

ORRA

1

LEX

Interim Management's Discussion and Analysis 1

as at March 31, 2011

DESCRIPTION OF BUSINESS

Boralex Inc. ("Boralex" or the "Corporation") is a power producer whose core business involves developing and operating renewable energy power stations with a total installed capacity of approximately 700 megawatts ("MW") in Canada, the Northeastern United States and France. Employing nearly 350 people, Boralex stands out for its diversified expertise and in-depth experience in four power generation segments:

- Boralex currently operates a 251 MW **wind** power portfolio in Europe and Canada. In recent years, Boralex has become one of the biggest and most experienced **wind** power producers in France, where it currently generates 161 MW of power. Boralex recently entered the wind power industry in Canada by commissioning 90 MW of power in Ontario. In Québec, Boralex is working with a partner on the development of the Seigneurie de Beaupré wind farms with a total installed capacity of 341 MW, slated for commissioning at the end of 2013 and 2015. Also, in partnership with Québec regional municipalities ("RCMs"), Boralex has obtained long-term power sales contracts for two other sites totalling 50 MW, slated for commissioning at the end of 2014 and 2015.
- Boralex has almost 20 years of expertise as a **hydroelectric** power producer, owning and operating 15 power stations of which seven are in the U.S., seven in Québec and one in British Columbia. This segment has an installed capacity of 136 MW.
- Boralex owns and operates ten **thermal** power stations, with a total installed capacity of 312 MW. The Corporation is North America's largest producer of renewable **wood-residue** energy, with eight thermal power stations for a combined capacity of 267 MW. Boralex also operates two **natural gas** cogeneration power stations with a total installed capacity of 45 MW.

Boralex's stock, in which Cascades Inc. ("Cascades") holds a 35% interest, and its convertible debentures trade on the Toronto Stock Exchange under the ticker symbol BLX and BLX.DB, respectively.

INTRODUCTORY COMMENTS TO INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three-month period ended March 31, 2011 compared with the corresponding three-month period ended March 31, 2010, as well as the Corporation's financial position as at March 31, 2011 and December 31, 2010. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes appearing in this interim report, as well as with the audited consolidated financial statements and accompanying notes appearing in the most recent annual report for the year ended December 31, 2010.

Additional information about the Corporation, including the annual information form, previous annual reports, MD&As and interim financial statements, as well as press releases, is published separately and is available on the Boralex (www.boralex.com) and SEDAR (www.sedar.com) websites.

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex Inc. and its subsidiaries and divisions or Boralex Inc. or one of its subsidiaries or divisions.

The information contained in this MD&A reflects all material events up to May 10, 2011, the date on which the Board of Directors approved the consolidated financial statements and this interim MD&A.

Unless otherwise indicated, all financial information presented below, as well as tabular information, is in Canadian dollars.

NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. These statements are characterized by the use of positive or negative verbs, such as plan, anticipate, evaluate, estimate, believe and other related expressions. They are based on Boralex management's expectations, estimates and assumptions as at May 10, 2011.

Boralex would like to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular projection. The main factors that could lead to a material difference between the Corporation's actual results and the projections or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, raw material price increases and availability, currency fluctuations, volatility in the selling price of electricity, the Corporation's financing capacity, negative changes in general market conditions and regulations affecting the industry, as well as other factors described later in *Outlook and Risk Factors and Uncertainties* in this MD&A. Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities of transactions, non-recurring items or exceptional items announced or occurring after the statements are made.

There can be no assurance as to the materialization of the results, performance or achievements as expressed or implied by forward-looking statements. The reader is cautioned not to place undue reliance on such forward-looking statements. Unless required to do so under applicable securities legislation, Boralex management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes.

IFRS COMPLIANCE

Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS"). The information provided in this MD&A also includes non-IFRS performance measures. For management purposes, Boralex uses EBITDA as defined under *Additional information about non-IFRS performance measures*, adjusted EBITDA and adjusted net earnings, as these measures allow management to assess the operating and financial performance of the Corporation's various segments.

In addition, in analyzing changes in its financial position, the Corporation uses cash flows from operations as defined under *Additional information about non-IFRS performance measures*. Both management and investors use this measure to assess the quality of cash flows generated by operations and the Corporation's ability to finance its expansion projects through its operating activities.

Please see *Additional information about non-IFRS performance measures* in this MD&A for a reconciliation between EBITDA, adjusted EBITDA, net adjusted earnings and cash flows from operations with certain line items in Boralex's consolidated statements of earnings and consolidated statements of cash flows.

RECENT EVENTS THAT COULD POTENTIALLY HAVE A SIGNIFICANT IMPACT ON THE CORPORATION'S RESULTS FOR FISCAL 2011 COMPARED WITH FISCAL 2010

132% EXPANSION IN BORALEX'S WIND POWER INSTALLED CAPACITY FROM DECEMBER 2009 TO DECEMBER 2010

Since the end of fiscal 2009, Boralex has completed major wind power development projects to expand its presence in Europe and tap into the Canadian market. From 108 MW at the beginning of December 2009, the operating installed capacity of Boralex's wind power segment rose to 251 MW by the end of December 2010, of which 161 MW stemmed from France and 90 MW in Canada. Boralex's key development stages in the wind power segment were as follows:

- December 2009–January 2010: commissioning of the 40 MW Phase I Thames River site in Ontario, Canada;
- February 2010: commissioning of an additional 4.5 MW at the Cham Longe II wind farm in France;
- August–October 2010: commissioning of the 30 MW Ronchois wind farm in France;
- October 2010: commissioning of French wind power stations Le Grand Camp (10 MW) and Chasse Marée (9 MW); and
- End of October–December 2010: commissioning of the 50 MW Phase II Thames River site.

Of this expansion totalling 143 MW, note that approximately 100 MW was commissioned in the last five months of fiscal 2010, which should generate a significant additional contribution to Boralex's fiscal 2011 results. All of Boralex's wind power assets enjoy long-term power sales contracts and favourable selling prices in both Europe and Canada.

Furthermore, Boralex is working with partners on development projects totalling 391 MW in Québec, all of which have long-term sales contracts, which are expected to be commissioned between 2013 and 2015. In Europe, over the next few quarters, Boralex intends to leverage the partnership it entered into with Cube Infrastructure Fund (“Cube”) in December 2009 to expand the wind power segment in France and certain other European countries.

SEPTEMBER 15, 2010 ACQUISITION OF BORALEX POWER INCOME FUND

In May 2010, Boralex launched a takeover bid (the “Offer”) to acquire Boralex Power Income Fund (the “Fund”). In addition to holding 23% of the Fund’s trust units at the time of the Offer, Boralex had, since the Fund’s inception in 2002, managed and operated the Fund’s ten power stations with a total installed capacity of 190 MW, including seven hydroelectric power stations, **two wood-residue thermal power stations** and **one natural gas cogeneration facility**. Eight of these power stations are located in Québec, Canada and two in the U.S. state of New York.

On September 15, 2010, Boralex announced that it held 68% of the outstanding trust units of the Fund including its initial ownership interest and the units acquired as at that date in connection with the Offer. On November 1, 2010, Boralex and the Fund executed the business combination agreement approved during the October 21, 2010 special meeting of unitholders. On November 2, 2010, Boralex proceeded with the payments in cash and through the issuance of convertible debentures for all the units of the Fund still outstanding at the time of the business combination. Boralex completed the privatization of the Fund by applying to have the Fund’s status as a reporting issuer revoked and to have the units delisted from the Toronto Stock Exchange. Total consideration of \$226.5 million was paid to unitholders through a combination of \$90.6 million in cash and the issuance of \$135.9 million in convertible debentures.

The acquisition of the Fund provided Boralex with numerous and significant advantages, consisting mainly as follows:

- The addition of high-quality assets, particularly in the hydroelectric segment, boasting a proven, historically profitable power generation method and a reliable cash flow stream;
- Greater stability in profit margins and cash flows, since all of the power stations acquired from the Fund have power sales contracts; and
- Greater geographic diversification of Boralex’s assets among Canada, the U.S. and Europe.

At the corporate level, the integration of the Fund’s assets allowed for more focused growth, operating and financing strategies with no organizational changes required, as Boralex had already been operating and managing these assets since 2002. (For more information about the Fund’s acquisition transaction, see *Important event: acquisition of the Fund by Boralex* in the annual report for the year ended December 31, 2010, as well as note 4, *Business Acquisitions*, to the consolidated financial statements for the year ended December 31, 2010 and note 4 to the interim consolidated financial statements as at March 31, 2011.)

In the statement of earnings for the first quarter ended March 31, 2011, the Fund’s results were fully consolidated into Boralex’s results, whereas in the statement of earnings for the first quarter ended March 31, 2010, Boralex’s results included 23% of the Fund’s net earnings, with this amount allocated to the items *Share in earnings of the Fund* and *Management revenues from the fund*, and with respect to expenses, *Management and operation of the Fund*. Boralex’s balance sheets as at March 31, 2011 and December 31, 2010 include all of the Fund’s balance sheet items.

In this interim report, the impact of the operations acquired from the Fund is sometimes presented separately in the MD&A and certain tables, where management deems relevant, to allow readers to compare the performance of Boralex’s other operations with prior-period performance.

COMBINED IMPACT OF THESE EVENTS ON BORALEX’S POSITIONING

Subsequent to the recent expansion in the wind power segment and the acquisition of the Fund, Boralex now owns approximately 700 MW of energy production assets in operation in Canada, the U.S. and France. Of these assets, 73% have price-indexed long-term power sales contracts, which will result in greater stability in profit margins and cash flows. With more than 400 MW of projects currently under development with its partners, Boralex’s strategic objective of 1,000 MW of operating/contracted capacity has nearly been achieved. As a result, Boralex has set a new objective of attaining an operating/contracted capacity of 1,500 MW by 2015.

The following table provides information about the makeup of the Corporation's energy portfolio, while emphasizing the contribution of the Fund power stations.

MAKEUP OF BORALEX'S ENERGY PORTFOLIO

	Boralex		Fund		Combined	
	MW	%	MW	%	MW	%
Installed capacity						
- Contracted	320.0	63%	190.5	100%	510.5	73%
- Non-contracted	188.5	37%	-	-	188.5	27%
Total	508.5	100%	190.5	100%	699.0	100%
Location						
- Canada	107.0	21%	130.5	69%	237.5	34%
- United States	226.5	44%	60.0	31%	286.5	41%
- Europe	175.0	35%	-	-	175.0	25%
Total	508.5	100%	190.5	100%	699.0	100%
Type of power						
- Wind	251.0	49%	-	-	251.0	36%
- Hydroelectricity	39.5	8%	96.5	51%	136.0	20%
- Thermal/wood residue	204.0	40%	63.0	33%	267.0	38%
- Thermal/natural gas	14.0	3%	31.0	16%	45.0	6%
Total	508.5	100%	190.5	100%	699.0	100%

To sum up, the recent expansion in the wind power segment and the acquisition of the Fund continue to grow Boralex's profit margins, in addition to considerably strengthening its profile, positioning, capacity to generate cash flows from operations, and accordingly, Boralex's growth outlook. These two developments have also significantly lowered Boralex's business risk by reducing to under 27% the relative share of U.S. assets that are do not have power sales contracts and are therefore exposed to fluctuations in the open electricity market.

SEASONAL FACTORS

(in thousands of dollars, except per share amounts and number of shares outstanding)

<i>Quarters ended</i>	<i>June 30, 2010</i>	<i>September 30, 2010</i>	<i>December 31, 2010</i>	<i>March 31, 2011</i>
REVENUES FROM ENERGY SALES				
Wind power stations	9,230	7,802	17,479	18,273
Hydroelectric power stations	2,323	2,784	18,060	12,732
Wood-residue thermal power stations	22,896	28,072	24,173	34,309
Natural gas thermal power stations	2,279	3,438	13,324	16,714
	36,728	42,096	73,036	82,028
EBITDA				
Wind power stations	7,112	5,628	14,103	15,066
Hydroelectric power stations	1,182	1,473	14,401	9,076
Wood-residue thermal power stations	4,424	7,135	1,904	10,283
Natural gas thermal power stations	(106)	254	4,105	7,640
Corporate and eliminations	(7,216)	(3,478)	(4,149)	(4,277)
	5,396	11,012	30,364	37,788
NET EARNINGS (LOSS)				
Per share, basic, in dollars	(4,714)	34,729	3,081	7,011
Per share, diluted, in dollars	(0.12)	0.92	0.08	0.19
	(0.12)	0.92	0.08	0.18
Weighted average number of shares outstanding (basic)	37,740,921	37,740,921	37,744,869	37,766,491

(in thousands of dollars, except per share amounts and number of shares outstanding)

<i>Quarters ended</i>	<i>June 30, 2009⁽¹⁾</i>	<i>September 30, 2009⁽¹⁾</i>	<i>December 31, 2009⁽¹⁾</i>	<i>March 31, 2010</i>
REVENUES FROM ENERGY SALES				
Wind power stations	8,018	5,797	10,974	11,413
Hydroelectric power stations	2,842	1,779	2,948	3,054
Wood-residue thermal power stations	28,338	29,841	27,031	30,216
Natural gas thermal power station	2,558	2,259	5,196	6,321
	41,756	39,676	46,149	51,004
EBITDA				
Wind power stations	6,242	4,247	9,085	9,419
Hydroelectric power stations	1,785	301	1,743	1,873
Wood-residue thermal power stations	8,148	10,685	9,359	10,028
Natural gas thermal power station	(145)	(126)	915	2,038
Corporate and eliminations	(3,088)	(3,662)	(9,117)	(5,567)
	12,942	11,445	11,985	17,791
NET EARNINGS				
Per share, basic and diluted, in dollars	1,817	698	14,712	1,976
	0.05	0.02	0.39	0.05
Weighted average number of shares outstanding (basic)	37,740,921	37,740,921	37,740,921	37,740,921

(1) In accordance with Canadian GAAP.

SEASONAL AND OTHER CYCLICAL FACTORS

Operations and results for some of the Corporation's power stations are subject to seasonal cycles and other cyclical factors that vary by segment. However, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not. For the 37 Boralex facilities that have long-term fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The nine Boralex power stations that do not have long-term contracts and that sell their power on the open market in the Northeastern U.S. are more vulnerable to seasonal fluctuations which, in addition to influencing power production volumes, also have an impact on prices obtained. Moreover, the price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S.

Generally, electricity consumption increases in the winter and summer, which corresponds to Boralex's first and third quarters. Historically, this means that, for those two periods, the power stations that do not have long-term power sales contracts obtain generally higher average prices. In addition, when deemed appropriate, the Corporation uses financial instruments for periods of up to three years for hedging purposes to fix part of the prices of power stations without long-term power sales contracts, which partially offsets the impact of seasonal cycles and other cyclical factors on prices. Also, as the wood-residue power stations that Boralex operates in the United States can regulate their output level, they usually generate more power during such peak periods.

Whether or not power stations benefit from sales contracts, their output level is subject to following seasonal cycles, depending on their power production method.

Wind power — For the 251 MW of Boralex's production covered by long-term power sales contracts, wind conditions are usually more favourable in the winter, which falls during Boralex's first and fourth quarters, both in France and Canada. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, in view of weather conditions described above, management estimates that approximately 60% of the annual production in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

Hydroelectric — For the 15 Boralex hydroelectric facilities, power output depends on water flow, which in Canada and the Northeastern U.S. tends to be at a maximum in spring and generally good in the fall, which represents Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that apart from the three hydroelectric power stations whose water flow is regulated upstream, Boralex's hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

Wood-residue — Because the wood-residue power stations can regulate their production level as mentioned previously, they usually generate more power during such peak periods. For this reason, these power stations perform shutdowns for regular maintenance in spring or fall, which impacts their operating results for those periods.

Natural gas — Steam production at the two natural gas cogeneration power stations located in France and in Québec is covered by power sales contracts, and in addition, is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Moreover, the Kingsey Falls power station in Québec entered into two advantageous hedging contracts in 2010 for a two-year period to index the selling price of its steam production and fix its natural gas purchase price. The French natural gas cogeneration power station's long-term power sales contract with Électricité de France ("EDF") contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, as of 2005, the power station operates its cogeneration equipment only during the five months from November to March.

Management expects the integration of the Fund's assets and the commissioning of new wind power assets over the past few quarters to have a stabilizing and therefore beneficial impact with respect to seasonal changes that could affect the Corporation's performance, given that all of these assets have long-term power sales contracts that shield them from seasonal price cycles. Moreover, these recent developments resulted in an increase in the relative share of the wind power and hydroelectric segments in Boralex's total production, thereby heightening these segments' seasonal patterns.

Note also that, under Boralex's strategic plan, the wind sector—which is already the largest single contributor to Boralex's operating income—is expected to become the Corporation's largest segment in terms of installed capacity, revenues and cash flows, in addition to enjoying the greatest geographical diversification. With the commissioning of the wind farms currently under development in Canada, the Corporation's wind power segment will represent over 500 MW of installed capacity by the end of fiscal 2015, excluding potential acquisitions of assets that are operational or under development.

In general, excluding potential foreign currency fluctuations, the expansion in the wind power segment, coupled with the addition of the Fund's power stations, should accentuate the Corporation's trend of generating more revenues and earnings during the first and fourth quarters.

To sum up, although Boralex's performance is affected by seasonal cycles and other cyclical factors, their impact is mitigated by the increasing portion of revenues from fixed-price and price-indexed contracts, the growing diversification of its power generation sources and its geographic positioning. These factors will be strengthened significantly by the recent acquisition of the Fund and Boralex's wind power expansion strategy. To mitigate its vulnerability to seasonal cycles and other cyclical factors, the Corporation is also using hedging instruments to hedge prices and developing complementary revenue streams in order to increase and secure revenues or to reduce costs. In the U.S., for example, Boralex participates in the Renewable Energy Certificates ("RECs") market and the Forward Capacity Market.

FINANCIAL HIGHLIGHTS

	<i>Quarters ended</i>	
	<i>March 31</i>	<i>March 31</i>
<i>(in thousands of dollars, except per share amounts and number of shares outstanding)</i>	2011	2010
REVENUES FROM ENERGY SALES		
Wind power stations	18,273	11,413
Hydroelectric power stations	12,732	3,054
Wood-residue thermal power stations	34,309	30,216
Natural gas thermal power stations	16,714	6,321
	82,028	51,004
EBITDA		
Wind power stations	15,066	9,419
Hydroelectric power stations	9,076	1,873
Wood-residue thermal power stations	10,283	10,028
Natural gas thermal power stations	7,640	2,038
Corporate and eliminations	(4,277)	(5,567)
	37,788	17,791
ADJUSTED EBITDA⁽¹⁾		
Wind power stations	15,066	9,419
Hydroelectric power stations	9,076	1,873
Wood-residue thermal power stations	10,283	10,028
Natural gas thermal power stations	7,640	2,038
Corporate and eliminations	(4,277)	(1,846)
	37,788	21,512
NET EARNINGS		
	7,011	1,976
Per share, basic, in dollars	0.19	0.05
Per share, diluted, in dollars	0.18	0.05
Weighted average number of shares outstanding (basic)	37,766,491	37,740,921

(1) See *Additional Information about Non-IFRS Performance Measures* for information on these specific items.

	As at March 31,	As at December 31,
	2011	2010
<i>(in thousands of dollars)</i>		
BALANCE SHEET DATA		
Total assets	1,238,069	1,246,019
Long-term debt ⁽²⁾	518,716	513,774
Convertible debentures	221,429	220,824
Total equity	375,581	367,689

(2) Including long-term debt and its current portion and bank loans and advances.

ADDITIONAL INFORMATION ABOUT NON-IFRS PERFORMANCE MEASURES

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA, adjusted EBITDA, adjusted net earnings and cash flows from operations as performance measures. Although they are non-IFRS performance measures, management believes that these measures are widely accepted financial indicators used by investors to assess the performance of a company and its ability to generate cash through operations.

Nevertheless, since these measures are not defined under IFRS, they may not be comparable to similarly named measures used by other companies.

Investors should not view EBITDA as an alternative measure to, for example, net earnings, or as a measure of operating results or cash flows, or as a parameter for measuring liquidity.

The following table reconciles EBITDA to net earnings:

(in thousands of dollars)	<i>Quarters ended</i>	
	<i>March 31,</i> 2011	<i>March 31,</i> 2010
Net earnings attributable to shareholders	7,011	1,976
Non-controlling interests	56	280
Income taxes	3,500	2,985
Net loss (gain) on financial instruments	316	(560)
Foreign exchange loss	1,519	454
Financing costs	11,983	5,763
Gain on sale of assets	(2,377)	(774)
Amortization	15,780	7,667
EBITDA	37,788	17,791

Cash flows from operations are equal to cash flows related to operating activities before change in working capital. Management uses this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion through those funds. In light of the seasonal nature of the Corporation's operations and development activities, changes in non-cash working capital items can vary considerably. In addition, development activities result in significant changes in accounts payable during the construction period, as well as an initial injection of working capital at project start-up.

Trade accounts receivable can also vary significantly when the Corporation qualifies for entry into new renewable energy markets. Accordingly, the Corporation deems it preferable not to integrate changes in working capital in this performance measure.

Investors should not consider cash flows from operations as an alternative measure to cash flows related to operating activities, which is an IFRS measure.

The following table reconciles cash flows from operations to cash flows related to operating activities:

	<i>Quarters ended</i>	
	<i>March 31,</i>	<i>March 31,</i>
<i>(in thousands of dollars)</i>	2011	2010
Cash flows related to operating activities	40,258	22,718
Cash flows provided by change in non-cash working capital items	(16,199)	(8,198)
CASH FLOWS FROM OPERATIONS	24,059	14,520

The following tables reconcile EBITDA and net earnings as reported in the financial statements with adjusted EBITDA and net earnings:

	<i>Quarters ended</i>	
	<i>March 31,</i>	<i>March 31,</i>
<i>(in thousands of dollars)</i>	2011	2010
EBITDA	37,788	17,791
Specific items:		
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	-	3,721
Adjusted data	37,788	21,512

	<i>Quarters ended</i>	
	<i>March 31,</i>	<i>March 31,</i>
<i>(in thousands of dollars)</i>	2011	2010
NET EARNINGS	7,011	1,976
Net earnings		
Specific items*:		
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	-	2,739
Amortization of balance of deferred financing costs under initial financing for Phase I of Thames River	-	1,915
Gain on sale of assets	(1,664)	(519)
Adjusted data	5,347	6,111

* Impact net of income taxes

ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2011

The following table shows major changes in net earnings:

	<i>Net earnings (in millions of dollars)</i>	<i>Per share (in \$, basic)</i>
QUARTER ENDED MARCH 31, 2010	2.0	0.05
Change in EBITDA	20.0	0.53
Amortization	(8.1)	(0.21)
Foreign exchange loss	(1.1)	(0.03)
Net loss on financial instruments	(0.9)	(0.02)
Financing costs	(6.2)	(0.17)
Gain on sale of assets	1.6	0.04
Income tax expense	(0.5)	(0.01)
Non-controlling interests	0.2	0.01
QUARTER ENDED MARCH 31, 2011	7.0	0.19

During the first quarter of fiscal 2011, Boralex reported \$7.0 million or \$0.19 per share in net earnings compared with \$2.0 million or \$0.05 per share for the same quarter of fiscal 2010. As shown in the table on page 11, earnings for the first quarter of fiscal 2011 include a favourable specific item with a net amount of \$1.7 million. The item consists of the following gains:

- A \$0.4 million net gain from the stock market sale of 784,796 common shares of AbitibiBowater (“ABI”) given by ABI to Boralex at the end of 2010 in connection with the claim filed by Boralex under ABI’s C-36 filing, as described later in this MD&A; and
- A \$1.3 million net gain from the sale of the Merlin-Buxton wind power project in Ontario, discussed later in this MD&A.

Earnings for the first quarter of fiscal 2010 included specific items with an unfavourable net amount of \$4.1 million, broken down as follows:

- Boralex’s \$2.7 million net share in the impairment charge against property, plant and equipment at the Dolbeau power station in Québec, which belonged to the Fund at the time;
- A \$1.9 million net amortization expense in respect of deferred financing costs related to the initial financing Phase I of the Thames River wind farm in Canada, arising from the new overall financing secured in March 2010 for the two Thames River phases; and
- A \$0.5 million net gain on the sale of non-strategic wind power assets in France.

Excluding specific items for the two comparative periods, Boralex recorded adjusted net earnings for the first quarter of fiscal 2011 totalling \$5.3 million or \$0.14 per share compared with \$6.1 million or \$0.16 per share in the first quarter of the previous year.

The assets acquired from the Fund in 2010 and the newly commissioned wind power stations increased consolidated adjusted EBITDA by \$24.6 million compared with the first quarter of fiscal 2010. Despite this significant contribution, the slight decrease in adjusted net earnings resulted from the following key factors:

- The increase in amortization expense arising from the acquisition of the Fund and recent expansion in Boralex’s wind power segment in Canada and France;
- The increase in financial costs resulting from the issuance of convertible debentures in the third quart of fiscal 2010, wind power project financing and the acquisition of the Fund;
- A decline in operating income from the U.S. wood-residue power stations, discussed later in this MD&A; and
- Various adverse differences, particularly regarding foreign exchange gains and losses and gains and losses on financial instruments.

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
QUARTER ENDED MARCH 31, 2010	51.0	17.8
Impact of consolidated operations of the Fund	30.0	17.6
<i>Data pertaining to other operations of Boralex:</i>		
Power stations commissioned	8.3	7.0
Pricing	2.4	2.4
Volume	(3.5)	(1.8)
RECs and green certificates	(3.3)	(3.3)
Translation of self-sustaining subsidiaries (foreign exchange effect)	(2.5)	(0.9)
Raw material costs	–	(1.8)
Boralex Power Income Fund – pre-acquisition ⁽¹⁾	–	1.2
Other	(0.4)	(0.4)
QUARTER ENDED MARCH 31, 2011	82.0	37.8

(1) Represented in the following items in the 2010 statement of earnings: *Share in earnings of the Fund, Management revenues from the Fund and Management and operation of the Fund.*

REVENUES FROM ENERGY SALES

Revenues from energy sales for the three-month period ended March 31, 2010 totalled \$82.0 million up \$31.0 million or 60.8% from \$51.0 million for the same quarter of fiscal 2010. The inclusion of the Fund's ten power stations contributed \$30.0 million in additional revenues. Moreover, these operations performed to management's expectations, logging an increase for the year.

Excluding the contribution of the ten newly acquired power stations, revenues attributable to Boralex's other operations for the first quarter of fiscal 2011 totalled \$52.0 million, up 2.0% from the same period last year. The strengthening of Canada's currency against the US dollar and, to a lesser extent, the euro had a \$2.5 million adverse impact on revenues for the quarter. Despite currency fluctuations, revenues were up 6.9% at constant exchange rates, in light of the following two factors:

- The commissioning of new wind power stations with a total installed capacity of 103.5 MW from the end of January 2010 to the end of December 2010, which contributed \$8.3 million in additional revenues; and
- A total of \$2.4 million in additional revenues from a 7.2% increase in the average selling price for Boralex's assets in the aggregate (excluding the Fund power stations and the commissioned power stations). This increase is mainly attributable to the increase in the average selling price for the Phase 1 Thames River wind power site, which was in a fine-tuning period at the outset of fiscal 2010, and which also capitalizes on the benefits of the Advanced RESOP program, including a rate of \$131/MWh, a higher average electricity price at the hydroelectric power stations and the wood-residue facilities located in the U.S., as well as a higher price for the steam and electricity sold by the Blendecques natural gas cogeneration power station in France.

Conversely, in addition to the \$2.5 million unfavourable impact owing to the exchange rate movements, Boralex's first-quarter revenues were affected by the following two key items:

- A \$3.5 million shortfall arising from lower output volumes at existing power stations, excluding the ten power stations acquired from the Fund and the newly commissioned wind power stations. The drop in output at existing power stations stemmed primarily from the wood-residue segment in the U.S. and the wind power segment in France; and
- A \$3.3 million decrease in sales of RECs and green certificates.

(These changes are discussed in greater detail in the segment performance analysis later in this MD&A.)

In total, Boralex generated 752,284 MWh of electricity in the first quarter of fiscal 2011 compared with 473,137 MWh for the same period of fiscal 2010. This 59.0% increase was driven by the acquisition of the Fund and the commissioning of new wind power stations. Excluding these two items, production at Boralex's existing power stations fell approximately 10.6% owing primarily to the production shutdown at a U.S. wood-residue power station due to the expiration of electricity price financial swaps, the voluntary production slowdown at certain other U.S. wood-residue power stations owing to low market prices, and climate conditions that were less favourable in 2011 than in 2010 for North American hydroelectric power stations, as well as the Corporation's wind power facilities.

OTHER INCOME

The virtual elimination of other income resulted from the consolidation, as of the September 15, 2010 effective takeover date of the Fund, of income previously received from the Fund. *Other income* of \$0.2 million recorded in the first quarter of fiscal 2011 consisted of management fees for a power station owned by a director. The reason for the decline in *Other income* compared with the first quarter of fiscal 2010 was that the Blendecques natural gas cogeneration power station in France recorded no excess CO₂ quota sales in the first quarter of the current fiscal year.

EBITDA

Consolidated EBITDA—real and adjusted—for the first quarter of fiscal 2011 amounted to \$37.8 million. As shown in the table on page 11 of this MD&A, adjusted EBITDA was up from \$21.5 million for the same period last year, excluding \$3.7 million consisting of the pre-tax total of Boralex's share of the impairment charge against property, plant and equipment at the Dolbeau power station recognized in the first quarter of fiscal 2010. Accordingly, Boralex recorded a \$16.3 million or 75.8% year-over-year increase in adjusted EBITDA for the first quarter of fiscal 2011, while its first-quarter EBITDA margin as a percentage of revenues from energy sales rose to 46.1% from 42.2% for the first quarter of 2010.

Excluding the specific items for the first quarter of fiscal 2010, the full consolidation of the Fund's earnings in fiscal 2011 compared with the recognition of a 23% interest in the previous year contributed an additional \$15.1 million to adjusted EBITDA for the first quarter of fiscal 2011. In fact, all of the power stations acquired from the Fund contributed positively to Boralex's EBITDA. These operations even stepped up their overall profitability from the first quarter of fiscal 2010.

Excluding the operations newly acquired from the Fund and net of the recognition of a 23% interest for the previous year and the Dolbeau impairment charge, Boralex's other operations posted a \$1.2 million increase in their contribution to adjusted EBITDA. After excluding the \$0.9 million unfavourable foreign exchange effect, this increase would have been \$2.1 million, in light of the following two key factors:

- A \$7.0 million additional contribution to EBITDA from the Corporation's new wind power stations; and
- A \$2.4 million additional contribution driven by higher average selling prices at Boralex's power stations (excluding Fund power stations).

The above favourable factors offset the following unfavourable items:

- The \$3.3 million adverse effect on EBITDA due to lower sales of RECs and green certificates;
- A \$1.8 million unfavourable volume effect (excluding Fund power stations and newly commissioned facilities);
- A \$1.8 million rise in raw material costs, including a \$1.4 million increase in wood-residue supply costs at Boralex's U.S. thermal power stations owing in part to the suspension of the U.S. government's Biomass Crop Assistance Program ("BCAP") in effect from December 2009 through April 2010, which was financially beneficial to companies operating in the collection and processing of forest residues to generate electrical energy; and
- Various other less significant items totalling an unfavourable effect of \$0.4 million.

AMORTIZATION, FOREIGN EXCHANGE LOSS, NET LOSS (GAIN) ON FINANCIAL INSTRUMENTS AND FINANCING COSTS

The Corporation's amortization expense amounted to \$15.8 million compared with \$7.7 million in fiscal 2010. Excluding amortization at Fund power stations, Boralex's amortization expense was up \$2.7 million owing to investments over the past 12 months in the wind power segment in Canada and France. However, the rise in amortization expense was offset by a decrease in the amortization of assets in the U.S. and Europe due to the appreciation of Canada's currency against the US dollar and the euro relative to the same quarter in fiscal 2010.

Boralex reported a \$1.5 million foreign exchange loss compared with \$0.5 million for the corresponding quarter of the previous year. This \$1.0 million increase arose from the \$1.1 million remeasurement as at March 31, 2011 of intercompany advances with some of our U.S. subsidiaries. Furthermore, the Corporation posted a \$0.3 million net loss on financial instruments for the first quarter of the current fiscal year, representing a \$0.9 million unfavourable difference from the \$0.6 million net gain on financial instruments for the same period of fiscal 2010. *Net loss (gain) on financial instruments* consists mainly of the ineffective portion of financial instruments. Although all of the financial instruments used by Boralex are highly effective, they always include a small ineffective portion.

Generally, if the change in derivative instruments is favourable to Boralex, it gives rise to a favourable ineffective amount. Conversely, when the change in derivative instruments is unfavourable to Boralex, it gives rise to an unfavourable ineffective amount.

Financing costs totalled \$12.0 million for the first quarter of fiscal 2011 compared with \$5.8 million for the same period of fiscal 2010. Excluding the debt acquired from the Fund, Boralex's financing costs rose \$4.4 million as a result of issuing convertible debentures to partially finance the acquisition of the Fund and contracting new debt over the past 12 months in connection with the Corporation's various wind power development projects. The increase in financing costs was partially offset by the positive impact of the Canadian dollar's strengthening on the interest expense on euro-denominated debt.

GAIN ON SALE OF ASSETS

In the first quarter of fiscal 2011, Boralex realized a \$2.4 million gain on sale of assets. On February 1, 2011, Boralex agreed to the disposal, at a share price of \$26.50, of 784,796 shares of ABI given to the Corporation by ABI at the end of 2010 as compensation related to the partial settlement of a claim for approximately \$83 million payable by ABI to Boralex, as negotiated in connection with ABI's C-36 filing. The sale of these shares in the marketplace generated proceeds of \$20.8 million and a \$0.6 million gain on disposal. Once all the claims filed by third parties against ABI are dealt with by the courts, Boralex could receive additional distributions in the form of shares.

In addition, in the first quarter of fiscal 2011, Boralex realized a \$1.8 million gain on the sale of the Merlin-Buxton wind power project in Ontario, to which the Corporation had acquired the rights in 2008. This decision was taken in light of the project's limited potential relative to Boralex's overall strategy for wind power segment expansion in Canada, where other projects totalling 391 MW are under development. The previous fiscal year reflected the fact that, on March 31, 2010, Boralex realized a \$0.8 million gain on the sale of the subsidiary that owned the Bel Air wind farm in France.

EARNINGS BEFORE INCOME TAXES, INCOME TAXES AND NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS

In the first quarter of fiscal 2011, Boralex recorded earnings before income taxes of \$10.6 million compared with \$5.2 million for the same period of fiscal 2010. Boralex reported a \$3.5 million income tax expense compared with a \$3.0 million in the first quarter of fiscal 2010, owing primarily to the increase in earnings before income taxes. Given the various jurisdictions in which the Corporation currently operates and develops future power station projects, management expects Boralex's combined tax rate to range from 32% to 35% over a medium-term horizon. In the short term, however, Boralex's consolidated tax rate may vary significantly from period to period due to changes in results across its geographic operating areas.

Accordingly, Boralex ended the first quarter of fiscal 2011 with \$7.0 million in net earnings attributable to shareholders or \$0.19 per share compared with \$2.0 million or \$0.05 per share for the same period of fiscal 2010.

To sum up, in terms of growth in revenues, EBITDA and profit margins, our first-quarter results for fiscal 2011 underscore the merits and value added of the transaction to acquire the Fund completed in November 2010, as well as growing positive impact of Boralex's expansion strategy in the wind power segment. These two growth drivers mitigated the impact on the Corporation's net earnings of difficult market conditions for the U.S. wood-residue power stations and rising amortization and financing expenses resulting from Boralex's recent expansion. Over the next few quarters, the contribution of the Fund power stations, coupled with the full contribution of Boralex's new wind power facilities, will more effectively offset fixed overheads and result in improved profitability.

**ANALYSIS OF SEGMENTED RESULTS
RECENT CHANGES**

Over the past six quarters, two significant developments considerably altered Boralex’s energy portfolio and, accordingly, its geographic and segment positioning:

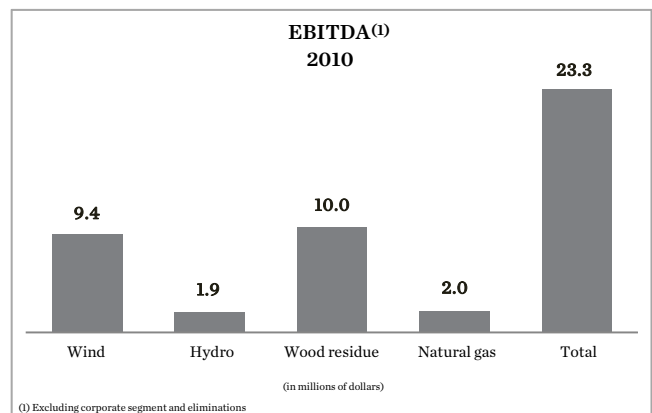
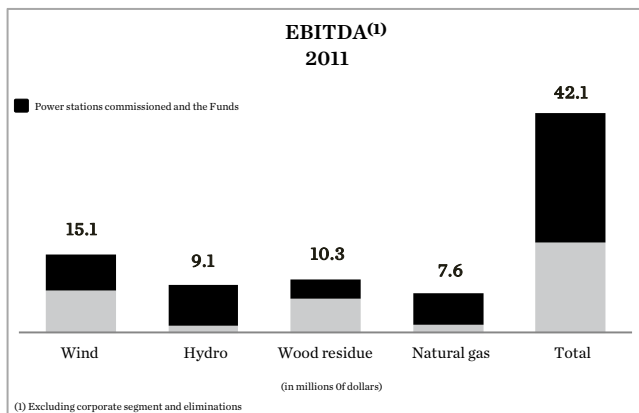
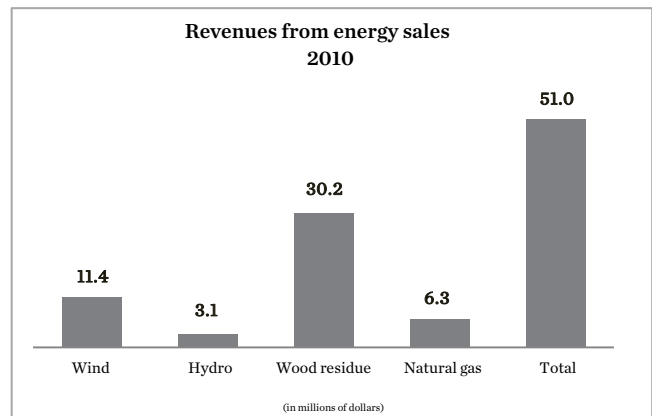
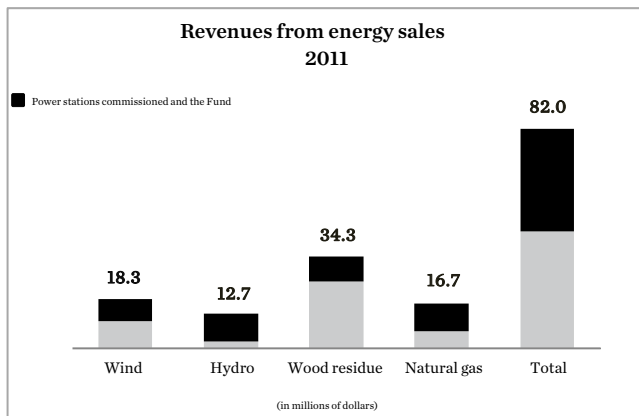
- As of December 2009, more rapid expansion in wind power, including the commissioning of Boralex’s first wind power assets in Canada that currently represent installed capacity of 90 MW, and the signature of a strategic partnership in Europe followed in fiscal 2010 by the commissioning of new wind power sites in France totalling 54 MW; and
- The acquisition, between September 15 and November 1, 2010, of all the trust units of the Fund not already held by Boralex, adding to Boralex’s energy portfolio power stations and totalling an installed capacity of 190 MW, more than half of which is in the hydroelectric power segment.

Geographically, these two developments have more broadly diversified the breakdown of Boralex’s installed capacity and results among Canada, the U.S. and Europe. For example, prior to the commissioning of Phase I of the Thames River wind power station in Ontario at the beginning of December 2009, scarcely 5% of the Corporation’s installed capacity was located in Canada compared with 62% in the United States and 33% in Europe. The subsequent commissioning of both phases of the Thames River wind power station and integration of the Fund’s power stations, with 69% of their installed capacity located in Canada, bring the share of the Canadian assets in Boralex’s energy portfolio to 34% compared with 41% for the United States and 25% for Europe. Accordingly, Boralex now enjoys greater geographic balance in its revenue streams as well as reduced vulnerability to currency fluctuations.

From a segment perspective, the main effect of these developments has been to increase the relative weight of wind and hydroelectric power in the Corporation’s energy portfolio. The combined share of the segments has risen from about 40% at the beginning of December 2009 to 56% today. Given that both segments generate profit margins that are higher than the average for Boralex’s assets, the change has had a beneficial effect on the Corporation’s profitability and, consequently, on its cash flows from operations.

Overall, the expansion of the wind power segment since December 2009 and the acquisition of the Fund have together added an aggregate 334 MW to Boralex’s installed capacity, or more than 90%, in the space of scarcely 16 months. The share of production covered by long-term power sales contracts has advanced to 73% from 48%.

GEOGRAPHIC AND SEGMENT BREAKDOWN FOR THE FIRST QUARTERS ENDED MARCH 31, 2010 AND 2011



(1) Excluding corporate segment and eliminations

(1) Excluding corporate segment and eliminations

BREAKDOWN OF RESULTS FOR THE FIRST THREE MONTHS OF 2011 COMPARED WITH THE SAME PERIOD IN 2010

During the first quarter of fiscal 2011, the geographic breakdown of Boralex's revenues (expressed in Canadian dollars) was as follows:

- 41% in Canada compared with 9% for the same period in 2010;
- 40% from the United States compared with 63% in 2010; and
- 19% from Europe compared with 28% the previous year.

Beyond the growth of the relative weight of the Canadian assets in Boralex's energy portfolio as described previously, these variations are in part due to the depreciation of US and European currencies against the Canadian dollar. Changes in the segment breakdown of quarterly results have trended as follows:

Wind power – While quarterly revenues for the segment showed growth of 60.5% over 2010 due mainly to the commissioning of the new power stations, its relative share of consolidated revenues remained stable at 22%. This is due to the fact that integration of the Fund's operations increased the relative weight of the other segments, particularly hydroelectric and natural gas thermal power. For the same reason, despite an increase of 60.6% in wind power segment EBITDA, its share of consolidated EBITDA (before corporate and eliminations) declined to 36% in the first quarter of 2011 from 40% in the same period in 2010. Note, however, that the wind power segment remains Boralex's greatest EBITDA generator, and returned the highest EBITDA profit margin of about 82.5% in the first quarters of 2011 and 2010 compared with an overall margin of 51.3% for all power stations in the first quarter of 2011 (45.8% in 2010). Given the 400 MW of wind power projects under development, the segment's contribution to Boralex's operating profitability is expected to strengthen over the next few years.

Hydroelectric power – The contribution of the hydroelectric power segment to Boralex's consolidated revenues rose to 16% from 6% between the first quarters of 2010 and 2011 as segment revenues expanded more than fourfold following integration of the Fund's seven hydroelectric power stations. Furthermore, the addition of the Fund's power stations, which all have long-term power sales contracts, increased segment EBITDA nearly fivefold. Its share of consolidated EBITDA rose to 22% in the first quarter of 2011 from 8% for the same period in 2010, while its margin of EBITDA as a percentage of revenues advanced to 71.3% from 61.3%.

Wood-residue thermal power – The wood-residue segment generated 42% of Boralex's consolidated quarterly revenues and 25% of consolidated EBITDA compared with 59% and 43%, respectively, for the same period of 2010. The contribution of the Fund's two Canadian wood-residue thermal power stations was primarily offset by the pullback in Boralex's U.S. wood-residue power stations.

Natural gas thermal power – Integration of the Kingsey Falls power station in Québec had a significant positive impact on the segment, which showed revenue and EBITDA growth of 164.4% and 274.9%, respectively. As a result, the segment's contribution to consolidated revenues was 20% in 2011, compared with 12% in 2010, while its contribution to Boralex's EBITDA rose to 18% from 9%.

WIND POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
QUARTER ENDED MARCH 31, 2010	11.4	9.4
Power stations commissioned ⁽¹⁾	8.3	7.0
Pricing	(0.2)	(0.2)
Volume	(0.8)	(0.8)
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.5)	(0.3)
Other	0.1	-
QUARTER ENDED MARCH 31, 2011	18.3	15.1

(1) Phase II of Thames River in Canada, Chasse Marée, Ronchois and Le Grand Camp in France, and expansion of Cham Longe in France.

OPERATING RESULTS

During the first quarter of fiscal 2011, Boralex's wind power segment generated \$18.3 million in revenues and EBITDA of \$15.1 million, increases of 60.5% and 60.6% respectively, over revenues and EBITDA for the corresponding quarter of fiscal 2010. The margin of EBITDA to revenues remained stable at 82.5%.

This positive performance was mainly driven by the commissioning of new wind farms over the past 12 months that generated additional revenues of \$8.3 million and contributed \$7.0 million to segment EBITDA.

By order of importance, these new contributions break down as follows:

- The 50 MW Phase II of the Thames River site in Canada that came into production between October 27 and December 31, 2010;
- The 30 MW Ronchois wind farm in France, commissioned between August and October 2010;
- French wind power stations Le Grand Camp (10 MW) and Chasse Marée (9 MW), both commissioned in October 2010; and
- The 4.5 MW expansion of the Cham Longe wind farm in France effective February 2010, which contributed for the full quarter in 2011 compared with two months in 2010.

Second, wind power segment results were boosted in the first quarter of 2011 by the strong performance of the Phase I of Thames River farms in Canada commissioned in December 2009 and January 2010, where a portion of the equipment was in the testing and fine-tuning phase at the beginning of fiscal 2010. The Phase I of Thames River farms showed an increase of 15.6% in production volume and a significant improvement in their financial results under the combined effect of a higher utilization factor and the application to all equipment of the full *Advanced RESOP* rate of \$131/MWh over the entire period.

On the downside, in addition to the negative impact of the fluctuation in the Canadian and European currency exchange rate on the results of existing wind farms in France translated into Canadian dollars, the farms showed a 16.2% slowdown in production and a decline in their financial results due mainly to less favourable wind conditions than during the previous year and a lower average selling price in 2010. Beyond the decrease in the consumer price index to which electricity selling prices are indexed in France, the decline in the average selling price of existing French power stations is mainly attributable to clauses in the EDF contractual agreement that provide for a retroactive downward adjustment of the selling price per MWh after five or ten years if the production volume for the previous five or ten years exceeded the set level. To date, this clause has applied to three of the Corporation's French wind power stations; one in the fourth quarter of 2010 and two in the first quarter of 2011.

As a result, the positive impact of the commissioning of new sites on wind power segment revenues and EBITDA has been reduced by the following unfavourable elements:

- A \$0.8 million negative volume effect on revenues and EBITDA arising from the decline in production of existing French power stations, net of the rise in production of Phase I of Thames River;
- A \$0.2 million negative volume effect on both revenues and EBITDA due to a decrease in the average selling price of existing French power stations, net of the increase in the average price of Phase I of the Thames River site; and
- Unfavourable exchange rate effects of \$0.5 million on revenues and \$0.3 million on EBITDA due to the appreciation of the Canadian dollar against the euro.

In all, the wind power segment generated total electricity production of 152,570 MWh in the first quarter of 2011 compared with 90,291 MWh in 2010. This 69% increase is attributable to the new sites commissioned during the past 12 months and the strong performance of Phase I of Thames River, which in part offset the production slowdown of existing power stations in France.

RECENT EVENTS

During the period between April 1 and April 21, 2011, the Corporation entered into interest rate swap transactions to set a significant proportion of the expected financing rate for its Seigneurie de Beaupré wind power project. The transactions have a total nominal amount of \$200 million with a rate of approximately 4.58%. This average rate represents the basic rate of the financing program (the "Program") expected by management and not the total financing cost, which includes a margin negotiated with the final lenders. Although the Program has not been finalized as at the date of these transactions, the Corporation considers it highly probable that the financing will be arranged within a reasonable time period. The Corporation and its financial advisor are currently inviting bids from the financing community worldwide. Based on the large number of preliminary bids received, Boralex has assessed each of the available markets and concluded that it would be possible to obtain the financing conditions necessary for completing its project. Accordingly, the Corporation has now set out its strategy and will in the coming months carry out the preliminary steps to finalize the Program. As the final lenders are very likely to require Boralex to enter into swaps with their institutions, the initial transactions will probably be settled in cash when the Program is finalized. Any prior accumulated gains or losses will be maintained in *Accumulated other comprehensive income* and recognized in the statement of earnings using the effective interest rate method of amortization.

DEVELOPMENT PROJECTS

Currently, Boralex and its partners hold long-term power sales contracts for wind power projects totalling 391 MW in Canada, slated for commissioning between December 2013 and December 2015.

In Québec, development by the consortium consisting in equal parts of Boralex and an entity formed and owned by Gaz Métro Limited Partnership (the "Consortium"), of the first two wind power projects at the Seigneurie de Beaupré totalling 272 MW, is proceeding according to plan with a view to commissioning in December 2013. In fiscal 2011, the Consortium intends to finalize the main contracts with its suppliers and arrange financing. It also expects that a significant portion of the construction work on the foundations and the majority of the road work will be completed this year. In addition, on November 19, 2010, the Consortium purchased the rights to a 69 MW project with a 20-year power sales contract with Hydro-Québec. The Consortium is defining the parameters of the future wind farm that will also be built on the Seigneurie de Beaupré site and slated for commissioning in December 2014. In addition to reaping the major benefits the site offers in terms of wind power, environmental conditions and existing infrastructures, the performance of the future farm will capitalize on the logistic synergies that will come into play during its construction and subsequent operation.

Still in reference to Québec, in partnership with two RCMs, Boralex was selected in December 2010 for wind power projects of 25 MW each in response to a Hydro-Québec request for proposals for the commissioning of wind power capacity of 250 MW from community projects. The first project, developed in partnership with the Témiscouata RCM, will be commissioned in December 2014. The second, in partnership with the Côte-de-Beaupré RCM, will be built on the Seigneurie de Beaupré property for commissioning in December 2015. As a result, within a few years, the exceptional Seigneurie de Beaupré site will boast a contracted installed wind power capacity of 366 MW owned by Boralex and its partners.

In Europe, Boralex is working on various wind power site acquisition and development projects, including a 20 MW project in Italy. This project received the joint approval of government authorities during the first quarter of 2011.

OUTLOOK

At the beginning of the second quarter of 2010, Boralex's wind power segment had an installed and operating capacity of 113 MW in Europe and 40 MW in Canada, for a total of 153 MW. One year later, Boralex began the second quarter of the current fiscal year with 64% more installed capacity that now totals 161 MW in Europe and 90 MW in Canada, for a total of 251 MW. Boralex management expects that this substantial expansion of the wind power segment's operational base will have a significant impact on results for the remainder of fiscal 2011 due primarily to:

- The contribution of the 50 MW Phase II of the Thames River site for the full remainder of the year as opposed to a few weeks in 2010; and
- The contribution of the new Ronchois, Le Grand Camp and Chasse Marée sites in France, with a total of 48 MW, for the full remainder of the year compared with periods of three to six months in 2010.

All of Boralex's wind power assets, in both Europe and Canada, have long-term power sales contracts and enjoy favourable rates. In North America, over the next three fiscal years, the Corporation will focus on completing its five projects in Québec totalling 391 MW that include 366 MW at the Seigneurie de Beaupré, while actively seeking opportunities to acquire additional projects in various stages of development. In Europe, primarily in France and Italy, Boralex intends to fully capitalize on its agreement with Cube and in the next two years act on opportunities to integrate wind power assets that are operational or under development and have an additional installed capacity of about 50 MW.

In Boralex management's opinion, the medium- and long-term outlooks for the wind power segment are highly favourable, due to:

- The scale and quality of its projects with long-term sales contracts currently under development in Canada;
- Solid alliances it has entered into in Europe and North America to accelerate its development;
- Its growing reputation on world financial markets as a credible developer and operator of increasingly important wind power facilities; and
- Additional significant and predictable cash flows due to integration of the Fund's assets.

HYDROELECTRIC POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
QUARTER ENDED MARCH 31, 2010	3.1	1.9
Impact of consolidated operations of the Fund	10.1	7.8
<i>Data pertaining to other operations of Boralex</i>		
Pricing	0.1	0.1
Volume	(0.4)	(0.4)
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.1)	(0.1)
Other	(0.1)	(0.2)
QUARTER ENDED MARCH 31, 2011	12.7	9.1

The following table shows recent and historic statistical data concerning hydroelectric segment production:

HYDROELECTRIC PRODUCTION (MWh)⁽¹⁾	2011	2010
Quarters ended March 31	145,004	40,309
Quarterly historical average ⁽²⁾	157,480	157,704
Annual historical average ⁽²⁾	626,740	627,046

(1) The historical average is calculated using all production available for each power station up to the end of Boralex's previous fiscal year.

(2) Historical averages include all of Boralex's existing power stations.

OPERATING RESULTS

Hydroelectric power segment performance for the first quarter of 2011 compared with the same period in 2010 clearly highlights one of the main advantages for Boralex of acquiring the Fund: quality hydroelectric assets that all have power sales contracts and generate superior profit margins. In fact, the addition of the Fund's seven power stations, which more than tripled Boralex's installed capacity, is responsible for almost all of the significant increase in the quarterly results of the segment, whose revenues increased more than fourfold to \$12.7 million while EBITDA grew nearly fivefold to total \$9.1 million. This bolstered the EBITDA margin as a percentage of revenues to 71.7% in 2011 from 61.3% in 2010.

In terms of production, the segment delivered 145,004 MWh compared with 40,309 MWh for the same quarter of 2010, for an increase of 260%. Excluding the power stations acquired from the Fund, existing power stations showed a 10.2% decline in production caused by water flow conditions that were less favourable than in the first quarter of 2010 in both Canada and the United States. These unfavourable conditions also resulted in decreased production at the power stations acquired from the Fund compared with the previous year. Including the Fund's power stations, as shown in the table above, total segment production was slightly below historical averages due to less favourable water flow conditions.

This decline in production volume at existing power stations had a \$0.4 million adverse effect on hydroelectric segment quarterly revenues and EBITDA. However, this was partially offset by a positive impact of \$0.1 million attributable to a 3% rise in the average selling price for existing power stations. The power stations in the United States in particular benefited from a 7.0% advance in average price (in US\$) due to a contractual price increase at the Middle Falls power station and a rise in electricity market prices in New York State. These increases offset declines in the average selling price of existing Canadian power stations due primarily to the renewal for 20 years of the power sales contract at Québec's East Angus power station at an advantageous price compared with current conditions in the Northeastern U.S. market, albeit lower than the initial agreement (see *Recent events* below).

Furthermore, first quarter results also experienced a \$0.1 million impact due to the adverse effect of the rise of the Canadian dollar against the US dollar on the performance of existing power stations in the United States as well as other less important factors such as declines in capacity premiums.

RECENT EVENTS

In February 2011, Boralex and Hydro-Québec renewed the power sales contract for the 2 MW installed capacity East Angus power station in Québec for an additional period of 20 years. The previous contract for this power station was entered into in 1991 under Hydro-Québec's APR (limited request for proposals) and was due to expire at the end of 2010. This is Boralex's first long-term contract to successfully complete the renegotiation and renewal process with Hydro-Québec.

OUTLOOK

Integration of the Fund's seven hydroelectric power stations will have a significant impact on the segment's results for the whole of fiscal 2011. Below are some key elements that provide a basis for estimating their scope:

- For the whole of fiscal 2010, the Fund's hydroelectric power stations generated revenues of \$43.0 million compared with the \$10.1 million from Boralex's power stations;
- During the same fiscal year, Fund power stations realized EBITDA of \$35.3 million, representing a profit margin of 82.1% to revenues compared with EBITDA of \$5.5 million and a profit margin of 54.5% for Boralex's power stations;
- Following acquisition of the Fund, hydroelectric segment installed capacity rose from 40 MW (of which 27 MW is currently in production) to 136 MW; and
- The portion of Boralex's installed capacity under long-term power sales contracts rose to 85% (representing 116 MW) from 48% (representing less than 20 MW).

That being said, Boralex is entering 2011 with a hydroelectric power base that not only is much larger, but also drives greater profit margins, is more stable and provides predictable cash flows. The new profile will reduce the impact of economic conditions on segment results, in particular, fluctuations in open market selling prices in the United States which closely follow the price of natural gas.

Given the quality of the assets and the ongoing maintenance program underway at all of the power stations that are now part of Boralex's hydroelectric power segment, there is no indication that production will not be in line with historical averages. In addition, Québec power stations will continue to benefit from contractual indexation under their energy sales contracts and from capacity premiums.

Boralex is seeking medium- and long-term opportunities to grow its hydroelectric segment, particularly in Québec and British Columbia.

WOOD-RESIDUE THERMAL POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
QUARTER ENDED MARCH 31, 2010	30.2	10.0
Impact of consolidated operations of the Fund	9.5	3.8
<i>Data pertaining to other operations of Boralex</i>		
Pricing	1.9	1.9
Volume	(2.2)	(0.8)
RECs	(3.3)	(3.2)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1.6)	(0.5)
Capacity premiums	(0.3)	(0.3)
Raw material costs	–	(1.4)
Maintenance	–	0.2
Other	0.1	0.6
QUARTER ENDED MARCH 31, 2011	34.3	10.3

OPERATING RESULTS

During the first quarter of fiscal 2011, the segment generated 372,419 MWh of electricity compared with 320,107 MWh in the same quarter of 2010, representing a 16.3% increase due to the addition of the Senneterre and Dolbeau, Québec thermal power stations recently acquired from the Fund. Segment revenues totalled \$34.3 million, up 13.6% compared with \$30.2 million for the previous year, while EBITDA rose 3.0% to \$10.3 million. Two main factors drove the increase in quarterly revenues and EBITDA:

- The addition of the Senneterre and Dolbeau power stations, which brought an additional contribution of \$9.5 million to revenues and \$3.8 million to EBITDA; and
- A positive impact of \$1.9 million on revenues and EBITDA attributable to a 12% increase in the average selling price obtained (in US\$) by Boralex's power stations in the United States due mainly to the rise in selling prices in the Northeastern U.S. open market. Note, however, that while some strengthening has been seen since mid-2010, market prices remain well below pre-2009 levels and it is difficult at this time to forecast mid-term electricity price trends, which are closely correlated to natural gas prices.

Excluding their average selling price, Boralex's U.S. power stations continued to face challenging conditions, leading to a 17.9% decline in revenues and 35.0% in EBITDA. The main factors were the following:

- A negative volume effect of \$2.2 million on revenues and \$0.8 million on EBITDA arising from a 12.6% decline in their production volume due to two main causes. First, Boralex voluntarily scaled back production at certain power stations, Stratton in particular, prompted by low selling prices in the electricity market and RECs. Second, in addition to an equipment breakdown in February, the Ashland power station halted production for an indefinite period after its electricity price financial swaps expired on February 28, 2011. To date, Boralex's efforts to obtain a power sales contract for the power station have not been fruitful. As long as the conditions required to maintain a profitable operation remain elusive, the power station will remain closed indefinitely;
- Impacts of \$3.3 million on revenues and \$3.2 million on EBITDA attributable to the decline in REC sales, under the combined effect of an 11.5% (in US\$) drop in average selling prices on the market, the decrease in production volume primarily at the Stratton and Ashland power stations, and 2010 first quarter sales of RECs that included a significant number of RECs produced in 2009;
- An adverse impact of \$1.6 million on revenues and \$0.5 million on EBITDA due to the Canadian dollar's appreciation against the US dollar;
- A \$0.3 million decrease in capacity premiums, which also dragged on revenues and EBITDA;
- A \$1.4 million adverse impact on EBITDA arising from increased raw material costs, due in part to higher fuel prices, but primarily to the fact that the U.S. power stations did not enjoy the same benefits this year as in the first quarter of 2010 from the BCAP in effect between December 2009 and April 2010. Although the United States Department of Agriculture announced the renewal of the program in October 2010, the mechanisms and allocated amounts are not yet set and known; and
- On the upside, profitability at Boralex's existing power stations was boosted by advantages totalling \$0.8 million, including lower maintenance costs and a reduction in other miscellaneous expenses.

The challenging business conditions facing Boralex's U.S. wood-residue power stations resulted in the decrease in overall segment margin of EBITDA to revenues, which declined to 30.0% this year from 33.1% in 2010 even though the addition of the two power stations in Canada had a positive effect on changes in total margin compared with the first quarter of 2010. For information purposes, as forecast by management, the Senneterre power station not only maintained but improved performance over 2010. The Dolbeau power station grew profitability slightly compared with the previous year, despite no longer selling steam following definitive closure of the ABI plant in August 2010.

RECENT EVENTS

On March 1, 2011, a two-year power sales contract for the Fort Fairfield power station in Maine was entered into under similar conditions as previously. However, Boralex's steps to obtain a sales contract for Maine's Ashland power station whose financial swaps expired on February 28, 2011 have been unsuccessful to date. As a result, this power station will remain closed for an indefinite period of time unless market conditions improve sufficiently to maintain a profitable operation. Also, the Chateaugay, Livermore Falls and Stratton power stations will be shut down for extended periods during the second quarter to mitigate particularly difficult conditions during that period.

On October 27, 2010, the United States Department of Agriculture issued new rules relating to the renewal of the BCAP introduced in December 2009 and suspended in April 2010. One of the changes under the new rules is the exclusion of certain raw materials that were eligible under the earlier version of the program. These restrictions have no impact on the capacity of Boralex's power stations to participate in the BCAP. The financial impacts are not easily quantifiable at present as the program duration will depend on the level of demand and the total funds allocated by the government. This information is not currently available. Furthermore, efforts to cut the U.S. deficit could also affect program funding.

To offset the difficult conditions experienced in the Québec forestry industry since 2006, which affect the stability of forest residue supplies for Québec power stations acquired from the Fund, the Senneterre power station recently completed a \$6.7 million investment program to install a system to recover and clean old bark piles and optimize their calorific value without damaging machinery. The power station has therefore secured sufficient raw material to ensure stable operations in 2011 while reducing costs at the same time. The positive impacts of this investment will be felt in the coming years.

In January 2011, a 35 MW wood-residue power station project developed jointly by Boralex, Pacific BioEnergy Corporation and TimberWest Forest Corporation was pre-selected under BC Hydro's Phase II Biomass Call request for proposals. If this project is selected, the power station will be built at Campbell River on Vancouver Island, B.C. However, several conditions must be met before Boralex's Board of Directors gives the go-ahead for the project, mainly winning a power sales contract with BC Hydro, securing a satisfactory wood supply agreement and negotiating financing.

OUTLOOK

The addition of the Fund's two Canadian wood-residue power stations with an installed capacity of 63 MW to Boralex's six power stations with an installed capacity of 204 MW had the main advantages of raising the segment's contracted proportion of installed capacity from 18% to 37% and mitigating the impact of exchange rate fluctuations. However, the long-term effect of the addition is difficult to assess, mainly due to the uncertainty surrounding the Dolbeau power station.

U.S. power stations – Boralex management remains cautious as to the short-term outlook for the U.S. power stations. Although electricity selling prices have been on the rise in the Northeastern U.S. open market for the past few months, the prevailing fragility of the U.S. economy remains worrisome. Moreover, natural gas prices are still low compared with recent years, resulting in continued downward pressure on electricity prices, with which they are closely correlated. Finally, the high value of the Canadian dollar against its U.S. counterpart, if it persists, will continue to curtail segment results. In line with its strategy, the Corporation will continue to adjust its wood-residue power production to market conditions, thereby ensuring some flexibility in managing costs.

Boralex's management expects REC prices to improve over the coming quarters. As at the date of this report, Boralex had US\$1.5 million (\$1.4 million) in firm sales commitments for REC deliveries through December 31, 2012. Given the current weakness in REC prices on the Connecticut market, the Corporation prefers for the time being to defer sales to a later date in the expectation that market conditions will improve. Despite current economic conditions, Boralex's management believes that the REC market will provide an attractive source of recurring revenues and profits for its wood-residue segment in the coming years since legislation expects demand to increase annually without a matching increase in supply.

Building on work done in recent years, Boralex's U.S. wood-residue segment will generally continue its efforts to optimize performance at its power stations, reduce business risks, lower costs, develop sources of recurring revenues, ensure stable wood-residue supplies, and position itself proactively to capitalize on U.S. renewable energy production legislation.

Canadian power stations – Boralex expects the Senneterre power station to not only maintain but improve its performance, particularly given the investments made to secure raw material supplies. Meanwhile, difficulties in the Québec forestry industry are still affecting the Dolbeau power station, which no longer sells steam. Furthermore, as planned by management, this power station is able to generate electricity for Hydro-Québec from November to March only, the period of peak demand and significant capacity premium payments. Consequently, it will generate no revenues between April and November 2011.

NATURAL GAS COGENERATION POWER STATION

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
QUARTER ENDED MARCH 31, 2010	6.3	2.0
Impact of consolidated operations of the Fund	10.3	6.1
<i>Data pertaining to other operations of Boralex</i>		
Pricing	0.6	0.6
Volume	(0.1)	–
CO ₂ quota	–	(0.2)
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.4)	(0.1)
Natural gas costs	–	(0.4)
Other	–	(0.4)
QUARTER ENDED MARCH 31, 2011	16.7	7.6

OPERATING RESULTS

The addition of the Fund's Kingsey Falls cogeneration power station in Québec had a significant impact on the segment's quarterly results. The segment's power output totalled 82,291 MWh, up 267% from 22,430 MWh for the same quarter of 2010. Steam output was also up 147% to 353,659 thousand pounds. These increases are entirely attributable to the addition of the Canadian power station as the power and steam output of the Blendecques power station in France decreased slightly by 3% compared with last year. Segment revenues reached \$16.7 million, up 165.1% or \$10.4 million compared with last year, with the Kingsey Falls power station accounting for \$10.3 million of this increase. Segment EBITDA grew nearly fourfold, from \$2.0 million in 2010 to \$7.6 million in 2011, driven by this power station's \$6.1 million EBITDA contribution. As a result, the EBITDA margin as a percentage of revenues stood at 45.5% in the first quarter of 2011 compared with 31.7% for the same period in 2010.

Excluding the adverse impact of \$0.4 million resulting from fluctuations in the exchange rate between the Canadian dollar and the euro, the Blendecques power station's revenues grew 7.9%. This result is attributable to increases of approximately 15% in steam and electricity prices, both of which are indexed to the price of natural gas in France. The higher prices accounted for an increase of \$0.6 million over the previous year, with respect to both revenues and EBITDA, which more than offset the slight decline in production. Higher selling prices also more than offset the \$0.4 million unfavourable impact on EBITDA resulting from the rise in the cost of natural gas. However, in addition to the adverse foreign exchange impact, the lack of any sales of excess CO₂ quota and other unfavourable factors, including certain non-recurring items, contributed to the \$0.6 million or 30% reduction in this power station's EBITDA.

The Kingsey Falls power station reported increases in its steam and electricity production and a higher profit margin, due in particular to the two new financial instruments ("swaps") entered into in 2010, one of which sets the natural gas purchase price for the next two years and the other indexes the steam selling price. These contracts are effective up to November 2012, the date at which the power station's power sales contract with Hydro-Québec expires.

OUTLOOK

Following the acquisition of the Fund, the combination of its 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station will substantially boost segment revenues and profit margins in 2011. Note however that the Kingsey Falls power station's sales agreement expires in November 2012.

French power station – Since 2005, due to market conditions, the power station has operated its cogeneration equipment for the five-month winter period only, that is, from November 1 to March 31. This will be the case in 2011 as well. The Blendecques natural gas power station is nonetheless a stable source of profits and cash flows for Boralex. One reason is that fluctuations in its selling prices are generally offset by opposite fluctuations in raw material costs. Regarding the sale of CO₂ quota, management expects the French government to soon amend the rules governing the limits for CO₂ emission volumes for companies. Pending these amendments, the French power station prefers to keep its excess quotas.

Canadian power station — This power station's power sales contract with Hydro-Québec expires in December 2012. It is currently difficult to determine the likelihood of contract renewal or the terms and conditions that might be offered. When the time is right, management will evaluate the options available to this power station, based on the needs expressed by Hydro-Québec. The Kingsey Falls power station's steam sales contract also expires in 2012 and will have to be renegotiated, if necessary. Upon entering into the contract, the client chose an indexing method partially based on the price of certain oil products sold in Montréal. Given the significant volatility in oil prices over the past few years, the price of steam has fluctuated significantly. Boralex recently entered into a swap to partly fix the price of steam sold for the next two years.

This power station had entered into a long-term supply agreement in 1995 to cover 90% of its natural gas needs, when the price of natural gas was lower than it is today, which translates into significant cash flows. The supply contract expires in 2012, but the fixed price is only in effect until November 2011. In July 2010, the power station entered into a supply agreement for the period from November 2011 to November 2012 to set the price for its natural gas purchases.

ANALYSIS OF MAJOR CASH FLOWS FOR THE QUARTER ENDED MARCH 31, 2011

OPERATING ACTIVITIES

During the first quarter of fiscal 2011, Boralex reported \$24.1 million or \$0.64 per share in cash flows from operations compared with \$14.5 million or \$0.38 per share for the same quarter of 2010. Excluding adjustments in the two comparative periods, mainly the gain on disposal of assets and the amortization expense in the two comparative periods, the increase is primarily attributable to the growth in adjusted EBITDA resulting mainly from the addition of the Fund's power stations and the expansion of the wind power segment, less the distributions received from the Fund in 2010. The growth in adjusted EBITDA offset the higher interest and income taxes paid.

The change in non-cash working capital items generated \$16.2 million in cash flows (\$8.2 million in 2010). Cash flows generated in the first quarter of 2011 are explained partly by the disposal of ABI shares with a carrying amount of \$23.3 million as at December 31, 2010 and partly by a decrease in inventories of \$1.1 million, stemming mainly from the normal cycle of business. The decline in accounts receivable resulted mainly from the collection of VAT which was receivable as at December 31, 2010 on wind turbine purchase agreements for the wind farms built in 2010. The decline in accounts payable stemmed primarily from payments to suppliers who built the French wind farms in 2010.

As a result, operating activities in the first quarter of 2011 generated cash inflows totalling \$40.3 million compared with \$22.7 million for the same period of the previous year.

INVESTING ACTIVITIES

Investing activities in the first quarter of 2011 required net total funds of \$11.2 million, after deducting the utilization of a \$9.4 million tranche of cash allocated to develop the Thames River II project in Canada. Details of investments made in the first quarter of 2011 are as follows:

- A \$10.6 million amount allocated to the purchase of new capital assets, mainly for the completion of wind power projects in France, the commissioning of phase II of Thames River (Ontario) in January 2011, ongoing construction of the Corporation's first solar energy facility in the south of France and the implementation of a new handling and processing procedure for wood-residue derived from old bark piles at the Senneterre power station in Québec; and
- A net total amount of \$0.6 million allocated to various development projects, primarily the wind power facilities at the Seigneurie de Beaupré site in Québec.

FINANCING ACTIVITIES

Financing activities in the first quarter used net cash flows of \$0.5 million. The Corporation made total repayments of \$12.3 million on its long-term debt and bank loans and advances.

Boralex also increased its long-term debt by an amount of \$11.7 million, including \$10.8 million (€8 million) drawn on the VAT tranche of the master financing agreement for the wind power projects in France and \$0.5 million (€0.4 million) on the new €15.6 million financing facility for the solar power project in France.

The €265 million master financing agreement entered into in 2007 with BNP Paribas to finance wind power projects in France expired on December 31, 2010 and the Corporation decided not to renew this facility in order to explore other options. Under this financing agreement, Boralex owed an amount of €145.6 million (\$200.7 million) as at March 31, 2011, repayable by 2022. The \$9.0 million balance on the purchase price for the Ocean Falls hydroelectric power station acquired in 2009 was paid on April 1, 2011. On March 31, 2011, the Corporation entered into a credit agreement relating to its Ocean Falls hydroelectric power station located in British Columbia. This 13-year term credit agreement for an amount of \$11.0 million is secured by all the assets of Ocean Falls, without recourse to Boralex Inc. Disbursement of financing proceeds is subject to the compliance with certain pre-conditions by the Corporation before May 15, 2011. These conditions mainly relate to the obtaining of certain consents to financing by counterparties to large contracts. The Corporation does not expect any particular obstacles relating to the obtaining of these documents.

Lastly, fluctuations in the Canadian currency against the euro and the US dollar boosted cash and cash equivalents by \$0.7 million in fiscal the first quarter of 2011. In total, the cash flows described above resulted in net cash inflows of \$38.6 million. As a result, cash and cash equivalents totalled \$131.3 million as at March 31, 2011 compared with \$92.7 million as at December 31, 2010.

To sum up, cash flows in the first quarter of fiscal 2011 mainly reflect the Corporation's cash flows from operations, resulting from the acquisition of the Fund and the expansion of the wind power segment, as well as the ongoing development projects and optimization of its operational base.

FINANCIAL POSITION AS AT MARCH 31, 2011

ASSETS

As at March 31, 2011, Boralex reported total assets of \$1,238.1 million, down slightly by \$7.9 million or 0.6% from \$1,246.0 million as at December 31, 2010. Boralex's current and long-term assets remained stable between March 31, 2011 and December 31, 2010 at \$205.1 million and \$1,033.0 million, respectively.

WORKING CAPITAL

As at March 31, 2011, the Corporation's working capital amounted to \$116.1 million with a ratio of 2.31:1 compared with \$108.0 million and a ratio of 2.11:1 as at December 31, 2010. This slight increase is explained by the decrease in accounts payable and accrued liabilities as at March 31, 2011. This item had increased by \$29.9 million as at December 31, 2010 as a result of amounts due to suppliers in connection with construction projects in the wind power segment and the inclusion of the Fund's accounts payable and accrued liabilities.

TOTAL DEBT AND SHAREHOLDERS' EQUITY

As at March 31, 2011, the Corporation's total debt, including long-term debt and its current portion, bank loans and advances, and the debt component of convertible debentures, amounted to \$740.1 million compared with \$734.6 million as at December 31, 2010, owing to the \$5.1 million net increase in long-term debt (including its current portion) resulting primarily from increased drawdowns on the European credit facilities to fund various wind power projects in France, the whole after deducting repayments made during the period. Also, the euro's strengthening against the Canadian dollar from December 31, 2010 to March 31, 2011 resulted in an increase of approximately \$7.5 million in Boralex's long-term debt in Europe. In this regard, note that 42% of Boralex's long-term debt as at March 31, 2011 was in Europe (40% as at December 31, 2010).

Net of cash and cash equivalents and restricted cash, total net debt amounted to \$602.4 million as at March 31, 2011 compared with \$626.0 million as at December 31, 2010. Total shareholders' equity increased \$7.9 million to \$375.6 million as at March 31, 2011 from \$367.7 million as at December 31, 2010, mainly due to the net earnings of \$7.0 million in the first quarter of fiscal 2011.

As a result, the total net debt to capitalization ratio, excluding convertible debentures (total net debt plus shareholders' equity) fell to 39% as at March 31, 2011 from 41% as at December 31, 2010.

Based on Boralex's share price of \$8.45 as at March 31, 2011, the total net debt excluding convertible debentures to enterprise value ratio was 41% as at that date compared with 43% as at December 31, 2010 when the share price stood at \$8.11.

OUTLOOK

Apart from the contribution of the recently acquired power stations, Boralex management expects the Corporation's operating results to grow in fiscal 2011, driven by recent expansion in the wind power segment. The outlook for Boralex's different operating segments for fiscal 2011 is discussed in detail under *Analysis of Segmented Results*. The outlook by segment as well as for the Corporation as a whole is summarized below.

WIND POWER SEGMENT

Installed and operating capacity in this segment grew 133% since December 2009 from 108 MW to 251 MW. Of this increase, approximately 100 MW were commissioned starting in August 2010. The full contribution of these assets will bolster Boralex's performance significantly throughout fiscal 2011. Moreover, all these new wind power facilities, like the existing wind farms in operation, benefit from long-term power sales contracts at an average selling price in excess of Boralex's current average price.

In the medium term, Boralex will be working with partners on development projects totalling 391 MW in Québec, which are expected to be commissioned between 2013 and 2015. They all have long-term power sales contracts. In Europe, the partnership entered into with Cube in December 2009 will be leveraged over the next two fiscal years to expand the Corporation's wind power operations in France and certain other European countries, including Italy, as well as to develop other renewable energy sources, primarily solar power.

HYDROELECTRIC SEGMENT

Results in the first quarter of fiscal 2011 are an indication of the significant positive impact that of the integration of the Fund's seven hydroelectric power stations in fiscal 2011. These high quality assets have more than tripled the size of Boralex's hydroelectric segment and they all benefit from long-term power sales contracts, and have a solid track record in terms of profitability and cash flow generation. Also, the EBITDA margins of these power stations match those of the wind power segment. Their contribution will have a stabilizing impact on hydroelectric segment performance. The segment's contracted proportion of installed capacity increased from 48% to 85% and their results will be less exposed to fluctuations in the Canadian and U.S. currencies. Leveraging its 20-year expertise in the field, Boralex plans to grow its hydroelectric segment over the medium term, particularly in British Columbia and Québec.

Boralex's management is continuing to review options to expand the Buckingham power station. In any event, management expects that investments amounting to \$14 million will be required to ensure the power station complies with the *Dam Safety Act*.

WOOD-RESIDUE THERMAL POWER SEGMENT

The inclusion of the Fund's two wood-residue power stations increased the segment's contracted percentage of installed capacity from 18% to 37%. However, management remains prudent as to the short-term outlook in light of the difficult business environment for wood-residue energy production, due in particular to the volatility of selling prices of electricity and RECs in the Northeastern U.S., as well as the difficulties in the Québec forest industry, which affect the Fund's power stations, specifically the Dolbeau facility.

Nonetheless, management is more confident about the segment's longer term outlook. Under the global performance optimization program completed in 2009, the segment succeeded in reducing risk exposures, lowering costs, developing sources of recurring revenues, ensuring a steady supply stream and positioning itself proactively to capitalize on U.S. legislation relating to the production of renewable energy. As regards the REC market, despite current economic conditions, Boralex's management sees attractive potential through 2020 for recurring revenues and profits in its wood-residue segment.

For the Canadian operations, although the Dolbeau power station is currently experiencing difficulties, management is considering various options, and investments made in the Senneterre power station to optimize raw material supplies are expected to stabilize performance.

NATURAL GAS THERMAL POWER SEGMENT

Based on performance in the first quarter of 2011, the combination of the Fund's 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station will boost segment revenues and profits in the short term. However, the Kingsey Falls power station sales contract expires in 2012 and when the time is right Boralex will evaluate the options available, based on Hydro-Québec's future needs. For fiscal 2011 and 2012 at the least, Boralex will benefit from this facility's significant and stable contribution, especially since it recently entered into contracts to hedge steam selling prices and natural gas purchase prices through November 2012. With respect to Boralex's French power station, regardless of market conditions, the facility is also a relatively stable source of profits and cash flows for Boralex, as fluctuations in its selling prices are offset by opposite fluctuations in its raw material costs, as experienced in the past two fiscal years.

SOLAR ENERGY SEGMENT

Boralex is currently working on the construction of a solar energy production facility in the south of France. The new facility with potential installed capacity of 4.5 MW will use photovoltaic technology panels and the electricity generated will be sold to EDF under a 20-year contract. The Corporation expects to commission these assets around mid-2011.

Boralex is convinced of the potential of solar energy, particularly in Europe where this type of renewable power generation enjoys preferential sales rates. Furthermore, advances in solar technology in recent years have brought down the cost of solar technology equipment and improved performance. Boralex intends to replicate in the solar power segment the success it has achieved since 2002 in the wind power segment in France and possibly in Canada. Various projects are currently under consideration, including facilities totalling 40 MW in France.

ACHIEVING THE OBJECTIVE OF 1,000 MW OF CAPACITY AND NEW GROWTH TARGET

Following the acquisition of the Fund and the commissioning of new wind power facilities, Boralex now has an installed capacity of 700 MW, of which 73% is covered by indexed long-term sales contracts. With more than 400 MW of projects currently under development with its partners, Boralex's strategic objective of 1,000 MW of operating/contracted capacity has been almost achieved. As a result, Boralex has set a new objective of attaining an operating/contracted capacity of 1,500 MW by 2015.

In addition, the Corporation continues to seek out targets for acquisitions. For instance, the current weakness in the world economy may prompt some energy asset developers or operators to sell a portion of their assets to finance other operations. Boralex intends to capitalize on such opportunities to acquire already operational energy assets or projects in various phases of development with long-term power sales contracts and financing facilities, both in Canada and in Europe, and particularly in the wind power segment, the spearhead of the Corporation's expansion in coming years.

To sum up, Boralex will continue, as always, to be financially rigorous and disciplined in investment projects and asset management in order to maximize and secure the operating earnings generated by its power stations and its cash flows from operations. It will also continue to prudently capitalize on opportunities that arise in its fields of expertise, while keeping abreast of new technologies.

CAPITAL STOCK INFORMATION

As at March 31, 2011, Boralex's capital stock consisted of 37,767,779 Class A shares issued and outstanding (37,765,139 as at December 31, 2010) and 2,450,914 convertible debentures (2,451,244 as at December 31, 2010). There were 1,547,696 stock options outstanding as at March 31, 2011, of which 879,077 were exercisable.

Between March 31, 2011 and May 10, 2011, no new shares were issued on exercise of stock options and no shares were repurchased in the normal course of business.

FINANCIAL INSTRUMENTS

MARKET RISK

In 2010, to stabilize its natural gas supply costs, the Corporation entered into a hedging contract to cover the natural gas needs of the Kingsey Falls power station from November 1, 2011 to November 30, 2012. This agreement covers the commodity price of the natural gas molecule and its delivery. As at March 31, 2011, the unfavourable fair value of this contract amounted to \$3.0 million.

In 2010, to partially stabilize the selling price of steam produced by the Kingsey Falls power station, the Corporation entered into a hedging contract to fix the selling price index on 50% of the steam sold to Cascades. This contract is effective for two years, from December 1, 2010 to November 30, 2012. As at March 31, 2011, the unfavourable fair value of this contract amounted to \$1.8 million.

These contracts qualify for hedge accounting.

INTEREST RATE RISK

As at March 31, 2011, approximately 39% of the long-term debt issued bears interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to only 5% of total debt. As at March 31, 2011, the nominal balance of these swaps stood at \$181.5 million (€131.7 million) while their unfavourable fair value was \$4.7 million (€3.4 million).

The Corporation does not plan to sell these instruments, since they were entered into to reduce the Corporation's risk related to interest rate fluctuations. Therefore, the fact that fair value is unfavourable only indicates that forward interest rates have fallen and has no bearing on the effectiveness of the instrument as part of the Corporation's risk management strategy.

FOREIGN EXCHANGE RISK

In the normal course of business, the Corporation is not significantly exposed to currency fluctuations because its foreign operations are self-sustaining. Boralex generally keeps liquid assets in the country in which they are generated to continue developing these subsidiaries in their country of origin. The Corporation is exposed, however, to a foreign exchange risk relating to certain transactions entered into in foreign currencies.

Specifically, a proportion of the raw materials used in its wood-residue power stations in the United States are purchased with Canadian dollars. In this respect, Boralex entered into forward sales contracts in fiscal 2009 to hedge a portion of purchases in Canadian dollars at its Fort Fairfield power station in the U.S. up to February 17, 2011. These contracts expired during the quarter and the Corporation is currently assessing the benefits of renewing such foreign exchange contracts.

The Corporation has entered into a forward contract to set an exchange rate of approximately C\$1.3848 per euro for an expected €5.0 million outlay in 2011 for turbine purchases at the Seigneurie de Beaupré site for which the supplier is also European. Hedge accounting was used for this foreign exchange contract with gains and losses resulting from the change in fair value of the effective portion of the hedging item included under *Accumulated other comprehensive income* until the date of purchase of the underlying capital assets. Their purchase cost will then be adjusted for such amount.

Given that the Corporation is not significantly exposed to foreign exchange risk in its regular operating activities, its foreign exchange risk management focuses rather on protecting returns on its development projects. Where firm commitments are made in connection with a project requiring future cash outlays in a foreign currency, the Corporation enters into hedging transactions to mitigate the risk of fluctuations in said currency.

RELATED PARTY TRANSACTIONS

Before acquisition of the Fund on September 15, 2010, the Corporation, through one of its wholly owned subsidiaries, was linked to the Fund under long-term management and administration contracts. For the three-month period ended March 31, 2010, these management and administration agreements generated \$1.8 million while Boralex's share in the Fund's results amounted to a loss of \$1.4 million. Lastly, Boralex received Fund distributions totalling \$1.7 million during the same period in 2010.

Until February 28, 2011, one of Boralex's power stations in France supplied steam to a French division of Cascades, which has significant influence over Boralex since it holds 35% of the Corporation's capital stock. In the first quarter of fiscal 2011, revenues from this division of Cascades amounted to \$1.8 million (\$2.6 million in the same period of fiscal 2010). On March 1,

2011, this division of Cascades was sold to a third party unrelated to Boralex and to which the Corporation's power station continues to supply steam.

The Corporation also entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors and officers, and his family. For the three-month period ended March 31, 2011, revenues from this agreement totalled \$0.2 million (\$0.1 million in 2010).

The Kingsey Falls natural gas power station has a steam sales contract with Cascades. For the three-month period ended March 31, 2011, \$4.6 million in revenues have been received from Cascades.

COMMITMENTS AND CONTINGENCIES

Commitments and contingencies are discussed in the MD&A section of the Corporation's annual report for the fiscal year ended December 31, 2010.

In connection with wind power projects in Québec, the Corporation entered into new equipment purchase agreements in the first three months of fiscal 2011. As at March 31, 2011, the total cost of new net commitments is \$12.1 million. Outlays will take place mostly in fiscal 2011.

In addition, from April 1 to April 21, 2011, the Corporation entered into interest rate swap transactions to set a significant proportion of the expected financing rate for its Seigneurie de Beaupré wind power project. The transactions have a total nominal amount of \$200.0 million and rates at approximately 4.58%.

RISK FACTORS AND UNCERTAINTIES

Boralex has not observed any significant changes regarding the risks and uncertainties to which it is subject, and which are discussed under *Outlook and Risk Factors and Uncertainties* in Boralex's annual MD&A for the year ended December 31, 2010.

USE OF ESTIMATES AND MEASUREMENT OF UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments, as they become necessary, are recorded in the period in which they become known.

The key estimates used by the Corporation relate mainly to the assumptions made with respect to the impairment tests of long-lived assets, intangible assets subject to amortization, intangible assets not subject to amortization, goodwill and the recoverability of renewable energy tax credits. The key assumptions are: the future price of electricity and its associated products, the price of other energy sources, particularly natural gas, the future costs of wood-residue procurement and the remaining useful life of the energy producing assets, considering planned maintenance over the period.

Over a three-year horizon, there is some liquidity in the electricity market, making it possible to establish forward selling price curves. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year price. Assumptions related to the other sources of energy are made using a similar method since there is a correlation between their price and that of electricity.

With regard to the cost of wood residue, this raw material is not publicly traded. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption regarding wood-residue costs is based on the following year's negotiated contract prices, adjusted for the estimated Consumer Price Index ("CPI") in subsequent years.

The remaining useful life of the assets will vary with the amount of maintenance work realized. When the power stations are sufficiently well maintained, their useful life can be very long and limited for example by changes in technology which could make their production method less competitive. Consequently, the forecasts consider sufficient maintenance expenses to ensure that the useful life of the power stations will be, at a minimum, as long as the forecast period.

For impairment testing purposes, property, plant and equipment, intangible assets and other long-term assets are allocated to cash-generating units (“CGU”) which represent the level at which they are monitored for internal management purposes. The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on latest forecasts for revenue and cost as approved by the Board. Cash flow projections beyond three years are based on internal management forecasts and assume a growth rate not exceeding gross domestic product for the respective countries. Pre-tax cash flow projections are discounted using a real pre-tax discount rate adjusted for the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Growth rates in perpetuity are assumed for most of the CGU given the commodity nature of the majority of the products and since volume growth expected to be offset by real price declines. Perpetuity maintenance capital expenditure has been assumed based on amortization. The assumptions used in calculating value-in-use have considered the current economic environment, resulting in more conservative future value estimates.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, *Financial Instruments*, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a new measurement model comprising only two categories: amortized cost and fair value through earnings.

For investments in equity instruments that are not held for trading, the Corporation can make an election under IFRS 9, at the time of initial recognition, to present future changes in fair value through *Accumulated other comprehensive income*. Dividends from such instruments that do not clearly represent a return of investment are recognized through earnings while other gains and losses (including impairment losses) associated with such instruments are maintained in *Accumulated other comprehensive income*.

In October 2010, the IASB amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure the debts at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Accumulated other comprehensive income* and not through earnings.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

For fiscal years beginning on or after January 1, 2011, public Canadian companies are required to prepare their financial statements in accordance with IFRS. Although IFRS use a conceptual framework similar to GAAP, there are significant differences in accounting policies that must be assessed. IFRS require more disclosures than Canadian GAAP. The interim consolidated financial statements included in this MD&A are in accordance with IFRS and present comparative 2010 data as well as the impact as at the date of transition. There are no significant changes compared with disclosures made in the last annual MD&A, except for the finalization of the allocation of the purchase price of the Fund.

INTERNAL CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109, *Certification of Disclosure in Issuers’ Annual and Interim Filings*, disclosure controls and procedures have been designed to provide reasonable assurance that the information that must be presented in Boralex’s interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex’s disclosure controls and procedures as of December 31, 2010, as well as the effectiveness of Boralex’s internal control over financial reporting as of the same date and have concluded that they are adequate and effective.

During the first quarter ended March 31, 2011, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures. However, specific controls have been implemented for the transition to IFRS, and these controls will be maintained throughout the transition year.

ADDITIONAL INFORMATION

Additional information about the Corporation, including its previous annual reports, annual information form, interim reports and press releases, is available on Boralex's website (www.boralex.com) and the SEDAR website (www.sedar.com). Readers can also review information about the Fund, including its previous reports, annual information forms, interim reports and press releases, on SEDAR.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)	Note	AS AT MARCH 31, 2011	AS AT DECEMBER 31, 2010	AS AT JANUARY 1, 2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		131,268	92,650	37,821
Restricted cash		6,512	15,924	-
Accounts receivable		51,053	60,420	39,632
Available-for-sale financial asset		3,832	23,251	-
Future income taxes		-	512	422
Inventories		7,980	9,179	8,726
Prepaid expenses		4,475	2,516	2,537
Fair value of derivative financial instruments	8	-	769	-
		205,120	205,221	89,138
Investment		-	-	45,729
Property, plant and equipment		735,106	738,884	412,707
Energy sales contracts		104,066	103,994	49,023
Water rights		112,274	113,015	4,146
Other long-term assets	5	43,440	46,842	52,475
Goodwill	4	38,063	38,063	-
		1,238,069	1,246,019	653,218
LIABILITIES				
CURRENT LIABILITIES				
Bank loans and advances		-	195	12,291
Accounts payable and accrued liabilities		38,331	59,558	31,798
Income taxes payable		3,934	3,209	283
Fair value of derivative financial instruments	8	30	183	-
Current portion of long-term debt	6	46,676	34,033	24,273
		88,971	97,178	68,645
Long-term debt	6	472,040	479,546	206,116
Convertible debentures	7	221,429	220,824	-
Long-term lease accruals		2,997	2,981	-
Future income taxes		67,603	66,967	33,603
Fair value of derivative financial instruments	8	9,448	10,834	7,645
		862,488	878,330	316,009
EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Capital stock		222,870	222,853	222,694
Equity component of convertible debentures		14,488	14,488	-
Contributed surplus		5,189	5,028	4,290
Retained earnings		149,311	142,300	105,538
Accumulated other comprehensive loss	9	(25,231)	(25,874)	(2,344)
		366,627	358,795	330,178
Non-controlling interests		8,954	8,894	7,031
Total equity		375,581	367,689	337,209
		1,238,069	1,246,019	653,218

See accompanying notes.

Consolidated Statements of Earnings

FOR THE QUARTERS ENDED
MARCH 31

(in thousands of dollars, except per share amounts and number of shares)(unaudited)

	Note	2011	2010
REVENUES			
Revenues from energy sales		82,028	51,004
Management revenues from the Fund		–	1,755
Other income		152	300
		82,180	53,059
COSTS AND OTHER EXPENSES			
Operating costs	10	39,215	27,019
Administrative	10	4,293	3,706
Development		884	1,613
Management and operation of the Fund		–	1,505
Amortization		15,780	7,667
Gain on sale of assets	12	(2,377)	(774)
		57,795	40,736
OPERATING INCOME		24,385	12,323
Financing costs	11	11,983	5,763
Foreign exchange loss		1,519	454
Net loss (gain) on financial instruments		316	(560)
EARNINGS BEFORE INCOME TAXES, SHARE IN EARNINGS OF THE FUND AND NON-CONTROLLING INTERESTS		10,567	6,666
Income taxes		3,500	2,985
EARNINGS BEFORE SHARE IN EARNINGS OF THE FUND AND NON-CONTROLLING INTERESTS		7,067	3,681
Share in earnings of the Fund		–	(1,425)
Non-controlling interests		(56)	(280)
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS		7,011	1,976
Net earnings per share (basic)	17	\$0.19	\$0.05
Net earnings per share (diluted)	17	\$0.18	\$0.05
Weighted average number of shares outstanding (basic)		37,766,491	37,740,921
Weighted average number of shares outstanding (diluted)		57,487,945	37,910,184

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of dollars)(unaudited)	Note	FOR THE QUARTERS ENDED	
		MARCH 31	
		2011	2010
Net earnings for the period including non-controlling interests		7,067	2,256
Other comprehensive income (loss)	9		
TRANSLATION ADJUSTMENTS			
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		1,074	(9,303)
Share of cumulative translation adjustments of the Fund		-	(478)
Taxes		-	6
CASH FLOW HEDGES			
Change in fair value of financial instruments		(776)	(5,595)
Hedging items realized and recognized in net earnings		629	(1,219)
Hedging items realized and recognized in balance sheet		120	1,146
Taxes		(427)	777
LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSET			
Unrealized loss on available-for-sale financial asset		27	-
		647	(14,666)
Comprehensive income (loss) for the period including non-controlling interests		7,714	(12,410)
Less: Comprehensive loss for the period attributable to non-controlling interests		(60)	(268)
Comprehensive income (loss) for the quarter attributable to shareholders		7,654	(12,678)

See accompanying notes.

Consolidated Statements of Changes in Equity

FOR THE QUARTER ENDED
MARCH 31, 2011

(in thousands of dollars) (unaudited)	Attributable to shareholders					Total	Non-controlling interests	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Comprehensive income (loss)			
Balance – beginning of period	222,853	14,488	5,028	142,300	(25,874)	358,795	8,894	367,689
COMPREHENSIVE INCOME:								
Net earnings for the period	-	-	-	7,011	-	7,011	56	7,067
Other comprehensive income	-	-	-	-	643	643	4	647
Conversion of convertible debentures	17	-	-	-	-	17	-	17
Expense related to stock options	-	-	161	-	-	161	-	161
Balance – end of period	222,870	14,488	5,189	149,311	(25,231)	366,627	8,954	375,581

See accompanying notes.

FOR THE QUARTER ENDED
MARCH 31, 2010

(in thousands of dollars) (unaudited)	Attributable to shareholders					Total	Non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Comprehensive income (loss)				
Balance – beginning of period	222,694	4,290	105,538	(2,344)	330,178	7,031	337,209	
COMPREHENSIVE INCOME (LOSS):								
Net earnings for the period	-	-	1,976	-	1,976	280	2,256	
Other comprehensive loss	-	-	-	(14,654)	(14,654)	(12)	(14,666)	
Expense related to stock options	-	198	-	-	198	-	198	
Balance – end of period	222,694	4,488	107,514	(16,998)	317,698	7,299	324,997	

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of dollars) (unaudited)	Note	FOR THE QUARTERS ENDED	
		MARCH 31	
		2011	2010
OPERATING ACTIVITIES			
Net earnings attributable to shareholders		7,011	1,976
Distributions received from the Fund		-	1,721
Financing costs		11,983	5,763
Interest paid		(12,404)	(6,139)
Income taxes		3,500	2,985
Income taxes paid		(1,441)	(181)
Adjustments:			
Unrealized foreign exchange loss on intercompany advances		1,090	-
Net loss (gain) on financial instruments		316	(560)
Share in earnings of the Fund		-	1,425
Amortization		15,780	7,667
Gain on sale of assets	12	(2,377)	(774)
Other		601	637
		24,059	14,520
Change in non-cash working capital items		16,199	8,198
		40,258	22,718
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(10,638)	(20,708)
Change in restricted cash		9,412	(94,287)
Proceeds from sale of a subsidiary		-	878
Change in reserve funds		(4)	857
Development projects		(593)	(45)
Other		43	958
		(1,780)	(112,347)
FINANCING ACTIVITIES			
Decrease in bank loans and advances		(201)	(4,427)
Net increase in long-term debt		11,737	188,549
Payments on long-term debt		(12,062)	(59,417)
		(526)	124,705
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS			
		666	(6,509)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		38,618	28,567
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD			
		92,650	37,821
CASH AND CASH EQUIVALENTS – END OF PERIOD			
		131,268	66,388

See accompanying notes.

Notes to Consolidated Financial Statements

As at March 31, 2011

(Tabular amounts are in thousands of dollars, unless otherwise specified.)(unaudited)

Note 1.

NATURE OF OPERATIONS

Boralex Inc. (“Boralex” or the “Corporation”) operates mainly as a private producer of energy. The Corporation has interests in 21 wind power stations, 15 hydroelectric power stations, eight wood-residue thermal power stations and two natural gas cogeneration power stations for a total capacity of 700 megawatts (“MW^{*}”). The Corporation also operates two hydroelectric power stations on behalf of an entity controlled by a director and officer of the Corporation. Based in Québec, Canada, Boralex is domiciled at 36, rue Lajeunesse, Kingsey Falls, Québec, Canada and its shares are listed on the Toronto Stock Exchange (“TSX”).

The Board of Directors approved these unaudited interim consolidated financial statements on May 10, 2011.

*(*The data related to MW and MWh have not been reviewed by the auditor.)*

BASIS OF PRESENTATION AND IFRS ADOPTION

The consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). For periods beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises have been revised to conform to International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board (IASB), including International Accounting Standards (“IAS”) and the interpretations of the International Financial Reporting Committee (“IFRIC”).

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements including IAS 34, (“Interim Financial Reporting”) and IFRS 1, (“First-time adoption of International Financial Reporting Standards”). Subject to certain transition elections disclosed in note 18, the Corporation has consistently applied the same accounting policies in its opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Corporation’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation’s consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of May 10, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that impact the Corporation’s annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these interim consolidated financial statements, including the transition adjustments recognized on the changeover to IFRS.

The interim consolidated financial statements should be read in conjunction with the Corporation’s Canadian GAAP annual financial statements for the year ended December 31, 2010.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation, which include:

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Corporation has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation and are deconsolidated on the date control ends.

Note 1. Nature of operations and significant accounting policies (Cont'd)

(b) Associates

Associates are all entities over which the Corporation has significant influence but not control, generally with a shareholding ranging from 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Corporation's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Corporation's share of its associates' post-acquisition profits or losses is recognized in the statement of earnings, and its share of post-acquisition movements in reserves is recognized in *Accumulated other comprehensive loss*. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Corporation's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Corporation. Dilution gains and losses arising in investments in associates are recognized in the statement of earnings.

(c) Transactions and Non-Controlling interests

Disposals of non-controlling interests that do not result in a company losing control are treated as equity transactions. When the Corporation loses control, disposal of non-controlling interests that result in gains or losses for the Corporation are recognized in the statement of earnings. Purchases of additional interests in non-controlling interests may be recognized in goodwill, which is equal to the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

BUSINESS COMBINATIONS

The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of the fair value of consideration transferred, the recognized amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (gain on a bargain purchase) is recognized as a profit or loss immediately.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Boralex's functional currency.

Foreign Operations

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and included in *Accumulated other comprehensive loss*.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in *Accumulated other comprehensive loss* related to the foreign operation are recognized in *Foreign exchange loss*. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in *Accumulated other comprehensive loss* related to the subsidiary is reallocated between controlling and non-controlling interests.

Note 1. Nature of operations and significant accounting policies (Cont'd)

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency are recognized in the statement of earnings under *Foreign exchange loss*, except for qualifying cash flow hedges which are deferred under *Accumulated other comprehensive loss* in shareholder's equity.

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

Classification of Financial Instruments

The Corporation classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale and other liabilities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset and liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets or liabilities in this category are classified as current assets or current liabilities. The financial instrument is recorded at fair market value determined using market prices. Interest earned, gains and losses realized on disposal and unrealized gains and losses from the change in fair value are reflected in consolidated earnings. Transaction costs are expenses.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are recorded at amortized cost using the effective interest method.

(c) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in *Accumulated other comprehensive loss*. Upon sale or impairment, the accumulated fair value adjustments recognized in *Accumulated other comprehensive loss* are included in the statement of earnings.

(d) Other Liabilities

Other liabilities are initially recorded at fair value. Transaction costs are included in the original carrying amount of the financial liability. Other liabilities are carried at amortized cost using the effective interest rate method.

Impairment of Financial Assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the statement of earnings.

Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Corporation designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge).

The Corporation documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Note 1. Nature of operations and significant accounting policies (Cont'd)

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Held-for-trading derivative financial instruments are classified as a current asset or liability.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in *Accumulated other comprehensive loss*. The gain or loss relating to the ineffective portion is recognized immediately in the statement of earnings under *Net loss (gain) on financial instruments*.

Amounts accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of earnings under *Financing costs*. The gain or loss relating to the ineffective portion is recognized in the statement of earnings under *Net loss (gain) on financial instruments*. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in *Operating costs* in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of earnings under *Net loss (gain) on financial instruments*.

REVENUE RECOGNITION

The Corporation recognizes its revenue under the following policies:

Revenues from Energy Sales

The Corporation recognizes its revenues, which consist of product sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Management Revenues

Management revenues from the Fund (until September 15, 2010) and other income are recognized when the service is provided and collection is considered likely.

Renewable Energy Certificates ("RECs")

Revenue from RECs is recognized when earned, i.e. when the Corporation has met the quarterly statutory requirements and the value of the RECs can be determined based on sufficient fixed-price and firm sales contracts with unrelated parties.

Renewable Energy Tax Credits

Renewable energy tax credits attributed on the basis of incurred operating expenses are recorded as a reduction of operating costs for the period in which the credits are earned; to the extent that it is more likely than not that they will be recoverable during their lifetime.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and bank balances. Cash equivalents include bankers' acceptances, deposit certificates guaranteed by banks or funds guaranteed by government bonds. These instruments must be readily convertible into known amounts of cash and initially mature within three months or less.

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain long-term debt agreements. The reserve funds, consisting of deposit certificates, are valued at the lower of cost and market value.

Note 1. Nature of operations and significant accounting policies (Cont'd)

ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from customers for the rendering of services or sale of goods in the normal course of business. Accounts receivable are classified as current assets if payment is due within one year or less. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less the provision for doubtful accounts.

INVENTORIES

Inventories mainly represent wood residue and are valued at the lower of cost and net realizable value. Cost is determined using the average cost method. Net realizable value corresponds to replacement cost in the normal course of business.

PROPERTY, PLANT AND EQUIPMENT, AND AMORTIZATION

Property, plant and equipment, consisting mainly of power stations, are recorded at cost less accumulated amortization and impairment losses, including interest incurred during the construction period of new power stations or wind power stations. Amortization begins on the date the assets are put into service using the following methods:

Wind Power Stations

Wind power stations are amortized by component using the straight-line method over periods of 10 to 20 years.

Hydroelectric Power Stations

The power stations are amortized by component using the straight-line method over periods of 20 to 40 years.

Wood-Residue Thermal Power Stations

The power stations are amortized by component using the straight-line method over periods of 5 to 33 years.

Natural Gas Thermal Power Stations

The French power station is amortized by component using the straight-line method over a period of 10 to 20 years while the Québec power station is amortized by component using the straight-line method until 2012.

ENERGY SALES CONTRACTS

Acquisition costs for power sales contracts are amortized on a straight-line basis over the remaining contract terms, including one renewal period, if applicable, which is from 2017 to 2044.

WATER RIGHTS

The water rights related to all the hydroelectric power stations except for Buckingham (as this asset has an indefinite life) are amortized on a straight-line basis over the remaining contract terms, including one renewal period, which is from 2035 to 2040.

OTHER LONG-TERM ASSETS

Net Investments in Finance Leases

The Corporation entered into finance lease transactions for crushing equipment to ensure a steady supply of wood residue. Amounts receivable under these leases appear under *Other long-term assets*. Repayments are based on a per-unit rate for the volume of raw material delivered to the power stations by the lessees. In addition to capital repayments, the Corporation receives interest on amounts receivable; this interest income is recorded against *Financing costs* in the statement of earnings.

Reserve Funds

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain long-term debt agreements.

Development Projects

Project development costs include design and acquisition costs related to new projects. These costs are deferred until construction begins on the new power station or expansion of an existing power station, at which time they are included in the cost of the power station or recorded as intangible assets, as appropriate. The Corporation defers costs for projects when it believes they are more likely than not to be completed. If this probability subsequently declines, the costs deferred to that date are expensed.

Note 1. Nature of operations and significant accounting policies (Cont'd)

CO₂ Quota

The quota is recognized at its market value on the allocation date. The Corporation then records an asset and a liability for that same amount. The asset represents the allocated quota, while the liability represents the estimated cost of its consumption. The market value of the asset or liability is not subsequently remeasured. However, if estimated consumption exceeds the quota, the Corporation would recognize an additional liability based on market value at that date, which would affect the Corporation's results. On the other hand, if estimated consumption is less than the quota, the Corporation would be in a position to sell its excess quota. In that event, the Corporation must wait until the execution of a sale before it can reduce its assets and liabilities. Finally, if, subsequent to a sale, the Corporation determined that its consumption had increased and that it had insufficient residual quota, it would recognize an additional liability at market value at that date.

IMPAIRMENT OF LONG-LIVED ASSETS

Impairment losses are recognized when the recoverable amounts of assets are lower than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Impairment losses are evaluated for potential reversals when events of changes in circumstances warrant such consideration.

Non-Financial Assets

The carrying amounts of non-financial assets with finite lives, such as property, plant and equipment and intangible assets with finite lives, are assessed for impairment whenever events of changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units "CGU").

Goodwill and Assets with Indefinite Lives

Goodwill, representing the excess of the cost of businesses acquired over the net amount allocated to assets acquired and liabilities assumed, is not amortized. Assets with indefinite lives represent the water rights at the Buckingham power station. Goodwill and assets with indefinite lives are tested for impairment annually on October 31. Tests are also carried out when events or circumstances indicate a possible impairment. Any impairment loss is charged to earnings in the period in which it occurs.

Recoverable Amount

Recoverable amounts are the higher of fair value less cost to sell and the value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset or the CGU. When determining fair value less cost to sell, the Corporation considers whether there is a current market price for the asset. Otherwise, the Corporation uses a revenue approach, which is based on the present value of future cash flows generated by an asset or a CGU. The discounted cash flow method consists of projecting cash flows and converting them into present values by using discount rates.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of earnings on a straight-line basis over the period of the lease.

The Corporation leases certain property, plant and equipment. Leases of property, plant and equipment where the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in *Long-term lease accruals*. The interest element of the finance cost is charged to the statement of earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Note 1. Nature of business and significant accounting policies (Cont'd)

INCOME TAXES

The Corporation uses the liability method in accounting for income taxes. Under this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences will reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets arising from tax loss carryforwards and temporary differences are recognized when it is more likely than not that such assets will be realized.

EQUITY INSTRUMENTS, STOCK-BASED COMPENSATION, SHARE ISSUE COSTS AND OTHER STOCK-BASED COMPENSATION

Equity Instruments

An equity instrument is any contract which evidences a residual interest in the net assets of an entity. A financial instrument is treated by the Corporation as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on unfavourable terms; and
- the instrument is either a non-derivative which contains no contractual obligation to deliver a variable number of shares, or is a derivative which will be settled only by the Corporation exchanging a fixed amount of cash or other financial assets, for a fixed number of its own equity instruments.

Stock-Based Compensation

The Corporation uses the fair value method to record stock options issued to senior management and executives. According to this method, an amount is expensed based on the exercise conditions of the options awarded. Fair value is determined using the Black-Scholes option pricing model, which was designed to estimate the fair value of exchange-traded options that have no restrictions as to vesting and are entirely transferable. Some of the outstanding options carry restrictions but, in the Corporation's opinion, the Black-Scholes model provides an appropriate estimate of fair value in these cases. Any consideration paid by employees on the exercise of stock options is credited to *Capital stock*.

Expenses related to stock options are recorded under *Administrative* and the cumulative value of unexercised options outstanding is included under *Contributed surplus*.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of applicable tax, from the proceeds. An incremental share issue cost is one which would not have arisen, had shares not been issued.

PER SHARE AMOUNTS

Per share amounts are determined based on the weighted average number of Class A shares outstanding during the year. Diluted amounts per common share are calculated using the treasury stock method to determine the dilutive effect of the stock options and the "if converted" method for convertible debentures. For options that have a dilutive effect, i.e. when the average share price for the period is higher than the exercise price of the options, these methods assume that the options have been exercised at the beginning of the period and that the resulting proceeds have been used to buy back common shares of the Corporation at their average price during the period.

PROVISIONS FOR CONTINGENCIES AND CHARGES

A provision is recognized in the balance sheet when the Corporation has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. If the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recorded in the balance sheet as a separate asset, but only if it is virtually certain that reimbursement will be received.

Note 1. Nature of business and significant accounting policies (Cont'd)

Restoration, Decommissioning and Environmental Costs

An asset retirement obligation is recognized at its fair value in the period in which the legal obligation is incurred. A conditional asset retirement obligation is recognized at its fair value when it can be reasonably estimated. The related costs are capitalized, which increases the value of the asset, and are amortized over the asset's useful life. The obligation is discounted using a credit-adjusted risk-free rate.

The Corporation has no contractual asset retirement obligations. However, according to current regulations, the Corporation may be obligated to carry out certain work should it discontinue some of its activities. Under the regulations, lessees must leave property in the same condition as when they arrived. However, structures or buildings can normally be handed over to the lessor, without compensation, should it prove impossible to remove them. This is generally the case for hydroelectric power stations, whose presence modifies the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam.

With respect to wind power stations, there is a French regulation that requires the owner to dismantle the facilities when deciding to discontinue operations. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines. The estimated cost of this work varies from \$70,000 to \$140,000 per wind turbine. The current business plan does not anticipate that the Corporation will stop operating these sites.

Lastly, the Corporation has environmental obligations with respect to its wood-residue thermal power stations. If a power station were to be sold, the Corporation would be responsible for removing the piles of wood residue and environmental protection membranes. The Corporation has determined that the wood residue would be burned to produce electricity and that additional cleaning costs would be approximately \$100,000 to \$150,000 per site. However, since this obligation only applies when a site is sold and as the Corporation cannot foresee when such sale would take place, the fair value of the obligation is not material.

In short, no liability was recorded because the Corporation plans to use these assets for an indefinite period. For these property, plant and equipment, the information available is insufficient to determine a realistic schedule for future asset retirement. A liability will be recorded in the period in which the Corporation obtains sufficient information to establish such a schedule.

Note 2.

USE OF ESTIMATES AND MEASUREMENT OF UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments, as they become necessary, are recorded in the period in which they become known.

The key estimates used by the Corporation relate mainly to the assumptions made with respect to the impairment tests of long-lived assets, amortizable and non-amortizable intangible assets, goodwill and the recoverability of renewable energy tax credits. The key assumptions are: the future price of electricity and its associated products, the price of other energy sources, particularly natural gas, the future costs of wood-residue procurement and the remaining useful life of the energy producing assets, considering planned maintenance over the period.

Over a three-year horizon, there is some liquidity in the electricity market, making it possible to establish forward selling price curves. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year price. Assumptions related to the other sources of energy are made using a similar method since there is a correlation between their price and that of electricity.

With regard to the cost of wood residue, this raw material is not publicly traded. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption regarding wood-residue costs is based on the following year's negotiated contract prices, adjusted for the estimated Consumer Price Index ("CPI") in subsequent years.

The remaining useful life of the assets will vary with the amount of maintenance work realized. When the power stations are sufficiently well maintained, their useful life can be very long and limited for example by changes in technology which could make their production method less competitive. Consequently, the forecasts consider sufficient maintenance expenses to ensure that the useful life of the power stations will be, at a minimum, as long as the forecast period.

For impairment testing purposes, property, plant and equipment, intangible assets and other long-term assets are allocated to CGU according to their type and external structures. The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial projections covering a three-year period using the latest budgeted revenues and costs approved by the Board. Cash flow projections beyond three years are based on internal management forecasts and assume a growth rate not exceeding gross domestic product for the respective countries. Pre-tax cash flow projections are discounted using a real pre-tax discount rate adjusted for the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Growth rates in perpetuity are assumed for most of the CGU given the commodity nature of the majority of the products and since volume growth is expected to be offset by real price declines. Perpetuity maintenance capital expenditure has been estimated using the maintenance plan. The assumptions utilised in calculating value-in-use have factored in the current economic environment, resulting in a more conservative estimate regarding future value.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

Note 3.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, *Financial Instruments*, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a new measurement model comprising only two categories: amortized cost and fair value through earnings.

For investments in equity instruments that are not held for trading, the Corporation can make an election under IFRS 9, at the time of initial recognition, to present future changes in fair value through *Accumulated other comprehensive income*. Dividends from such instruments, that do not clearly represent a return of investment, are recognized through earnings while other gains and losses (including impairment losses) associated with such instruments are maintained in *Accumulated other comprehensive income*.

In October 2010, the IASB amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure the debts at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Accumulated other comprehensive income* and not through earnings.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Note 4.

ACQUISITION OF THE FUND

The fair value of all the units issued was \$295,340,000 (\$5 per unit) and this amount was allocated to the net identifiable assets as follows:

	Final
Working capital	19,886
Available-for-sale financial asset	23,978
Property, plant and equipment	205,888
Energy sales contracts	53,610
Water rights	110,792
Other long-term assets	8,313
Long-term debt	(117,867)
Financial instrument	(1,477)
Long-term lease accruals	(2,995)
Future income taxes	(66,009)
Net assets	234,119
Goodwill (see note 18 (i))	61,221
Fair value	295,340

In the first quarter of 2011, the Corporation finalized the purchase price allocation (“PPA”) for the Fund, which was acquired on September 15, 2010, and retrospectively adjusted to September 15, 2010 the preliminary allocation entry. This PPA was based on the market value on the acquisition date determined with the assistance of independent professional valuers. This PPA is final.

Note 5.

OTHER LONG-TERM ASSETS

	Note	As At MARCH 31, 2011	AS AT DECEMBER 31, 2010	AS AT JANUARY 1, 2010
Renewable energy tax credits	(a)	15,332	16,410	19,022
Reserve funds and other funds held in trust	(b)	3,164	3,146	2,647
Net investments in finance leases	(c)	11,533	11,854	15,146
Fair value of derivative financial instruments	8	11	-	7,297
CO ₂ quota		890	860	382
Development projects	(d)	10,663	12,434	7,863
Other intangible assets	(e)	1,847	2,138	118
		43,440	46,842	52,475

Amortization of other long-term assets amounted to \$295,000 for the quarter ended March 31, 2011 (nil for the quarter ended March 31, 2010). Those amounts are recognized under *Amortization*.

Notes:

- (a) Renewable energy tax credits represent tax credits earned by the Corporation. Tax credits earned will be used against the Corporation's future income taxes. Financial projections indicate that the amount recorded may be realized in the next five to six years.
- (b) Reserves for long-term debt servicing guarantee financings in France and Canada and represent three to six months of debt servicing, depending on the project. These reserves totalled \$2,643,000 (€1,142,000 and US\$1,100,000). A reserve to finance capital expenditures amounted to \$292,000 (US\$300,000).
- (c) Finance leases for equipment used in the wood-residue segment are entered into with U.S. and Canadian suppliers. As at March 31, 2011, foreign currency receivables from U.S. and Canadian suppliers amounted to \$10,438,000 (US\$10,742,000) and \$1,095,000, respectively.
- (d) *Development projects* primarily consist of one hydroelectric project and one wind power project in Québec, one wind power project in Italy and one solar power project in Spain.
- (e) *Other intangible assets* consist mainly of the natural gas supply contract held by the Kingsey Falls power station.

Note 6.

LONG-TERM DEBT

Long-term debt includes the following:

			As AT MARCH 31, 2011	AS AT DECEMBER 31, 2010	AS AT JANUARY 1, 2010
	<i>Maturity</i>	<i>Rate⁽¹⁾</i>			
Master agreement – wind power projects (France)	2017-2022	4.95	200,730	192,079	140,327
Term loan payable – Nibas wind farm	2016	5.00	7,548	7,580	9,790
Capital leases (France)	2012-2015	4.39	6,702	7,079	10,585
Term loan payable – Ocean Falls power station	2011	6.00	9,000	9,000	14,000
Term loan payable – Thames River wind farms	2031	7.05	182,555	184,665	47,700
Canadian senior secured notes	2014	6.60	38,037	38,328	–
U.S. senior secured notes	2013	6.20	74,633	76,646	–
Term loan payable – solar power station (France)	2025-2028	5.22	3,867	3,205	–
Term loan payable – Stratton power station	–	–	–	–	1,985
Term loan payable – Bel Air wind power farm	–	–	–	–	8,986
Other debts	–	–	4,508	4,068	2,814
			527,580	522,650	236,187
Current portion			(46,676)	(34,033)	(24,273)
Financing costs, net of accumulated amortization			(8,864)	(9,071)	(5,798)
			472,040	479,546	206,116

⁽¹⁾ Weighted average annual rates, adjusted to reflect the impact of interest rate swaps.

Note 7.

CONVERTIBLE DEBENTURES

The value of convertible debentures was determined as follows:

	As AT MARCH 31, 2011	AS AT DECEMBER 31, 2010	AS AT JANUARY 1, 2010
Convertible debentures issued, net of \$42 in conversions as at March 31, 2011	245,107	245,124	–
Equity component of convertible debentures ⁽¹⁾	(19,537)	(19,537)	–
Costs related to issue of convertible debentures, net of accumulated amortization of \$240 as at March 31, 2011	(5,065)	(5,174)	–
Imputed interest on convertible debentures of 8.50%	924	411	–
	221,429	220,824	–

⁽¹⁾ Excluding impact of future income taxes of \$5,049,000.

Note 8.

FINANCIAL INSTRUMENTS

The fair value of the derivative financial instruments designated as cash flow hedges are as follows:

	As AT MARCH 31, 2011	AS AT DECEMBER 31, 2010	AS AT JANUARY 1, 2010
FINANCIAL ASSETS			
Foreign exchange forward contracts	–	104	422
Interest rate forward contracts	–	–	1,092
Financial swaps – interest rates	11	–	–
Financial swaps – electricity prices	–	665	5,783
	11	769	7,297
FINANCIAL LIABILITIES			
Foreign exchange forward contracts	30	183	896
Financial swaps – commodities	4,763	2,632	–
Financial swaps – interest rates	4,685	8,202	6,749
	9,478	11,017	7,645

Note 9.**ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)****AS AT MARCH 31,
2011**

	<i>Translation adjustments</i>	<i>Hedge Electricity price</i>	<i>Hedge Interest rate</i>	<i>Hedge Commodities</i>	<i>Hedge Foreign currency</i>	<i>Total</i>
Balance – beginning of period	(16,429)	2,021	(9,853)	(828)	(785)	(25,874)
Change in fair value	1,097	(1,818)	2,987	(2,169)	224	321
Reclassification to earnings	–	(464)	1,101	97	(105)	629
Balance sheet reclassification	–	–	–	–	120	120
Taxes	–	261	(1,334)	539	107	(427)
Balance – end of period	(15,332)	–	(7,099)	(2,361)	(439)	(25,231)

**AS AT MARCH 31,
2010**

	<i>Translation adjustments</i>	<i>Hedge Electricity price</i>	<i>Hedge Interest rate</i>	<i>Hedge Commodities</i>	<i>Hedge Foreign currency</i>	<i>Total</i>
Balance – beginning of period	–	5,019	(6,720)	–	(643)	(2,344)
Change in fair value	(9,291)	5,699	(6,714)	–	(4,580)	(14,886)
Share of cumulative translation adjustments of the Fund	(478)	–	–	–	–	(478)
Reclassification to earnings	–	(1,920)	801	–	(100)	(1,219)
Balance sheet reclassification	–	–	–	–	1,146	1,146
Taxes	6	(1,511)	1,850	–	438	783
Balance – end of period	(9,763)	7,287	(10,783)	–	(3,739)	(16,998)

Note 10.

EXPENSES BY TYPE

OPERATING COSTS	FOR THE QUARTERS ENDED	
	MARCH 31	
	2011	2010
Raw material and consumables	24,056	17,682
Maintenance and repairs	3,206	2,158
Salaries (a)	7,054	3,846
Transmission and selling fees	918	729
Property and school taxes	1,314	733
Leases and permits	1,703	421
Insurance	711	405
Other expenses	253	1,045
	39,215	27,019

(a) SALARIES - OPERATIONS	FOR THE QUARTERS ENDED	
	MARCH 31	
	2011	2010
Wages and salaries	6,688	3,568
Employer social security costs	107	145
Other employee benefit costs	259	133
	7,054	3,846

ADMINISTRATION	FOR THE QUARTERS ENDED	
	MARCH 31	
	2011	2010
Salaries (b)	1,830	1,606
Professional fees	1,311	894
Tax on capital	366	399
Office expenses	468	378
Telecommunications and information technology	221	174
Advertising and donations	175	162
Other expenses	(78)	93
	4,293	3,706

(b) SALARIES - ADMINISTRATION	FOR THE QUARTERS ENDED	
	MARCH 31	
	2011	2010
Wages and salaries	1,515	1,219
Employer social security costs	9	36
Other employee benefit costs	145	153
Share options granted to directors and employees	161	198
	1,830	1,606

Note 11.

FINANCING COSTS

		FOR THE QUARTERS ENDED	
		MARCH 31	
		2011	2010
Interest on long-term debt, net of the impact of interest rate swaps	(a)	7,796	3,086
Interest on convertible debentures		4,593	-
Interest income		(48)	(256)
Amortization of financing costs		(172)	2,918
Other interest and banking fees		126	299
		12,295	6,047
Interest capitalized to power stations under development		(312)	(284)
		11,983	5,763

(a) Interest expense on capital lease contracts was \$87,000 for the quarter ended March 31, 2011 (\$145,000 for the quarter ended March 31, 2010).

Note 12.

GAIN ON SALE OF ASSETS

SALE OF ABITIBIBOWATER ("ABI") SHARES

On February 1, 2011, Boralex sold, at a share price of \$26.50, the 784,796 common shares of ABI given to the Corporation by ABI at the end of 2010 as compensation related to the partial settlement of a claim of approximately \$83 million payable by ABI to Boralex, as negotiated in connection with ABI's C-36 filing. The sales of these shares in the market generated net proceeds of \$20,758,000 and a gain on disposal of \$585,000. Once all the claims filed by third parties against ABI are dealt with by the courts, Boralex could receive additional distributions in the form of shares.

SALE OF THE MERLIN-BUXTON WIND POWER PROJECT

On March 31, 2011, the Corporation sold the Merlin-Buxton wind power project in Ontario. Boralex had purchased the rights to this project in 2008. This decision was made due to the limited development potential of the site. The transaction generated net proceeds of \$4,200,000 and a gain of \$1,792,000.

SALE OF A SUBSIDIARY

On March 31, 2010, the Corporation sold a subsidiary that held the Bel Air wind farm in France for net proceeds of \$878,000 (€639,000). The gain on sale of the subsidiary is calculated below.

Working capital	(1,182)
Property, plant and equipment	9,611
Long-term debt	(8,325)
Net value of the subsidiary sold	104
Net consideration	878
Gain on sale of subsidiary	774

Note 13.

SEASONAL FACTORS

Operations and results for some of the Corporation's power stations are subject to seasonal cycles and other cyclical factors that vary by segment. However, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not. For the 37 Boralex facilities that have long-term fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The nine Boralex power stations that do not have long-term contracts and that sell their power on the open market in the Northeastern U.S. are more vulnerable to seasonal fluctuations which, in addition to influencing power production volumes, also have an impact on prices obtained. Moreover, the price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S.

Generally, electricity consumption increases in the winter and summer, which corresponds to Boralex's first and third quarters. Historically, this means that, for those two periods, the power stations that do not have long-term power sales contracts obtain generally higher average prices. In addition, when deemed appropriate, the Corporation uses financial instruments for periods of up to three years for hedging purposes to fix part of the prices of power stations without long-term power sales contracts, which partially offsets the impact of seasonal cycles and other cyclical factors on prices. Also, as the wood-residue power stations Boralex operates in the United States can regulate their output level, they usually generate more power during such peak periods.

Whether or not power stations benefit from sales contracts, their output level is subject to following seasonal cycles, depending on their power production method.

Wind power: For the Corporation's 251 MW facilities with long-term power sales contracts, wind conditions are usually more favorable in the winter, which falls during Boralex's first and fourth quarters, both in France and Canada. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, in view of weather conditions described above, management estimates that approximately 60% of the annual production in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

Hydroelectric: For the 15 Boralex hydroelectric facilities, power output depends on water flow, which in Canada and the Northeastern U.S. tends to be at a maximum in spring and generally good in the fall, which represents Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that apart from the three hydroelectric power stations whose water flow is regulated upstream, Boralex's hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year. Also, an agreement in principle was entered into with Hydro-Québec for renewing the power sales contract of the East Angus power station for an additional period of 20 years under advantageous conditions.

Wood-residue: Because the wood-residue power stations can regulate their production level as mentioned previously, they usually generate more power during such peak periods. For this reason, these power stations perform shutdowns for regular maintenance in spring or fall, which impacts their operating results for those periods.

Natural gas: Steam production of the two natural gas cogeneration power stations located in France and in Québec is covered by power sales contracts, and in addition, is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Moreover, the Kingsey Falls power station in Québec recently entered into two advantageous hedging contracts for a two-year period to index the selling price of its steam production and fix its natural gas purchase price. The French natural gas cogeneration power station's long-term power sales contract with EDF contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station has operated its cogeneration equipment only during the five months from November to March.

Note 13. Seasonal factors (Cont'd)

Management expects the integration of the Fund's assets to have a stabilizing and therefore beneficial impact relating to seasonal changes that could affect the Corporation's performance as all of the Fund's power stations have long-term power sales contracts that shield them from seasonal price cycles. This acquisition will also increase the hydroelectric segment's relative share of Boralex's production, thereby heightening its seasonal patterns. Note also that under Boralex's strategic plan, the wind sector is expected to become the Corporation's largest and most geographically diversified segment. With the commissioning of the wind farms currently under development in Canada, the Corporation's wind power segment will represent over 500 MW of installed capacity by the end of fiscal 2015, excluding projects under development and possible acquisitions of already operational assets.

In general, excluding potential foreign currency fluctuations, the addition of the Fund's power stations combined with wind power segment expansion should accentuate the Corporation's trend to generate more revenues and earnings during the first and fourth quarters.

Note 14.

SEGMENTED INFORMATION

The Corporation's power stations are grouped into four distinct segments: wind power, hydroelectric power, wood-residue thermal power and natural gas thermal power, and are engaged mainly in power generation. The classification of these segments is based on the different cost structures relating to each of the four types of power stations. The main accounting policies that apply to the individual segments are as described in note 1.

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA and cash flows from operations as performance measures. Although they are non-IFRS performance measures, management believes that these measures are widely accepted financial indicators used by investors to assess the performance of a company and its ability to generate cash through operations. Nevertheless, since these measures are not defined under IFRS, they may not be comparable to similarly named measures used by other companies.

Investors should not view EBITDA as an alternative measure to, for example, net earnings, or as a measure of operating results or cash flows, or as a parameter for measuring liquidity.

The following table reconciles EBITDA with net earnings:

	FOR THE QUARTERS ENDED	
	MARCH 31	
	2011	2010
Net earnings attributable to shareholders	7,011	1,976
Non-controlling interests	56	280
Income taxes	3,500	2,985
Net loss (gain) on financial instruments	316	(560)
Foreign exchange loss	1,519	454
Financing costs	11,983	5,763
Gain on sale of assets	(2,377)	(774)
Amortization	15,780	7,667
EBITDA	37,788	17,791

Note 14. Segmented information (Cont'd)

Investors should not consider cash flows from operations as an alternative measure to cash flows related to operating activities, which is an IFRS measure.

The following table reconciles cash flows from operations to cash flows related to operating activities:

	FOR THE QUARTERS ENDED	
	MARCH 31,	
	2011	2010
Cash flows related to operating activities	40,258	22,718
Cash flows provided by change in non-cash working capital items	(16,199)	(8,198)
CASH FLOWS FROM OPERATIONS	24,059	14,520

Revenues are allocated to different countries by the client's country of domicile. For the quarter ended March 31, 2011, three clients (two clients as at December, 2010) accounted for more than 10% of the Corporation's revenues.

The percentage of consolidated revenues for each of these clients and the segment(s) with which they do business with are presented in the following table:

	FOR THE QUARTER ENDED	
	MARCH 31, 2011	
<i>% of sales attributable to one client</i>	<i>Segment(s)</i>	
14	Wood residue	
15	Wind power and natural gas	
24	Hydroelectric and wood residue	

Note 14. Segmented information (Cont'd)

INFORMATION BY OPERATING SEGMENT

	FOR THE QUARTERS ENDED		FOR THE QUARTERS ENDED	
	2011	MARCH 31 2010	2011	MARCH 31 2010
	<i>Power production (MWh)</i>		<i>Revenues from energy sales</i>	
	<i>Not reviewed</i>	<i>Not reviewed</i>		
Wind power stations	152,570	90,291	18,273	11,413
Hydroelectric power stations	145,004	40,309	12,732	3,054
Wood-residue thermal power stations	372,419	320,107	34,309	30,216
Natural gas thermal power stations	82,291	22,430	16,714	6,321
	752,284	473,137	82,028	51,004
		<i>EBITDA</i>		<i>Additions to property, plant and equipment</i>
Wind power stations	15,066	9,419	8,119	19,342
Hydroelectric power stations	9,076	1,873	174	215
Wood-residue thermal power stations	10,283	10,028	1,295	984
Natural gas thermal power stations	7,640	2,038	4	3
Corporate and eliminations	(4,277)	(5,567)	1,046	164
	37,788	17,791	10,638	20,708
	AS AT	AS AT	AS AT	AS AT
	MARCH 31,	DECEMBER 31,	MARCH 31,	DECEMBER 31,
	2011	2010	2011	2010
		<i>Total assets</i>		<i>Long-term assets</i>
Wind power stations	526,834	536,135	474,869	469,707
Hydroelectric power stations	359,910	364,548	342,936	350,773
Wood-residue thermal power stations	147,843	162,070	132,968	137,376
Natural gas thermal power stations	37,758	37,974	20,117	22,619
Corporate	165,724	145,292	62,059	60,323
	1,238,069	1,246,019	1,032,949	1,040,798

INFORMATION BY GEOGRAPHIC SEGMENT

	FOR THE QUARTERS ENDED		FOR THE QUARTERS ENDED	
	2011	MARCH 31 2010	2011	MARCH 31 2010
	<i>Power production (MWh)</i>		<i>Revenues from energy sales</i>	
	<i>Not reviewed</i>	<i>Not reviewed</i>		
Canada	266,747	36,828	33,594	4,435
United States	379,699	350,992	32,548	32,137
Europe	105,838	85,317	15,886	14,432
	752,284	473,137	82,028	51,004
		<i>EBITDA</i>		<i>Additions to property, plant and equipment</i>
Canada	17,324	(328)	6,962	3,985
United States	12,024	11,051	310	1,171
Europe	8,440	7,068	3,366	15,552
	37,788	17,791	10,638	20,708
	AS AT	AS AT	AS AT	AS AT
	MARCH 31,	DECEMBER 31,	MARCH 31,	DECEMBER 31,
	2011	2010	2011	2010
		<i>Total assets</i>		<i>Long-term assets</i>
Canada	640,772	634,043	527,665	529,787
United States	293,591	301,921	267,917	263,094
Europe	303,706	310,055	237,367	247,917
	1,238,069	1,246,019	1,032,949	1,040,798

Note 15.

COMMITMENT AND CONTINGENCIES

With respect to wind power projects in Québec, the Corporation entered into new property, plant and equipment purchase agreements during the first three months of 2011. As at March 31, 2011, net total new commitments amount to \$12,107,000. Most of the payments will be made during 2011.

Moreover, between April 1 and April 21, 2011, the Corporation entered into interest rate swap transactions to set a significant proportion of the expected financing rate for its Seigneurie de Beaupré wind power project. The transactions have a total nominal amount of \$200,000,000 and the rates are approximately 4.58%.

Note 16.

SUBSEQUENT EVENTS

FINANCING - OCEAN FALLS

On March 31, 2011, the Corporation entered into a credit agreement relating to its Ocean Falls hydroelectric power station located in British Columbia. This 13-year term credit agreement for an amount of \$11,000,000 is secured by all the assets of Ocean Falls, without recourse to Boralex Inc. Disbursement of financing proceeds is subject to the compliance with certain pre-conditions by the Corporation before May 15, 2011. These conditions mainly relate to the obtaining of certain consents to financing by counterparties to certain large contracts. The Corporation does not expect any particular obstacles relating to the obtaining of these consents. The interest rate will be set for the financing term once the pre-conditions are met. The rate will be calculated using the yield of June 18 Government of Canada bonds plus 3.75%. The credit agreement allows for early repayment, subject to the payment of a premium calculated on the date of repayment as the difference, if any, between the balance of the debt and the future cash flows discounted using the rate of Government of Canada bond with a similar term plus 0.5%.

INTEREST RATE SWAP - LA SEIGNEURIE

During the period between April 1 and April 21, 2011, the Corporation entered into interest rate swap transactions to set a significant proportion of the expected financing rate for its Seigneurie de Beaupré wind power project. The transactions have a total nominal amount of \$200,000,000 and the rates are approximately 4.58%. This average rate represents the basic rate of the expected financing program (the "Program") by management and not the total financing cost, which includes a margin negotiated with the final lenders. Although the Program has not been finalized as at the date of these transactions, the Corporation considers it highly probable that the financing will be arranged within a reasonable time period. The Corporation and its financial advisor are currently inviting bids from the financing community worldwide. Based on the large number of preliminary bids received, Boralex has assessed each of the available markets and concluded that it would be possible to obtain the financing conditions necessary for completing its project. Accordingly, the Corporation has now set out its marketing strategy and will in the coming months carry out the preliminary steps to finalize the Program. As the final lenders are very likely to require Boralex to enter into swaps with their institutions, the initial transactions will probably be settled in cash when the Program is finalized. Any prior accumulated gains or losses will be maintained in *Accumulated other comprehensive income* and recognized in the statement of earnings using the effective interest rate method of amortization.

Note 17.

NET EARNINGS PER SHARE

Basic and diluted net earnings per share are calculated as follows:

	FOR THE QUARTERS ENDED	
	MARCH 31	
	2011	2010
Net earnings attributable to shareholders	7,011	1,976
Net earnings attributable to shareholders, on a diluted basis	10,226	1,976
Weighted average number of shares	37,766,491	37,740,921
Dilutive effect of stock options	109,454	169,263
Dilutive effect of convertible debentures	19,612,000	-
Adjusted weighted average number of shares	57,487,945	37,910,184
Net earnings per share (basic)	\$0.19	\$0.05
Net earnings per share (diluted)	\$0.18	\$0.05
Stock options excluded from the net diluted earnings per share calculation due to their anti-dilutive effect	831,722	285,011

Note 18.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Corporation's consolidated financial statements for the quarter ended March 31, 2011 are the first consolidated financial statements prepared in accordance with IFRS.

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied the mandatory exceptions and some of the elective exemptions from full retrospective application of IFRS. The Corporation's transition date is January 1, 2010.

FIRST-TIME ADOPTION OF IFRS

The Corporation has applied the following elective exemptions and mandatory exceptions:

Elective exemptions:

Business combinations

IFRS 1 provides for the retrospective or prospective application of IFRS 3R, *Business Combinations*, as of the date of transition. Retrospective application requires the restatement of business combinations occurring prior to the date of transition. The Corporation has elected not to apply IFRS 3R retrospectively to business combinations occurring prior to the date of transition. Accordingly, these business combinations have not been restated. Under this exemption, no adjustments have been made to the carrying amount of net assets acquired as part of business combinations prior to the date of transition and determined according to Canadian GAAP.

Cumulative translation differences included under *Accumulated other comprehensive loss*

Retrospective application of IFRS in this respect would require us to determine the amount of cumulative translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date at which a foreign subsidiary or an associate was formed or acquired. IFRS 1 allows cumulative translation differences to be reset at zero at the date of transition. Boralex has elected to apply this elective exemption.

Fair value as deemed cost

IFRS 1 allows an entity to measure each of its property, plant and equipment items using the fair value method ("fair value model") and designate fair value as deemed cost as at the date of transition. An entity may also elect to recalculate the original cost ("cost model") and accumulated amortization retrospectively in accordance with IAS 16, *Property, Plant and Equipment*. Boralex has elected to apply this cost model for property, plant and equipment.

Asset retirement obligations

Under IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, an entity is required to determine its liabilities to decommission, remove or restore items of property, plant and equipment in accordance with IFRS as of the acquisition date of such items. IFRS 1 allows an entity to prospectively apply the requirements set out in IFRIC 1. The Corporation has elected to measure the liability and impact of amortization prospectively as of the date of transition.

Borrowing costs

IFRS 1 provides for the retrospective or prospective application of IAS 23, *Borrowing Costs*, as of the date of transition. IAS 23 requires an entity to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A "qualifying asset" is an asset that takes a substantial period of time to prepare for its intended use or sale. The Corporation has elected not to apply IAS 23 retrospectively.

Employee benefits

IFRS 1 allows entities to retroactively apply the corridor method according to IAS 19, *Employee Benefits*, and not to recognize actuarial gains and losses of pension plans. IFRS 1 also allows the actuarial gains and losses to be recognized in *Retained earnings* as at the date of transition. Boralex has elected to recognize all actuarial gains and losses accumulated at the date of transition in *Retained earnings*.

Note 18. Adoption of international financial reporting standards (Cont'd)

Mandatory exceptions:

Hedge accounting

Hedge accounting may be applied prospectively as of the date of transition only to transactions that meet the hedge accounting criteria set out in IAS 39, *Financial Instruments: Recognition and Measurement*. Hedging relationships may not be designated retrospectively and the supporting documentation may not be created retrospectively. As a result, only hedging relationships that meet the hedge accounting criteria as at the transition date are recorded as hedges in the Corporation's *Accumulated other comprehensive loss* under IFRS. All derivatives, whether they meet IAS 39 criteria for hedge accounting or not, were fair valued and recorded in the statement of financial position.

Estimates

Hindsight is not used to create or revise estimates. Therefore, the estimates previously made by the Corporation under Canadian GAAP were not revised for the application of IFRS.

IMPACT OF TRANSITION TO IFRS

The differences between Canadian GAAP ("previous GAAP") and IFRS identified as having a significant effect on the Corporation's previously reported consolidated financial performance and financial position are summarized in the following pages.

ACQUISITION OF THE FUND

The reconciliation tables shown below present the impact of the finalization of the PPA relating to the Fund (note 4). The impact of these adjustments is shown under the PPA columns in the reconciliation of the consolidated balance sheet as at December 31, 2010 and in the reconciliations of the consolidated statement of earnings and the consolidated statement of comprehensive income for the year ended December 31, 2010.

GENERAL PRESENTATION OF THE CONSOLIDATED STATEMENT OF INCOME

As part of its IFRS conversion process, the Corporation has carried out a comprehensive review of the overall presentation of items in its consolidated statement of earnings. However, to facilitate understanding of other reconciliation items specific to IFRS conversion, the reconciliations of the consolidated statements of earnings for the periods ended March 31, 2010 and December 31, 2010 provided below have been prepared according to the old presentation.

STATEMENT OF CASH FLOWS

Under Canadian GAAP, interest paid and income taxes paid included in the determination of net earnings were disclosed separately as supplementary cash flow information. Under IFRS, interest paid and income taxes paid are included in the body of the statement of cash flows as separate line items.

Note 18. Adoption of international financial reporting standards (Cont'd)

Consolidated Balance Sheets - Reconciliation**As At
JANUARY 1,
2010**

(in thousands of dollars) (unaudited)	Note	Canadian GAAP	IFRS adjustments	IFRS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		37,821	-	37,821
Accounts receivable		39,632	-	39,632
Future income taxes		422	-	422
Inventories		8,726	-	8,726
Prepaid expenses		2,537	-	2,537
		89,138	-	89,138
Investment	(e)	55,446	(9,717)	45,729
Property, plant and equipment	(d)	413,539	(832)	412,707
Energy sales contracts		49,023	-	49,023
Water rights		4,146	-	4,146
Other long-term assets		52,475	-	52,475
		663,767	(10,549)	653,218
LIABILITIES				
CURRENT LIABILITIES				
Bank loans and advances		12,291	-	12,291
Accounts payable and accrued liabilities	(a),(b)	28,913	2,885	31,798
Income taxes payable		283	-	283
Current portion of long-term debt		24,273	-	24,273
		65,760	2,885	68,645
Long-term debt		206,116	-	206,116
Future income taxes	(a),(b),(d),(e),(f)	37,185	(3,582)	33,603
Fair value of derivative financial instruments		7,645	-	7,645
		316,706	(697)	316,009
EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Capital stock		222,694	-	222,694
Contributed surplus	(f)	4,295	(5)	4,290
Retained earnings	(a), (b), (c), (d), (e), (f)	159,900	(54,362)	105,538
Accumulated other comprehensive income (loss)	(c)	(46,859)	44,515	(2,344)
		340,030	(9,852)	330,178
Non-controlling interests		7,031	-	7,031
Total equity		347,061	(9,852)	337,209
		663,767	(10,549)	653,218

Note 18. Adoption of international financial reporting standards (Cont'd)

Consolidated Balance Sheets - Reconciliation

(in thousands of dollars) (unaudited)	Note	Canadian GAAP	Adjustments		
			PPA	IFRS	IFRS
AS AT DECEMBER 31, 2010					
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		92,650	-	-	92,650
Restricted cash		15,924	-	-	15,924
Accounts receivable		60,420	-	-	60,420
Available-for-sale financial asset		21,508	1,743	-	23,251
Future income taxes		512	-	-	512
Inventories		9,179	-	-	9,179
Prepaid expenses		2,516	-	-	2,516
Fair value of derivative financial instruments		769	-	-	769
		203,478	1,743	-	205,221
Property, plant and equipment	(d)	810,700	(71,275)	(541)	738,884
Energy sales contracts	(a), (d)	100,673	5,436	(2,115)	103,994
Water rights		2,925	110,090	-	113,015
Other long-term assets		44,774	2,068	-	46,842
Goodwill	(i)	70,721	(9,500)	(23,158)	38,063
		1,233,271	38,562	(25,814)	1,246,019
LIABILITIES					
CURRENT LIABILITIES					
Bank loans and advances		195	-	-	195
Accounts payable and accrued liabilities	(a), (b)	58,815	-	743	59,558
Income taxes payable		3,209	-	-	3,209
Fair value of derivative financial instruments		183	-	-	183
Current portion of long-term debt		34,033	-	-	34,033
		96,435	-	743	97,178
Long-term debt		479,546	-	-	479,546
Convertible debentures		220,824	-	-	220,824
Future income taxes	(a), (b), (d), (e), (f), (h), (i)	47,949	38,174	(19,156)	66,967
Fair value of derivative financial instruments		10,834	-	-	10,834
Long-term lease accruals		2,981	-	-	2,981
		858,569	38,174	(18,413)	878,330
EQUITY ATTRIBUTABLE TO SHAREHOLDERS					
Capital stock		222,853	-	-	222,853
Equity component of convertible debentures	(h)	19,537	-	(5,049)	14,488
Contributed surplus	(f)	5,527	-	(499)	5,028
Retained earnings	(a), (b), (c), (d), (e), (f), (g), (i)	184,690	388	(42,778)	142,300
Accumulated other comprehensive income (loss)	(c), (g)	(66,799)	-	40,925	(25,874)
		365,808	388	(7,401)	358,795
Non-controlling interests		8,894	-	-	8,894
Total equity		374,702	388	(7,401)	367,689
		1,233,271	38,562	(25,814)	1,246,019

Note 18. Adoption of international financial reporting standards (Cont'd)

Consolidated Statements of Earnings - Reconciliation

		FOR THE QUARTER ENDED MARCH 31, 2010		
(in thousands of dollars, except per share amounts and number of shares)(unaudited)	Note	Canadian GAAP	IFRS adjustments	IFRS
Revenues from energy sales		51,004	-	51,004
Operating costs		27,019	-	27,019
		23,985	-	23,985
Share in earnings of the Fund	(e)	(1,461)	36	(1,425)
Management revenues from the Fund		1,755	-	1,755
Other income		300	-	300
		24,579	36	24,615
OTHER EXPENSES				
Management and operation of the Fund		1,505	-	1,505
Development		1,613	-	1,613
Administrative	(f)	3,829	(123)	3,706
		6,947	(123)	6,824
OPERATING INCOME		17,632	159	17,791
Amortization	(d)	7,698	(31)	7,667
Foreign exchange loss	(g)	876	(422)	454
Net gain on financial instruments		(560)	-	(560)
Financing costs		5,763	-	5,763
Gain on sale of subsidiary		(774)	-	(774)
		13,003	(453)	12,550
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS		4,629	612	5,241
Income taxes	(d), (e), (f)	3,001	(16)	2,985
Net earnings including non-controlling interests		1,628	628	2,256
Non-controlling interests		(280)	-	(280)
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS		1,348	628	1,976
Net earnings per Class A share (basic and diluted)		\$0.04		\$0.05
Weighted average number of Class A shares outstanding (basic)		37,740,921		37,740,921
Weighted average number of Class A shares outstanding (diluted)		37,910,184		37,910,184

Note 18. Adoption of international financial reporting standards (Cont'd)

Consolidated Statements of Earnings - Reconciliation

(in thousands of dollars, except per share amounts and number of shares)(unaudited)	Note	Canadian GAAP	Adjustments		FOR THE YEAR ENDED DECEMBER 31, 2010
			PPA	IFRS	IFRS
Revenues from energy sales		202,864	-	-	202,864
Operating costs		115,568	-	-	115,568
		87,296	-	-	87,296
Share in earnings of the Fund	(e)	(3,251)	-	103	(3,148)
Management revenues from the Fund		4,437	-	-	4,437
Other income		718	-	-	718
		89,200	-	103	89,303
OTHER EXPENSES					
Management and operation of the Fund		3,995	-	-	3,995
Development		4,214	-	-	4,214
Administrative	(f)	17,025	-	(494)	16,531
		25,234	-	(494)	24,740
OPERATING INCOME		63,966	-	597	64,563
Amortization	(d)	40,658	(571)	(272)	39,815
Foreign exchange loss	(g)	4,298	-	(3,604)	694
Net loss on financial instruments		247	-	-	247
Financing costs		24,104	-	-	24,104
Impairment of goodwill	(i)	-	-	23,158	23,158
Net gain on deemed disposal of investment in the Fund	(i)	(15,130)	-	(9,614)	(24,744)
Gain on sale of subsidiary		(774)	-	-	(774)
		53,403	(571)	9,668	62,500
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS					
Recovery of income taxes	(d),(e), (f), (i)	(12,738)	183	(20,655)	(33,210)
Net earnings including non-controlling interests		23,301	388	11,584	35,273
Non-controlling interests		(201)	-	-	(201)
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS		23,100	388	11,584	35,072
Net earnings per Class A share (basic and diluted)		\$0.61			\$0.93
Weighted average number of Class A shares outstanding (basic)		37,741,916			37,741,916
Weighted average number of Class A shares outstanding (diluted)		37,860,092			37,860,092

Note 18. Adoption of international financial reporting standards (Cont'd)

Consolidated Statements of Comprehensive Loss - Reconciliation

		FOR THE QUARTER ENDED MARCH 31, 2010		
(in thousands of dollars) (unaudited)	Note	Canadian GAAP	IFRS adjustments	IFRS
Net earnings for the period including non-controlling interests		1,628	628	2,256
Other comprehensive loss				
TRANSLATION ADJUSTMENTS				
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(9,300)	9	(9,291)
Reclassification to net earnings of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations	(g)	422	(422)	-
Share of cumulative translation adjustments of the Fund		(478)	-	(478)
Taxes		6	-	6
CASH FLOW HEDGES				
Change in fair value of financial instruments		(5,595)	-	(5,595)
Hedging items realized and recognized in net earnings		(1,219)	-	(1,219)
Hedging items realized and recognized in balance sheet		1,146	-	1,146
Taxes		777	-	777
		(14,241)	(413)	(14,654)
Comprehensive loss for the period including non-controlling interests		(12,613)	215	(12,398)
Less: Loss for the period attributable to non-controlling interests		(280)	-	(280)
Comprehensive loss for the period attributable to shareholders		(12,893)	215	(12,678)

Note 18. Adoption of international financial reporting standards (Cont'd)

Consolidated Statements of Comprehensive Income - Reconciliation

	Note	Canadian GAAP	Adjustments		FOR THE YEAR ENDED DECEMBER 31, 2010
			PPA	IFRS	IFRS
<i>(in thousands of dollars) (unaudited)</i>					
Net earnings for the year including non-controlling interests		23,301	388	11,584	35,273
Other comprehensive income (loss)					
TRANSLATION ADJUSTMENTS					
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(15,537)	-	14	(15,523)
Reclassification to net earnings of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations	(g)	3,604	-	(3,604)	-
Taxes		(179)	-	-	(179)
CASH FLOW HEDGES					
Change in fair value of financial instruments		(11,028)	-	-	(11,028)
Hedging items realized and recognized in net earnings		(5,554)	-	-	(5,554)
Hedging items realized and recognized in balance sheet		5,652	-	-	5,652
Taxes		3,829	-	-	3,829
LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSET					
Unrealized loss on available-for-sale financial asset		(727)	-	-	(727)
		(19,940)	-	(3,590)	(23,530)
Comprehensive income for the year including non-controlling interests		3,361	388	7,994	11,743
Less: Loss for the year attributable to non-controlling interests		(201)	-	-	(201)
Comprehensive income for the year attributable to shareholders		3,160	388	7,994	11,542

Note 18. Adoption of international financial reporting standards (Cont'd)

Consolidated Statements of Equity - Reconciliation

		Adjustments					As AT DECEMBER 31, 2010
(in thousands of dollars) (unaudited)	Note	Equity component of convertible debentures	Contributed surplus	Retained earnings	Results	Comprehensive income (loss)	Total equity
Total equity according to Canadian GAAP							374,702
PPA adjustments							388
							375,090
IFRS ADJUSTMENTS:							
Stock-based compensation over the vesting period	(f)	-	(499)	7	624	-	132
Amortization of property, plant and equipment and intangible assets	(d)	-	-	(579)	233	-	(346)
Investment in the Fund	(e)	-	-	(7,151)	7,151	-	-
Foreign exchange impact:							
Reversal of cumulative translation differences for all foreign operations as at the date of transition	(c)	-	-	(44,515)	-	44,515	-
Reversal of reclassifications of translation adjustments to net earnings	(g)	-	-	-	3,604	(3,604)	-
Business combinations – additional consideration	(a)	-	-	(2,092)	-	-	(2,092)
Employee benefits – actuarial loss	(b)	-	-	(32)	-	-	(32)
Future income taxes on the liability component of convertible debentures	(h)	(5,049)	-	-	-	-	(5,049)
Other		-	-	-	(28)	14	(14)
							(7,401)
Total equity according to IFRS							367,689

Note 18. Adoption of international financial reporting standards (Cont'd)

NOTES TO THE RECONCILIATIONS

(a) Business Combinations

Under Canadian GAAP, additional consideration related to business combinations is recognized as an adjustment to the acquisition entry when such consideration is paid. Under IFRS, additional consideration is recognized at fair value at the time of the acquisition. Subsequent changes are recognized through income for the period.

On January 1, 2010, the Corporation recognized an additional consideration payable in the amount of \$2,842,000, including related taxes of \$750,000, in connection with the acquisition of the Thames River wind power sites in Ontario. An offsetting amount of \$2,092,000 was charged to *Retained earnings*.

In the third quarter of 2010, the Corporation paid a portion of this additional consideration. As a result, a reversal of \$2,142,000 was recorded in power sales contracts regarding the additional payable. A balance amount of \$700,000 is payable.

(b) Employee Benefits

In accordance with the elective exemption provided for in IFRS 1, the Corporation has elected to recognize all actuarial gains and losses not recognized in its defined benefit pension plans. On January 1, 2010, the Corporation recognized actuarial losses in the amount of \$43,000, including related taxes of \$11,000. An offsetting amount of \$32,000 was charged to *Retained earnings*.

(c) Cumulative Translation Adjustments Included Under *Accumulated Other Comprehensive Income*

In accordance with the elective exemption provided for in IFRS 1, the Corporation elected to reset at zero all cumulative translation gains and losses related to its foreign operations. As a result, an amount of \$44,515,000 was transferred to *Retained earnings* as at the date of transition.

(d) Property, Plant and Equipment and Intangible Assets

Impairment Test

Under Canadian GAAP, an impairment loss is recognized only when the net carrying amount of an asset exceeds total undiscounted future cash flows. Under IFRS, an impairment loss is recognized only when the net carrying amount of an asset exceeds total discounted future cash flows. On January 1, 2010, Boralex tested its property, plant and equipment and energy sales contracts for impairment but no impairment charge was recognized.

Amortization Method

The Québec power stations with long-term sales contracts are amortized by component using the straight-line method according to IFRS. Under GAAP, they were amortized using the compound interest method at a rate of 3%. In addition, new components were identified according to IFRS and amortized separately.

These adjustments have the following impacts:

As at January 1, 2010:

Property, plant and equipment	(\$832,000)
Future income tax liabilities	(\$253,000)
Retained earnings	(\$579,000)

Quarter ended March 31, 2010:

Property, plant and equipment	\$31,000
Future income tax liabilities	\$7,000
Retained earnings	\$24,000
Amortization expense	(\$31,000)
Income tax expense	\$7,000

Note 18. Adoption of international financial reporting standards (Cont'd)

Year ended December 31, 2010:

Property, plant and equipment	\$245,000
Energy sales contracts	\$27,000
Future income tax liabilities	\$39,000
Retained earnings	\$233,000
Amortization expense	(\$272,000)
Income tax expense	\$39,000

(e) Investment

Impairment Test

Under Canadian GAAP, an impairment loss is recognized only when the net carrying amount of an asset exceeds total undiscounted future cash flows. Under IFRS, an impairment loss is recognized only when the net carrying amount of an asset exceeds total discounted future cash flows. On January 1, 2010, the Fund tested its property, plant and equipment and intangible assets for impairment, based on these CGU. Subsequently, the Fund recognized an impairment loss of \$55,072,000 for the property, plant and equipment at the Senneterre power station. As the Corporation's share in the Fund was 23.3%, the share of the impairment loss is equivalent to a \$12,832,000 decrease in the investment, including related taxes amounting to \$3,388,000.

This impairment charge was made as discounted future cash flows of this power station over the long term did not match the current value of the property plant and equipment. To perform the impairment test, the recoverable amount of the Senneterre power station was determined using the calculated value in use. The value in use was calculated using cash flow projections based on financial forecasts up to the expiry date of the power sales contract, which is 2026. Pre-tax cash flows were discounted using a real pre-tax discount rate of 12.14%.

Amortization Method

The Fund changed its accounting treatment for property, plant and equipment and intangible assets. The Québec power stations with long-term sales contracts are amortized by component using the straight-line method according to IFRS while, under Canadian GAAP, they were amortized using the compound interest method at a rate of 3%. In addition, new components were identified according to IFRS and amortized separately. The impact of these changes, net of the deferred gain, was a \$3,115,000 increase in the investment in the Fund, based on the Corporation's 23.3% share in the Fund. The related taxes amounted to \$822,000.

These adjustments following the impairment test and the change in the amortization method have the following impacts:

As at January 1, 2010:

Investment	(\$9,717,000)
Future income tax liabilities	(\$2,566,000)
Retained earnings	(\$7,151,000)

Quarter ended March 31, 2010:

Investment	\$36,000
Future income tax liabilities	\$10,000
Retained earnings	\$26,000
Share in earnings of the Fund	(\$36,000)
Income tax expense	\$10,000

Note 18. Adoption of international financial reporting standards (Cont'd)

Year ended December 31, 2010:

Investment	\$103,000
Future income tax liabilities	\$17,000
Retained earnings	\$86,000
Share in earnings of the Fund	(\$103,000)
Income tax expense	\$17,000

(f) Stock-Based Compensation

Under GAAP, the Corporation recognized its stock-based compensation expense on a straight-line basis while IFRS requires the expense to be recognized over the vesting period of each tranche.

These adjustments have the following impacts:

As at January 1, 2010:

Future income tax liabilities	(\$2,000)
Contributed surplus	(\$5,000)
Retained earnings	\$7,000

Quarter ended March 31, 2010:

Future income taxes	(\$33,000)
Contributed surplus	(\$123,000)
Retained earnings	\$156,000
Compensation expense	(\$123,000)
Income tax expense	(\$33,000)

Year ended December 31, 2010:

Future income tax liabilities	(\$130,000)
Contributed surplus	(\$494,000)
Retained earnings	\$624,000
Compensation expense	(\$494,000)
Income tax expense	(\$130,000)

(g) Foreign Exchange Impact

Under Canadian GAAP, when an entity makes a partial repayment of long-term intercompany advances considered as part of its net investment in a foreign subsidiary, a proportional amount of cumulative translation adjustments is recognized through earnings for the period. Under IFRS, an entity recognizes cumulative translation adjustments through earnings for the period only if there is a disposal of substantially all of its net investment in the foreign subsidiary.

These adjustments have the following impacts:

Quarter ended March 31, 2010:

Retained earnings	\$422,000
Accumulated other comprehensive income	(\$422,000)
Foreign exchange gain	(\$422,000)

Year ended December 31, 2010:

Retained earnings	\$3,604,000
Accumulated other comprehensive income	(\$3,604,000)
Foreign exchange gain	(\$3,604,000)

Note 18. Adoption of international financial reporting standards (Cont'd)

(h) Tax on on Convertible Debentures and imputed interest

Under Canadian GAAP, temporary differences between the liability component of convertible debentures and the underlying tax basis are not recognized as future income taxes. Under IFRS, future income taxes are recognized for such temporary differences. Accordingly, future income taxes were recognized in respect of the equity component of convertible debentures.

These adjustments have the following impacts:

Year ended December 31, 2010:

Future income tax liabilities	\$5,049,000
Equity component of convertible debentures	(\$5,049,000)

(i) Investment in the Fund

The Fund's earnings have been consolidated as of September 15, 2010 with a share of non-controlling interests up to October 30, 2010. The acquisition of the Fund was carried out in two steps: (1) deemed disposal of the Corporation's interest in the Fund and calculation of the gain on the disposal, and (2) acquisition of all the units of the Fund at fair value and finalizing the allocation of the purchase price. The transactions under step 1 were recalculated under IFRS. The results of step 2 only impacted the PPA. To calculate the income taxes relating to the PPA, the Corporation used a tax rate specific to the tax structure of the Fund at the time of the acquisition without considering the future distributions anticipated by management, in accordance with IFRS. On November 2, 2010, the Corporation carried out a reorganization of the tax structure of the Fund, including its initial operations, and remeasured its future income tax balances using the new income tax rate. Due to this reorganization, the Corporation performed an impairment test on the goodwill and subsequently recognized an impairment loss of \$23,158,000 in relation to goodwill.

These adjustments have the following impacts:

Year ended December 31, 2010:

Deemed disposal of Boralex's investment in the Fund and calculation of the gain on disposal:

Investment (reversal of IFRS adjustments)	(\$9,614,000)
Future income tax liabilities	\$2,577,000
Retained earnings	\$7,037,000

Net gain on deemed disposal of investment in the Fund	(\$9,614,000)
Income tax expense	\$2,577,000

Impairment of goodwill and recovery of taxes:

Goodwill	(\$23,158,000)
Future income tax liabilities	(\$23,158,000)

Income tax expense	(\$23,158,000)
Impairment of goodwill	\$23,158,000

Profile

Boralex is a power producer whose core business involves developing and operating renewable energy power stations with a total installed capacity of 700 MW in Canada, the Northeastern United States and France. Boralex is also committed under power development projects both independently and with European and Canadian partners to add approximately 400 MW of power.

With nearly 350 employees, Boralex is known for its diversified expertise and in-depth experience in three power generation segments **wind, hydroelectric and thermal** and will add a fourth segment to its energy portfolio with the upcoming commissioning of its first **solar** power station.

Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB, respectively.

More information is available at www.boralex.com or www.sedar.com.

BBO

Head Office

Borex Inc.
36 Lajeunesse Street
Kingsey Falls, Québec
Canada J0A 1B0
T. 819 363-5860
F. 819 363-5866

Business Offices

Borex Inc.
772 Sherbrooke Street West
Suite 200
Montréal, Québec
Canada H3A 1G1
T. 514 284-9890
F. 514 284-9895

Borex S.A.S.

2, rue Priez
59 000 Lille
France
T. +33 (0)3 28 36 55 02
F. +33 (0)3 28 36 54 96

www.borex.com