

09

Third Quarter Report

Growing with Energy

Innergex Renewable Energy Inc.



Consolidated Financial Statements

(Unaudited)

Consolidated Statements of Earnings	Three-Month Period Ended Sept. 30, 2009	Three-Month Period Ended Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 30, 2008
	\$	\$	\$	\$
Revenues		(Restated, Note 3 (a))		(Restated, Note 3 (a))
Operating	3,907,774	632,204	13,552,897	2,227,414
Management fees	494,679	634,464	1,627,540	1,775,473
Share of net earnings of an entity subject to significant influence	242,689	393,742	2,447,976	1,052,399
	4,645,142	1,660,410	17,628,413	5,055,286
Expenses				
Operating expenses	382,077	125,123	1,133,136	386,639
Stock-based compensation	390,906	390,907	1,172,720	1,172,720
General and administrative expenses	1,234,902	1,440,565	4,155,705	3,913,520
	2,007,885	1,956,595	6,461,561	5,472,879
Earnings (loss) from operations	2,637,257	(296,185)	11,166,852	(417,593)
Prospective projects expenses	377,450	834,050	1,446,516	1,828,398
Earnings (loss) before interests, income taxes, depreciation and amortization and other items	2,259,807	(1,130,235)	9,720,336	(2,245,991)
Interest on long-term debt	1,220,326	198,286	3,256,505	647,165
Realized loss on derivative financial instruments	-	-	1,496,950	-
Other expenses (revenues)	32,595	(125,892)	29,706	(581,349)
Earnings (loss) before income taxes, depreciation and amortization and other items	1,006,886	(1,202,629)	4,937,175	(2,311,807)
Depreciation and amortization	1,552,626	241,801	4,584,263	982,718
Unrealized net loss (gain) on derivative financial instruments	2,991,948	91,651	(5,339,911)	2,727,578
Write-off of project development costs	-	-	-	1,440,093
(Loss) earnings before income taxes and minority interests	(3,537,688)	(1,536,081)	5,692,823	(7,462,196)
Income taxes (recovery)				
Current	20	1,430	5,803	3,386
Future	(720,218)	(306,301)	2,162,631	(1,724,981)
	(720,198)	(304,871)	2,168,434	(1,721,595)
Net (loss) earnings before minority interests	(2,817,490)	(1,231,210)	3,524,389	(5,740,601)
Losses allocated to minority interests	90,925	5,000	252,868	5,000
Net (loss) earnings	(2,726,565)	(1,226,210)	3,777,257	(5,735,601)
Weighted average number of shares outstanding	23,500,000	23,500,000	23,500,000	23,500,000
Basic net (loss) earnings per share	(0.12)	(0.05)	0.16	(0.24)
Diluted number of shares outstanding (Note 7)	23,500,000	23,500,000	23,500,000	23,500,000
Diluted net (loss) earnings per share	(0.12)	(0.05)	0.16	(0.24)

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 Sept. 30, 2009	Three-Month Period Ended Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 30, 2008
	\$	\$	\$	\$
		(Restated, Note 3 (a))		(Restated, Note 3 (a))
Net (loss) earnings	(2,726,565)	(1,226,210)	3,777,257	(5,735,601)
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	(51,992)	-	(75,397)	-
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	48,693	-	71,026	-
	(3,299)	-	(4,371)	-
Comprehensive (loss) income	(2,729,864)	(1,226,210)	3,772,886	(5,735,601)

Consolidated Statements of Deficit	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 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)	3,777,257	(5,735,601)
Deficit, end of period	(30,526,434)	(4,247,848)
Cumulative other comprehensive income - beginning of period	1,221	-
Other items of comprehensive income	(4,371)	-
Cumulative other comprehensive income - end of period	(3,150)	-
Total deficit and cumulative other comprehensive income	(30,529,584)	(4,247,848)

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

Consolidated Financial Statements

(Unaudited)

Consolidated Balance Sheets	September 30, 2009	December 31, 2008
	\$	\$
Assets		(Restated, Note 3 (a))
Current assets		
Cash and cash equivalents	11,886,961	5,957,780
Accounts receivable (Note 4)	4,893,731	22,891,011
Prepaid and others	1,487,700	1,242,318
	18,268,392	30,091,109
Reserve accounts	4,843,426	453,028
Property, plant and equipment	262,397,611	229,527,304
Intangible assets	44,079,345	44,376,880
Project development costs	30,697,576	27,881,244
Investment in an entity subject to significant influence	55,952,449	57,052,056
Future income taxes	8,999,202	10,992,537
Goodwill	30,511,446	30,511,446
Other long-term assets	2,020,490	815,208
	457,769,937	431,700,812
Liabilities		
Current liabilities		
Bank loan (Note 5)	14,100,000	9,750,000
Accounts payable and accrued liabilities	8,431,896	12,019,239
Derivative financial instruments	18,447,731	20,411,968
Current portion of long-term debt (Note 6)	4,073,089	15,993,983
	45,052,716	58,175,190
Construction holdbacks	-	5,057,542
Derivative financial instruments	138,718	2,311,110
Accounts payable and accruals for acquisition of long-term assets	23,095,498	14,120,894
Long-term debt (Note 6)	182,086,863	149,514,434
Asset retirement obligations	481,253	453,452
Future income taxes	4,930,481	4,776,520
Minority interests	-	252,868
	255,785,529	234,662,010
Shareholders' equity		
Share capital	229,472,343	229,472,343
Contributed surplus	2,866,649	1,693,929
Warrants	175,000	175,000
Total deficit and cumulative other comprehensive income	(30,529,584)	(34,302,470)
	201,984,408	197,038,802
	457,769,937	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 Sept. 30, 2009	Three-Month Period Ended Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 30, 2008
	\$	\$	\$	\$
		(Restated, Note 3 (a))		(Restated, Note 3 (a))
Operating activities				
Net (loss) earnings	(2,726,565)	(1,226,210)	3,777,257	(5,735,601)
Items not affecting cash:				
Depreciation of property, plant and equipment	1,286,677	155,346	3,786,128	723,354
Amortization of intangible assets	265,949	86,455	798,135	259,364
Share of net earnings of an entity subject to significant influence	(242,689)	(393,742)	(2,447,976)	(1,052,399)
Amortization of deferred financing fees	76,519	-	194,959	-
Stock-based compensation	390,906	390,907	1,172,720	1,172,720
Unrealized net loss (gain) on derivative financial instruments	2,991,948	91,651	(5,339,911)	2,727,578
Write-off of project development costs	-	-	-	1,440,093
Future income taxes	(720,218)	(306,301)	2,162,631	(1,724,981)
Losses allocated to minority interests	(90,925)	(5,000)	(252,868)	(5,000)
Other items	9,167	-	27,801	-
Changes in non-cash operating working capital items (Note 8)	2,753,903	(3,917,610)	18,747,005	3,718,522
	3,994,672	(5,124,504)	22,625,881	1,523,650
Financing activities				
Increase in bank loan	-	10,000,000	4,350,000	8,000,000
Issuance of long-term debt	10,000,000	1,960,000	35,994,000	10,351,000
Repayment of long-term debt	(374,772)	(250,000)	(14,868,599)	(250,000)
Deferred financing fees on long-term debt	(77,895)	-	(668,825)	-
Issuance of warrants	-	175,000	-	175,000
	9,547,333	11,885,000	24,806,576	18,276,000
Investing activities				
Additions to reserve accounts	(994,995)	(2,327)	(4,390,398)	(103,869)
Additions to property, plant and equipment	(8,427,660)	(13,171,217)	(36,550,450)	(40,397,675)
Additions to intangible assets	(500)	(97,929)	(500,600)	(97,929)
Additions to project development costs	(1,527,306)	(596,969)	(3,603,040)	(2,775,729)
Distributions received from an entity subject to significant influence	1,181,197	1,180,629	3,543,212	3,541,889
Business acquisition, net of cash	-	(8,674,274)	-	(8,674,274)
Variations in other long-term assets	4,000	(5,592)	(2,000)	(61,676)
	(9,765,264)	(21,367,679)	(41,503,276)	(48,569,263)
Net increase (decrease) in cash and cash equivalents	3,776,741	(14,607,183)	5,929,181	(28,769,613)
Cash and cash equivalents, beginning of period	8,110,220	20,528,407	5,957,780	34,690,837
Cash and cash equivalents, end of period	11,886,961	5,921,224	11,886,961	5,921,224
<i>Cash and cash equivalents is comprised of:</i>				
Cash	6,882,666	2,761,530	6,882,666	2,761,530
Short-term investments	5,004,295	3,159,694	5,004,295	3,159,694
	11,886,961	5,921,224	11,886,961	5,921,224

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 nine-month periods ended September 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 \$26,784,324 as of September 30, 2009. The deficiency is mainly due to (i) the bank loan of \$14,100,000 and (ii) to \$18,447,331 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 for the end 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 third 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 nine-month periods ended September 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. Since the closing of the Fitzsimmons Creek financing on November 6, 2009, the Corporation has fulfilled all its financing needs for projects under construction.

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 Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2008
	\$	\$
Prospective projects expenses increase	834,050	1,828,398
Impairment of project development costs decrease	-	(163,246)
Future income taxes recovery	(221,215)	(443,610)
Net increase of loss	612,835	1,221,542
Basic and diluted net increase of loss per share	(0.03)	(0.05)

Notes to the Consolidated Financial Statements

For the three-month and nine-month periods ended September 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 most of 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 and had discussions with its auditors. A review of the impacts on some accounts of the financial statements has begun. A preliminary draft of the components of the property, plant and equipment was determined by the management and discussed with the auditors. A draft of the 2011 first quarter financial statements was prepared with the accompanying notes which will include all the disclosure required by the IFRS. During the next quarters, the Corporation will continue to evaluate the IFRS effects 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 nine-month periods ended September 30, 2009 (Unaudited)

6. Long-Term Debt

	September 30, 2009	December 31, 2008
	\$	\$
Glen Miller Power, Limited Partnership	15,750,000	16,500,000
Umbata Falls Limited Partnership	24,887,241	21,266,000
Innergex CAR, L.P. (a)	51,911,244	64,407,084
Ashlu Creek Investments Limited Partnership	84,100,000	64,500,000
Fitzsimmons Creek Hydro Limited Partnership (b)	11,000,000	-
Kwoiek Creek Resources Limited Partnership (c)	150,000	-
Deferred financing fees	(1,638,533)	(1,164,667)
	186,159,952	165,508,417
Current portion of long-term debt:		
Glen Miller Power, Limited Partnership	1,000,000	1,000,000
Umbata Falls Limited Partnership	427,779	176,307
Innergex CAR, L.P.	2,518,511	15,054,557
Ashlu Creek Investments Limited Partnership	463,100	-
Deferred financing fees	(336,301)	(236,881)
	4,073,089	15,993,983
	182,086,863	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.

On July 28, 2009, the Corporation received a firm commitment from a second financial institution thereby completing the syndication process. Since the execution of the agreement, on November 6, 2009, the facility totals \$24,000,000. See Note 13 for subsequent events.

Notes to the Consolidated Financial Statements

For the three-month and nine-month periods ended September 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 \$7,475,054.

7. Additional information to the Consolidated Statements of Earnings

Basic and diluted per-shares figures for the quarters and nine-month periods ended September 30, 2009 and September 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 Sept. 30, 2009	Three-Month Period Ended Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 30, 2008
	\$	\$	\$	\$
Accounts receivable	751,718	(4,863,621)	17,997,280	7,606,665
Prepaid and others	(303,624)	(59,608)	(245,382)	(205,128)
Accounts payable and accrued liabilities	2,305,809	1,005,619	995,107	(3,683,015)
	2,753,903	(3,917,610)	18,747,005	3,718,522
<i>Additional information</i>				
Interest paid	1,317,256	1,037,254	4,224,961	3,158,774
Income taxes paid	-	7,118	7,804	174,016
<i>Non-cash transactions</i>				
Decrease (increase) of unpaid property, plant and equipment	4,662,104	(42,115)	3,795,744	217,486
(Increase) decrease of unpaid development costs	(19,024)	(224,572)	(786,708)	2,779,331
(Increase) decrease of accounts payable and accruals for acquisition of long-term assets	(13,025,065)	-	(8,974,604)	-

The property, plant and equipment comprise an asset with no tax basis resulting in a decrease of future income tax liabilities of \$15,333 as at September 30, 2009 (nil at September 30, 2008).

Notes to the Consolidated Financial Statements

For the three-month and nine-month periods ended September 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	September 30, 2009	December 31, 2008
	\$	\$
<i>Bond forwards</i>		
Six bond forwards with a yield from 4.53 % to 5.46 %, maturing on November 25, 2009 (March 17, 2009 in 2008)	85,000,000	85,000,000
A bond forward with a yield at 5.45 %, maturing on November 16, 2009 (March 16, 2009 in 2008), with a collateral of \$3,698,759 (\$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	51,911,244	53,127,084
An amortizing interest rate swap bearing interest at 4.11 %, maturing in June 2034 (total of \$50,790,288, 49% share)	24,887,241	-
	186,798,485	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 September 16, 2009, the \$25,000,000 bond forward contract was renewed until November 16, 2009.

On September 25, 2009, the six bond forwards contracts, totalling \$85,000,000, were renewed until November 25, 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. On September 24, 2009, the British Columbia Utilities Commission approved the agreement.

11. Segment Information

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

Notes to the Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2009 (Unaudited)

The hydroelectric generation and the wind power generation segments sell 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.

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 September 30, 2009				
Gross operating revenues from external clients	1,952,625	1,955,509	737,008	4,645,142
Expenses:				
Operating expenses	164,664	217,413	-	382,077
Stock-based compensation	-	-	390,906	390,906
General and administrative expenses	24,977	34,552	1,175,373	1,234,902
Prospective projects expenses	-	-	377,450	377,450
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	1,762,984	1,703,544	(1,206,721)	2,259,807
Three-Month Period Ended September 30, 2008 (Restated, Note 3 (a))				
Gross operating revenues from external clients	632,204	-	1,028,206	1,660,410
Expenses:				
Operating expenses	125,123	-	-	125,123
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	6,641	-	1,433,924	1,440,565
Prospective projects expenses	-	-	834,050	834,050
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	500,440	-	(1,630,675)	(1,130,235)

Notes to the Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2009
(Unaudited)

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and Management of Sites	Total
	\$	\$	\$	\$
Nine-Month Period Ended September 30, 2009				
Gross operating revenues from external clients	5,832,093	7,721,884	4,074,436	17,628,413
Expenses:				
Operating expenses	453,008	680,128	-	1,133,136
Stock-based compensation	-	-	1,172,720	1,172,720
General and administrative expenses	97,420	175,350	3,882,935	4,155,705
Prospective projects expenses	-	-	1,446,516	1,446,516
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	5,281,665	6,866,406	(2,427,735)	9,720,336
Nine-Month Period Ended September 30, 2008 (Restated, Note 3 (a))				
Gross operating revenues from external clients	2,227,414	-	2,827,872	5,055,286
Expenses:				
Operating expenses	386,639	-	-	386,639
Stock-based compensation	-	-	1,172,720	1,172,720
General and administrative expenses	15,724	-	3,897,796	3,913,520
Prospective projects expenses	-	-	1,828,398	1,828,398
Earnings (losses) before interests, income taxes, depreciation and amortization and other items	1,825,051	-	(4,071,042)	(2,245,991)
As at September 30, 2009				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	64,792,113	90,344,180	302,633,644	457,769,937
Acquisition of capital assets since the beginning of the year	748,908	374,217	38,676,451	39,799,576
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.

Notes to the Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2009

(Unaudited)

12. Comparative Figures

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

13. Subsequent Events

Fitzsimmons Creek Project

On November 6, 2009, the Corporation executed an agreement for a \$24,000,000 non-recourse facility thereby completing the financing process for the Fitzsimmons Creek project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

This Management's Discussion and Analysis ("MD&A") has been prepared as of November 12, 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- and nine-month periods ended September 30, 2009. This MD&A should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes for the three- and nine-month periods ended September 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 Canadian GAAP.

There was no change in the Corporation's internal control over financial reporting during the period beginning July 1, 2009 and ended September 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 public utilities. 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- and nine-month periods ended September 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 1.2 years 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 18.8 years as at September 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. 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 net installed capacity of 210 MW (gross capacity of 340 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

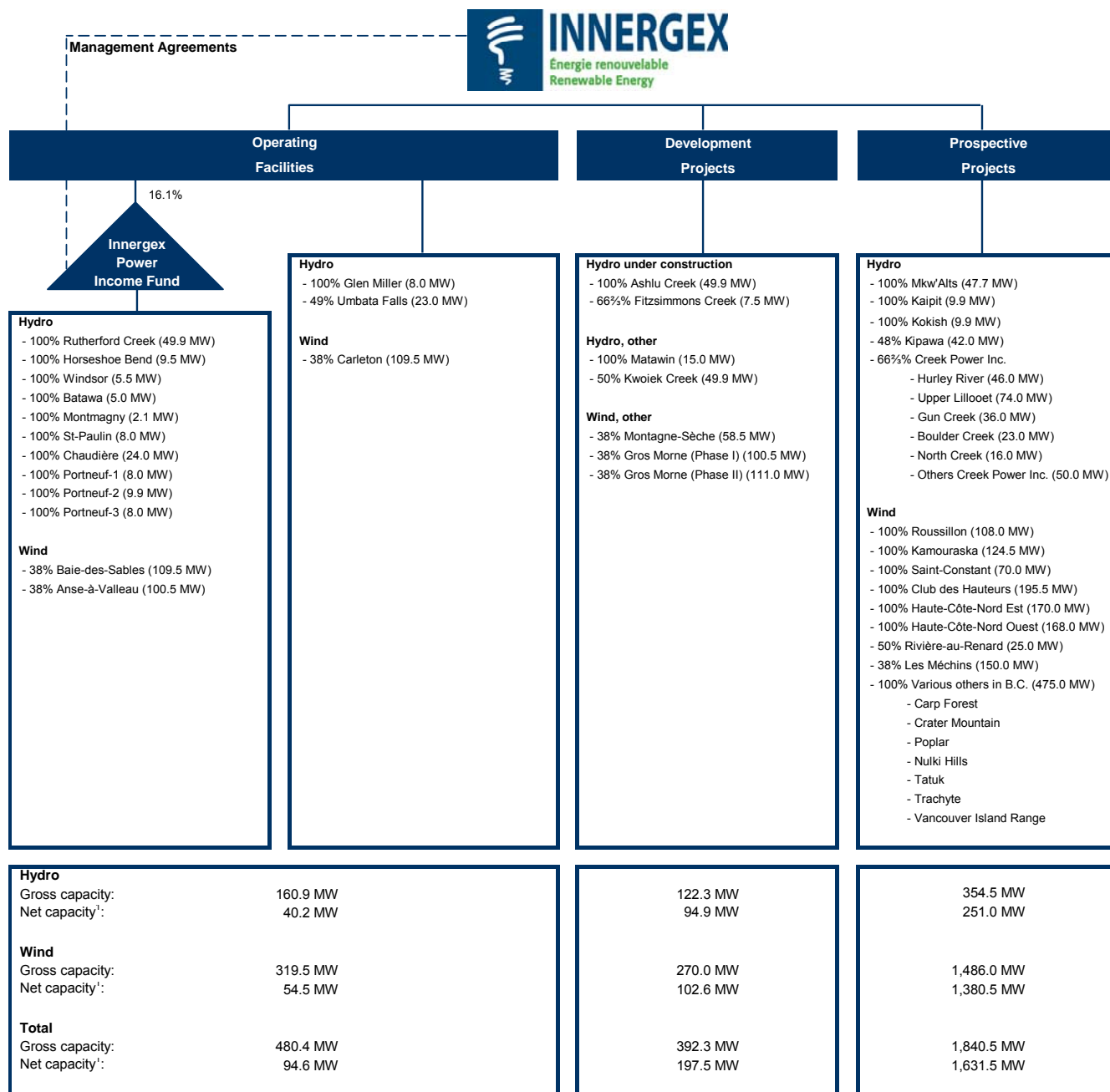
The Corporation's portfolio is comprised of interests in three groups of power generating projects:

- facilities that have reached commercial operations (the "Operating Facilities");
- projects for which PPAs have been secured 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 and for which a proposal has been submitted under a Request for Proposal ("RFP") or could be submitted under a Standing Offer Program ("SOP") (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- and nine-month periods ended September 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 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 Canadian 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 – Estimated 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
Subtotal		31.0		19.3	21,785	30,394	14,957	27,931	95,067
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- and nine-month periods ended September 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.

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 ("S&P"). 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 S&P 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 S&P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

QUARTERLY UPDATE

Corporation's 16.1% interest in the Fund

The Fund's facilities generated 223,302 MW-hr during the third quarter of 2009, a level 6% above the estimated long-term average but below the 236,778 MW-hr generated in the corresponding period of 2008. This performance is mainly attributable to above-average hydrology and wind conditions. In the third quarter of 2009, the Fund had gross operating revenues of \$15.0 million (\$15.4 million in 2008) and EBITDA of \$11.9 million (\$12.5 million in 2008), distributions of \$7.4 million to unitholders (\$7.3 million in 2008) and a distribution payout ratio of 95% (90% in 2008).

For the nine-month period ended September 30, 2009, power generation totalled 634,978 MW-hr, a level slightly above the estimated long-term average but below the 642,095 MW-hr generated in the corresponding period of 2008. When excluding the impact of the 13-day shutdown of the three Portneuf facilities in June 2009, power generation for the first nine months of 2009 would have exceeded the estimated long-term average by 2% and would have surpassed last year's production for the corresponding period by a small margin. This shutdown was the result of transmission line repairs performed by Hydro-Québec.

In the first nine months of 2009, this level of power generation resulted in gross operating revenues of \$45.4 million (\$44.8 million in 2008) and EBITDA of \$36.6 million (\$36.1 million in 2008), distributions of \$22.1 million to unitholders (\$22.0 million in 2008) and a distribution payout ratio of 93% (101% in 2008).

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 power generating 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 September 30, 2009		Three-Month Period Ended September 30, 2008	
	Production (MW-hr)	Long-term average (MW-hr)	Production (MW-hr)	Long-term average (MW-hr)
Glen Miller	7,695	4,513	9,369	4,513
Umbata Falls ¹	17,200	10,444	-	-
Carleton ²	24,261	24,106	-	-
Total	49,156	39,063	9,369	4,513

Production	Nine-Month Period Ended September 30, 2009		Nine-Month Period Ended September 30, 2008	
	Production (MW-hr)	Long-term average (MW-hr)	Production (MW-hr)	Long-term average (MW-hr)
Glen Miller	35,414	29,864	32,806	29,864
Umbata Falls ¹	41,449	37,272	-	-
Carleton ²	95,796	90,397	-	-
Total	172,659	157,533	32,806	29,864

1. Representing the Corporation's 49% interest of this facility

2. Representing the Corporation's 38% interest of this wind farm

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

The Corporation's Operating Facilities produced 49,156 MW-hr in the third quarter of 2009, more than five times the 9,369 MW-hr that were generated in the corresponding quarter of 2008. 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 estimated long-term average, the Glen Miller and Umbata Falls hydroelectric facilities respectively generated 71% and 65% more energy than anticipated due to better-than-expected hydrology conditions, while the Carleton wind farm produced slightly more than anticipated due to wind conditions in line with the estimated long-term average.

During the nine-month period ended September 30, 2009, the contribution of the Umbata Falls hydroelectric facility and Carleton wind farm enabled the Corporation to produce a total of 172,659 MW-hr, also more than five times the 32,806 MW-hr generated in the corresponding period of 2008. When compared with the estimated long-term averages, all three facilities produced more energy than anticipated due to higher-than-expected hydrology and wind conditions. The Glen Miller, Umbata Falls and Carleton facilities respectively generated 19%, 11% and 6% more electricity than anticipated.

Development Projects

The Corporation owns seven Development Projects. Of these, two are currently 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 Sept. 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	128.9	Q4 2009	18.4	15.7
Fitzsimmons Creek ¹	B.C.	7.5	33,000	33.2	27.9	Q2 2010	3.2	2.4

1. The Corporation owns 66 ⅔% of this project

Ashlu Creek

Construction Update

As at the date of this MD&A, construction of the Ashlu Creek hydroelectric project is almost completed and testing and commissioning activities have begun. The commercial in-service date is expected for the end of 2009.

Fitzsimmons Creek

Between the end of the second quarter of 2009 and the date of this MD&A, the Fitzsimmons Creek hydroelectric project has reached many significant milestones:

- 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.
- On September 24, 2009, the British Columbia Utilities Commission ("BCUC") approved the 40-year PPA signed by the British Columbia Hydro and Power Authority ("BC Hydro") in June 2009 with Fitzsimmons Creek Hydro Limited Partnership.
- On November 6, 2009, the Corporation executed an agreement for a \$24.0 million non-recourse credit facility, thereby completing the financing process for the Fitzsimmons Creek project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

Construction Update

As at the date of this MD&A, the powerhouse, intake structure, cofferdams, emergency spillway, penstock and access roads are nearly completed, as is the installation of the turbine/generator. The Fitzsimmons Creek facility is expected to begin commercial operations in the second quarter of 2010.

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 September 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	9.8	2011
<i>WIND</i>					
Montagne-Sèche ²	Québec	58.5	103.0	0.8 ³	2011
Gros Morne – Phase I ²	Québec	100.5	348.5	4.4 ³	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

3. Representing the Corporation's 38% interest of this project

Kwoiek Creek

On September 21, 2009, the Kwoiek Creek hydroelectric project received its screening report from the Canadian Environmental Assessment Agency and British Columbia Environmental Assessment Office. The report confirmed that the Kwoiek Creek project is not likely to have significant adverse environmental effects.

Montagne-Sèche and Gros-Morne – Phase I and II

As at the date of this MD&A, preliminary clearance work for the access roads and mount pads has begun. The call for tenders' process for the balance of plant and electrical substation is also underway. The evaluation of tenders is expected to be completed before the end of 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 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
Subtotal – 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
Subtotal – 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 part of BC Hydro's long-term acquisition plan ("LTAP"). The LTAP was designed in response to the B.C. government's 2007 Energy Plan. The objectives outlined by the B.C. government are, among others, to become self-sufficient in electricity by 2016 and ensure that clean or renewable electricity generation continues to account for at least 90 percent of total generation. The August 25, 2009, B.C. Throne Speech reiterated the B.C. government's intent to position green energy as a cornerstone of its climate action plan. Furthermore, on October 28, 2009, the B.C. government clarified its intention to end BC Hydro's reliance on the Burrard Thermal Generating Facility for energy needs. The B.C. government stated that this decision will allow BC Hydro to acquire up to 5,000 GW-hr from the 2008 CPC.

The 2008 CPC results were originally expected by the end of June 2009. On July 27, 2009, the BCUC rejected BC Hydro's LTAP, without specifically rejecting the 2008 CPC. Following this decision, BC Hydro announced on August 24, 2009, that PPA awards under the 2008 CPC will occur in the fall of 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

OPERATING RESULTS

The Corporation's operating results for the three- and nine-month periods ended September 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 Sept. 30, 2009	Three-Month Period Ended Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 30, 2008
Operating revenues	\$ 3,907,774	\$ 632,204	\$ 13,552,897	\$ 2,227,414
Management fees	494,679	634,464	1,627,540	1,775,473
Share of net earnings (loss) of an entity subject to significant influence	242,689	393,742	2,447,976	1,052,399
Revenues	\$ 4,645,142	\$ 1,660,410	\$ 17,628,413	\$ 5,055,286

Revenues

The Corporation reported revenues of \$4.6 million and \$17.6 million respectively for the three- and nine-month periods ended September 30, 2009, compared with revenues of \$1.7 million and \$5.1 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 contrast, the Corporation benefited from the contribution of the Glen Miller hydroelectric facility only in the corresponding periods of 2008. For the three- and nine-month periods ended September 30, 2009, the Corporation recorded slightly lower revenues from management fees than for the corresponding periods of 2008, when the Corporation received additional compensation for services rendered during the Fund's acquisitions of the BDS and AAV wind farms and of IHI. Lastly, revenues are influenced by the Fund's net earnings, which have a direct impact on the Corporation's share of the Fund's net earnings.

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 third quarter of 2009, the Fund's net earnings contributed \$0.2 million to the Corporation's revenues compared with \$0.4 million for the same period in 2008. During the first nine months of 2009, the Fund's net earnings contributed \$2.4 million to the Corporation's revenues, an increase of \$1.4 million compared with the same period in 2008. The Fund's increase in net earnings for the first nine months of 2009 over the corresponding period of 2008 was influenced by unrealized net gains on derivative financial instruments recorded in 2009 and by a one-time future income tax recovery and unrealized and realized net losses on derivative financial instruments recorded in 2008. These items affected the Fund's net earnings and, as a result, the amount recorded as the Corporation's share of the Fund's net earnings.

Share of the Net Earnings (Loss) of an Entity Subject to Significant Influence	Three-Month Period Ended Sept. 30, 2009	Three-Month Period Ended Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 30, 2008
Corporation's 16.1% share in the Fund's net earnings (loss)	\$ 455,334	\$ 606,387	\$ 3,085,911	\$ 1,690,334
Amortization of intangibles	(293,303)	(293,303)	(879,909)	(879,909)
Future income taxes	80,658	80,658	241,974	241,974
Share of net earnings (loss) of an entity subject to significant influence	\$ 242,689	\$ 393,742	\$ 2,447,976	\$ 1,052,399

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

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 third 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. For the corresponding period of 2008, the Corporation recorded \$0.1 million in operating expenses related to the only operating facility it had at that time.

For the nine-month period ended September 30, 2009, the Corporation recorded operating expenses of \$1.1 million (\$0.4 million in 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- and nine-month periods ended September 30, 2009, non-cash stock-based compensation totalled \$0.4 million and \$1.2 million respectively (idem in 2008).

General and administrative expenses totalled \$1.2 million in the third quarter of 2009 (\$1.4 million in 2008). This decrease results mainly from lower capital taxes. For the nine-month period ended September 30, 2009, the Corporation recorded \$4.2 million in general and administrative expenses (\$3.9 million in 2008). This increase is due mainly to the larger number of Operating Facilities and to less expenses being allocated to projects under construction than in 2008.

Prospective projects expenses include the costs incurred for the development of Prospective Projects. Prior to 2009, these expenses were capitalized; however, a change in Canadian GAAP now requires these costs to be expensed. Please refer to the "Accounting Changes" section of this MD&A for more information on this subject. For the three- and nine-month periods ended September 30, 2009, prospective projects expenses totalled \$0.4 million and \$1.4 million respectively, compared with \$0.8 million and \$1.8 million for the corresponding periods of 2008. These decreases are mostly the result of additional expenses incurred in 2008 in connection with the 2008 CPC. 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 third quarter and nine-month period of 2009, the Corporation incurred \$1.2 million and \$3.3 million respectively, in interest expenses on its long-term debt (\$0.2 million and \$0.6 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 third quarters of 2009 and 2008, the Corporation did not record any realized net gain or loss on derivative financial instruments. For the nine-month period ended September 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.

For the quarter ended September 30, 2009, the Corporation recorded an unrealized net loss on derivative financial instruments totalling \$3.0 million (\$0.1 million in 2008). This unrealized net loss is due mainly to the decrease in benchmark interest rates for long-term maturities since the end of the second quarter of 2009. This loss had no cash impact on the Corporation's results.

The Corporation also recorded an unrealized net gain on derivative financial instruments totalling \$5.3 million for the first nine months of 2009 (net loss of \$2.7 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

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 third quarter of 2009, other expenses were not material (other revenues of \$0.1 million in 2008). This variation is due to higher interest expense on the bank loan (not material in 2008) and to lower interest rates earned on deposits. For the nine-month period ended September 30, 2009, other expenses were not material (other revenues of \$0.6 million in 2008). This decrease is due to higher interest expense on the bank loan (not material in 2008), a higher average cash balance in 2008 than in 2009 and to lower interest rates earned on deposits.

The Corporation invests its cash in liquid assets such as bankers' acceptances and term deposits with short-term maturities.

Depreciation and Amortization

The depreciation and amortization expense totalled \$1.6 million and \$4.6 million respectively for the three- and nine-month periods ended September 30, 2009, compared with \$0.2 million and \$1.0 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

During the third quarters of 2009 and 2008 and for the nine-month period ended September 30, 2009, no project development costs were written off, compared with \$1.4 million for the nine-month period ended September 30, 2008. In May 2008, the public lands that were the proposed location of the Massif-du-Sud project were 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 three- and nine-month periods ended September 30, 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 recovery of \$0.7 million for the third quarter of 2009 stemming primarily from an unrealized loss on derivative financial instruments. For the corresponding quarter of 2008, the Corporation recorded a future income tax recovery of \$0.3 million, essentially due to the recording of a loss before income taxes.

For the nine-month period ended September 30, 2009, the Corporation recorded a future income tax provision of \$2.2 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 \$1.7 million, mainly 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 relate mainly to Creek Power Inc. A 66⅔% interest in Creek Power Inc. was acquired on August 29, 2008. Prior to that date, the Corporation did not allocate any material earnings or losses to minority interests. In the three- and nine-month periods ended September 30, 2009, losses totalling \$0.1 million and \$0.3 million respectively were allocated to minority interests (minimal in 2008). According to Canadian GAAP, no further losses are to be allocated to minority interests since they were brought to zero by absorbing their share of accounting losses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

Net Earnings (Loss) and Comprehensive Income (Loss)

The Corporation posted net loss and comprehensive loss of \$2.7 million (basic and diluted net loss of \$0.12 per share) for the third quarter of 2009. For the corresponding period in 2008, net loss and comprehensive loss totalled \$1.2 million (basic and diluted net loss of \$0.05 per share). This variation is attributable mainly to an EBITDA improvement of \$3.4 million and to a \$1.4 million write-off of project development costs in 2008 (nil in 2009). These positive elements were offset by increases of \$2.9 million in unrealized net loss on derivative financial instruments, \$1.3 million in depreciation and amortization and \$1.0 million in interest on long-term debt.

For the nine-month period ended September 30, 2009, the Corporation recorded net earnings and comprehensive income of \$3.8 million (basic and diluted net earnings of \$0.16 per share) compared with a net loss and comprehensive loss of \$5.7 million (basic and diluted net loss of \$0.24 per share) for the corresponding period in 2008. This \$9.5 million improvement is attributable mainly to a \$12.0 million increase in EBITDA, to a \$8.1 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 \$3.6 million increase in depreciation and amortization, a \$2.6 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 \$3.9 million increase in income tax provisions.

Basic and diluted per-share figures for the quarters and nine-month periods ended September 30, 2009, and September 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.

NET OPERATING CASH FLOWS

The Corporation believes that Net Operating Cash Flows represent important additional information for management and the reader because they provide 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 Sept. 30, 2009	Three-Month Period Ended Sept. 30, 2008	Nine-Month Period Ended Sept. 30, 2009	Nine-Month Period Ended Sept. 30, 2008
Net earnings (loss)	\$ (2,726,565)	\$ (1,226,210)	\$ 3,777,257	\$ (5,735,601)
Add/(deduct):				
Losses allocated to minority interests	(90,925)	(5,000)	(252,868)	(5,000)
Future income taxes	(720,218)	(306,301)	2,162,631	(1,724,981)
Write-off of project development costs	-	-	-	1,440,093
Unrealized net (gain) loss on derivative financial instruments	2,991,948	91,651	(5,339,911)	2,727,578
Depreciation and amortization	1,552,626	241,801	4,584,263	982,718
Other items	9,167	-	27,801	-
Amortization of deferred financing fees	76,519	-	194,959	-
Non-cash stock-based compensation	390,906	390,907	1,172,720	1,172,720
Share of net (earnings) loss from an entity subject to significant influence	(242,689)	(393,742)	(2,447,976)	(1,052,399)
Distributions received from an entity subject to significant influence	1,181,197	1,180,629	3,543,212	3,541,889
Net Operating Cash Flows	\$ 2,421,966	\$ (26,265)	\$ 7,422,088	\$ 1,347,017

The Corporation generated \$2.4 million in Net Operating Cash Flows during the third quarter of 2009 (almost breakeven in 2008) and \$7.4 million during the nine-month period ended September 30, 2009 (\$1.3 million in 2008). These significant increases stem essentially from the contribution of the Umbata Falls and Carleton facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

For the quarter ended September 30, 2009, cash flows generated by operating activities totalled \$4.0 million (use of \$5.1 million in 2008). This improvement of \$9.1 million over the third quarter of 2008 is due primarily to the \$2.4 million increase in Net Operating Cash Flows and to a \$6.7 million favourable variation in non-cash working capital items. The latter stems mainly from favourable variations of \$5.6 million in accounts receivable and \$1.3 million in accounts payable and accrued liabilities when compared to 2008.

For the nine-month period ended September 30, 2009, cash flows generated by operating activities totalled \$22.6 million, a \$21.1 million increase over the same period in 2008. This change is due primarily to the \$6.1 million improvement in Net Operating Cash Flows and to a \$15.0 million increase in the positive variation of non-cash working capital items. The latter stems mainly from a larger decrease of \$10.4 million in accounts receivable compared with 2008 and to a \$4.7 million favourable variation in accounts payable and accrued liabilities.

Cash Flows from Financing Activities

Cash flows from financing activities totalled \$9.5 million in the third quarter of 2009 as a result of net increases in long-term debt. The \$10.0 million increase in long-term debt is related to the Ashlu Creek and Fitzsimmons Creek projects currently under construction. The \$0.4 million decrease in long-term debt comes from the scheduled repayments of the Glen Miller, Umbata Falls and Carleton long-term debts. In the corresponding quarter of 2008, cash flows from financing activities totalled \$11.9 million, mostly the result of the increase in bank loan and long-term debt used for the acquisition of a 66⅔% interest in Creek Power Inc. and construction activities at the Umbata Falls and Ashlu Creek projects.

Cash flows from financing activities totalled \$24.8 million during the nine-month period ended September 30, 2009, the result of net increases in the bank loan (\$4.4 million) and long-term debt (\$20.5 million). The \$35.3 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 \$14.9 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) related to the Carleton wind farm and from the scheduled repayments of the Glen Miller, Umbata Falls and Carleton long-term debts. In the corresponding period of 2008, cash flows from financing activities totalled \$18.3 million, mostly the result of the increase in bank loan and long-term debt used for the acquisition of a 66⅔% interest in Creek Power Inc. and construction activities at the Umbata Falls and Ashlu Creek projects.

Cash Flows from Investing Activities

The Corporation's cash flows from investing activities for the third quarter of 2009 represented total net cash outflows of \$9.8 million. Of this amount, \$8.4 million was used for additions to property, plant and equipment, mostly related to the Ashlu Creek and Fitzsimmons Creek projects; \$1.5 million for additions to project development costs; and \$1.0 million for additions to reserve accounts. These amounts were partially offset by distributions totalling \$1.2 million 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 represented total net cash outflows of \$21.4 million. The acquisition of Creek Power Inc. accounted for \$8.7 million; additions to property, plant and equipment, \$13.2 million; and additions to project development costs, \$0.6 million. These amounts were partially offset by distributions totalling \$1.2 million 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 nine-month period ended September 30, 2009 represented total net cash outflows of \$41.5 million. Of this amount, \$36.6 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; \$3.6 million for additions to project development costs; and \$4.4 million for additions to reserve accounts. These amounts were partially offset by distributions totalling \$3.5 million 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 represented total net cash outflows of \$48.6 million. The acquisition of Creek Power Inc. accounted for \$8.7 million; additions to property, plant and equipment, \$40.4 million; and additions to project development costs, \$2.8 million. These amounts were partially offset by distributions totalling \$3.5 million from the Corporation's 16.1% interest in the Fund, an entity under significant influence.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

Cash and Cash Equivalents

The Corporation generated \$3.8 million in cash and cash equivalents during the third quarter of 2009, mainly from Net Operating Cash Flows and positive changes in non-cash operating working capital items. These factors were partly offset by additions to project development costs, investments in reserve accounts and scheduled long-term debt repayments. 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 nine-month period ended September 30, 2009, the Corporation generated \$5.9 million in cash and cash equivalents, mainly from 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 intangible assets.

As at September 30, 2009, the Corporation had cash and cash equivalents amounting to \$11.9 million. As at the same date in 2008, it had reported cash and cash equivalents of \$5.9 million.

FINANCIAL POSITION

Assets

As at September 30, 2009, the Corporation had \$457.8 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 (\$36.0 million) and investments in reserve accounts (\$4.4 million), mitigated by a decrease in accounts receivable (\$18.0 million) related mainly to the Carleton wind farm.

Working Capital

As at the end of the third quarter of 2009, working capital was negative at \$26.8 million, with a working capital ratio of 0.41:1.00. Excluding the \$14.1 million bank loan facility, which is expected to be renewed on a yearly basis, and the \$18.4 million negative market value of derivative financial instruments, working capital was positive at \$5.8 million with an adjusted working capital ratio of 1.46:1.00. 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 nine months is mostly the result of a decrease in accounts receivable, partly offset by an increase in cash and cash equivalents, 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, to preserve cash. The Corporation can also draw on its \$30.0 million bank credit facility. As at September 30, 2009, \$14.1 million of this credit facility had been drawn as cash advances, \$6.6 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 \$5.4 million as at that date.

Accounts receivable decreased from \$22.9 million as at December 31, 2008 to \$4.9 million as at September 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 \$8.4 million at the end of the third 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 \$18.4 million as at September 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, Ashlu Creek and Carleton credit facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

Reserve Accounts

Reserve Accounts Breakdown	September 30, 2009	December 31, 2008
Hydrology/wind reserve	\$ 4,578,321	\$ 310,198
Major maintenance reserve	265,105	142,830
Total	\$ 4,843,426	\$ 453,028

The Corporation holds two types of reserve accounts designed to help ensure its stability. The first is the hydrology/wind reserve established at the start of commercial operations at a facility to compensate for the variability of cash flows related to fluctuations in hydrology or wind conditions or other unpredictable events. The 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. The amounts invested in this reserve total approximately \$0.1 million on an annual basis.

The availability of funds in the reserve accounts may be restricted by credit agreements.

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 \$262.4 million in property, plant and equipment on its books as at September 30, 2009, compared with \$229.5 million as at December 31, 2008. This increase stems from capital expenditures incurred in connection with the ongoing construction of the Ashlu Creek and Fitzsimmons Creek projects.

Intangible Assets

Intangible assets consist of various permits, licences and agreements. They also include the extended warranty for the Carleton wind farm's main fixed assets. The Corporation reported \$44.1 million in intangible assets as at September 30, 2009, a decrease from the \$44.4 million reported as at December 31, 2008. Intangible assets, excluding \$2.1 million related to the wind farm's extended warranty, are amortized using the straight-line method over 20- to 25-year periods that commence when the related project is commissioned. The Carleton wind farm's extended warranty will be amortized using the straight-line method over the three-year warranty period.

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 either to property, plant and equipment or to intangible assets once the project reaches the construction phase. As at September 30, 2009, the Corporation had \$30.7 million in project development costs (\$27.9 million as at December 31, 2008).

Investment in an Entity Subject to Significant Influence

The \$56.0 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 September 30, 2009, the Corporation's net future income tax asset was \$4.1 million, compared with a net future income tax asset of \$6.2 million as at December 31, 2008. This variation resulted from the net earnings before taxes realized during the first nine months of 2009.

Goodwill

The Corporation had \$30.5 million in goodwill as at September 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 nine months of 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

Other Long-Term Assets

Other long-term assets, comprised mainly of derivative financial instruments, stood at \$2.0 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.

Long-Term Debt

As at September 30, 2009, long-term debt stood at \$186.2 million, versus \$165.5 million at the end of 2008. As at the end of the third quarter of 2009, long-term debt consisted essentially of:

- i) a \$15.8 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 \$50.8 million non-recourse construction loan maturing in 2014 (of this amount, \$24.9 million corresponds to the Corporation's 49% ownership interest in the project) and secured by the Umbata Falls hydroelectric facility. The loan's principal payments began in the third quarter of 2009 and are 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 \$84.1 million had been drawn as at September 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 \$24.0 million non-recourse construction loan of which \$11.0 million had been drawn as at September 30, 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 September 30, 2009, the Corporation had issued letter of credits totalling \$11.4 million to meet its obligations under its various PPAs and other agreements. Of this amount, \$6.6 million was issued under its bank credit facility and the remainder under the projects' non-recourse credit facilities.

Shareholders' Equity

As at September 30, 2009, the Corporation's shareholders' equity totalled \$202.0 million, compared with \$197.0 million as at December 31, 2008. The difference is attributable mainly to the \$3.8 million in net earnings recorded since the beginning of the 2009 fiscal year.

As at November 12, 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- and nine-month periods ended September 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: the Management Agreement, Administration Agreement, and Services Agreement. In the three- and nine-month periods ended September 30, 2009, the Corporation received \$0.5 million and \$1.6 million respectively for services provided under these three agreements. During the corresponding periods of 2008, the Corporation received \$0.6 million and \$1.7 million respectively for services provided under the three agreements, including \$0.1 million and \$0.2 million respectively for services rendered during the acquisitions of the BDS and AAV wind farms and IHI.

The Corporation accounts for amounts received under the 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 development and management of sites segment, Innergex 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 development and management of sites 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- and nine-month periods ended September 30, 2009

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and Management of Sites	Total
	\$	\$	\$	\$
Three-month period ended September 30, 2009				
Power generated (MW-hr)	24,895	24,261	-	49,156
Gross operating revenues from external clients	1,952,625	1,955,509	737,008	4,645,142
Expenses:				
Operating expenses	164,664	217,413	-	382,077
Stock-based compensation	-	-	390,906	390,906
General and administrative expenses	24,977	34,552	1,175,373	1,234,902
Prospective project expenses	-	-	377,450	377,450
EBITDA	1,762,984	1,703,544	(1,206,721)	2,259,807
Three-month period ended September 30, 2008 (Restated; see "Accounting Changes")				
Power generated (MW-hr)	9,369	-	-	9,369
Gross operating revenues from external clients	632,204	-	1,028,206	1,660,410
Expenses:				
Operating expenses	125,123	-	-	125,123
Stock-based compensation	-	-	390,907	390,907
General and administrative expenses	6,641	-	1,433,924	1,440,565
Prospective project expenses	-	-	834,050	834,050
EBITDA	500,440	-	(1,630,675)	(1,130,235)
Nine-month period ended September 30, 2009				
Power generated (MW-hr)	76,863	95,796	-	172,659
Gross operating revenues from external clients	5,832,093	7,721,884	4,074,436	17,628,413
Expenses:				
Operating expenses	453,008	680,128	-	1,133,136
Stock-based compensation	-	-	1,172,720	1,172,720
General and administrative expenses	97,420	175,350	3,882,935	4,155,705
Prospective project expenses	-	-	1,446,516	1,446,516
EBITDA	5,281,665	6,866,406	(2,427,735)	9,720,336
Nine-month period ended September 30, 2008 (Restated; see "Accounting Changes")				
Power generated (MW-hr)	32,806	-	-	32,806
Gross operating revenues from external clients	2,227,414	-	2,827,872	5,055,286
Expenses:				
Operating expenses	386,639	-	-	386,639
Stock-based compensation	-	-	1,172,720	1,172,720
General and administrative expenses	15,724	-	3,897,796	3,913,520
Prospective project expenses	-	-	1,828,398	1,828,398
EBITDA	1,825,051	-	(4,071,042)	(2,245,991)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Development and Management of Sites	Total
	\$	\$	\$	\$
As at September 30, 2009				
Goodwill	733,000	2,104,000	27,674,446	30,511,446
Total assets	64,792,113	90,344,180	302,633,644	457,769,937
Acquisition of capital assets since the beginning of the year	748,908	374,217	38,676,451	39,799,576
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 24,895 MW-hr in the third quarter of 2009 (9,369 MW-hr in 2008). This 15,526 MW-hr improvement 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 66% above the estimated long-term average of 14,957 MW-hr.

During the most recent quarter of 2009, the hydroelectric generation segment thus benefited from the addition of the Umbata Falls facility and from the performance of both facilities to generate revenues and EBITDA of \$2.0 million and \$1.8 million respectively. By way of comparison, revenues and EBITDA stood at \$0.6 million and \$0.5 million respectively in the corresponding period of 2008.

For the nine-month period ended September 30, 2009, power generation reached 76,863 MW-hr, more than twice the 32,806 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 period of 2009, electricity generation was 14% above the estimated long-term average of 67,136 MW-hr. The electricity generated in this period of 2009 translated into revenues of \$5.8 million (\$2.2 million in 2008) and EBITDA of \$5.3 million (\$1.8 million in 2008).

The increase in total assets since December 31, 2008 is mainly 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 24,261 MW-hr in the third quarter of 2009, slightly above the estimated long-term average of 24,106 MW-hr, due to wind conditions in line with the estimated long-term average. This resulted in revenues and EBITDA of \$2.0 million and \$1.7 million respectively. For the nine-month period ended September 30, 2009, power generation totalled 95,796 MW-hr, 6% above the estimated long-term average of 90,397 MW-hr, due to above-average wind conditions. The electricity generated during this nine-month period of 2009 translated into revenues of \$7.7 million and EBITDA of \$6.9 million.

Total assets have decreased since December 31, 2008, due to depreciation and amortization and 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- and nine-month periods ended September 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- and nine-month periods ended September 30, 2009, the Corporation recorded net earnings of \$0.2 million and \$2.4 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 \$1.6 million respectively in management fees from the Fund and the BDS and AAV wind farm operators. In the three- and nine-month periods ended September 30, 2009, stock-based compensation (\$0.4 million and \$1.2 million respectively), general and administrative expenses (\$1.2 million and \$3.9 million respectively) and prospective project expenses (\$0.4 million and \$1.4 million respectively) resulted in a segment EBITDA for these periods of negative \$1.2 million and negative \$2.4 million respectively. During the corresponding periods of 2008, EBITDA was negative \$1.6 million and negative \$4.1 million respectively. The EBITDA improvement for the third quarter of 2009 over the same period in 2008 is due essentially to lower general and administrative and prospective projects expenses. For the nine-month period ended September 30, 2009, the improvement over the corresponding period of 2008 is due to better results from the Corporation's investment in the Fund and to lower prospective projects expenses.

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- and nine-month periods ended September 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 September 30, 2008	Nine-Month Period Ended September 30, 2008
	\$	\$
Prospective projects expenses increase	834,050	1,828,398
Impairment of project development costs decrease	-	(163,246)
Future income taxes recovery	(221,215)	(443,610)
Net increase of loss	612,835	1,221,542
Basic and diluted net increase of loss per share	(0.03)	(0.05)

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 most of 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 1, 2010 and had discussions with its auditors. A review of the impacts on some accounts of the financial statements has begun. A preliminary draft of the components of the property, plant and equipment was determined by the management and discussed with the auditors. A draft of the 2011 first quarter financial statements was prepared with the accompanying notes which will include all the disclosure required by the IFRS. During the next quarters, the Corporation will continue to evaluate the IFRS effects on its reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and nine-month periods ended September 30, 2009

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 S&P, 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.

DERIVATIVE FINANCIAL INSTRUMENTS

As at September 30, 2009, the Corporation had two interest rate swaps related to the Umbata Falls and Carleton facilities, for which its share totalled \$76.8 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 \$17.5 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 nine months 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 third quarter of 2009, the Corporation extended the maturity dates for the Ashlu Bond Forwards to November 16, 2009, for one and to November 25, 2009, for the other six. 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 is 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 September 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- and nine-month periods ended September 30, 2009

QUARTERLY FINANCIAL INFORMATION

For the three-month periods ended (unaudited):

(In thousands, unless otherwise stated)	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008 ¹
Power generated (MW-hr)	49,156	63,421	60,083	35,312
Revenues	\$ 4,645	\$ 7,467	\$ 5,516	\$ 811
Net earnings (loss)	\$ (2,727)	\$ 8,421	\$ (1,918)	\$ (30,055)
Net earnings (loss) per share				
Basic (\$ per share)	(0.12)	0.36	(0.08)	(1.28)
Diluted (\$ per share)	(0.12)	0.36	(0.08)	(1.28)
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)	Sept. 30, 2008 ¹	June 30, 2008 ¹	Mar. 31, 2008 ¹	Dec. 31, 2007 ¹
Power generated (MW-hr)	9,369	12,790	10,647	2,530
Revenues	\$ 1,660	\$ 2,424	\$ 971	\$ 3,067
Net earnings (loss)	\$ (1,225)	\$ 1,309	\$ (5,819)	\$ 5,287
Net earnings (loss) per share				
Basic (\$ per share)	(0.05)	0.06	(0.25)	0.66
Diluted (\$ per share)	(0.05)	0.06	(0.25)	0.65
Weighted average number of shares outstanding				
Basic	23,500	23,500	23,500	8,034
Diluted	23,500	23,500	23,544	8,135

1. Restated as described in the "Accounting Changes" section of this MD&A

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 November 6, 2009, the Corporation executed an agreement for a \$24.0 million non-recourse credit facility, thereby completing the financing process for the Fitzsimmons 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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Telephone: 1 800 564-6253 or 514 982-7555

Email: service@computershare.com

Auditors

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

Electronic Delivery

Shareholders may elect to receive Innergex Renewable Energy Inc.'s documents (such as the Quarterly and Annual Reports and the Proxy Circular) in electronic form via the Internet 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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