangible assets	265,950	86,454	532,186	172,909
Share of net (earnings) loss of an entity subject to significant influence	(1,932,794)	(993,571)	(2,205,287)	(658,657)
Amortization of deferred financing fees	59,220	-	118,440	-
Stock-based compensation	390,907	390,906	781,814	781,813
Unrealized net (gain) loss on derivative financial instruments	(9,457,264)	(3,436,400)	(8,331,859)	2,635,927
Write-off of project development costs	-	1,440,093	-	1,440,093
Future income taxes	3,465,660	512,790	2,882,849	(1,418,680)
Losses allocated to minority interests	(89,475)	-	(161,943)	-
Other items	9,367	-	18,634	-
Changes in non-cash operating working capital items (Note 8)	(2,180,088)	12,789,061	15,993,102	7,728,462
	201,803	12,380,313	18,631,209	6,740,484
Financing activities				
Increase in (repayment of) bank loan	2,100,000	-	4,350,000	(2,000,000)
Issuance of long-term debt	10,940,000	2,401,000	25,994,000	8,391,000
Deferred financing fees on long-term debt	(590,930)	-	(590,930)	-
Repayment of long-term debt	(601,981)	-	(14,493,827)	-
	11,847,089	2,401,000	15,259,243	6,391,000
Investing activities				
Additions to reserve accounts	(2,663,693)	(98,888)	(3,395,403)	(101,542)
Additions to property, plant and equipment	(10,963,778)	(17,668,088)	(28,122,790)	(27,226,458)
Additions to intangible assets	-	-	(500,100)	-
Additions to project development costs	(553,492)	(1,115,691)	(2,075,734)	(2,030,569)
Distributions received from an entity subject to significant influence	1,181,385	1,180,630	2,362,015	2,361,260
Additions to other long-term assets	-	(177,308)	(6,000)	(296,605)
	(12,999,578)	(17,879,345)	(31,738,012)	(27,293,914)
Net (decrease) increase in cash and cash equivalents	(950,686)	(3,098,032)	2,152,440	(14,162,430)
Cash and cash equivalents, beginning of period	9,060,906	23,626,439	5,957,780	34,690,837
Cash and cash equivalents, end of period	8,110,220	20,528,407	8,110,220	20,528,407
<i>Cash and cash equivalents is comprised of:</i>				
Cash	1,597,407	3,451,277	1,597,407	3,451,277
Short-term investments	6,512,813	17,077,130	6,512,813	17,077,130
	8,110,220	20,528,407	8,110,220	20,528,407

Additional information is presented in Note 8.

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

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

1. Description of Business

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

2. Significant Accounting Policies

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

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

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

Liquidity

The Corporation's working capital deficiency amounts to \$30,098,776 as of June 30, 2009. The deficiency is due to (i) the bank loan of \$14,100,000 and (ii) to \$16,529,041 of hedging derivative financial instruments mainly used by Ashlu Creek LP, a subsidiary of the Corporation, to protect the Ashlu project from interest rate risks movements.

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

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

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

During the second quarter of 2009, as discussed in Note 9, the bond forwards contracts were all renewed.

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

In the current economic environment, while financial institutions continue to lend, they are much more cautious and certain terms and conditions could result in credit becoming more onerous or simply unavailable for the pursuit of the Corporation's development or prospective projects. If the Corporation is unable to conclude project financing in a timely manner and on commercially acceptable terms, construction of additional development projects or prospective projects could be postponed. The Corporation's present operating and construction activities are financed using long-term non-recourse project financings provided by strong relationship banks. At closing of the Fitzsimmons Creek financing, which is expected during Fall 2009, the Corporation will have fulfilled all its financing needs for projects under construction. See Note 13 for more details.

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

3. Changes in Accounting Policies

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

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

The effect of this new standard on the consolidated statements of earnings for the 2008 comparative periods is as follows:

Consolidated Statements of Earnings accounts	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2008
	\$	\$
Prospective projects expenses increase	470,112	994,348
Impairment of project development costs decrease	(113,484)	(163,246)
Future income taxes recovery	(92,677)	(222,395)
Net increase of loss	263,951	608,707
Basic and diluted net increase of loss per share	(0.01)	(0.02)

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009

(Unaudited)

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

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

- (b) The Canadian Accounting Standards Board has announced the adoption of International Financial Reporting Standards ("IFRS") for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. Accordingly, the Corporation will adopt IFRS effective in the quarter ending March 31st, 2011.

The Corporation has begun assessing major items requiring adjustments in connection with the adoption of IFRS. A schedule has been prepared of the steps to be followed by the Corporation in order to meet the changeover date. The Corporation expects to complete the detailed analysis of the items requiring adjustments by the end of the year. This IFRS conversion schedule is subject to changes based on the progress of analytical work and on the updates in IFRS standards and interpretations.

During 2009, the accounting staff of the Corporation has followed intensive IFRS training. The Corporation has started its detailed assessment and evaluation of the impact the IFRS will have on accounting and financial presentation as well as the various accounting policies that the Corporation could adopt. To this end, the Corporation began the review of the different elections provided in IFRS 1 *First-time Adoption of International Financial Reporting Standards* to establish its opening balance sheet on January 1st, 2010. The Corporation also began reviewing the application of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* standards. During the next quarters, the Corporation will continue to evaluate the IFRS effect on its reporting.

4. Accounts Receivable

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

5. Bank Loan

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

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

6. Long-Term Debt

	June 30, 2009	December 31, 2008
	\$	\$
Glen Miller Power, Limited Partnership	16,000,000	16,500,000
Umbata Falls Limited Partnership	24,990,000	21,266,000
Innergex CAR, L.P. (a)	51,933,257	64,407,084
Ashlu Creek Investments Limited Partnership	80,200,000	64,500,000
Fitzsimmons Creek Hydro Limited Partnership (b)	4,900,000	-
Kwoiek Creek Resources Limited Partnership (c)	150,000	-
Deferred financing fees	(1,637,157)	(1,164,667)
	176,536,100	165,508,417
Current portion of long-term debt:		
Glen Miller Power, Limited Partnership	1,000,000	1,000,000
Umbata Falls Limited Partnership	421,044	176,307
Innergex CAR, L.P.	2,484,417	15,054,557
Deferred financing fees	(265,146)	(236,881)
	3,640,315	15,993,983
	172,895,785	149,514,434

(a) Innergex CAR, L.P.

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

i) HQT substation loan

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

ii) GST / PST loan

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

(b) Fitzsimmons Creek Hydro Limited Partnership

During the second quarter, Fitzsimmons Creek Hydro Limited Partnership and a Lender agreed on a \$15,000,000 non-recourse construction loan for the Fitzsimmons Creek project. The loan is secured by the Fitzsimmons Creek Hydroelectric facility and matures five years after conversion of the construction loan into a term loan. The loan's principal payments will begin on term conversion and will be based on a 30-year amortization period. The loan bears interest at the bankers' acceptances rate plus an applicable credit margin of 450 basis points. See Note 13 for subsequent events.

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

(c) Kwoiek Creek Resources Limited Partnership

The Kwoiek Creek Resources Limited Partnership's long-term debt consists of a loan made by the partner of the Corporation in the Kwoiek Creek Project. As per the agreements related to the project, both partners can participate in the financing of the project. The Corporation can participate up to an amount of \$20,000,000 and its partner up to an amount of \$3,000,000. The loan bears interests at a rate of 20% during the development phase and 14% during the construction and operating phases. The Corporation loan made to Kwoiek Creek Resources Limited Partnership, which is eliminated in the consolidation process of the financial statements, amounts to \$7,044,054.

7. Additional information to the Consolidated Statements of Earnings

Basic and diluted per-shares figures for the quarters and six-month periods ended June 30, 2009 and June 30, 2008 are based on a weighted average number of 23,500,000 shares outstanding. Stock options and warrants were non-dilutive during the periods covered as the average market price of the Corporation's share was below the strike price.

8. Additional information to the Consolidated Statements of Cash Flows

Changes in non-cash operating working capital items

	Three-Month Period Ended June 30, 2009	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
	\$	\$	\$	\$
Accounts receivable	510,917	11,921,196	17,245,562	12,470,286
Prepaid and others	802,667	(113,291)	58,242	(145,520)
Accounts payable and accrued liabilities	(3,493,672)	981,156	(1,310,702)	(4,596,304)
	(2,180,088)	12,789,061	15,993,102	7,728,462
<i>Additional information</i>				
Interest paid	1,191,425	1,024,984	2,847,063	2,126,530
Income taxes paid	7,804	5,950	7,804	166,898
<i>Non-cash transactions</i>				
Decrease (increase) of unpaid property, plant and equipment	1,736,467	1,959,770	(866,360)	2,821,446
(Increase) decrease of unpaid development costs	(133,826)	84,880	805,732	442,058
(Increase) decrease of accrual for acquisition of long-term assets	(2,810,283)	-	4,050,461	-

The property, plant and equipment comprise an asset with no tax basis resulting in an increase of future income tax liabilities of \$114,294 as at June 30, 2009 (nil at June 30, 2008).

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

9. Financial Instruments

Interest Rate Risk

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

Face value of contracts reducing risk of interest rate fluctuations	June 30, 2009	December 31, 2008
	\$	\$
<i>Bond forwards</i>		
Six bond forwards with a yield from 4.33 % to 5.22 %, maturing on August 26, 2009 (March 17, 2009 in 2008)	85,000,000	85,000,000
A bond forward with a yield at 5.28 %, maturing on September 16, 2009 (March 16, 2009 in 2008), with a collateral of \$3,958,588 (\$4,591,385 in 2008) that was put down towards the bond	25,000,000	25,000,000
Two bond forwards with a yield from 4.39 % to 4.63 %, maturing on January 27, 2009 (total of \$35,000,000, 49% share)	-	17,150,000
	110,000,000	127,150,000
<i>Interest rate swap</i>		
An amortizing interest rate swap bearing interest at 3.45 %, maturing on March 31, 2027	51,933,257	53,127,084
An amortizing interest rate swap bearing interest at 4.11 %, effective on June 30, 2009, maturing in June 2034 (total of \$51,000,000, 49% share)	24,990,000	-
	186,923,257	180,277,084

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

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

On June 29, 2009, the six bond forwards contracts, totalling \$85,000,000, were renewed until August 26, 2009.

10. Commitments

On June 18, 2009, Fitzsimmons Creek Hydro Limited Partnership signed a 40-year power purchase agreement with British Columbia Hydro and Power Authority. The agreement is subject to the usual approval by the British Columbia Utilities Commission.

11. Segment Information

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

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

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the latest annual report, with the exception of those presented in Note 3. The Corporation evaluates performance based on earnings (loss) before interest, income taxes, depreciation and amortization and other items. The Corporation accounts for inter-segment and management sales at cost. Any transfers of assets from the development and management of sites segment to the hydroelectric generation segment or the wind power generation segment are accounted for at cost.

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

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and Management of Sites	Total
	\$	\$	\$	\$
Three-Month Period Ended June 30, 2009				
Gross operating revenues from external clients	2,351,999	2,647,112	2,468,287	7,467,398
Expenses:				
Operating expenses	160,284	255,134	-	415,418
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	29,014	75,321	1,188,926	1,293,261
Prospective projects expenses	-	-	559,760	559,760
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	2,162,701	2,316,657	328,694	4,808,052
Three-Month Period Ended June 30, 2008 (Restated, Note 3 (a))				
Gross operating revenues from external clients	883,495	-	1,540,805	2,424,300
Expenses:				
Operating expenses	(15,277)	-	-	(15,277)
Stock-based compensation	-	-	390,906	390,906
General and administrative expenses	2,834	-	1,361,738	1,364,572
Prospective projects expenses	-	-	470,112	470,112
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	895,938	-	(681,951)	213,987
Six-Month Period Ended June 30, 2009				
Gross operating revenues from external clients	3,879,468	5,766,375	3,337,428	12,983,271
Expenses:				
Operating expenses	288,344	462,715	-	751,059
Stock-based compensation	-	-	781,814	781,814
General and administrative expenses	72,443	140,798	2,707,562	2,920,803
Prospective projects expenses	-	-	1,069,066	1,069,066
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	3,518,681	5,162,862	(1,221,014)	7,460,529

Notes to the Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

Reportable Segments	Hydroelectric Generation	Wind power Generation	Development and Management of Sites	Total
	\$	\$	\$	\$
Six-Month Period Ended June 30, 2008 (Restated, Note 3 (a))				
Gross operating revenues from external clients	1,595,210	-	1,799,666	3,394,876
Expenses:				
Operating expenses	261,516	-	-	261,516
Stock-based compensation	-	-	781,813	781,813
General and administrative expenses	9,083	-	2,463,872	2,472,955
Prospective projects expenses	-	-	994,348	994,348
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	1,324,611	-	(2,440,367)	(1,115,756)
As at June 30, 2009				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	66,176,443	88,918,036	284,061,775	439,156,254
Acquisition of capital assets since the beginning of the year	587,322	276,937	21,857,434	22,721,693
As at December 31, 2008 (Restated, Note 3 (a))				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	63,768,010	102,839,825	265,092,977	431,700,812

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

12. Comparative Figures

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

13. Subsequent Events

Fitzsimmons Creek Project

On July 28, 2009, the Corporation received a firm commitment from a second financial institution thereby completing the syndication process. At closing, which is expected during Fall 2009, the credit facility will total \$24,000,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

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

The purpose of this MD&A is to provide the reader with an overview of the financial position, operating results, and cash flows of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three-month and six-month periods ended June 30, 2009. 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, 2009 and with the Corporation's 2008 Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Corporation reports its results in Canadian dollars. Certain amounts included in this MD&A are rounded, to make reading easier. These rounded numbers may affect certain calculations.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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 control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's GAAP.

There was no change in the Corporation's internal control over financial reporting during the period beginning April 1, 2009 and ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

OVERVIEW

General

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

- three operating facilities with an aggregate net installed capacity of 60.9 MW (gross 140.5 MW). These interests consist of two hydroelectric facilities and one wind farm, with aggregate net installed capacities of 19.3 MW (gross 31.0 MW) and 41.6 MW (gross 109.5 MW) respectively. These facilities, commissioned between 2005 and 2008, had a weighted average age of approximately one year as at the end of the most recent quarter. They sell the generated power under long-term Power Purchase Agreements ("PPA") that had a weighted average remaining life of 19.0 years as at June 30, 2009;
- seven development projects with an aggregate net installed capacity of 197.5 MW (gross 392.3 MW) for which PPAs with public utilities have been secured or that are eligible under the terms of the Standing Offer Program ("SOP") for small renewable power generation facilities with a nameplate capacity of less than 10 MW implemented by the British Columbia Hydro and Power Authority ("BC Hydro"). Construction is under way on two of these projects and expected to begin on the remaining five over the coming years. The projects are expected to reach the commercial operation stage between 2009 and 2012;
- a net capacity of more than 1,600 MW (gross 1,800 MW) in Prospective Projects that are at various stages of development; and
- a direct 16.1% interest in the Fund, which indirectly owns interest in ten hydroelectric power plants and two wind farms with a total installed capacity of 340 MW, representing a net interest of 210 MW.

The Corporation's cash flow sources are diversified. First, as owner of interests in two operating hydroelectric facilities and one operating wind farm, the Corporation receives revenues from the electricity generated by these facilities. Second, as the 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, administration and incentive fees. Fourth and last, as a developer of renewable energy facilities, the Corporation expects its revenues from electricity generation to increase again in the fourth quarter of 2009 and in years to come as some projects under development reach the commercial operation stage.

Portfolio of Assets

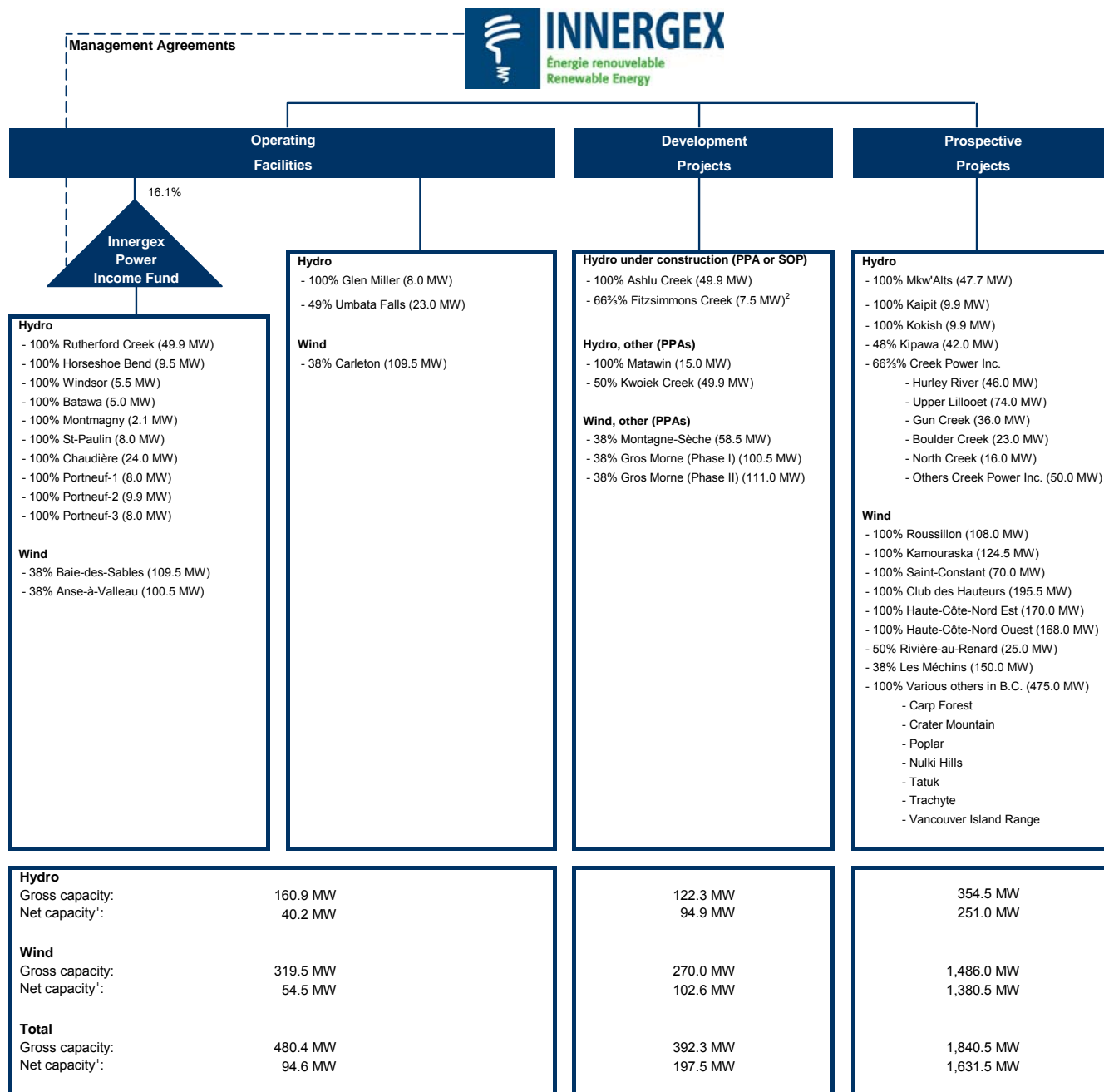
The Corporation's portfolio is comprised of interests in three groups of power generating projects:

- facilities that have reached commercial operations (the "Operating Facilities");
- projects for which PPAs have been secured or that are eligible under BC Hydro's SOP and are either under construction or scheduled to begin commercial operations on planned dates (the "Development Projects");
- projects that have secured certain land rights, for which an investigative permit application has been filed or with respect to which a proposal has been submitted under a Request for Proposal ("RFP") (the "Prospective Projects").

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009



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

² Project eligible under BC Hydro's Standing Offer Program

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Business Strategy

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

Key Performance Indicators

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

Seasonality

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

Operating Facilities – Long-Term Averages

Project Name	Location	Gross Installed Capacity (MW)	Corporation's ownership (%)	Net Installed Capacity (MW)	Long-Term Average Production (MW-hr) (Corporation's Ownership)				
					Q1	Q2	Q3	Q4	Total
HYDRO									
Glen Miller Umbata Falls	Ontario	8.0	100%	8.0	13,491	11,860	4,513	11,742	41,606
	Ontario	23.0	49%	11.3	8,294	18,534	10,444	16,189	53,461
WIND									
Carleton	Québec	109.5	38%	41.6	38,085	28,206	24,106	39,001	129,398
Total		140.5		60.9	59,870	58,600	39,063	66,932	224,465

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

IMPACT OF THE FINANCIAL CRISIS

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

Credit Availability and Cost

While financial institutions continue to lend, they are doing so much more cautiously and imposing certain terms and conditions that could make credit more onerous or simply unavailable for the pursuit of the Corporation's Development or Prospective Projects. If the Corporation is unable to conclude project financing in a timely manner and on commercially acceptable terms, construction of additional Development Projects and Prospective Projects could be postponed. The Corporation's present operations and construction activities are financed using long-term non-recourse project financings provided by strong relationship banks. As of the date of this MD&A, the syndication process for the financing of the Fitzsimmons Creek has been completed. At closing, which is expected during fall 2009, the Corporation will have fulfilled all its financing needs for projects under construction.

Customer Demand

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

Currencies

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

Commodities

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

Counterparties

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

QUARTERLY UPDATE

Corporation's 16.1% interest in the Fund

The Fund's facilities generated 247,764 MW-hr during the second quarter of 2009, a level 1% above the 244,378 MW-hr generated in the corresponding period of 2008 but 3% below the long-term average. This growth is mainly attributable to the performance of the Baie-des-Sables ("BDS") and L'Anse-à-Valleau ("AAV") wind farms which produced 31% more energy than last year. The increase is due to better wind conditions and to the AAV wind farm now operating at full capacity. During the second quarter of 2008, it was still in its commissioning period having started commercial operations in November 2007. This performance of both wind farms was partially offset by transmission line repairs performed by Hydro-Québec which necessitated a 13-day shutdown of the three Portneuf facilities in June 2009.

Consequently, the Fund had gross operating revenues of \$16.5 million and EBITDA of \$13.6 million in the second quarter of 2009, compared with revenues of \$15.8 million and EBITDA of \$12.8 million in the corresponding period of 2008.

For the six-month period ended June 30, 2009, power generation totalled 411,676 MW-hr, a level 2% above the 405,317 MW-hr generated in the corresponding period of 2008 but 3% below the long-term average. This growth is mainly attributable to the performance of the BDS and AAV wind farms, which produced 15% more energy than last year. The increase is due to better wind conditions and to the AAV wind farm now operating at full capacity, partially offset by the shutdown of the three Portneuf facilities.

In the first six months of 2009, this level of power generation resulted in gross operating revenues of \$30.5 million and EBITDA of \$24.6 million. In the corresponding period of 2008, revenues totalled \$29.4 million and EBITDA \$23.6 million.

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

Operating Facilities

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

Production	Three-Month Period Ended June 30, 2009		Three-Month Period Ended June 30, 2008	
	Production (MW-hr)	Long-term average (MW-hr)	Production (MW-hr)	Long-term average (MW-hr)
Glen Miller	12,733	11,860	12,790	11,860
Umbata Falls ¹	17,850	18,534	-	-
Carleton ²	32,838	28,206	-	-
Total	63,421	58,600	12,790	11,860

Production	Six-Month Period Ended June 30, 2009		Six-Month Period Ended June 30, 2008	
	Production (MW-hr)	Long-term average (MW-hr)	Production (MW-hr)	Long-term average (MW-hr)
Glen Miller	27,719	25,351	23,437	25,351
Umbata Falls ¹	24,249	26,828	-	-
Carleton ²	71,535	66,291	-	-
Total	123,504	118,470	23,437	25,351

1. The Corporation owns 49% of this facility

2. The Corporation owns 38% of this wind farm

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

The Corporation's Operating Facilities produced 63,421 MW-hr in the second quarter of 2009, while 12,790 MW-hr were generated in the corresponding quarter of 2008. This corresponds to a fivefold increase. This improvement is essentially due to the contribution of the Umbata Falls hydroelectric facility and Carleton wind farm which have been in commercial operation since November 2008. When compared with their long-term average, the Glen Miller and Carleton facilities respectively generated 7% and 16% more energy than anticipated due to better-than-expected hydrology and wind conditions while Umbata Falls produced 4% less than anticipated due to lower hydrology conditions.

During the six-month period ended June 30, 2009, the contribution of the Umbata Falls hydroelectric facility and Carleton wind farm enabled the Corporation to produce a total of 123,504 MW-hr, a 427% improvement from the 23,437 MW-hr generated in the corresponding period of 2008. When compared with the long-term average, the Umbata Falls facility produced 10% less energy than anticipated due to lower-than-expected hydrology conditions, whereas the Glen Miller and Carleton facilities respectively generated 9% and 8% more electricity than anticipated due to better-than-expected hydrology and wind conditions.

Development Projects

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

Development Projects (under construction)								
Project Name	Location	Installed Capacity (MW)	Estimated Long-term Average Production (MW-hr)	Estimated Total Construction Costs (\$M)	Total Construction Costs as at June 30, 2009 (\$M)	Expected Commercial In-service Date	Expected Year-one Revenues (\$M)	Expected Year-one EBITDA (\$M)
<i>HYDRO</i>								
Ashlu Creek	British Columbia ("B.C.")	49.9	265,000	138.0	111.3	Q4 2009	18.4	15.7
Fitzsimmons Creek ¹	B.C.	7.5	33,000	33.2	21.4	Q2 2010	3.2	2.4

1. The Corporation owns 66 ⅔% of this project

Ashlu Creek

Construction Update

During the second quarter of 2009, the Ashlu Creek project reached a significant milestone with the completion of the power tunnel's vertical shaft. The tunnel contractor's early partial demobilization from the portal area allowed installation of the penstock and steel liner to begin before the planned date; completion is now expected in September and October of 2009 respectively. Also during this three-month period of 2009, all three turbines were substantially installed as was the first generator. As at the date of this MD&A, the installation of the second generator has been substantially completed. The last generator should be installed in September. The commercial in-service date is expected for the end of 2009.

Fitzsimmons Creek

As at the date of this MD&A, the Fitzsimmons Creek project has reached many significant milestones since the end of the first quarter of 2009:

- On June 18, 2009, Fitzsimmons Creek Hydro Limited Partnership signed a 40-year PPA with BC Hydro. The PPA is subject to the usual approval by the British Columbia Utilities Commission ("BCUC").
- On June 23, 2009, the Corporation made a first draw on the project's non-recourse credit facility and on July 28, 2009, the Corporation received a firm commitment from a second financial institution thereby completing the syndication process. At closing, which is expected during fall 2009, the credit facility will total \$24.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

- On July 21, 2009, Fitzsimmons Creek Hydro Limited Partnership signed an agreement with the federal government confirming that the project will receive incentive payments under the ecoENERGY Initiative, on the start of commercial operations and provided certain conditions are met. The ecoENERGY Initiative provides for an incentive payment of \$10 per MW-hr for the first ten years of operation. The Corporation estimates that this incentive payment should increase EBITDA by approximately \$0.3 million per year during the first ten years of operation.

Construction Update

As at the date of this MD&A, 85% of the access roads, 90% of the penstock, 75% of the cofferdams, 85% of the emergency spillway and 40% of the intake structure have been completed. At the powerhouse site, excavation is nearly complete, concrete work is continuing and building erection has begun. With the project progressing according to budget but at a faster pace than planned, the Fitzsimmons Creek facility is now expected to begin commercial operations in the second quarter of 2010, six months ahead of the original schedule.

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

Development Projects (permit phase)					
Project Name	Location	Installed Capacity (MW)	Estimated Total Construction Costs (\$M)	Total Construction Costs as at June 30, 2009 (\$M)	Expected Commercial In-service Date
<i>HYDRO</i>					
Matawin	Québec	15.0	24.6	1.0	2011
Kwoiek Creek ¹	B.C.	49.9	152.1	9.4	2011
<i>WIND</i>					
Montagne-Sèche ²	Québec	58.5	103.0	0.7	2011
Gros Morne – Phase I ²	Québec	100.5	348.5	3.7	2011
Gros Morne – Phase II ²	Québec	111.0	for both phases	for both phases	2012

1. The Corporation owns 50% of this project

2. The Corporation owns 38% of this project

On June 15, 2009, the Québec government announced that it had adopted the decree authorizing the construction of the Corporation's three wind farm projects, namely the Montagne-Sèche project (58.5 MW) and both phases of the Gros-Morne project (211.5 MW). In its announcement, the Québec government indicated its support for these projects by emphasizing their significant contribution to local economic development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Prospective Projects

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

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

In November 2008, Innergex submitted five hydroelectric Prospective Projects under the 2008 BC Hydro Clean Power Call RFP (the "2008 CPC") which constitutes a part of BC Hydro's long-term acquisition plan ("LTAP"). The LTAP was designed to answer the 2007 Energy Plan of the B.C. Government. The objectives outlined by the B.C. Government, among others, are to become self sufficient in electricity by 2016 and ensure that clean or renewable electricity generation continues to account for at least 90 per cent of total generation.

The 2008 CPC results were originally expected by the end of June 2009. On July 27, 2009, the BCUC rejected BC Hydro's LTAP, but did not specifically reject the 2008 CPC. Innergex expects the B.C. Government and BC Hydro to announce in the coming weeks how they intent to deal with the 2008 CPC, in light of the BCUC ruling.

On April 30, 2009, Hydro-Québec launched a 500-MW wind RFP divided into two 250-MW blocks. The first block targets community projects and the second Aboriginal projects. The Corporation is currently assessing multiple 25 MW community projects with the intent to participate in the RFP. Proposals have to be submitted in May 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

OPERATING RESULTS

The Corporation's operating results for the three-month and six-month periods ended June 30, 2009 are compared with operating results for the same periods in 2008. The following table presents a breakdown of the Corporation's revenues.

Revenues	Three-Month Period Ended June 30, 2009	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
Operating revenues	\$ 4,998,751	\$ 883,495	\$ 9,645,123	\$ 1,595,210
Management fees	535,853	547,234	1,132,861	1,141,009
Share of net earnings (loss) of an entity subject to significant influence	1,932,794	993,571	2,205,287	658,657
Revenues	\$ 7,467,398	\$ 2,424,300	\$ 12,983,271	\$ 3,394,876

Revenues

The Corporation reported revenues of \$7.5 million and \$13.0 million respectively for the three-month and six-month periods ended June 30, 2009, compared with revenues of \$2.4 million and \$3.4 million for the corresponding periods of 2008. These increases are due mainly to higher operating revenues resulting from the start of commercial operations at the Umbata Falls and Carleton facilities in November 2008. In comparison, the Corporation only benefited from the contribution of the Glen Miller hydroelectric facility in the corresponding periods of 2008. Revenue growth was also due to the Fund's superior net earnings, which resulted in an increase of the amount coming from the Corporation's share of the Fund's net earnings. Lastly, in the three-month and six-month periods ended June 30, 2009, the Corporation received \$0.5 million and \$1.1 million respectively in management fees from the Fund, amounts similar to those in the corresponding periods of 2008.

As the manager of the Fund and owner of 16.1% of its outstanding units, the Corporation is considered, from an accounting standpoint, to have a significant influence on the Fund. The Corporation therefore accounts for its share of the Fund's net earnings or net loss as revenues, adjusting for the amortization of intangibles and future income taxes related to the excess of the cost of its investment in the Fund over the underlying net book value of assets acquired. In the second quarter of 2009, the Fund's net earnings contributed \$1.9 million to the Corporation's revenues, an increase of \$0.9 million compared with the same period in 2008. In the first half of 2009, the Fund's net earnings contributed \$2.2 million to the Corporation's revenues, an increase of \$1.5 million compared with the same period in 2008. The Fund's net earnings in both periods of 2009 are the result of general normal production conditions and of unrealized net gains on derivative financial instruments. These gains increased the Fund's net earnings and, as a result, the amount coming from the Corporation's share of the Fund's net earnings. In the corresponding periods of 2008, the Fund's net earnings were mostly the result of normal production conditions combined with a one-time future income tax recovery and unrealized and realized net gains and net losses, respectively, on derivative financial instruments.

Share of the Net Earnings (Loss) of an Entity Subject to Significant Influence	Three-Month Period Ended June 30, 2009	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
Corporation's 16.1% share in the Fund's net earnings (loss)	\$ 2,145,439	\$ 1,206,216	\$ 2,630,577	\$ 1,083,947
Amortization of intangibles	(293,303)	(293,303)	(586,606)	(586,606)
Future income taxes	80,658	80,658	161,316	161,316
Share of net earnings (loss) of an entity subject to significant influence	\$ 1,932,794	\$ 993,571	\$ 2,205,287	\$ 658,657

Expenses

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

Operating expenses consist primarily of the operators' salaries, water rights, royalties, insurance premiums, taxes, property taxes, maintenance and repairs. For the second quarter of 2009, the Corporation recorded \$0.4 million in operating expenses related to the operation of the two hydroelectric facilities and one wind farm. In comparison, in the corresponding period of 2008 the Corporation recorded a non-recurring recovery of expenses related to the only operating facility it had at that time. This resulted from the reversal of a \$0.2 million repair expense recorded in the first quarter of 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

For the six-month period ended June 30, 2009, the Corporation recorded operating expenses of \$0.8 million, a \$0.5 million increase over the corresponding period of 2008. This increase was expected, as the Corporation now has three operating facilities as opposed to only one in 2008.

Stock-based compensation relates to the amortization, over the applicable four-year vesting period, of the fair value of options granted on December 6, 2007 concurrently with the initial public offering ("IPO"). For the three-month and six-month periods ended June 30, 2009, non-cash stock-based compensation totalled \$0.4 million (idem in 2008) and \$0.8 million (idem in 2008) respectively.

General and administrative expenses totalled \$1.3 million in the second quarter of 2009, a \$0.1 million decrease from the same period in 2008.

For the six-month period ended June 30, 2009, the Corporation recorded \$2.9 million in general and administrative expenses compared with \$2.5 million for the corresponding period of 2008. This variation is due mostly to the growth in the number of Operating Facilities and to less salaries being allocated to projects under construction than in 2008.

Prospective projects expenses include costs incurred for the development of Prospective Projects. Before 2009, these expenses were capitalized but a change in accounting policy now requires these costs to be expensed. Please refer to the "Changes in Accounting Policies" section of this MD&A for more information on this subject. For the three-month and six-month periods ended June 30, 2009, prospective projects expenses totalled \$0.6 million and \$1.1 million respectively, compared with \$0.5 million and \$1.0 million for the corresponding periods of 2008. By investing in the development of its Prospective Projects and new projects, the Corporation is positioning itself for future growth.

Interest on Long-Term Debt

In the second quarter and six-month period of 2009, the Corporation incurred \$0.9 million and \$2.0 million respectively, in interest expenses on its long-term debt (\$0.2 million and \$0.4 million respectively in 2008). The increases are due to a higher level of indebtedness for which interests are expensed stemming from the Umbata Falls and Carleton operating facilities, partly offset by the decrease in variable interest rates.

Derivative Financial Instruments

The Corporation uses derivative financial instruments (primarily bond forward contracts and interest rate swaps) to manage its exposure to the risk of rising interest rates on its long-term debt, thereby protecting the economic value of its projects. For the quarter ended June 30, 2009, the Corporation recorded an unrealized net gain on derivative financial instruments totalling \$9.5 million (\$3.4 million in 2008). This unrealized net gain is due mainly to the increase in benchmark interest rates for long-term maturities since the end of the first quarter of 2009. This gain had no cash impact on the Corporation's results.

For the six-month period ended June 30, 2009, the Corporation recorded a realized loss on derivative financial instruments of \$1.5 million (nil in 2008) due to the conversion of two bond forward contracts into a 25-year interest rate swap related to the Umbata Falls hydroelectric project. The realized loss on these two bond forward contracts is offset by the project benefiting from a lower-than-expected fixed interest rate over the next 25 years.

The Corporation also recorded an unrealized net gain on derivative financial instruments totalling \$8.3 million for the first six months of 2009 (net loss of \$2.6 million in 2008). This unrealized net gain is due mainly to the increase in benchmark interest rates for long-term maturities since the end of 2008. This gain had no cash impact on the Corporation's results.

Other Expenses and Revenues

Other expenses and revenues are composed mainly of the interest expense on the bank loan and interest earned on cash and cash equivalents. For the second quarter of 2009, other expenses were not material (other revenues of \$0.2 million in 2008). This variation is due to interest expense on the bank loan (nil in 2008), a higher average cash balance in 2008 than in 2009 and to lower interest rates earned on deposits. For the six-month period ended June 30, 2009, other revenues were not material (other revenues of \$0.5 million in 2008). This decrease is also due to a higher average cash balance in 2008 than in 2009 and to lower interest rates earned on deposits, mostly offset by interest expense on the bank loan.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Depreciation and Amortization

The depreciation and amortization expense totalled \$1.5 million and \$3.0 million respectively for the quarter and semester ended June 30, 2009, compared with \$0.4 million and \$0.7 million for the same periods in 2008. The differences are attributable mostly to the depreciation of three operating facilities, as opposed to only one in 2008.

Write-off of Project Development Costs

In the three-month and six-month periods ended June 30, 2009, no project development costs were written off (\$1.4 million in 2008). In May 2008, the public lands where the Massif-du-Sud project was proposed to be located was awarded to another bidder under Hydro-Québec's 2,000 MW call for tender. Consequently, the project was written-off in 2008.

Provision for Income Taxes

The provision for current income taxes for the second quarters and six-month periods of 2009 and 2008 was minimal due to the Corporation's young pool of property, plant and equipment, which results in a substantial available unused capital cost allowance.

The Corporation recorded a future income tax provision of \$3.5 million for the second quarter of 2009 stemming primarily from an unrealized gain on derivative financial instruments. For the corresponding quarter of 2008, the Corporation recorded a future income tax provision of \$0.5 million, also essentially due to an unrealized gain on derivative financial instruments.

For the six-month period ended June 30, 2009, the Corporation recorded a future income tax provision of \$2.9 million stemming primarily from an unrealized gain on derivative financial instruments. For the corresponding period of 2008, the Corporation recorded a future income tax recovery of \$1.4 million, essentially due to an unrealized loss on derivative financial instruments and to the write-off of project development costs.

Losses Allocated to Minority Interests

Minority interests are third parties' share of earnings or losses and are attributable mainly to Creek Power Inc. A 66% interest in Creek Power Inc. was acquired on August 29, 2008. Prior to that date, the Corporation did not allocate any earnings or losses to minority interests. In the three-month and six-month periods ended June 30, 2009, losses totalling \$0.1 million and \$0.2 million respectively were allocated to minority interests (nil in 2008).

Net Earnings (Loss) and Comprehensive Income (Loss)

The Corporation posted net earnings and comprehensive income of \$8.4 million (basic and diluted net earnings of \$0.36 per share) for the second quarter of 2009. For the corresponding period in 2008, net earnings and comprehensive income totalled \$1.3 million (basic and diluted net earnings of \$0.06 per share). This \$7.1 million improvement is attributable mainly to an EBITDA increase of \$4.6 million, to a higher unrealized gain on derivative financial instruments of \$6.0 million and to a \$1.4 million write-off of project development costs in 2008 (nil in 2009). These positive elements were mitigated by increases of \$1.1 million in depreciation and amortization, \$0.7 million in interest on long-term debt and \$3.0 million in income tax provisions.

For the six-month period ended June 30, 2009, the Corporation recorded net earnings and comprehensive income of \$6.5 million (basic and diluted net earnings of \$0.28 per share) compared with a net loss and comprehensive loss of \$4.5 million (basic and diluted net loss of \$0.19 per share) for the corresponding period in 2008. This \$11.0 million improvement is attributable mainly to a \$8.6 million increase in EBITDA, to a \$11.0 million positive variation in the fair market value of derivative financial instruments and to a \$1.4 million write-off of project development costs in 2008 (nil in 2009). These positive elements were partially offset by a \$2.3 million increase in depreciation and amortization, a \$1.6 million increase in interest on long-term debt, a \$1.5 million realized loss on derivative financial instruments in 2009 (nil in 2008) and a \$4.3 million increase in income tax provisions.

Basic and diluted per-share figures for the quarters and six-month periods ended June 30, 2009, and June 30, 2008, are based on a weighted average number of 23,500,000 shares outstanding. Stock options and warrants were non-dilutive during the periods covered, as the average market price of the Corporation's share was below the strike price.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

NET OPERATING CASH FLOWS

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

Net Operating Cash Flows	Three-Month Period Ended June 30, 2009	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2009	Six-Month Period Ended June 30, 2008
Net earnings (loss)	\$ 8,421,395	\$ 1,309,442	\$ 6,503,822	\$ (4,509,391)
Add / (deduct):				
Losses allocated to minority interests	(89,475)	-	(161,943)	-
Future income taxes	3,465,660	512,790	2,882,849	(1,418,680)
Unrealized net (gain) loss on derivative financial instruments	(9,457,264)	(3,436,400)	(8,331,859)	2,635,927
Write-off of project development costs	-	1,440,093	-	1,440,093
Depreciation and amortization	1,514,875	367,992	3,031,637	740,917
Non-cash stock-based compensation	390,907	390,906	781,814	781,813
Share of net (earnings) loss from an entity subject to significant influence	(1,932,794)	(993,571)	(2,205,287)	(658,657)
Distributions received from an entity subject to significant influence	1,181,385	1,180,630	2,362,015	2,361,260
Net Operating Cash Flows	\$ 3,494,689	\$ 771,882	\$ 4,863,048	\$ 1,373,282

The Corporation generated \$3.5 million and \$4.9 million in Net Operating Cash Flows during the second quarter and six-month period ended June 30, 2009, respectively. In the corresponding periods of 2008, Net Operating Cash Flows totalled \$0.8 million and \$1.4 million. These significant increases stem essentially from the contribution of the Umbata Falls and Carleton facilities.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

For the quarter ended June 30, 2009, cash flows generated by operating activities totalled \$0.2 million, compared with \$12.4 million for the second quarter of 2008. This change is due primarily to a negative \$2.2 million variation in non-cash working capital items (positive \$12.8 million in 2008), stemming mainly from a \$3.5 million decrease in accounts payable and accrued liabilities. This change was mitigated by a \$2.7 million increase in Net Operating Cash Flows.

For the six-month period ended June 30, 2009, cash flows generated by operating activities totalled \$18.6 million, a \$11.9 million increase over the same period in 2008. This change is due primarily to the \$3.5 million improvement in Net Operating Cash Flows and to an increase of \$8.3 million in positive variation of non-cash working capital items. The latter stems mainly from a larger decrease of \$4.7 million in accounts receivable compared with 2008 and to \$3.3 million favourable variation in accounts payable and accrued liabilities.

Cash Flows from Financing Activities

Cash flows from financing activities totalled \$11.8 million in the second quarter of 2009, the result of net increases in the bank loan (\$2.1 million) and long-term debt (\$9.7 million). The \$10.9 million increase in long-term debt and the \$0.6 million in issuance cost of long-term debt are related to the Ashlu Creek and Fitzsimmons Creek projects currently under construction and the completed Umbata Falls facility. The \$0.6 million decrease in long-term debt comes from the scheduled repayments of the Glen Miller and Carleton long-term debts. In the corresponding quarter of 2008, cash flows from financing activities totalled \$2.4 million, the result of construction activities at the Umbata Falls and Ashlu Creek projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Cash flows from financing activities totalled \$15.3 million during the six-month period ended June 30, 2009, the result of net increases in the bank loan (\$4.4 million) and long-term debt (\$10.9 million). The \$25.4 million increase in long-term debt (net of deferred financing fees) stems from the Ashlu Creek and Fitzsimmons Creek projects currently under construction and from completed projects, namely the Umbata Falls and Carleton facilities. Most of the \$14.5 million decrease in long-term debt comes from the repayment of the HQT and GST/PST loans (defined in the "Long-Term Debt" section of this MD&A) with respect to the Carleton wind farm. In the corresponding period of 2008, cash flows from financing activities totalled \$6.4 million, the result of construction activities at the Umbata Falls and Ashlu Creek projects, partly offset by the \$2.0 million repayment on the bank loan.

Cash Flows from Investing Activities

The Corporation's cash flows from investing activities for the second quarter of 2009 were negative at \$13.0 million. Of this amount, \$11.0 million was used for additions to property, plant and equipment, mostly related to the Ashlu Creek and Fitzsimmons Creek projects, \$0.6 million for additions to project development costs and \$2.7 million for additions to reserve accounts. These amounts were partially offset by distributions totalling \$1.2 million received from the Corporation's 16.1% interest in the Fund, an entity under significant influence.

For the corresponding period of 2008, cash flows from investing activities were negative at \$17.9 million. Additions to property, plant and equipment accounted for \$17.7 million; additions to project development costs, \$1.1 million; additions to reserve accounts, \$0.1 million; and additions to other long-term assets, \$0.2 million. These amounts were partially offset by distributions totalling \$1.2 million received from the Corporation's 16.1% interest in the Fund, an entity under significant influence.

The Corporation's cash flows from investing activities for the six-month period ended June 30, 2009 were negative at \$31.7 million. Of this amount, \$28.1 million was used for additions to property, plant and equipment, mostly related to the Carleton, Ashlu Creek, Fitzsimmons Creek and Umbata Falls projects, \$0.5 million for additions to intangible assets, \$2.1 million for additions to project development costs and \$3.4 million for additions to reserve accounts. These amounts were partially offset by distributions totalling \$2.4 million received from the Corporation's 16.1% interest in the Fund, an entity under significant influence.

For the same period of 2008, cash flows from investing activities were negative at \$27.3 million. Additions to property, plant and equipment accounted for \$27.2 million; additions to project development costs, \$2.0 million; additions to reserve accounts, \$0.1 million; and additions to other long-term assets, \$0.3 million. These amounts were partially offset by distributions totalling \$2.4 million received from the Corporation's 16.1% interest in the Fund, an entity under significant influence.

Cash and Cash Equivalents

The Corporation used \$1.0 million in cash and cash equivalents during the second quarter of 2009, mainly from negative changes in non-cash operating working capital items, additions to project development costs, investments in reserve accounts, additions to other long-term assets and scheduled long-term debt repayments. These factors were partly offset by the issuance of long-term debt, Net Operating Cash Flows and an increase in the bank loan. The construction of the Ashlu Creek and Fitzsimmons Creek projects had a minimal impact, as the costs to complete them are financed through the projects' debt facilities. The Corporation expects that future construction costs to complete the Ashlu Creek and Fitzsimmons Creek projects will also be financed through the projects' debt facilities.

In the six-month period ended June 30, 2009, the Corporation generated \$2.2 million in cash and cash equivalents, mainly from the issuance of long-term debt, Net Operating Cash Flows, positive changes in non-cash operating working capital items and an increase in the bank loan. These elements were mitigated by long-term debt repayments, additions to project development costs, investments in reserve accounts and additions to other long-term assets.

As at June 30, 2009, the Corporation had cash and cash equivalents amounting to \$8.1 million. As at the same date in 2008, it had reported cash and cash equivalents of \$20.5 million, mainly as a result of the IPO that occurred in December 2007. As planned, part of the cash and cash equivalents available as at June 30, 2008 was used to fund project development and construction. It was also partly used to finance the acquisition of a 66⅔% interest in Creek Power Inc. in Q3 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

FINANCIAL POSITION

Assets

As at June 30, 2009, the Corporation had \$439.2 million in total assets, compared with \$431.7 million in total assets as at December 31, 2008. This variation is mostly the result of the ongoing construction of the Ashlu Creek and Fitzsimmons Creek projects (\$18.4 million) and investments in reserve accounts (\$3.4 million), mitigated by a decrease in accounts receivable (\$17.3 million) related mainly to the Carleton wind farm.

Working Capital

As at the end of the second quarter of 2009, working capital was negative at \$30.1 million, with a working capital ratio of 0.33:1.00. Excluding the \$14.1 million bank loan facility, which is expected to be renewed on a yearly basis, and the \$16.5 million negative market value of derivative financial instruments, working capital was positive at \$0.5 million with an adjusted working capital ratio of 1.04:1.00. As at the end of 2008, working capital was negative at \$28.1 million and the working capital ratio was 0.52:1.00. Excluding the \$9.8 million bank loan facility and the \$20.4 million negative market value of derivative financial instruments, working capital was positive at \$2.1 million with an adjusted working capital ratio of 1.07:1.00. The variation over the last six months is mostly the result of a decrease in accounts receivable, partly offset by a reduction in the current portion of long-term debt and by a decline in the negative value of the derivative financial instruments.

Given (i) the expected cash flow contribution from the Corporation's Operating Facilities, and (ii) the Ashlu Creek and Fitzsimmons Creek project financings which should not require the Corporation to invest additional equity, the Corporation considers its current level of working capital to be sufficient to meet its needs. However, the Corporation could postpone the development of Prospective Projects and/or of Development Projects not already in construction if necessary in order to preserve cash. The Corporation can also draw on its \$30.0 million bank credit facility. As at June 30, 2009, \$14.1 million of this credit facility had been drawn as cash advances, \$7.2 million used for the issuance of letters of credit and \$3.9 million reserved as collateral to secure bond forward contracts. The unused and available portion of the bank credit facility was therefore \$4.8 million as at that date.

Accounts receivable decreased from \$22.9 million as at December 31, 2008 to \$5.6 million as at June 30, 2009, mostly due to two payments totalling \$14.7 million received with respect to the Carleton wind farm.

Accounts payable and accrued liabilities decreased from \$12.0 million as at December 31, 2008, to \$10.8 million at the end of the second quarter of 2009. This line item is comprised mainly of trade payables and holdbacks related to the construction of the Ashlu Creek and Fitzsimmons Creek projects and completion of the Carleton wind farm, among others.

Derivative financial instruments included in current liabilities decreased from \$20.4 million as at December 31, 2008, to \$16.5 million as at June 30, 2009. This variation is mainly due to the conversion of two bond forward contracts into a 25-year interest rate swap related to the Umbata Falls hydroelectric project and to an increase in benchmark interest rates for long-term maturities.

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

Reserve Accounts

Reserve Accounts Breakdown	June 30, 2009	December 31, 2008
Hydrology/wind power reserve	\$ 3,588,457	\$ 310,198
Major maintenance reserve	264,974	142,830
Total	\$ 3,853,431	\$ 453,028

The Corporation holds two types of reserve accounts designed to help ensure its stability. The first is the hydrology/wind power reserve established at the start of commercial operations of a facility to compensate the variability of cash flows due to fluctuations in hydrology or wind conditions or other unpredictable events. Amounts in this reserve are expected to vary significantly from quarter to quarter according to the seasonality of cash flows. The second is the major maintenance reserve established in order to pre-fund any major plant repairs that may be required to maintain the Corporation's generating capacity. Amounts invested in this reserve total approximately \$0.1 million on an annual basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

The availability of funds in the reserve accounts may be restricted by credit agreements. The Corporation has not invested in any form of asset-backed commercial paper.

Property, Plant and Equipment

Property, plant and equipment are comprised mainly of hydroelectric and wind farm projects that are either in operation or under construction. They are recorded at cost and depreciated using the straight-line method, based on their estimated useful lives upon commissioning. The Corporation had \$248.5 million in property, plant and equipment on its books as at June 30, 2009, compared with \$229.5 million as at December 31, 2008. This increase stems from capital expenditures incurred in relation with the ongoing construction of the Ashlu Creek and Fitzsimmons Creek projects.

Intangible Assets

Intangible assets consist of various permits, licences and agreements. The Corporation reported \$44.3 million in intangible assets as at June 30, 2009, a decrease from the \$44.4 million reported as at December 31, 2008. Intangible assets are amortized using the straight-line method over 20- to 40-year periods that commence when the related project is commissioned.

Project Development Costs

Project development costs are the costs incurred to acquire and develop Development Projects that have a PPA or have been deemed to be eligible under a SOP as well as the costs to acquire Prospective Projects. Depending on their nature, these costs are transferred to either property, plant and equipment or to intangible assets once the project reaches the construction phase. As at June 30, 2009, the Corporation had \$29.2 million in project development costs (\$27.9 million as at December 31, 2008).

Investment in an Entity Subject to Significant Influence

The \$56.9 million investment in an entity subject to significant influence (\$57.1 million as at December 31, 2008) refers to the 4,724,409 Fund units owned by the Corporation, representing a 16.1% interest in the Fund. This investment is accounted for using the equity method.

Future Income Taxes

The tax impact of temporary differences may result in material future tax assets or liabilities. As at June 30, 2009, the Corporation's net future income tax asset was \$3.2 million, compared with a net future income tax asset of \$6.2 million as at December 31, 2008. This decrease in the net tax asset resulted from the net earnings before taxes realized during the first six months of 2009.

Goodwill

The Corporation had \$30.5 million in goodwill as at June 30, 2009 and December 31, 2008. The amounts recorded are identical since there was no material change in the Corporation's various facilities and projects during the first half of 2009.

Other Long-Term Assets

Other long-term assets, comprised mainly of derivative financial instruments, stood at \$3.0 million at the end of the period. As at December 31, 2008, the amount recorded for this line item was \$0.8 million. The increase is due mainly to derivative financial instruments, which were positively affected by the increase in benchmark interest rates for long-term maturities since the end of 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Long-Term Debt

As at June 30, 2009, long-term debt stood at \$176.5 million, versus \$165.5 million at the end of 2008. As at the end of the second quarter of 2009, long-term debt consisted essentially of:

- i) a \$16.0 million non-recourse term loan secured by the Glen Miller hydroelectric facility and maturing in 2011. This loan is amortized at the rate of \$250,000 per quarter including a bullet payment at the end of the term. The loan bears interest at the bankers' acceptances ("BA") rate plus an applicable credit margin;
- ii) a \$51.0 million non-recourse construction loan maturing in 2014 (of this amount, \$25.0 million corresponds to the Corporation's 49% ownership interest in the project) and is secured by the Umbata Falls hydroelectric facility. The loan's principal payments will begin in the third quarter of 2009 and be based on a 25-year amortization period. The loan bears interest at the BA rate plus an applicable credit margin;
- iii) a \$51.9 million non-recourse term loan maturing in 2013 and secured by the Corporation's 38% interest in the Carleton wind farm. This loan is amortized over an 18.5-year amortization period. The loan bears interest at the BA rate plus an applicable credit margin;
- iv) a \$110.0 million non-recourse construction loan of which \$80.2 million had been drawn as at June 30, 2009. The loan is secured by the Ashlu Creek hydroelectric facility and matures 15 years following conversion of the construction loan into a term loan. The loan's principal payments will begin on conversion and will be based on a 25-year amortization period. The loan bears interest at the BA rate plus an applicable credit margin;
- v) a \$15.0 million non-recourse construction loan of which \$4.9 million had been drawn as at June 30, 2009. Following the completion of the syndication process on July 28, 2009, the amount available under the construction loan is expected to increase to \$24.0 million during the fall of 2009. The loan is secured by the Fitzsimmons Creek hydroelectric facility and matures five years after conversion of the construction loan into a term loan. The loan's principal payments will begin on conversion and will be based on a 30-year amortization period. The loan bears interest at the BA rate plus an applicable credit margin.

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

Off-Balance-Sheet Arrangements

As at June 30, 2009, the Corporation had issued letter of credits totalling \$12.7 million to meet its obligations under its various PPAs and other agreements. Of this amount, \$7.2 million was issued under its bank credit facility and the remainder under the projects' non-recourse credit facilities.

Shareholders' Equity

As at June 30, 2009, the Corporation's shareholders' equity totalled \$204.3 million, compared with \$197.0 million as at December 31, 2008. The difference is attributable mainly to the \$6.5 million in net earnings recorded in the first half of 2009.

As at August 13, 2009, the Corporation has a total of 23,500,000 common shares, 1,410,000 stock options and 200,000 warrants outstanding, a situation identical to that at December 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

RELATED-PARTY TRANSACTIONS

As Manager of the Innergex Power Income Fund

The Corporation provides services to the Fund and its subsidiaries under three agreements: a Management Agreement, an Administration Agreement, and a Services Agreement. In the second quarter of 2009, the Corporation received \$0.51 million for regular services provided under these three agreements compared to \$0.49 million in 2008. In the six-month period ended June 30, 2009, the Corporation received \$1.06 million for regular services provided under these three agreements. During the corresponding period of 2008, it received \$1.08 million, including \$0.08 million for services rendered during the acquisition of the BDS and AAV wind farms.

The Corporation accounts for amounts received under these three agreements at the amounts of the considerations received.

As an Innergex Power Income Fund Investor

The Corporation's investment in Fund units, along with related earnings (loss), is described in detail in the "Operating Results" section of this MD&A under the heading "Revenues."

SEGMENT INFORMATION

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

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

The accounting policies for these segments are the same as those described in the Significant Accounting Policies Section of the 2008 Annual Report, with the exception of those presented in the "Accounting Changes" section of this MD&A. The Corporation evaluates performance based on EBITDA, and accounts for inter-segment and management sales at cost. Any transfers of assets from the site development and management segment to the hydroelectric or wind power generation segments are accounted for at cost.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and Management of Sites	Total
	\$	\$	\$	\$
Three-month period ended June 30, 2009				
Gross operating revenues from external clients	2,351,999	2,647,112	2,468,287	7,467,398
Expenses:				
Operating expenses	160,284	255,134	-	415,418
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	29,014	75,321	1,188,926	1,293,261
Prospective projects expenses	-	-	559,760	559,760
EBITDA	2,162,701	2,316,657	328,694	4,808,052
Three-month period ended June 30, 2008 (Restated, see Accounting Changes)				
Gross operating revenues from external clients	883,495	-	1,540,805	2,424,300
Expenses:				
Operating expenses	(15,277)	-	-	(15,277)
Stock-based compensation	-	-	390,906	390,906
General and administrative expenses	2,834	-	1,361,738	1,364,572
Prospective projects expenses	-	-	470,112	470,112
EBITDA	895,938	-	(681,951)	213,987
Six-month period ended June 30, 2009				
Gross operating revenues from external clients	3,879,468	5,766,375	3,337,428	12,983,271
Expenses:				
Operating expenses	288,344	462,715	-	751,059
Stock-based compensation	-	-	781,814	781,814
General and administrative expenses	72,443	140,798	2,707,562	2,920,803
Prospective projects expenses	-	-	1,069,066	1,069,066
EBITDA	3,518,681	5,162,862	(1,221,014)	7,460,529
Six-month period ended June 30, 2008 (Restated, see Accounting Changes)				
Gross operating revenues from external clients	1,595,210	-	1,799,666	3,394,876
Expenses:				
Operating expenses	261,516	-	-	261,516
Stock-based compensation	-	-	781,813	781,813
General and administrative expenses	9,083	-	2,463,872	2,472,955
Prospective projects expenses	-	-	994,348	994,348
EBITDA	1,324,611	-	(2,440,367)	(1,115,756)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and Management of Sites	Total
	\$	\$	\$	\$
As at June 30, 2009				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	66,176,443	88,918,036	284,061,775	439,156,254
Acquisition of capital assets since the beginning of the year	587,322	276,937	21,857,434	22,721,693
As at December 31, 2008 (Restated, see Accounting Changes)				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	63,768,010	102,839,825	265,092,977	431,700,812

Hydroelectric Generation Segment

The power generation at the Glen Miller and Umbata Falls facilities totalled 30,583 MW-hr in the second quarter of 2009, 139% more than the 12,790 MW-hr produced during the corresponding period of 2008. This increase is due to the output of the Umbata Falls facility, which started commercial operations in November 2008. In this quarter of 2009, electricity generation was similar to the long-term average of 30,394 MW-hr.

This segment therefore benefited from the addition of the Umbata Falls facility and from the performance of both facilities to generate revenues and EBITDA of \$2.4 million and \$2.2 million respectively in the second quarter of 2009. By way of comparison, revenues and EBITDA both stood at \$0.9 million in the corresponding period of 2008.

For the six-month period ended June 30, 2009, power generation reached 51,968 MW-hr, more than twice the 23,437 MW-hr produced during the corresponding period of 2008, due to the output of the Umbata Falls facility, which started commercial operations in November 2008. In this period of 2009, electricity generation was similar to the long-term average of 52,179 MW-hr. The electricity generated in this period of 2009 translated into revenues of \$3.9 million (versus \$1.6 million in 2008) and EBITDA of \$3.5 million (versus \$1.3 million in 2008).

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

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

Wind Power Generation Segment

After adjusting production statistics for the Corporation's 38% interest in the Carleton wind farm, electricity production reached 32,838 MW-hr in the second quarter of 2009, 16% above the long-term average of 28,206 MW-hr, due to above-average wind conditions. This resulted in revenues and EBITDA of \$2.6 million and \$2.3 million respectively. For the six-month period ended June 30, 2009, power generation totalled 71,535 MW-hr, 8% above the long-term average of 66,291 MW-hr, due to above-average wind conditions. The electricity generated during this six-month period of 2009 translated into revenues of \$5.8 million and EBITDA of \$5.2 million.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

Development and Management of Sites Segment

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

For the three-month and six-month periods ended June 30, 2009, the Corporation recorded net earnings of \$1.9 million and \$2.2 million, respectively, from its share of an entity subject to significant influence. During the same periods, the Corporation also received a total of \$0.5 million and \$1.1 million respectively in management fees from the Fund and the BDS and AAV wind farm operators. In the three-month and six-month periods ended June 30, 2009, stock-based compensation (\$0.4 million and \$0.8 million respectively), general and administrative expenses (\$1.2 million and \$2.7 million respectively) and prospective project expenses (\$0.6 million and \$1.1 million respectively) resulted in a segment EBITDA for these periods of \$0.3 million and negative \$1.2 million respectively. This improvement in EBITDA is due to better results from the Corporation's investment in the Fund.

The acquisition of capital assets since December 31, 2008, is related mainly to the construction of the Ashlu Creek and Fitzsimmons Creek projects and is the main reason for the increase in total assets.

CRITICAL ACCOUNTING ESTIMATES

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

ACCOUNTING CHANGES

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

Consolidated Balance Sheet Accounts	Assets	Liabilities and Shareholders' Equity
	\$	\$
Project development costs	(145,312)	
Future income taxes		(39,731)
Shareholders' equity		(105,581)
	(145,312)	(145,312)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

The effect of this new standard on the consolidated statements of earnings for the 2008 comparative periods is as follows:

Consolidated Statements of Earnings Accounts	Three-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2008
	\$	\$
Prospective projects expenses increase	470,112	994,348
Impairment of project development costs decrease	(113,484)	(163,246)
Future income taxes recovery	(92,677)	(222,395)
Net increase of loss	263,951	608,707
Basic and diluted net increase of loss per share	(0.01)	(0.02)

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

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

The Canadian Accounting Standards Board has announced the adoption of International Financial Reporting Standards ("IFRS") for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. Accordingly, the Corporation will adopt IFRS effective in the quarter ending March 31, 2011.

The Corporation has begun assessing major items requiring adjustments in connection with the adoption of IFRS. A schedule has been prepared of the steps to be followed by the Corporation in order to meet the changeover date. The Corporation expects to complete the detailed analysis of the items requiring adjustments by the end of the year. This IFRS conversion schedule is subject to changes based on the progress of analytical work and on the updates in IFRS standards and interpretations.

During 2009, the accounting staff of the Corporation has followed intensive IFRS training. The Corporation has started its detailed assessment and evaluation of the impact the IFRS will have on accounting and financial presentation as well as the various accounting policies that the Corporation could adopt. To this end, the Corporation has begun the review of the different elections provided in IFRS 1 *First-time Adoption of International Financial Reporting Standards* to establish its opening balance sheet on January 1st, 2010. The Corporation also has begun reviewing the application of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* standards. During the next quarters, the Corporation will continue to evaluate the IFRS effect on its reporting.

RISK MANAGEMENT

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

DERIVATIVE FINANCIAL INSTRUMENTS

As at June 30, 2009, the Corporation had two interest rate swaps related to the Umbata Falls and Carleton facilities, for which its share totalled \$76.9 million. It also had seven bond forwards contracts totalling \$110.0 million related to the Ashlu Creek project (the "Ashlu Bond Forwards"). As at that date, the Corporation's share of their combined fair market value was negative at \$14.4 million (negative at \$22.7 million as at December 31, 2008). This decrease in the negative value of derivative financial instruments is due to unrealized net gains on derivative financial instruments in the first half of 2009 that were caused mainly by the increase in benchmark interest rates for long-term maturities, partly offset by a decrease in benchmark interest rates for short-term maturities since the end of 2008. As at December 31, 2008, the Corporation's share of the total notional amount of derivative financial instruments was \$180.3 million and its share of their combined fair market value was negative at \$22.7 million. These fair market values are reported on the balance sheet under "Derivative financial instruments" and their variations are accounted for in the statement of earnings under "Realized/Unrealized net (gain) loss on derivative financial instruments". The Corporation does not use hedge accounting for its derivative financial instruments.

In the second quarter of 2009, the Corporation extended the maturity dates for six of the seven Ashlu Bond Forwards to August 26, 2009 and to September 16, 2009 for the seventh one. The Corporation intends to roll or extend these bond forward contracts or to enter into new bond forward contracts or equivalent swaps in order to match the maturity of the underlying debt and protect the economic value of its project. Failure to further extend the maturity of the Ashlu Bond Forwards could result in a liquidity shortfall. Nevertheless, the Corporation has historically been able to extend or renew bond forward contracts or obtain outside financing to meet their capital requirements. When the Ashlu project will be completed and operational, the Ashlu Bond Forwards are expected to be rolled into long-term interest rate swaps.

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

In 2005, Innergex II Income Fund (now a subsidiary of the Corporation) sold the Rutherford Creek hydroelectric project to the Fund. Rutherford Creek Power, Limited Partnership, which owns the asset, has agreed, following the expiry or termination of the Rutherford Creek PPA in September 2024, to pay royalties to Innergex II Income Fund conditional upon achieving certain revenue thresholds. As at June 30, 2009, the fair value of this financial instrument was \$0.8 million (also \$0.8 million as at December 31, 2008). This amount is recorded in the balance sheet under "Other long-term assets," and changes in this account are shown on the statement of earnings under "Unrealized net loss (gain) on derivative financial instruments."

RISKS AND UNCERTAINTIES

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

ADDITIONAL INFORMATION AND UPDATES

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2009

QUARTERLY FINANCIAL INFORMATION

For the three-month periods ended (unaudited):

(In thousands, unless otherwise stated)	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008
Power generated (MW-hr)	63,421	60,083	35,312	9,369
Revenues	\$ 7,467	\$ 5,516	\$ 811	\$ 1,660
Net earnings (loss)	\$ 8,421	\$ (1,918)	\$ (30,055)	\$ (1,225)
Net earnings (loss) per share				
Basic (\$ per share)	0.36	(0.08)	(1.28)	(0.05)
Diluted (\$ per share)	0.36	(0.08)	(1.28)	(0.05)
Weighted average number of shares outstanding				
Basic	23,500	23,500	23,500	23,500
Diluted	23,500	23,500	23,500	23,500

(In thousands, unless otherwise stated)	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007
Power generated (MW-hr)	12,790	10,647	2,530	-
Revenues	\$ 2,424	\$ 971	\$ 3,067	\$ 1,478
Net earnings (loss)	\$ 1,309	\$ (5,819)	\$ 5,287	\$ 56
Net earnings (loss) per share				
Basic (\$ per share)	0.06	(0.25)	0.66	0.03
Diluted (\$ per share)	0.06	(0.25)	0.65	0.03
Weighted average number of shares outstanding				
Basic	23,500	23,500	8,034	1,942
Diluted	23,500	23,544	8,135	1,942

The variations over the last eight quarters are due mainly to the:

- IPO of December 2007 and the concurrent acquisition of the Glen Miller facility. Prior to the IPO, the Corporation was providing only management services and had no power generating facilities;
- start-up of commercial operations at the Umbata Falls and Carleton facilities in November 2008;
- seasonal nature of power generated by the Corporation's facilities;
- fluctuations in the net earnings (loss) of the Fund which have a direct impact on the Corporation's share of net earnings (loss) of an entity subject to significant influence;
- variations of the fair market value of derivative financial instruments, which were most significant in Q2 2009 (gain of \$9.5 million), Q4 2008 (loss of \$17.3 million) and Q1 2008 (loss of \$6.1 million);
- Impairment of goodwill (\$3.6 million) and project development costs (\$16.1 million) in Q4 2008.

SUBSEQUENT EVENT

On July 21, 2009, Fitzsimmons Creek Hydro Limited Partnership signed an agreement with the Federal government confirming that the project will receive incentive payments under the ecoENERGY Initiative.

On July 27, 2009, the BCUC published its decision on BC Hydro's LTAP. Innergex expects the B.C. Government and BC Hydro to announce in the coming weeks how they intent to deal with the 2008 CPC, in light of the BCUC ruling.

On July 28, 2009, the Corporation signed a commitment letter to complete the syndication process of the \$24.0 million non-recourse financing of the Fitzsimmons Creek project.

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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Auditors

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

Electronic Delivery

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

Investor Relations

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