

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws. Accordingly, these securities may not be offered or sold or delivered within the United States of America, except in transactions exempt from registration under the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See “Plan of Distribution”*

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Innergex Renewable Energy Inc. at 1111 Saint Charles Street West, East Tower, Suite 1255, Longueuil, Quebec, Canada, J4K 5G4, telephone 450-928-2550 and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

December 4, 2012

### INNERGEX RENEWABLE ENERGY INC.



**\$50,000,000**

### **2,000,000 Cumulative Redeemable Fixed Rate Preferred Shares Series C**

This short form prospectus qualifies the distribution (the “Offering”) of 2,000,000 Cumulative Redeemable Fixed Rate Preferred Shares, Series C (the “Series C Shares”) of Innergex Renewable Energy Inc. (the “Corporation”) at a price of \$25.00 per Series C Share (the “Offering Price”). The holders of Series C Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation (the “Board of Directors”), payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day (as defined hereinafter), the immediately following Business Day) of January, April, July and October in each year at an annual rate equal to \$1.4375 per share. The initial dividend, if declared, will be payable on April 15, 2013 and will be \$0.4923 per share, based on the anticipated closing date of the Offering of December 11, 2012 (the “Closing Date”). See “Details of the Offering”.

The Series C Shares will not be redeemable by the Corporation prior to January 15, 2018. On and after January 15, 2018, subject to certain other restrictions set out in “Details of the Offering – Description of the Series C Shares - Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of outstanding Series C Shares by payment in cash of a per share sum equal to (i) \$26.00 if redeemed on or prior to January 15, 2019, (ii) \$25.75 if redeemed thereafter and on or prior to January 15, 2020, (iii) \$25.50 if redeemed thereafter and on or prior to January 15, 2021, (iv) \$25.25 if redeemed thereafter and on or prior to January 15, 2022, and (v) \$25.00 if redeemed thereafter, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation). See “Details of the Offering — Description of the Series C Shares – Redemption”.

The Series C Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See “Risk Factors”.

Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation (“S&P”) has assigned a rating of P-3 for the Series C Shares and DBRS Limited (“DBRS”) has assigned a rating of Pfd-3 (low) with a Negative trend. See “Ratings”.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Series C Shares to be issued under the Offering. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX. **There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.**

**Price: \$25.00 per Series C Share to yield 5.75% per annum**

	<u>Price to the Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to the Corporation<sup>(2)</sup></u>
Per Series C Share .....	\$ 25.00	\$ 0.75	\$ 24.25
Total <sup>(3)</sup> .....	\$ 50,000,000	\$ 1,500,000	\$ 48,500,000

Notes:

- (1) The Underwriters' fee for the Series C Shares is \$0.25 for each such share sold to certain institutions and \$0.75 per share for all other Series C Shares sold by the Underwriters. The Underwriters' fee indicated in the table assumes that no Series C Shares are sold to such institutions and is equal to 3% of the gross proceeds of the Offering.
- (2) After deducting the applicable Underwriters' fee but before deducting the expenses of the Offering, which are estimated to be approximately \$700,000.
- (3) The Corporation has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time not later than 30 days following the Closing Date, to purchase up to an additional 300,000 Series C Shares at the Offering Price on the same terms and conditions of the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' fee and the net proceeds to the Corporation before deducting the expense of the Offering will be \$57,500,000, up to \$1,725,000 and \$55,775,000, respectively. See "Plan of Distribution". This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Series C Shares issued upon the exercise of the Over-Allotment Option. A purchaser who acquires Series C Shares forming part of the over-allotment position acquires such Series C Shares under this short form prospectus regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The following table sets forth the number of Series C Shares that may be offered by the Corporation pursuant to the Over-Allotment Option.

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Securities Held</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Series C Shares Over-Allotment Option	300,000 Series C Shares	Until 30 days following closing of the Offering	\$25.00 per Series C Share

**Investing in the Series C Shares involves risks that should be considered by prospective purchasers, certain of which are described in the "Risk Factors" section of and elsewhere in this Prospectus including in the documents incorporated by reference.**

TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Desjardins Securities Inc., Canaccord Genuity Corp. and GMP Securities L.P. are acting as underwriters (collectively, the "**Underwriters**") of this Offering. The Underwriters, as principals, conditionally offer the Series C Shares, subject to prior sale, if, as and when issued and sold by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by McCarthy Tétraut LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP. The terms of the Offering were established through negotiation between the Corporation and the Underwriters. See "Plan of Distribution".

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Series C Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **After the Underwriters have made reasonable efforts to sell the Series C Shares at the offering prices referred to above, the Underwriters may offer the Series C Shares to the public at prices lower than the offering prices referred to above. Any such reduction will not affect the proceeds received by the Corporation. See "Plan of Distribution".**

Subscriptions for the Series C Shares will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about December 11, 2012 or on such later date as the Corporation and the Underwriters may agree, but in any event, not later than December 28, 2012. At closing, the Series C Shares will be issued in registered or electronic form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the Closing Date. The Corporation understands that a purchaser of Series C Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series C Shares are purchased. See "Plan of Distribution", "Description of the Series C Shares" and "Book-Entry, Delivery and Form".

**TD Securities Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks, and Desjardins Securities Inc. is an affiliate of a financial institution, which are currently lenders to the Corporation and certain of its subsidiaries. Consequently, the Corporation may be considered a connected issuer of TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Desjardins Securities Inc. under**

**applicable Canadian securities laws. See “Relationship Between the Corporation and Certain Persons” and “Use of Proceeds”.**

The head and registered office of the Corporation is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Quebec, Canada, J4K 5G4.

**The earnings coverage ratios with respect to the Series C Shares are less than one-to-one. See “Earnings Coverage Ratio”.**

Unless otherwise indicated, all dollar amounts in this short form prospectus are in Canadian dollars.

Prospective investors should rely only on the information contained or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide different information. If an investor is provided with different or inconsistent information, he or she should not rely on it. The Corporation is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Prospective investors should assume that the information appearing in this short form prospectus is accurate as of the date on the front cover of this short form prospectus only, regardless of the time of delivery of this short form prospectus or of any sale of the Series C Shares.

## TABLE OF CONTENTS

<p>GLOSSARY OF TERMS ..... 1</p> <p>FORWARD-LOOKING STATEMENTS ..... 4</p> <p>NON-IFRS EARNINGS MEASURE ..... 5</p> <p>DOCUMENTS INCORPORATED BY REFERENCE ..... 5</p> <p>ELIGIBILITY FOR INVESTMENT ..... 6</p> <p>INNERGEX RENEWABLE ENERGY INC. .... 6</p> <p>BUSINESS OF THE CORPORATION ..... 7</p> <p>RECENT DEVELOPMENTS ..... 7</p> <p>USE OF PROCEEDS ..... 10</p> <p>CONSOLIDATED CAPITALIZATION OF THE CORPORATION ..... 10</p> <p>GENERAL DESCRIPTION OF CAPITAL STRUCTURE ..... 11</p> <p>DETAILS OF THE OFFERING ..... 11</p> <p>RATINGS ..... 14</p> <p>BOOK-ENTRY, DELIVERY AND FORM ..... 15</p> <p>PRIOR SALES ..... 15</p> <p>PRICE RANGE AND TRADING VOLUME OF THE SECURITIES ..... 16</p>	<p>EARNINGS COVERAGE RATIO ..... 17</p> <p>PLAN OF DISTRIBUTION ..... 18</p> <p>RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN PERSONS ..... 19</p> <p>CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS ..... 20</p> <p>LEGAL MATTERS ..... 21</p> <p>LEGAL PROCEEDINGS ..... 22</p> <p>AUDITOR, TRANSFER AGENT AND REGISTRAR ..... 22</p> <p>RISK FACTORS ..... 22</p> <p>PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION ..... 25</p> <p>INDEPENDENT AUDITOR'S CONSENT ..... A-1</p> <p>CONSENT ..... A-2</p> <p>CERTIFICATE OF THE CORPORATION ..... C-1</p> <p>CERTIFICATE OF THE UNDERWRITERS ..... C-2</p>
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## GLOSSARY OF TERMS

The following terms used in this short form prospectus have the meanings set forth below, unless otherwise indicated:

“**Adjusted EBITDA**” means operating revenues less operating expenses, general and administrative expenses and prospective project expenses;

“**Board of Directors**” means the board of directors of the Corporation;

“**Brown Lake Facility**” means the run-of-river hydroelectric power generating facility with a nameplate capacity of 7.2 MW located on the Ecstall River, approximately 45 km southeast of Prince Rupert, British Columbia;

“**Business Day**” means a day other than a Saturday, a Sunday or any other day that is a statutory or civic holiday in the place where the Corporation has its head office;

“**Capital Power**” means collectively Capital Power L.P. and Capital Power Generation Services Inc.;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDS Participant**” has the meaning attributed thereto under “Book-Entry, Delivery and Form”;

“**Closing Date**” means the closing date of the Offering;

“**Common Shares**” has the meaning attributed thereto under “General Description of Capital Structure”;

“**Corporation**” means Innergex Renewable Energy Inc.;

“**DBRS**” means DBRS Limited;

“**Debentures**” has the meaning attributed thereto under “General Description of Capital Structure”;

“**Dokis Project**” means the 10MW hydroelectric project under development located on the French River near the Dokis First Nation Reserve, Ontario;

“**Fund**” mean Innergex Power Income Fund;

“**Holder**” has the meaning attributed thereto under “Certain Canadian Federal Income Tax Considerations”;

“**Hydromega**” means Hydromega Services Inc. and its affiliates;

“**Hydromega GP**” means Hydromega G.P. Inc.;

“**Hydromega Hydroelectric Facilities and Development Projects**” means the Dokis Project, the Kapuskasing Projects and the Sainte-Marguerite Facility;

“**Hydromega Related Entities**” means certain entities directly or indirectly related to Hydromega and holding an interest in one or several Hydromega Hydroelectric Facilities and Development Projects;

“**IFRS**” means the international financial reporting standards as issued by the International Accounting Standards Board;

“**km**” means one kilometre or 1,000 metres;

“**kWh**” means one thousand watt hours or one kilowatt hour;

**“Kapuskasing Projects”** means four hydroelectric projects which are under construction totalling 22 MW, being the Big Beaver Falls, Camp Three Rapids, White Otter Falls and Old Woman Falls projects located on the Kapuskasing River, near Kapuskasing, Ontario;

**“Kwoiek Creek Project”** has the meaning attributed thereto under “Recent Developments - Closing of the Kwoiek Creek Hydroelectric Project Financing”;

**“Letter of Intent”** has the meaning attributed thereto under “Recent Developments - Agreement to Acquire the Magpie Hydroelectric Facility and Execution of Letter of Intent regarding the Potential Acquisition of other Hydroelectric Facilities and Development Projects from Hydromega and Hydromega Related Entities”;

**“Magpie Hydroelectric Facility”** means the single run-of-river hydroelectric power generating station with a total installed capacity of 40.6 MW located on the Magpie River, in the Minganie Regional County Municipality, in Northeastern Quebec;

**“Magpie Hydroelectric Facility Acquisition”** has the meaning attributed thereto under “Recent Developments — Agreement to Acquire the Magpie Hydroelectric Facility and Execution of Letter of Intent regarding the Potential Acquisition of other Hydroelectric Facilities and Development Projects from Hydromega and Hydromega Related Entities”;

**“Magpie LP”** means Magpie Limited Partnership;

**“Magpie PPA”** has the meaning attributed thereto under “Recent Developments - Agreement to Acquire the Magpie Hydroelectric Facility and Execution of Letter of Intent regarding the Potential Acquisition of other Hydroelectric Facilities and Development Projects from Hydromega and Hydromega Related Entities”;

**“Magpie Vendors”** means Hydromega and Magpie Trust;

**“Miller Creek Facility”** means the run-of-river hydroelectric power generating facility with a nameplate capacity of 33.0 MW located on Miller Creek, near Pemberton, British Columbia, approximately 30 km northeast of the Resort Municipality of Whistler, British Columbia;

**“MW”** means one million watts or one megawatt;

**“MWh”** means one million watt hours or one megawatt hour;

**“Offering”** means the distribution of the Series C Shares under this short form prospectus;

**“Offering Price”** means \$25 per share;

**“Over-Allotment Option”** has the meaning attributed thereto on the cover page hereof;

**“Preferred Shares”** has the meaning attributed thereto under “General Description of Capital Structure”;

**“Private Placements”** has the meaning attributed thereto under “Recent Developments - Private Placements”;

**“Proposals”** has the meaning attributed thereto under “Certain Canadian Federal Income Tax Considerations”;

**“RRSP”** means a registered retirement savings plan;

**“RRIF”** means a registered retirement income fund;

**“Sainte-Marguerite Facility”** means the 30.5 MW run-of-river hydroelectric operating facilities known as the SM-1 project, located on the Sainte-Marguerite River, near Sept-Îles, Québec;

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation;

“**Series A Shares**” means the Cumulative Rate Reset Preferred Shares, Series A of the Corporation;

“**Series B Shares**” means the Cumulative Floating Rate Preferred Shares, Series B of the Corporation;

“**Series C Shares**” means the Cumulative Redeemable Fixed Rate Preferred Shares, Series C of the Corporation;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

“**TFSA**” means a tax-free savings account;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriters**” means collectively TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Desjardins Securities Inc., Canaccord Genuity Corp. and GMP Securities L.P.;

“**Underwriting Agreement**” has the meaning attributed thereto under “Plan of Distribution”;

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended; and

“**Wildmare Wind Energy Project**” means the 77 MW Wildmare wind energy project located near the community of Chetwynd in North East British Columbia, Canada.

## FORWARD-LOOKING STATEMENTS

This short form prospectus, including documents incorporated by reference herein, contains forward-looking information within the meaning of applicable securities laws. All information and statements other than statements of historical facts contained in this short form prospectus are forward-looking information. Such statements and information may be identified by looking for words such as “about”, “approximately”, “may”, “believes”, “expects”, “will”, “intend”, “should”, “plan”, “predict”, “potential”, “project”, “anticipate”, “estimate”, “continue” or similar words or the negative thereof or other comparable terminology. Such forward-looking information includes, without limitation, statements with respect to: the anticipated closing of the Offering and the closing of the Magpie Hydroelectric Facility Acquisition, the execution of definitive agreements and closing of the acquisition of the Kapuskasing Projects, Dokis Project and Sainte-Marguerite Facility and the benefits that may accrue to the Corporation and its shareholders as a consequence of the Magpie Hydroelectric Facility Acquisition and the potential acquisition of the Kapuskasing Projects, Dokis Project and Sainte-Marguerite Facility, the anticipated use of the proceeds of the Offering, the future financial position, power production, growth prospects, cost synergies, operational efficiencies, the possibility to secure any proposed expansion of the Corporation’s facilities and added stability of cash flows relating to the facilities and projects owned by the Corporation or to be acquired through the Magpie Hydroelectric Facility Acquisition or the potential acquisition of the Kapuskasing Projects, Dokis Project and Sainte-Marguerite Facility, business strategy and plans, and objectives of or involving the Corporation; capital expenditures and investments programs; access to credit facilities and financing; capital taxes; income taxes; risk profile; cash flows and earnings and the components thereof; future income tax treatment; statements with respect to levels of dividends to be paid to shareholders, dividend policy and the timing of payment of such dividends. Actual events or results may differ materially.

The forward-looking information is based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning availability of capital resources, performance of operating facilities, satisfaction of all conditions of closing of the Magpie Hydroelectric Facility Acquisition, absence of exercise of any termination right and the timing and receipt of regulatory approval with respect to the Offering. Although the Corporation believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct.

Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors. These factors include, but are not limited to, credit ratings that may not reflect actual performance of the Corporation, the market value of Series C Shares that will be affected by a number of factors and, accordingly, their trading prices that will fluctuate, the option of the Corporation to redeem Series C Shares, the Series C Shares that do not have a fixed maturity date, may not be redeemed at the holder’s option and the limitation of the ability of a holder to liquidate its holdings, the discretion of the Board of Directors in respect of the declaration of dividends on the Series C Shares, the current absence of trading market for the Series C Shares, the fact that creditors of the Corporation rank ahead of holders of Series C Shares in the event of an insolvency or winding up of the Corporation, restrictions and covenants which could restrict the Corporation’s ability to declare dividends, absence of voting rights for holders of Series C Shares except under limited circumstances, potential undisclosed liabilities associated with acquisitions, integration of the facilities and projects to be acquired, failure to realize acquisitions benefits, failure to close the Magpie Hydroelectric Facility Acquisition and inability to execute a definitive agreement and close the acquisition of Kapuskasing Projects, Dokis Project and Sainte-Marguerite Facility, revenues from the Miller Creek Facility that will vary based on the spot price of electricity, execution of strategy, availability of capital resources, liquidity risks related to derivative financial instruments, availability of water flows, wind and sunlight, delays and cost over-runs in the construction and design of projects, health, safety and environmental risks, uncertainty relating to the development of new power generating facilities, obtainments of permits, project performance and penalties, equipment failure, interest rate fluctuations and debt refinancing, contractual restrictions contained in instruments governing current and future indebtedness, the ability to secure new power purchase agreements, the ability to retain qualified personnel and management, litigation risks, the performance of third-party suppliers, relationships with communities in which projects or facilities are located and joint venture partners, wind turbine supply, changes to governmental regulatory requirements and applicable governing statutes, securing appropriate land for projects, reliance on power purchase agreements, reliance on transmission systems, water and land rental expenses, assessment of wind resources and associated wind energy production, dam safety, natural disasters, foreign exchange fluctuations, sufficiency of insurance coverage, shared

transmission and interconnection infrastructure and introduction to solar PV power facility operation. Readers are cautioned that the foregoing list is not exhaustive. Readers should carefully review and consider the risk factors described under the section of this short form prospectus titled “Risk Factors”, in the section titled “Risk Factors” of the annual information form of the Corporation dated March 21, 2012, in the management’s discussion and analysis of the Corporation dated March 23, 2012 for the year ended December 31, 2011 and elsewhere in this short form prospectus. The information contained in this short form prospectus, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Corporation. Prospective investors are urged to carefully consider those factors.

To the extent that any forward-looking information in this short form prospectus constitutes future-oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to inform potential investors and current shareholders of the potential financial impact of recently announced acquisitions, the Offering or expected results. Future-oriented financial information and financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to the risks set out above.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information contained herein is made as of the date of this short form prospectus (or, in the case of information contained in a document incorporated by reference herein, as of the date of such document), and the Corporation undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

#### **NON-IFRS EARNINGS MEASURE**

References in this short form prospectus to “**Adjusted EBITDA**” means operating revenues less operating expenses, general and administrative expenses and prospective project expenses. The Corporation believes that, in addition to net earnings, Adjusted EBITDA is a useful supplemental measure as it provides management and investors with an indication of cash generation capabilities prior to debt service, other expenses, capital expenditures and income taxes. Investors should be cautioned, however, that Adjusted EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator prescribed by IFRS, and the method used by the Corporation to calculate Adjusted EBITDA may differ from the method used by other issuers.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

##### **Documents of the Corporation**

The following documents of the Corporation, which have been filed with the securities commissions of all of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

1. the annual information form of the Corporation dated March 21, 2012 for the year ended December 31, 2011;
2. the audited consolidated financial statements of the Corporation as at December 31, 2011 and 2010 and January 1, 2010 and the years ended December 31, 2011 and 2010, together with the notes thereto, the independent auditor’s report thereon and management’s discussion and analysis in respect thereof;
3. the unaudited condensed consolidated comparative financial statements of the Corporation as at and for the three and nine months ended September 30, 2012, together with the notes thereto and management’s discussion and analysis in respect thereof;
4. the management information circular of the Corporation dated as of March 30, 2012 in respect of the annual general meeting of Corporation shareholders held on May 14, 2012;

5. the material change report dated June 22, 2012 in respect of the signing of a purchase and sale agreement with Capital Power for the acquisition of the Brown Lake Facility and the Miller Creek Facility;
6. the material change report dated August 3, 2012 announcing the entering into of an agreement to acquire the Wildmare Wind Energy Project, the Magpie Hydroelectric Facility, the entering into of the Letter of Intent with Hydromega and the Private Placements;
7. the material change report dated November 21, 2012 in respect of the entering into of a bought deal agreement relating to the Series C Shares; and
8. the business acquisition report of the Corporation dated June 20, 2011 and filed in its amended form on November 21, 2012 describing the acquisition of all of the issued and outstanding shares of Cloudworks Energy Inc.

Any documents of the type described in Section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* filed by the Corporation with a securities commission or similar authority in any of the provinces of Canada after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.**

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation and Borden Ladner Gervais LLP, counsel to the Underwriters, the Series C Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), if issued on the date of this short form prospectus, would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (together, the “**Tax Act**”) for a trust governed by a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account (“**TFSA**”).

Notwithstanding that the Series C Shares may be qualified investments for a trust governed by a RRSP, a RRIF or a TFSA, the annuitant under a RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax on the Series C Shares and other adverse tax consequences may result if the Series C Shares are a “prohibited investment” for the RRSP, RRIF or TFSA, as the case may be. The Series C Shares will generally be a “prohibited investment” if the annuitant under a RRSP or RRIF or the holder of a TFSA does not deal at arm's length with the Corporation for purposes of the Tax Act or the annuitant under a RRSP or RRIF or the holder of a TFSA, as the case may be, has a “significant interest” (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. Investors considering acquiring Series C Shares through their RRSP, RRIF or TFSA are advised to consult their own tax advisors in this regard.

#### **INNERGEX RENEWABLE ENERGY INC.**

The Corporation was incorporated in Canada under the *Canada Business Corporations Act*, by articles of incorporation dated October 25, 2002. On October 25, 2007, the articles of the Corporation were amended to change the Corporation’s name from Innergex Management Inc. to Innergex Renewable Energy Inc. and its French version,

Innergex énergie renouvelable inc. The articles of the Corporation were amended on December 4, 2007, to change the authorized capital of the Corporation and the minimum number of directors of the Corporation from one to three and to amend the authorized and issued capital of the Corporation to create an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. On March 29, 2010, the articles of the Corporation were amended by way of articles of arrangement to give effect to the reverse take-over of the Corporation by Innergex Power Income Fund (the “Fund”) and the conversion of the Fund into a corporation. On September 9, 2010, the articles of the Corporation were amended to create the Cumulative Rate Reset Preferred Shares, Series A (the “Series A Shares”) and the Cumulative Floating Rate Preferred Shares, Series B (the “Series B Shares”). On May 12, 2011, the articles of the Corporation were amended to introduce a voting right in certain limited circumstances for holders of Preferred Shares of the Corporation. The Corporation’s head and registered office is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Quebec, Canada, J4K 5G4.

## **BUSINESS OF THE CORPORATION**

The Corporation is a developer, owner and operator of run-of-river hydroelectric facilities, wind energy projects and solar photovoltaic installations in North America. The Corporation operates various power generating facilities in the provinces of Quebec, Ontario and British Columbia and in the State of Idaho in the United States.

The Corporation’s management team has been active in the Canadian renewable power industry since 1990 and owns, together with its partners, interest in three groups of power generating projects. The Corporation owns, together with its partners, 28 operating facilities, including 22 hydroelectric operating facilities, five wind farms, and one solar photovoltaic farm. The Corporation also has interests in eight projects under development or under construction with an aggregate expected net installed capacity of 188 MW (gross 263 MW), for which power purchase agreements have been secured and in prospective projects with an aggregate potential net capacity totalling 2,904 MW (gross 3,127 MW).

## **RECENT DEVELOPMENTS**

### **Commissioning of Gros-Morne Phase II Wind Farm**

On November 6, 2012, the Corporation announced that the Gros-Morne Phase II wind farm had begun commercial operation. Phase II of the Gros-Morne wind farm comprises 74 wind turbines with a total installed capacity of 111 MW and an estimated yearly energy output of 341,135 MWh. Following the commissioning of Phase II, the Gros-Morne Phase I wind farm together with the Gros-Morne Phase II wind farm will thereafter be referred to as one wind farm with a total gross installed capacity of 211.5 MW and an expected average annual production of 650,000 MWh. All of the electricity produced by the Gros-Morne wind farm is sold to Hydro-Québec under a power purchase agreement which provides for an annual adjustment to the selling price based on a portion of the consumer price index for Canada, and which expires in November 2032. The Corporation owns a 38% interest in the Gros-Morne wind farm and a 50% management interest therein through the Cartier Wind Energy joint venture.

### **Closing of Acquisition of the Brown Lake and Miller Creek Run of River Hydroelectric Facilities in British Columbia from Capital Power**

On October 12, 2012, the Corporation announced that it had completed the acquisition from Capital Power of all of the ownership interests in the entity owning the Brown Lake Facility and Miller Creek Facility located in British Columbia, Canada for a purchase price of \$68.6 million.

The Brown Lake Facility is a facility commissioned in 1996 and located on Crown land near Prince Rupert in the North Coast region of British Columbia. It has an average annual production of 51,800 MWh, all of which is sold to BC Hydro under a 20-year power purchase agreement that expires in 2016. The Corporation also announced its intention to double the plant's installed capacity to 14.4 MW and increase expected average annual production by 27,000 MWh, for an additional investment of approximately \$20.0 million.

Miller Creek Facility is a facility commissioned in 2003, located on Crown land near Pemberton, in the Lower Mainland region of British Columbia and in close proximity to several others of the Corporation’s hydroelectric facilities. It has an average annual production of 97,900 MWh, all of which is sold to BC Hydro under

a 20-year power purchase agreement that expires in 2023, with BC Hydro holding two consecutive five-year renewal options. The Corporation also announced that it plans to undertake an \$8.5 million capital expenditure program to upgrade the penstock and water intake, which should increase the plant's expected average annual production by 4,895 MWh and reduce operating costs. However, this capital expenditure program, which was initially expected to occur in the fall of 2012, has been postponed to the fall of 2013, given the longer-than-expected closing process and seasonal constraints.

### **Termination of Agreement with Finavera Wind Energy Inc. to acquire Wildmare Wind Energy Project**

On October 1, 2012, the Corporation announced that it had terminated the purchase and sale agreement it had entered into with Finavera Wind Energy Inc. to acquire its 77 MW Wildmare Wind Energy Project. Despite the efforts of both parties, several conditions of closing were not met by the prescribed closing date of September 30, 2012. The Corporation considered each of these conditions to be essential to the successful completion of the project. After careful consideration, the Corporation decided not to extend the closing date because it strongly believed that doing so would not have changed the outcome within an acceptable period of time. Therefore, it opted to terminate the purchase and sale agreement.

### **Launch of the Dividend Reinvestment Plan**

On August 31, 2012, the Corporation announced the implementation of a dividend reinvestment plan that the Board of Directors had approved for the benefit of its holders of Common Shares. The dividend reinvestment plan enables the common shareholders of the Corporation to reinvest all or part of their cash dividends into additional Common Shares of the Corporation. Common Shares purchased under the dividend reinvestment plan will be either issued from treasury or purchased on the market at the discretion of the Board of Directors and their purchase price will be the weighted average trading price of the Common Shares on the TSX during the five business days immediately preceding the dividend payment less a discount of up to 5%. From August 31, 2012 until further notice, the purchase price of the Common Shares purchased under the dividend reinvestment plan will be the weighted average trading price of the Common Shares on the TSX during the five business days immediately preceding the dividend payment less a discount of 2.5%.

### **Agreement to Acquire the Magpie Hydroelectric Facility and Execution of Letter of Intent regarding the Potential Acquisition of other Hydroelectric Facilities and Development Projects from Hydromega and Hydromega Related Entities**

On July 26, 2012, the Corporation announced that, pursuant to a purchase agreement dated July 26, 2012, the Corporation agreed to acquire from the Magpie Vendors a 70% interest in the Magpie Hydroelectric Facility, located in Northeastern Quebec, Canada, for an aggregate consideration of \$30.3 million payable in cash, subject to certain adjustments, plus the assumption of approximately \$52 million of fixed rate limited recourse project debt (the "**Magpie Hydroelectric Facility Acquisition**").

On July 26, 2012, the Corporation also announced that, as part of the Magpie Hydroelectric Facility Acquisition, it entered into a deposit agreement with the Magpie Vendors, certain of their security holders and certain Hydromega Related Entities dated July 26, 2012 pursuant to which \$25 million was advanced by the Corporation to the Magpie Vendors as an advance on the total consideration payable to acquire the Magpie Hydroelectric Facility or to acquire Hydromega's or Hydromega Related Entities' ownership interest in other Hydromega Hydroelectric Facilities and Development Projects. The repayment of the advance made under this deposit agreement is secured by guarantees provided by the Magpie Vendors and certain Hydromega Related Entities having a direct or indirect interest in the Magpie Hydroelectric Facility and/or the Hydromega Hydroelectric Facilities and Development Projects.

The Magpie Hydroelectric Facility was brought into commercial operation in November 2007. It is owned by Magpie LP and the Minganie Regional County Municipality owns an effective 30% interest in Magpie LP. Magpie LP is party to an ecoEnergy for Renewable Power Contribution Agreement dated March 31, 2008 with Her Majesty the Queen in Right of Canada pursuant to which the Minister of Natural Resources pays, for a period of 10 years from commissioning of the Magpie Hydroelectric Facility, a \$0.01/kWh incentive not to exceed \$17.9 million over the term of the agreement.

The power purchase agreement with respect to the purchase by Hydro-Québec of the electricity produced by the Magpie Hydroelectric Facility (the “**Magpie PPA**”) has a term of 25 years expiring on November 8, 2032. Under the Magpie PPA, Magpie LP delivers to Hydro-Québec all electricity produced by the Magpie Hydroelectric Facility, which electricity is intended to amount to approximately 185,000 MWh per year, subject to hydrology conditions.

Furthermore, on July 26, 2012, the Corporation announced that it had entered into a non-binding letter of intent dated July 26, 2012 with respect to the proposed acquisition of Hydromega’s ownership interest, or of certain Hydromega Related Entities’ ownership interest, in the Hydromega Hydroelectric Facilities and Development Projects (the “**Letter of Intent**”). The Corporation is currently actively engaged in ongoing negotiations with Hydromega and certain Hydromega Related Entities for the acquisition of their respective interest in the Hydromega Hydroelectric Facilities and Development Projects. However, there is no certainty that the Corporation, Hydromega and Hydromega Related Entities will agree on definitive terms and conditions for such transactions.

The Corporation intends to use its existing credit facilities and to issue Common Shares to the sellers to fund the Magpie Hydroelectric Facility Acquisition and the acquisition of the Kapuskasing Projects, Dokis Project and Sainte-Marguerite Facility.

### **Private Placements**

On July 26, 2012, the Corporation announced the closing of a private placement whereby the Caisse de dépôt et placement du Québec and one other institutional acquired 9,632,399 and 2,408,100 Common Shares, respectively, at a price of \$10.27 per Common Share, for gross proceeds of \$123.7 million (the “**Private Placements**”).

### **Partnership with Mi’gmawei Mawioni for the Development of a Wind Farm on the Gaspé Peninsula**

On July 20, 2012, the Corporation announced that it had entered into a partnership agreement with the Mi’gmawei Mawioni for the development of a large wind farm on the Gaspé Peninsula of Québec, Canada which the parties intend to submit if and when an eventual request for proposal is announced.

### **Closing of the Kwoiek Creek Hydroelectric Project Financing**

On July 17, 2012, the Corporation announced that Kwoiek Creek Resources Limited Partnership had closed a \$168.5 million non-recourse construction and term project financing for the Kwoiek Creek run-of-river hydroelectric project located in British Columbia, Canada (the “**Kwoiek Creek Project**”). Kwoiek Creek Resources Limited Partnership, the entity which owns the Kwoiek Creek project, is equally owned by the Corporation and the Kanaka Bar Indian Band.

The \$168.5 million construction loan carries a fixed interest rate of 5.075% and will convert into a 39-year term loan following the start of the project’s commercial operation. The loan will amortize over a 36-year period starting three years from the commencement of operations of the Kwoiek Creek Project.

### **Increase of Credit Facilities by \$75 Million**

On July 17, 2012, the Corporation announced that it had exercised a portion of the accordion feature on its revolving term credit facility, increasing its borrowing capacity from \$350 million to \$425 million. All terms and conditions of the Corporation’s credit facility remain unchanged, including the August 2016 maturity.

### **Commencement of Commercial Operation of Stardale Solar Farm**

On May 16, 2012, the Corporation began commercial operation of its Stardale solar farm, located in East-Hawkesbury, in Ontario, Canada. This marked the Corporation’s entry into the solar energy sector, providing further diversification of its operations. The Stardale solar farm comprises approximately 144,000 SolarWorld polycrystalline photovoltaic modules and 54 inverters over a 300 acre surface, for a total installed capacity of 33.2 MW<sub>DC</sub> (27 MW<sub>AC</sub>) and an estimated initial annual energy output of 39,000 MWh. All of the energy delivered

by the Stardale solar farm is covered by three fixed-price, 20-year term Renewable Energy Standard Offer Program contracts with the Ontario Power Authority.

## USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting the Underwriters' fee and the expenses of the Offering payable by the Corporation, will be approximately \$47.8 million, assuming no exercise of the Over-Allotment Option or \$55,075,000, if the Over-Allotment Option is exercised in full and assuming that no Series C Shares are sold to certain institutional investors. The Corporation will use such proceeds to pay down outstanding indebtedness on the Corporation's corporate credit facility and the balance of the net proceeds of the Offering will be used for general corporate purposes.

By paying down outstanding indebtedness on its credit facility, the Corporation will have increased flexibility to make future strategic capital expenditures, including the potential acquisition of additional hydroelectric facilities and projects from Hydromega and Hydromega Related Entities, as currently being negotiated under the Letter of Intent. See "Recent Developments - Agreement to Acquire the Magpie Hydroelectric Facility and Execution of Letter of Intent regarding the Potential Acquisition of other Hydroelectric Facilities and Development Projects from Hydromega and Hydromega Related Entities".

The indebtedness of the Corporation under the credit facility during the last two years was incurred to, among others, finance the construction of the Gros-Morne wind farm, to fund the equity contributions required to develop the Montagne Sèche wind farm, Stardale solar farm, Kwoeik Creek project and Northwest Stave project, to reimburse the Glen Miller debt, to pay a portion of the acquisition of all of the issued and outstanding shares of Cloudworks Energy Inc. and for general corporate purposes. Lenders under the credit facility include Canadian chartered banks which are wholly-owned subsidiaries of TD Securities Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. and a financial institution which is an affiliate of Desjardins Securities Inc. Consequently, the Corporation may be considered a connected issuer of TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Desjardins Securities Inc. under applicable securities laws in certain Canadian provinces. As a result of the Offering, each of the Underwriters will receive a fee in respect of the Series C Shares sold by such Underwriter and the lenders under the credit facility will receive proceeds from the Corporation as repayment of outstanding indebtedness under such credit facility. See "Relationship Between the Corporation and Certain Persons".

## CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets out the consolidated capitalization of the Corporation as at the dates indicated before and after the completion of the Offering (assuming no exercise of the Over-Allotment Option). This table should be read in conjunction with the audited and unaudited financial statements of the Corporation incorporated by reference into this short form prospectus.

<i>(\$000s)</i>	<b>As of September 30, 2012</b>	<b>As at September 30, 2012 after giving effect to the Offering<sup>(1)</sup></b>
<b>Indebtedness:</b>		
Debt	1,194,663	1,146,863
Debentures	79,613	79,613
<b>Total Indebtedness:</b>	<b>1,274,276</b>	<b>1,226,476</b>
<b>Shareholders' equity:</b>		
Common Shares	117,473	117,473
Preferred Shares	82,589	130,389
Contributed surplus from reduction of capital on Common Shares	656,281	656,281
Share-based payment	1,492	1,492
Equity portion of convertible debentures	1,340	1,340
Total deficit and accumulated other comprehensive income	(317,522)	(317,522)

	As of September 30, 2012	As at September 30, 2012 after giving effect to the Offering <sup>(1)</sup>
Non-controlling interests	109,988	109,988
<b>Total Shareholders' Equity:</b>	<b>651,641</b>	<b>699,441</b>
<b>Total Capitalization:</b>	<b>\$1,925,917</b>	<b>\$1,925,917</b>

<sup>(1)</sup>Assuming no exercise of the Over-Allotment Option

## GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of common shares (the “**Common Shares**”) and an unlimited number of preferred shares issuable in series (the “**Preferred Shares**”). Holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors and are entitled to one vote per share on all matters to be voted on at all meetings of shareholders. Subject to the prior rights of holders of Preferred Shares of any series thereof, and other shares of the Corporation ranking in priority to the Common Shares, upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Common Shares will be entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

On March 8, 2010 and March 16, 2010, the Corporation completed an offering of extendible convertible unsecured subordinated debentures in the aggregate amount of \$80.5 million (the “**Debentures**”). The Debentures have a maturity date of April 30, 2017, bear interest at a rate of 5.75% per annum, payable semi-annually, and are convertible at the option of the holder into Common Shares at a conversion price of \$10.65 per Common Share.

On September 9, 2010, the articles of the Corporation were amended to create the Series A Shares and the Series B Shares and were further amended on May 12, 2011 to introduce a voting right in certain limited circumstances for holders of Preferred Shares of the Corporation. On September 14, 2010, the Corporation completed an offering of Series A Shares by the issuance of a total of 3,400,000 Series A Shares at \$25 per share for aggregate gross proceeds \$85 million.

At the close of business on December 3, 2012 there were outstanding 93,659,866 Common Shares, 3,400,000 Series A Shares and \$80.5 million principal amount of Debentures. The Corporation's Common Shares, Series A Preferred Shares and Debentures are listed on the TSX under the symbols “INE”, “INE.PR.A” and “INE.DB”.

## DETAILS OF THE OFFERING

### Description of the Preferred Shares

#### *Issuance in Series*

The Board of Directors may from time to time issue Preferred Shares in one or more series, each series to consist of such number of shares as will before issuance thereof be fixed by the Board of Directors who will at the same time determine the designation, rights, privileges, restrictions and conditions attaching to that series of Preferred Shares.

#### *Voting*

Subject to applicable corporate law and unless provision is made in the articles relating to a series of Preferred Shares, the Preferred Shares of each series shall be non-voting and not entitled to receive notice of any meeting of shareholders. See “Description of the Series C Shares — Voting Rights”.

### Description of the Series C Shares

The following is a description of certain provisions attaching to the Series C Shares as a series.

### *Issue Price*

The Series C Shares will have an issue price of \$25.00 per share.

### *Dividends*

The holders of Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year at an annual rate equal to \$1.4375 per Series C Share. The initial dividend, if declared, will be payable on April 15, 2013 and will be \$0.4923 per Series C Share, based on the anticipated Closing Date of December 11, 2012.

Payments of dividends and other amounts in respect of the Series C Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series C Shares. As long as CDS, or its nominee, is the registered holder of the Series C Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series C Shares for the purposes of receiving payment on the Series C Shares.

### *Redemption*

The Series C Shares shall not be redeemable by the Corporation prior to January 15, 2018. On and after January 15, 2018 subject to certain other restrictions set out in “Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of outstanding Series C Shares by payment in cash of a per share sum equal to (i) \$26.00 if redeemed on or prior to January 15, 2019, (ii) \$25.75 if redeemed thereafter and on or prior to January 15, 2020; (iii) \$25.50 if redeemed thereafter and on or prior to January 15, 2021, (iv) \$25.25 if redeemed thereafter and on or prior to January 15, 2022, and (v) \$25.00 if redeemed thereafter, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation).

If less than all of the outstanding Series C Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a *pro rata* basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

The Series C Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series C Shares. See “Risk Factors”.

### *Purchase for Cancellation*

Subject to applicable law and to the provisions described below under “Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may at any time purchase for cancellation by private contract or in the market or by tender all or any number of the Series C Shares outstanding at the lowest price or prices at which in the opinion of the Board of Directors, such shares are obtainable.

### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series C Shares, the holders of the Series C Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends, whether declared or not, up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series C Shares. Upon payment of such amounts, the holders of the Series C Shares will not be entitled to share in any further distribution of the assets of the Corporation.

### *Priority*

The Series C Shares rank senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Series C Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

### *Restrictions on Dividends and Retirement and Issue of Shares*

So long as any of the Series C Shares are outstanding, the Corporation will not, without the approval of the holders of the Series C Shares:

1. declare, pay or set apart for payment any dividends (other than dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series C Shares) on any shares of the Corporation ranking as to dividends junior to the Series C Shares;
2. except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series C Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series C Shares;
3. redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series C Shares then outstanding; or
4. except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to capital or dividends on a parity with the Series C Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series C Shares and on all other shares of the Corporation ranking prior to or on a parity with the Series C Shares with respect to the payment of dividends have been declared and paid or monies set apart for payment.

### *Shareholder Approvals*

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series C Shares as a series and any other approval to be given by the holders of the Series C Shares may be given by a resolution signed by all holders of the Series C Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of 10% of the outstanding Series C Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series C Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series C Shares as a series, each such holder shall be entitled to one vote in respect of each Series C Share held by such Holder.

### *Voting Rights*

The holders of the Series C Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series C Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Series C Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to

the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series C Shares will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote in respect of each Series C Share held by such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease.

#### *Tax Election*

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax under Part VI.1 at a rate such that the corporate holders of Series C Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

### **RATINGS**

The Series C Shares have been given a Canadian scale rating of P-3, by S&P. Such P-3 rating is the tenth of twenty ratings used by S&P in its Canadian preferred share rating scale. According to S&P, such a P-3 rating indicates that, although the obligation is considered to be less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

The Series C Shares have been given a provisional rating of Pfd-3 (low) with a negative trend by DBRS. Pfd-3 (low) is the ninth of sixteen ratings used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 are of adequate credit quality and, while protection of dividends and principal is still considered acceptable for such preferred shares, the issuing entity of preferred shares with a Pfd-3 rating is considered to be more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. DBRS further subcategorizes each rating by the designation of "high" and "low" to indicate where an entity falls within the rating category. The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A rating trend that is "Negative" indicates that negative events may have occurred or that unfavourable changes in respect of the Corporation are likely to occur in the near future.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Prospective purchasers should consult the rating organizations with respect to the interpretation and implications of the foregoing ratings. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating agency at any time if in its judgment circumstances so warrant.

In July 2012, the Corporation had requested a confirmation of its investment grade ratings for its Series A Shares from S&P and DBRS. Both S&P and DBRS confirmed their investment grade ratings of BBB- and BBB (low), respectively. However, DBRS announced it had changed the Corporation's rating trend from Stable to Negative, citing as a main reason that the Corporation's consolidated debt-to-capital ratio (calculated using book value) was above 60%. In order to maintain such DBRS credit rating, the Corporation would need to significantly reduce the leverage on its future non-recourse project financings. The leverage commonly used for non-recourse financings for new hydroelectric, wind, or solar projects typically ranges between 75% and 85% of the project's total costs. Leverage is determined primarily by the cash flow profile of the project and amortized over the duration of the underlying long term power purchase agreement, electricity supply agreement, electricity purchase agreement or renewable energy supply contract. Because the Corporation has a pool of young operating facilities and several development projects, its consolidated debt-to-capital ratio has been above 60% over the past few years and is expected to remain above this threshold for the next few years. The Corporation considers its debt-to-capital ratio satisfactory, and believes that significantly reducing it in order to maintain such DBRS credit rating would constitute a fundamental change in the Corporation's business model, and would in fact prove detrimental to its competitiveness and its ability to create value for its shareholders. In light of their irreconcilable views on what

constitutes an appropriate capital structure for the Corporation's activities, the Corporation decided to terminate its agreement with DBRS, effective September 8, 2012.

Despite such termination, DBRS continues for the time being, and of its own volition, to rate the Corporation and certain of its securities, but does not have access to non-public information, including forecasts and budgets. There can be no assurance that DBRS will continue to provide ratings, nor are there indications as to when DBRS might cease to provide such ratings. In light of the change in the rating trend assigned by DBRS from Stable to Negative and of the irreconcilable views referred to above, there can be no assurance that the provisional rating of Pfd-3 (low) assigned to the Series C Shares by DBRS will not be changed to a lower rating category.

The Corporation made payments to S&P in connection with obtaining the ratings described herein but has not made any payment to DBRS. Over the past two years, the Corporation has made payments in respect of certain other services provided to the Corporation by S&P and DBRS, including annual monitoring fees for monitoring the Corporation and updating the ratings.

### **BOOK-ENTRY, DELIVERY AND FORM**

Except as otherwise provided below, the Series C Shares will be issued in a “book entry only” form and must be purchased or transferred through participants (the “**CDS Participants**”) in the depository service of CDS or its nominee which include securities brokers and dealers, banks and trust companies. On the Closing Date, the Corporation will cause a global certificate representing the Series C Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as otherwise provided below, no purchaser of Series C Shares will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that purchaser’s ownership, and no purchaser will be shown on the records maintained by CDS except through a book of entry account of a CDS Participant acting on behalf of the purchaser. Each purchaser of Series C Shares will receive a customer confirmation of purchase from the registered dealer from which the Series C Shares are purchased in accordance with the practices and procedures of the dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book entry accounts for its CDS Participants having interests in the Series C Shares. Physical certificates evidencing the Series C Shares will not be issued to purchasers, except in limited circumstances, and registration will be made through the depository service of CDS.

None of the Corporation, the Underwriters or their respective affiliates will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series C Shares held by CDS or the payment relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series C Shares; or (c) any advice or representation made by or with respect to CDS and those contained in this prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series C Shares must look solely to CDS Participants for payments made by or on behalf of the Corporation to CDS in respect of the Series C Shares.

The ability of a beneficial owner of Series C Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

If (i) required by applicable law, (ii) the book entry system ceases to exist, (iii) CDS advises the Corporation that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series C Shares and the Corporation is unable to locate a qualified successor, or (iv) the Corporation, at its option, decides to terminate the book entry system, then certificates representing the Series C Shares will be made available.

### **PRIOR SALES**

Other than in respect of the Offering, the Corporation did not issue, or did not agree to issue, Series C Shares and securities convertible into Series C Shares.

## PRICE RANGE AND TRADING VOLUME OF THE SECURITIES

The Common Shares, Debentures and Series A Shares are traded on the TSX. The trading symbol for the Common Shares is “INE”, the trading symbol for the Debentures is “INE.DB” and the trading symbol for the Series A Shares is “INE.PR.A”. The following tables set forth the trading history of the Common Shares, the Debentures and the Series A Shares as reported by the TSX from December 1, 2011 to December 3, 2012 for each of the Common Shares, the Debentures and the Series A Shares.

### *Common Shares*

<b><u>Period</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>Volume</u></b>
December 2011 .....	10.67	9.54	2,425,341
January 2012 .....	10.93	10.06	1,587,716
February 2012 .....	10.47	9.96	1,542,522
March 2012 .....	10.50	10.00	1,351,664
April 2012 .....	10.58	10.02	3,109,093
May 2012 .....	10.95	10.30	945,729
June 2012 .....	10.94	9.69	1,150,142
July 2012 .....	11.10	10.08	849,890
August 2012 .....	11.23	10.71	1,180,797
September 2012 .....	11.27	10.55	1,255,617
October 2012 .....	11.00	10.50	1,015,220
November 2012 .....	10.92	10.12	1,556,748
December 1 to 3, 2012 .....	10.51	10.37	89,310

On November 20, 2012, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the TSX was \$10.56.

### *Debentures*

<b><u>Period</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>Volume</u></b>
December 2011 .....	103.80	101.25	5,100
January 2012 .....	106.70	104.00	14,770
February 2012 .....	109.23	104.50	6,600
March 2012 .....	107.60	104.75	12,020
April 2012 .....	108.98	105.50	10,790
May 2012 .....	109.89	105.71	7,720
June 2012 .....	108.27	102.76	8,180
July 2012 .....	114.89	104.55	5,830
August 2012 .....	110.28	108.00	16,050
September 2012 .....	110.99	108.00	15,610
October 2012 .....	111.00	108.62	25,970
November 2012 .....	110.70	107.26	8,660
December 1 to 3, 2012 .....	108.44	108.43	100

On November 20, 2012, the last trading day before the announcement of the Offering, the closing price of the Debentures on the TSX was \$108.75.

*Series A Shares*

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
December 2011 .....	24.70	23.00	85,136
January 2012 .....	25.00	23.01	72,725
February 2012 .....	25.50	24.70	46,110
March 2012 .....	25.01	24.20	31,565
April 2012 .....	25.10	24.75	38,442
May 2012 .....	25.25	24.60	63,768
June 2012 .....	25.00	23.85	23,829
July 2012 .....	25.30	24.85	64,098
August 2012 .....	25.60	24.91	48,270
September 2012 .....	25.53	24.70	33,252
October 2012 .....	25.59	24.85	30,469
November 2012 .....	25.35	24.36	25,367
December 1 to 3, 2012 .....	24.85	24.70	1,560

On November 20, 2012, the last trading day before the announcement of the Offering, the closing price of the Series A Shares on the TSX was \$25.19.

#### **EARNINGS COVERAGE RATIO**

The Corporation's dividend requirements on all of the Preferred Shares, after giving effect to the issue of the Series C Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 26%, amounted to approximately \$9.8 million for the 12 months ended December 31, 2011. The Corporation's interest and dividend requirements for the 12 months ended December 31, 2011 (assuming the issuance of the Series C Shares on the first day of such period) amounted to approximately \$63.0 million. The Corporation's loss before interest and income tax for the 12 months ended December 31, 2011 was approximately \$0.8 million, which is negative 0.01 times the Corporation's aggregate dividend and interest requirements for the period.

The Corporation's dividend requirements on all of the Preferred Shares, after giving effect to the issue of the Series C Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 26%, amounted to approximately \$9.9 million for the 12 months period ended September 30, 2012. The Corporation's interest and dividend requirements for the 12 months period ended September 30, 2012 (assuming the issuance of the Series C Shares on the first day of such period) amounted to approximately \$72.3 million. The Corporation's income before interest and income tax for the 12 months ended September 30, 2012 was approximately \$42.8 million, which is 0.59 times the Corporation's aggregate dividend and interest requirements for the period.

**The earnings coverage ratio for the Corporation for the twelve-month period ended September 30, 2012 is less than one-to-one. If cash flows from operating activities before changes in non-cash working capital items, interest and income tax were used instead of net income, the coverage ratios for the year ended December 31, 2011 and for the twelve-month period ended September 30, 2012 would have been 1.74 and 1.20 times the Corporation's aggregate dividend and interest requirements for the periods, respectively. The Corporation believes that the cash flow coverage ratios provide important additional information for the investors with respect to the Corporation's ability to service its debt and pay dividends on its Preferred Shares because they provide a measure that excludes certain elements that have no impact on cash on hand and on cash available for distribution to holders of the Preferred Shares. In particular, the cash flow coverage ratios exclude unrealized gains or losses on derivative financial instruments, depreciation and amortization as well as deferred income tax. See the unaudited consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2012 and the audited financial statements for the year ended December 31, 2011, together with the notes thereto and the management's discussion and analysis in respect thereof for a description of these elements that impact the profitability of the Corporation but have no impact on cash on hand.**

**Based on earnings coverage ratio as prescribed by the Canadian Securities Administrators, the additional earnings, required to bring the ratio to one-to-one is \$63.8 million at December 31, 2011 and \$29.5 million at September 30, 2012.**

## **PLAN OF DISTRIBUTION**

Pursuant to the underwriting agreement dated November 27, 2012 between the Corporation and the Underwriters (the “**Underwriting Agreement**”), the Corporation has agreed to issue and sell an aggregate of 2,000,000 Series C Shares to the Underwriters, and the Underwriters have agreed to purchase such Series C Shares on December 11, 2012 or such other date as the Corporation and the Underwriters may agree, but in any event, not later than December 28, 2012. Delivery of such Series C Shares is conditional upon payment on closing by the Underwriters to the Corporation of \$25.00 per Series C Share for a total consideration of \$50,000,000, against delivery of a certificate representing such Series C Shares and subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Underwriting Agreement provides that the Corporation will pay or cause to be paid to the Underwriters a fee of \$0.25 per Series C Share sold to certain institutional investors and a fee of \$0.75 per Series C Share sold to all other investors, in consideration for their services in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are joint and not solidary (the notion equivalent to several in common law) and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all Series C Shares if any securities are purchased under the Underwriting Agreement. If an Underwriter holding less than a 9.5% position does not complete the purchase and sale of the Series C Shares, the remaining Underwriters shall be obligated to take up such Underwriter’s position on a *pro rata* basis. In all other cases, if an Underwriter fails to purchase the Series C Shares that it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series C Shares. The Corporation has agreed to indemnify each of the Underwriters and each of their respective directors, officers, employees, agents and other representatives against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or will contribute to payments the Underwriters may be required to make in respect thereof.

Pursuant to the terms of the Underwriting Agreement, subject to certain exceptions, the Corporation has agreed not to authorize, offer, issue or sell, or announce its intention to sell any Preferred Shares, other than those Series C Shares qualified for distribution by this short form prospectus, nor agree or become bound to do any of the foregoing, during the period commencing on the date of this short form prospectus and ending 90 days after the Closing Date, without the prior written consent of TD Securities Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

Pursuant to policy statements of certain securities commissions or regulatory authorities, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Series C Shares. The foregoing restriction is subject to exceptions, including a bid or purchase permitted under the rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series C Shares. In connection with this Offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price for the Series C Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Series C Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Series C Shares at the Offering Price, the Offering Price of the Series C Shares may be decreased, and further changed from time to time, to an amount not greater than the Offering Price and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series C Shares is less than the gross proceeds paid by the Underwriters to the Corporation. Any such reduction will not affect the proceeds received by the Corporation.

The Corporation has granted to the Underwriters the Over-Allotment Option to purchase up to an additional 300,000 Series C Shares at the Offering Price on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of the Underwriters at any one time on or prior to the 30th day after the closing of

the Offering, for the purposes of covering the Underwriters' over-allotment position, if any. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' Fee and the net proceeds (before deducting expenses of the Offering) will be \$57,500,000, up to \$1,725,000 and \$55,775,000, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Series C Shares issued upon the exercise of the Over-Allotment Option. A purchaser who acquires Series C Shares forming part of the over-allotment position acquires such Series C Shares under this short form prospectus regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

There is currently no market through which the Series C Shares may be sold and purchasers may not be able to resell the Series C Shares purchased under this short form prospectus. This may affect the pricing of the Series C Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series C Shares and the extent of issuer regulation. See "Risk Factors".

The Offering is being made in each of the provinces of Canada. The Series C Shares will not have been nor will they be registered under the U.S. Securities Act, or any state U.S. securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The Underwriters have agreed that they will not offer, sell or deliver the Series C Shares offered hereby within the United States except for sales pursuant to an exemption from registration under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Series C Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than pursuant to an exemption from registration under the U.S. Securities Act.

The terms of the Offering, including the Offering Price, were established through negotiation between the Corporation and the Underwriters. The TSX has conditionally approved the listing of the Series C Shares to be issued under the Offering. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX.

Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for the Corporation and its affiliates from time to time for which they have received customary fees and expenses. The Underwriters and/or their affiliates may, from time to time, engage in transactions with, or perform services for, the Corporation and its affiliates in the ordinary course of business and receive fees in connection therewith.

#### **RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN PERSONS**

TD Securities Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks, and Desjardins Securities Inc. is an affiliate of a financial institution, which are currently lenders to the Corporation under its credit facility for an aggregate amount of approximately \$174.2 million. Furthermore, the Canadian chartered banks of which National Bank Financial Inc. and BMO Nesbitt Burns Inc. are wholly-owned indirect subsidiaries are currently lenders under credit facilities of certain subsidiaries of the Corporation for aggregate amounts of \$35.1 million and \$25.4 million, respectively. Consequently, the Corporation may be considered a "connected issuer" of TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Desjardins Securities Inc. under applicable securities laws in certain Canadian provinces.

The Corporation is in compliance with the terms of these existing credit facilities and the lenders have not waived a breach, on the part of the Corporation, of such credit facilities since their execution. Except as otherwise disclosed herein, the financial position of the Corporation has not changed in a material manner since such indebtedness was incurred. The indebtedness under these existing credit facilities is secured by pledges of partnership interests and share capital of, and guarantees provided by, certain subsidiaries of the Corporation.

The Corporation currently intends to use a portion of the net proceeds of the Offering to repay certain of its indebtedness to such banks and financial institutions. See "Risk Factors".

Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for the Corporation and its affiliates from time to time for which they have received customary fees and expenses. The Underwriters and/or their affiliates may, from time to time, engage in transactions with, or perform services for, the Corporation and its affiliates in the ordinary course of business and receive fees in connection therewith.

The decision to issue the Series C Shares and the determination of the terms of the distribution were made through negotiation among the Corporation and the Underwriters. The Canadian chartered banks which are lenders to the Corporation, including the Canadian chartered banks of which TD Securities Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. are the respective subsidiaries, and the financial institution of which Desjardins Securities Inc. is an affiliate, did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Desjardins Securities Inc. will not receive any benefit in connection with the Offering other than their respective share of the Underwriters' fee.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation and of Borden Ladner Gervais LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Series C Shares acquired pursuant to this Prospectus (a “**Holder**”) who, for purposes of the Tax Act and at all relevant times, (i) is or is deemed to be a resident of Canada, (ii) deals at arm's length and is not affiliated with the Corporation, (iii) holds the Series C Shares as capital property and (iv) is not exempt from tax under Part I of the Tax Act.

Generally, the Series C Shares will be capital property to a Holder provided the Holder does not acquire or hold such shares in the course of carrying on a business of trading or dealing in securities or as part of an adventure or concern in the nature of a trade. Certain Holders who might not otherwise be considered to hold Series C Shares as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security”, as defined in the Tax Act, owned by such Holder in the taxation year of the election and each subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders considering such election should consult their own tax advisors in this regard.

This summary is not applicable (i) to a Holder that is a “financial institution” for the purposes of the “mark to market property” rules, (ii) to a Holder an interest in which would be a “tax shelter investment” or (iii) to a Holder to whom the “functional currency” reporting rules apply, each as defined in the Tax Act. Such Holders should consult their own tax advisors. Furthermore, this summary is not applicable to a Holder that is a “specified financial institution”, as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Series C Shares outstanding at the time the dividend is received. This summary assumes that all issued and outstanding Series C Shares are listed on a designated stock exchange (as defined in the Tax Act, which currently includes the TSX) in Canada at such times as dividends (including deemed dividends) are paid or received on such shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, prospective Holders should consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by the Minister of Finance prior to the date hereof (the “**Proposals**”) and counsel's understanding of the current administrative and assessing policies and practices of the Canada Revenue Agency published in writing by it prior to the date hereof. This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations. No assurances can be given that the Proposals will be enacted as proposed or at all.

### **Dividends**

Dividends (including deemed dividends) received on the Series C Shares by a Holder who is an individual (other than certain trusts) will be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend gross-up and dividend tax credit applicable to any dividends designated by the Corporation as “eligible dividends” in accordance with the Tax Act.

Dividends (including deemed dividends) received on the Series C Shares by a Holder that is a corporation will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

The Series C Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series C Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series C Shares.

Dividends received or deemed to be received by a Holder who is an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 $\frac{1}{3}$ % on dividends received (or deemed to be received) on the Series C Shares to the extent such dividends are deductible in computing its taxable income.

### **Dispositions**

A Holder who disposes of or is deemed to dispose of Series C Shares (on redemption for cash or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Corporation of Series C Shares generally will not be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. If the Holder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such Series C Shares, to the extent and under the circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any capital gain realized in a year will be included in computing the Holder's income for a year as a taxable capital gain and one-half of any capital loss realized in a year must be deducted as an allowable capital loss against taxable capital gains realized in such year in accordance with the rules contained in the Tax Act. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in the three preceding taxation years or in any subsequent taxation year, subject to and in accordance with the rules contained in the Tax Act. Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax under the Tax Act. Taxable capital gains of a Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax of 6 $\frac{2}{3}$ %.

### **Redemption**

If the Corporation redeems or otherwise acquires Series C Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation, including any redemption premium, in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid by the Corporation, including any redemption premium, and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate Holder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not as a dividend.

## **LEGAL MATTERS**

Certain legal matters in connection with this Offering will be passed on behalf of the Corporation by McCarthy Tétraut LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP. As of the date hereof, the partners and associates of McCarthy Tétraut LLP, as a group, beneficially own, directly and indirectly, less than

1% of the outstanding securities of the Corporation and its affiliates and associates. As of the date hereof, the partners and associates of Borden Ladner Gervais LLP, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding securities of the Corporation and its affiliates and associates.

## **LEGAL PROCEEDINGS**

The Corporation is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Corporation or its subsidiaries which would be material to a purchaser of the Series C Shares.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The independent auditor of the Corporation and its subsidiaries is Samson Bélair/Deloitte & Touche s.e.n.c.r.l., Chartered Professional Accountants, Montreal, Quebec. Samson Bélair/Deloitte & Touche s.e.n.c.r.l., is independent within the meaning of the Code of Ethics of the Ordre des Comptables Professionnels Agréés du Québec. The transfer agent and registrar for the Series C Shares will be Computershare Investor Services Inc., at its principal transfer office in Montreal, Quebec.

## **RISK FACTORS**

*An investment in Series C Shares involves a number of risks. Before investing, prospective purchasers of Series C Shares should carefully consider, in light of their own financial circumstances, the factors set out below, as well as other information included or incorporated by reference in this short form prospectus and in particular under the heading “Risk Factors” of the Corporation’s annual information form dated March 21, 2012 for the year ended December 31, 2011 and those described in the management’s discussion and analysis of the Corporation dated March 23, 2012 for the year ended December 31, 2011. See “Documents Incorporated by Reference”.*

### **Risks Related Specifically to the Series C Shares**

*Credit rating may not reflect actual performance of the Corporation*

The credit ratings applied to the Series C Shares is an assessment, by the rating agencies, of the Corporation’s ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the Corporation. Changes in the credit ratings of the Series C Shares in the future may affect the market price or value and the liquidity of the Series C Shares. There is no assurance that any credit rating assigned to the Series C Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the rating agencies. The Corporation decided to terminate its agreement with DBRS, effective September 8, 2012. Despite such termination, DBRS continues for the time being and of its own volition to rate the Corporation and certain of its securities, but does not have access to non-public information, including forecasts and budgets. There can be no assurance that DBRS will continue to provide ratings, nor are there indications as to when DBRS might cease to provide such ratings. In light of the change in the rating trend assigned by DBRS from Stable to Negative and of the irreconcilable views referred to under “Ratings”, there can be no assurance that the provisional rating of Pfd-3 (low) assigned to the Series C Shares by DBRS will not be changed to a lower rating category.

*The market value of Series C Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate*

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series C Shares for reasons unrelated to the Corporation’s performance. The value of those Series C Shares are also subject to market fluctuations based upon factors which influence the Corporation’s operations, such as legislative or regulatory developments, competition and global capital market activity.

The value of Series C Shares will be affected by the general creditworthiness of the Corporation. The annual information form of the Corporation dated March 21, 2012 for the year ended December 31, 2011 and the management’s discussion and analysis of the Corporation dated March 23, 2012 for the year ended December 31, 2011 are incorporated by reference in this Prospectus and discuss, among other things, known material trends and

events, and risks or uncertainties that are reasonably expected to have a material effect on the Corporation's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratio", which ratios are relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series C Shares.

The market value of the Series C Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. The market price or value of the Series C Shares will decline as prevailing interest rates for comparable instruments rise, and increase as prevailing interest rates for comparable instruments decline. Real or anticipated changes in credit ratings on the Series C Shares may also affect the cost at which the Corporation can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

*The Corporation may redeem Series C Shares*

The Corporation may choose to redeem the Series C Shares from time to time, in accordance with its rights described under "Details of the Offering — Description of the Series C Shares — Redemption", including when prevailing interest rates are lower than the yields borne by the Series C Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series C Shares being redeemed. The Corporation's redemption right also may adversely impact a purchaser's ability to sell Series C Shares as the optional redemption date or period approaches.

*The Series C Shares do not have a fixed maturity date, may not be redeemed at the holder's option and the ability of a holder to liquidate its holdings may be limited*

The Series C Shares do not have a fixed maturity date and are not redeemable or retractable at the option of the holders of Series C Shares. The ability of a holder to liquidate its holdings of Series C Shares may be limited.

*The declaration of dividends on the Series C Shares is at the discretion of the Board of Directors*

Holders of Series C Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

In addition, the Corporation may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

*There is currently no trading market for the Series C Shares*

There is currently no trading market for the Series C Shares. There can be no assurance that an active trading market will develop for the Series C Shares after the Offering, or if developed, that such a market will be sustained at the Offering Price. If an active or liquid market for the Series C Shares fails to develop or be sustained, the prices at which the Series C Shares trade may be adversely affected.

The public Offering Prices of the Series C Shares have been determined by negotiation between the Corporation and Underwriters based on several factors and may bear no relationship to the prices at which the Series C Shares will trade in the public market subsequent to such offering. See "Plan of Distribution".

*Creditors of the Corporation rank ahead of holders of Series C Shares in the event of an insolvency or winding up of the Corporation*

Creditors of the Corporation rank ahead of holders of Series C Shares in the event of an insolvency or winding up of the Corporation, and creditors of the Corporation's subsidiaries rank ahead of the Corporation and holders of Series C Shares in the event of an insolvency or winding up of such subsidiaries.

The Series C Shares rank equally with the Series A Shares and Series B Shares and other Preferred Shares that may be outstanding in the event of an insolvency or winding up of the Corporation. If the Corporation becomes insolvent or is wound-up, the Corporation's assets must be used to pay debt, including inter-company debt, before payments may be made on Series A Shares, Series B Shares, Series C Shares and other Preferred Shares.

*The Corporation is subject to certain restrictions and covenants which could restrict its ability to declare dividends*

The Corporation and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Corporation's ability, and the ability of its subsidiaries under certain circumstances to, among other things, make distributions or pay dividends, incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, issue any equity interests and create subsidiaries. These restrictions may limit the Corporation's ability to declare dividends on the Series C Shares.

*Holders of the Series C Shares do not have voting rights except under limited circumstances*

Holders of Series C Shares will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. See "Details of the Offering - Voting Rights".

## **Risks Related to the Magpie Hydroelectric Facility Acquisition and Other Recent Developments**

### *Potential Undisclosed Liabilities Associated with Acquisitions*

There may be liabilities and contingencies that management of the Corporation did not discover in its due diligence prior to consummation of acquisitions and the Corporation may not be indemnified for these liabilities and contingencies. The discovery of any material liabilities or contingencies relating to the shares or assets acquired or to be acquired through the acquisitions of the Corporation following such acquisitions could have a material adverse effect on the Corporation's business, financial condition and results of operations.

### *Integration of the Facilities and Projects Acquired and to be Acquired*

The integration of facilities and assets acquired or to be acquired through the acquisitions of the Corporation may result in significant challenges, and management of the Corporation may be unable to accomplish the integration successfully or without spending significant amounts of money. There can be no assurance that management will be able to integrate successfully the assets acquired or to be acquired through the acquisitions or fully realize the expected benefits of the acquisitions.

### *Failure to Realize Acquisition Benefits*

The Corporation believes that the acquisitions recently completed and to be completed will provide benefits for the Corporation. However, there is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by the management of the Corporation. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Corporation.

### *Failure to Close the Magpie Hydroelectric Facility Acquisition and the acquisition of the Hydromega Hydroelectric Facilities and Development Projects*

The closing of the Magpie Hydroelectric Facility Acquisition is subject to the fulfillment or waiver of certain closing conditions, including third-party consents and certain other customary closing conditions. The failure to have such closing conditions satisfied or, if applicable, waived, will prevent the Corporation from completing the Magpie Hydroelectric Facility Acquisition. There is no assurance that such closing conditions will be satisfied or waived. Accordingly, there can be no assurance that the Corporation will complete the Magpie Hydroelectric Facility Acquisition in its timeframe or on the terms and conditions described herein, if at all. In addition, there is no certainty the Corporation will be successful in negotiating a definitive agreement for the acquisition of the Kapuskasing Projects, Dokis Project and Sainte-Marguerite Facility or that such transaction will close.

*Revenues from the Miller Creek Facility will vary based on the Spot Price of Electricity*

Because the price for electricity purchased from the Miller Creek Facility is based on a formula using the mid-C spot price for electricity, revenues under the applicable power purchase agreement will vary. If the mid-C index declines from its current levels, the Miller Creek Facility's revenues and Adjusted EBITDA will be negatively impacted. An increase in the volatility of the mid-C spot price would add uncertainty to the determination of potential revenues and Adjusted EBITDA of the Miller Creek Facility.

#### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a short form prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, price revision or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, price revision or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## INDEPENDENT AUDITOR'S CONSENT

We have read the short form prospectus of Innergex Renewable Energy Inc. (the "**Corporation**") dated December 4, 2012, qualifying the distribution of 2,000,000 Cumulative Redeemable Fixed Rate Preferred Shares, Series C of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of earnings, consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated March 21, 2012.

Montreal, Quebec  
December 4, 2012

*(s) Samson Bélair/Deloitte & Touche s.e.n.c.r.l.*  
CPA auditor,CA, public accountancy permit No. A109248

## CONSENT

We have read the short form prospectus of Innergex Renewable Energy Inc. (the “**Corporation**”) dated December 4, 2012, qualifying the distribution of 2,000,000 Cumulative Redeemable Fixed Rate Preferred Shares, Series C of the Corporation. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the directors of Cloudworks Energy Inc. on the consolidated balance sheet of Cloudworks Energy Inc. as at December 31, 2010 and the consolidated statements of operations and deficit and cash flows for the year then ended included in the business acquisition report of the Corporation dated June 20, 2011 and filed in its amended form on November 21, 2012 describing the acquisition of all of the issued and outstanding shares of Cloudworks Energy Inc. Our report is dated June 20, 2011.

*(s) PricewaterhouseCoopers LLP*  
Vancouver, British Columbia  
December 4, 2012

**CERTIFICATE OF THE CORPORATION**

Dated: December 4, 2012

This short form prospectus, together with the documents incorporated herein by reference, constitutes, full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

**INNERGEX RENEWABLE ENERGY INC.**

By: *(s) Michel Letellier*  
Michel Letellier  
President and Chief Executive Officer

By: *(s) Jean Perron*  
Jean Perron  
Chief Financial Officer and Senior Vice President

On behalf of the Board of Directors

By: *(s) Jean La Couture*  
Jean La Couture  
Chairman

By: *(s) Daniel L. Lafrance*  
Daniel L. Lafrance  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: December 4, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

**TD SECURITIES INC.**

By: (s) *Louis G. Véronneau*  
Louis G. Véronneau  
Managing Director

**NATIONAL BANK FINANCIAL INC.**

By: (s) *Martin Robitaille*  
Martin Robitaille  
Director

**BMO NESBITT BURNS INC.**

By: (s) *Pierre-Olivier Perras*  
Pierre-Olivier Perras  
Managing Director

**DESJARDINS SECURITIES INC.**

By: (s) *François Carrier*  
François Carrier  
Managing Director

**CANACCORD GENUITY CORP.**

By: (s) *Steven Winokur*  
Steven Winokur  
Managing Director

**GMP SECURITIES L.P.**

By: (s) *Eric Desrosiers*  
Eric Desrosiers  
Managing Director