INTERIM REPORT
AS AT JUNE 30, 2011

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BORALEX

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Interim Management's Discussion and Analysis 2

as at June 30, 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 over 700 megawatts ("MW") in Canada, the Northeastern United States and France. Employing nearly 350 people, the Corporation stands out for its diversified expertise and in-depth experience in four types of power generation:

- Boralex currently operates a 251 MW **wind** power portfolio in Europe and Canada. In recent years, Boralex has become one of the most experienced wind power producers in France, where it currently generates 161 MW of power. Boralex also 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 2014. Also, in partnership with Québec regional county 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 recently diversified its energy portfolio with the addition of a **solar** power facility with an installed capacity of 4.5 MW located in France.

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 interim Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three- and six-month periods ended June 30, 2011 compared with the corresponding three- and six-month periods ended June 30, 2010, as well as the Corporation's financial position as at June 30, 2011 and December 31, 2010. This MD&A should be read in conjunction with the unaudited interim condensed 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 and the unaudited interim consolidated financial statements and accompanying notes for the quarter ended March 31, 2011.

Additional information about the Corporation, including the annual information form, previous annual reports, MD&As and unaudited interim consolidated 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 interim 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 interim MD&A reflects all material events up to August 4, 2011, the date on which the Board of Directors approved the unaudited interim condensed consolidated financial statements and 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 August 4, 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") which, since January 1, 2011, represent the new Canadian generally accepted accounting principles ("GAAP"). The information provided in this MD&A also includes non-GAAP performance measures. For management purposes, Boralex uses earnings before interests, taxes depreciation and amortization ("EBITDA") as defined under *Additional information about non-GAAP 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-GAAP 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.

These non-GAAP performance measures are drawn primarily from the interim consolidated financial statements, but do not have a standardized meaning under IFRS; accordingly, they may not be comparable to similarly named measures used by other companies.

Please see *Additional information about non-GAAP performance measures* in this MD&A for a reconciliation between EBITDA, adjusted EBITDA, adjusted net earnings and cash flows from operations with the financial measures most comparable to IFRS in Boralex's consolidated statements of earnings (loss) and consolidated statements of cash flows.

MAIN EVENTS THAT 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 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 generates 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 December 2013 and December 2015. In Europe, over the next few quarters, Boralex intends to leverage the partnership it entered into with *Cube Infrastructure Fund* ("Cube") to expand the wind power segment in France and 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 Fund 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 long-term 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 audited consolidated financial statements for the year ended December 31, 2010 and to the unaudited interim condensed consolidated financial statements as at June 30, 2011.

In the statement of earnings (loss) for the first six months ended June 30, 2011, the Fund's results were fully consolidated into Boralex's results, whereas in the statement of earnings for the first six months ended June 30, 2010, Boralex's results included 23% of the Fund's net earnings, with this amount allocated to the items *Share in earnings (loss) 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 June 30, 2011 and December 31, 2010 include all of the Fund's balance sheet items.

In this MD&A, where it deems relevant, management sometimes provides discussion and certain tables to carve out the operations acquired from the Fund, better reflect their impact and allow readers to compare the performance of Boralex's other operations with prior periods.

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 over 700 MW of energy production assets in operation in Canada, the U.S. and France. Of these assets, a growing share (73%) has price-indexed long-term power sales contracts, which will provide 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 capacity operating or under development has 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 as at June 30, 2011.

	MW	%
Installed capacity		
- Contracted	515.0	*73%*
- Non-contracted	188.5	*27%*
Total	**703.5**	***100%***
Location		
- Canada	237.5	*34%*
- United States	286.5	*41%*
- Europe	179.5	25%
Total	**703.5**	***100%***
Type of power		
- Wind	251.0	*36%*
- Hydroelectricity	136.0	*20%*
- Thermal/wood residue	267.0	*38%*
- Thermal/natural gas	45.0	*6%*
- Solar	4.5	-
Total	**703.5**	***100%***

To sum up, **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 do not have power sales contracts and are therefore exposed to fluctuations in the open electricity market. In the same perspective, Boralex is continuing its efforts to diversify into new renewable power production markets, such as solar power, to drive economic value over the longer term. The first solar power station became operational in June 2011.**

SEASONAL FACTORS

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

Quarters ended	September 30, 2010	*December 31, 2010*	*March 31, 2011*	*June 30, 2011*
REVENUES FROM ENERGY SALES				
Wind power stations	7,802	17,479	18,273	15,193
Hydroelectric power stations	2,784	18,060	12,732	15,990
Wood-residue thermal power stations	28,072	24,173	34,309	12,544
Natural gas thermal power stations	3,438	13,324	16,714	10,112
Corporate (solar power)	-	-	-	124
	42,096	73,036	82,028	53,963
EBITDA				
Wind power stations	5,628	14,103	15,066	11,991
Hydroelectric power stations	1,473	14,401	9,076	12,648
Wood-residue thermal power stations	7,135	1,904	10,283	(2,174)
Natural gas thermal power stations	254	4,105	7,640	3,559
Corporate and eliminations (including solar power)	(3,478)	(4,149)	(4,277)	(4,291)
	11,012	30,364	37,788	21,733
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	34,729	3,081	7,011	(5,107)
Per share, basic, in dollars	0.92	0.08	0.19	(0.14)
Per share, diluted, in dollars	0.92	0.08	0.18	(0.14)
Weighted average number of shares outstanding (basic)	37,740,921	37,744,869	37,766,491	37,773,213

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

Quarters ended	*September 30, 2009*[1]	*December 31, 2009*[1]	*March 31, 2010*	*June 30, 2011*
REVENUES FROM ENERGY SALES				
Wind power stations	5,797	10,974	11,413	9,230
Hydroelectric power stations	1,779	2,948	3,054	2,323
Wood-residue thermal power stations	29,841	27,031	30,216	22,896
Natural gas thermal power station	2,259	5,196	6,321	2,279
	39,676	46,149	51,004	36,728
EBITDA				
Wind power stations	4,247	9,085	9,419	7,112
Hydroelectric power stations	301	1,743	1,873	1,182
Wood-residue thermal power stations	10,685	9,359	10,028	4,424
Natural gas thermal power station	(126)	915	2,038	(106)
Corporate and eliminations	(3,662)	(9,117)	(5,567)	(7,216)
	11,445	11,985	17,791	5,396
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	698	14,712	1,976	(4,714)
Per share, basic and diluted, in dollars	0.02	0.39	0.05	(0.12)
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 prior to January 1, 2010.

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 38 Boralex facilities that have long-term indexed 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 have sales contracts, their output level is subject to the following seasonal cycles, depending on their power production method.

Wind— For all 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 these periods 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 eight 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, since 2005, the power station has been operating its cogeneration equipment only during the five months from November to March.

Solar — The Corporation's only solar power station currently in operation is located in the south of France. For this asset totalling 4.5 MW, for which Boralex benefits from a long-term power sales contract, sun conditions are usually more favourable in the spring and summer, which fall during Boralex's second and third quarters. In general, in view of weather conditions described above, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters and 35% in the first and fourth quarters.

Previous discussions of each of the segments notwithstanding, management expects that the integration of the Fund's assets and the commissioning of new wind power assets over the past few quarters will have a stabilizing and therefore beneficial impact with respect to seasonal changes that could affect the Corporation's performance, given that all of the 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 segment—which is already the largest single contributor to Boralex's EBITDA—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. All these factors will contribute significantly to Boralex's results, as well as the recent acquisition of the Fund and the Corporation'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

(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	*Three-month periods ended June 30*		*Six-month periods ended June 30*	
	2011	2010	**2011**	2010
REVENUES FROM ENERGY SALES				
Wind power stations	**15,193**	9,230	**33,466**	20,643
Hydroelectric power stations	**15,990**	2,323	**28,722**	5,377
Wood-residue thermal power stations	**12,544**	22,896	**46,853**	53,111
Natural gas thermal power stations	**10,112**	2,279	**26,827**	8,601
Corporate (solar power)	**124**	-	**124**	-
	53,963	36,728	**135,992**	87,732
EBITDA				
Wind power stations	**11,991**	7,112	**27,057**	16,531
Hydroelectric power stations	**12,648**	1,182	**21,724**	3,055
Wood-residue thermal power stations	**(2,174)**	4,424	**8,110**	14,452
Natural gas thermal power stations	**3,559**	(106)	**11,198**	1,932
Corporate and eliminations (including solar power)	**(4,291)**	(7,216)	**(8,568)**	(12,783)
	21,733	5,396	**59,521**	23,187
***ADJUSTED* EBITDA**[1]				
Wind power stations	**11,991**	7,112	**27,057**	16,531
Hydroelectric power stations	**12,648**	1,182	**21,724**	3,055
Wood-residue thermal power stations	**(2,174)**	4,424	**8,110**	14,452
Natural gas thermal power stations	**3,559**	(106)	**11,198**	1,932
Corporate and eliminations (including solar power)	**(4,291)**	(4,974)	**(8,568)**	(6,820)
	21,733	7,638	**59,521**	29,150
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	**(5,107)**	(4,714)	**1,904**	(2,738)
Per share, basic and diluted, in dollars	**(0.14)**	(0.12)	**0.05**	(0.07)
Weighted average number of shares outstanding (basic)	**37,773,213**	37,740,921	**37,769,872**	37,740,921

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

(in thousands of Canadian dollars)	**As at June 30, 2011**	As at December 31, 2010
BALANCE SHEET DATA		
Total assets	**1,227,535**	1,246,019
Long-term debt[2]	**521,393**	513,774
Convertible debentures	**221,973**	220,824
Total equity	**363,471**	367,689

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

ADDITIONAL INFORMATION ABOUT NON-GAAP PERFORMANCE MEASURES

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA, adjusted EBITDA, adjusted net earnings (loss) and cash flows from operations as performance measures. Management believes that these measures are widely accepted financial indicators used by investors to assess the operational performance of a company and its ability to generate cash through operations.

These non-GAAP performance measures are drawn primarily from the unaudited interim condensed consolidated financial statements, but do not have a standardized meaning under IFRS; accordingly, 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 (loss), or as a measure of operating results or cash flows, or as a parameter for measuring liquidity, which are IFRS measures.

EBITDA is reconciled to the most comparable IFRS measure, namely, net earnings (loss) attributable to shareholders, in the following table:

	Three-month periods ended June 30		*Six-month periods ended June 30*	
(in thousands of Canadian dollars)	**2011**	2010	**2011**	2010
Net earnings (loss) attributable to shareholders	**(5,107)**	(4,714)	**1,904**	(2,738)
Non-controlling interests	**(484)**	(188)	**(428)**	93
Income tax expense (recovery)	**(2,853)**	(433)	**647**	2,552
Net loss (gain) on financial instruments	**93**	220	**409**	(339)
Foreign exchange loss (gain)	**518**	(884)	**2,037**	(430)
Financing costs	**12,513**	3,123	**24,496**	8,883
Gain on sale of assets	**-**	-	**(2,377)**	(774)
Amortization	**17,053**	8,272	**32,833**	15,940
EBITDA	**21,733**	5,396	**59,521**	23,187

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. Accordingly, the Corporation considers it more representative 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.

Cash flows from operations are reconciled to the most comparable IFRS measure, namely, cash flows related to operating activities, in the following table:

	Six-month periods ended June 30	
(in thousands of Canadian dollars)	**2011**	2010
Cash flows related to operating activities	**55,966**	21,951
Cash flows provided by change in non-cash working capital items	**(22,979)**	(2,101)
CASH FLOWS FROM OPERATIONS	**32,987**	19,850

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

EBITDA

	Three-month periods ended June 30		*Six-month periods ended June 30*	
(in thousands of Canadian dollars)	**2011**	2010	**2011**	2010
EBITDA	**21,733**	5,396	**59,521**	23,187
Specific items:				
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	**-**	-	**-**	3,721
Professional fees incurred in connection with the offer to acquire the Fund	**-**	2,242	**-**	2,242
Adjusted data	**21,733**	7,638	**59,521**	29,150

NET EARNINGS (LOSS)

	Three-month periods ended June 30		*Six-month periods ended June 30*	
(in thousands of Canadian dollars)	**2011**	2010	**2011**	2010
Net earnings (loss) attributable to shareholders	**(5,107)**	(4,714)	**1,904**	(2,738)
Specific items*:				
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	**-**	-	**-**	2,739
Professional fees incurred in connection with the offer to acquire the Fund	**-**	1,569	**-**	1,569
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	**(5,107)**	(3,145)	**240**	2,966

* Impact net of income taxes

ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2011

The following table shows major changes in net earnings (loss) attributable to shareholders:

	Net earnings (loss) (in millions of C$)	*Per share (in C$, basic)*
THREE-MONTH PERIOD ENDED JUNE 30, 2010	**(4.7)**	**(0.12)**
Change in EBITDA	16.3	0.43
Amortization	(8.8)	(0.23)
Foreign exchange loss	(1.4)	(0.04)
Net loss on financial instruments	0.1	-
Financing costs	(9.4)	(0.25)
Income taxes	2.5	0.06
Non-controlling interests	0.3	0.01
THREE-MONTH PERIOD ENDED JUNE 30, 2011	**(5.1)**	**(0.14)**

During the second quarter of fiscal 2011, Boralex reported a net loss of $5.1 million or $0.14 per share compared with a net loss of $4.7 million or $0.12 per share during the same quarter of fiscal 2010.

Note that due to the seasonal nature of the Corporation's operations discussed under *Seasonal and other cyclical factors*, Boralex's second quarter is generally its weakest of the fiscal year.

The assets acquired from the Fund and the wind power stations commissioned in 2010 increased consolidated EBITDA by $17.3 million (excluding the $0.4 million share in earnings of the Fund in 2010) compared with the second quarter of fiscal 2010. Despite this significant contribution, the slight decrease in adjusted net earnings resulted from the following key factors:

- A decline in operating income from the U.S. wood-residue power stations, discussed later in this MD&A;
- 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;
- 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; and
- An unfavourable variance relating to foreign exchange losses.

These unfavourable items were partially offset by a larger recovery of income taxes during the second quarter of fiscal 2011.

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

(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*
THREE-MONTH PERIOD ENDED JUNE 30, 2010	**36.7**	**5.4**
Impact of consolidated operations of the Fund	23.2	12.3
Data pertaining to other operations of Boralex:		
Power stations commissioned	6.5	5.4
Shutdown of Ashland power station	(5.8)	(2.1)
Pricing	(0.1)	(0.1)
Volume	(3.0)	(0.2)
RECs and green certificates	(3.1)	(3.1)
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.5)	-
Maintenance	-	0.9
Development - prospecting	-	0.4
Boralex Power Income Fund – pre-acquisition	-	(0.4)
Other	0.1	3.2
THREE-MONTH PERIOD ENDED JUNE 30, 2011	**54.0**	**21.7**

REVENUES FROM ENERGY SALES

Revenues from energy sales for the three-month period ended June 30, 2011 totalled $54.0 million, up $17.3 million or 47.1% from $36.7 million for the same quarter of fiscal 2010. Note that exchange rate movements had a marginal impact on revenues of approximately $0.5 million.

The addition of the Fund's ten power stations and the commissioning of new wind power stations with a total installed capacity of 99.0 MW between August and December 2010 together contributed $29.7 million in additional revenues. However, the effect of this new contribution was offset by a decline in revenues on the order of $10.4 million at the U.S. wood-residue power stations compared with the previous year resulting largely from the shutdown of the Ashland power station due to the expiration of its electricity price financial swaps on February 28, 2011, the decrease in REC sales and a planned decline in production volume at these power stations. These items are discussed in greater detail in the segment performance analysis later in this MD&A.

In total, Boralex generated 561,489 MWh of electricity in the second quarter of fiscal 2011 compared with 376,847 MWh for the same period of fiscal 2010. This 49.0% increase was driven by the acquisition of the Fund and the commissioning of new wind power stations. Excluding these two items, production volume at Boralex's existing power stations fell 32.6% owing primarily to the production shutdown of the Ashland power station, the voluntary production slowdown at certain other U.S. wood-residue power stations owing to market conditions and a drop in production at the French wind power stations resulting from technical incidents and climate conditions that were less favourable than in 2010.

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 second quarter of fiscal 2011 essentially consisted of management fees from a power station owned by a trust, whose sole trustee is a director of the Corporation.

EBITDA

Consolidated EBITDA for the second quarter of fiscal 2011 amounted to $21.7 million. As shown in the table on page 10 of this MD&A, adjusted EBITDA was $7.6 million for the same period last year, excluding $2.2 million in professional fees incurred in connection with the acquisition of the Fund. Accordingly, Boralex recorded a $14.1 million or 185.5% year-over-year increase in adjusted EBITDA between the second quarters of fiscal 2010 and fiscal 2011, while its second-quarter EBITDA margin as a percentage of revenues from energy sales rose to 40.3% from 20.8% for the second quarter of 2010.

The consolidation of the Fund's earnings in fiscal 2011 compared with the recognition of a 23% share in the previous year contributed an additional $11.9 million to EBITDA for the second quarter of fiscal 2011.

Excluding the Fund's power stations, Boralex's other operations increased their contribution to adjusted EBITDA by $2.2 million due to the following main items:

- A $5.4 million additional contribution to EBITDA from the Corporation's new wind power stations;
- An aggregate decline of $1.3 million in maintenance expenses and development and prospecting costs; and
- Various other items totalling approximately $1.4 million related to the decrease or non-recurrence of certain expenses.

The aggregate effect of these favourable factors offset the following unfavourable factors, which primarily impacted the wood-residue segment:

- The $3.1 million adverse effect on EBITDA due to lower sales of RECs and green certificates;
- The $2.1 million shortfall resulting from the shutdown of operations at the Ashland power station;
- A $0.2 million unfavourable volume effect (excluding Fund power stations and newly commissioned facilities); and
- A $0.1 million unfavourable effect of lower prices.

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

Amortization expense in the second quarter of 2011 amounted to $17.1 million compared with $8.3 million for the same period of fiscal 2010. Excluding amortization at Fund power stations of $6.5 million, Boralex's amortization expense was up $3.0 million owing to investments over the past 12 months in the wind power segment in Canada and France. Note, however, that this amount includes a favourable adjustment with the effect of reducing amortization expense by $0.7 million in the second quarter. This adjustment resulted from the Corporation changing the useful life of a component for certain wind turbine models in the light of new information obtained and more experience with operating the component. Furthermore, the increase in amortization expense in the second quarter was offset by the lower amortization expense of U.S. assets resulting from the depreciation of the US dollar against Canada's currency.

Boralex reported a $0.5 million foreign exchange loss compared with a $0.9 million gain for the corresponding quarter of the previous year, an unfavourable variance of $1.4 million. This variance is due to a $0.5 million remeasurement, during the second quarter of 2011, of intercompany advances to some of Boralex's U.S. subsidiaries. Furthermore, the Corporation posted a $0.1 million net loss on financial instruments for the second quarter of the current fiscal year, compared with a $0.2 million net loss on financial instruments for fiscal 2010. *Net loss (gain) on financial instrument*s 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 $12.5 million for the second quarter of fiscal 2011 compared with $3.1 million for the same period of fiscal 2010. Excluding the debt acquired from the Fund ($1.0 million), Boralex's financing costs rose $8.4 million mainly 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.

LOSS BEFORE INCOME TAXES, INCOME TAX RECOVERY AND NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

In the second quarter of fiscal 2011, Boralex recorded a loss before income taxes and non-controlling interests of $8.4 million compared with $5.3 million for the same period of fiscal 2010. Boralex reported a $2.9 million income tax recovery compared with $0.4 million for the second quarter of 2010. 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 second quarter of fiscal 2011 with a $5.1 million net loss attributable to shareholders or $0.14 per share compared with $4.7 million or $0.12 per share for the same period of fiscal 2010.

ANALYSIS OF OPERATING RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011

The following table shows major changes in net earnings (loss):

	Net earnings (loss) (in millions of C$)	*Per share (in C$, basic)*
SIX-MONTH PERIOD ENDED JUNE 30, 2010	**(2.7)**	**(0.07)**
Change in EBITDA	36.3	0.96
Amortization	(16.9)	(0.45)
Foreign exchange loss	(2.5)	(0.07)
Net loss on financial instruments	(0.7)	(0.02)
Financing costs	(15.6)	(0.41)
Gain on sale of assets	1.6	0.04
Income taxes	1.9	0.06
Non-controlling interests	0.5	0.01
SIX-MONTH PERIOD ENDED JUNE 30, 2011	**1.9**	**0.05**

Boralex reported net earnings of $1.9 million or $0.05 per share for the six-month period ended June 30, 2011 compared with a net loss of $2.7 million or $0.07 per share for the same period of fiscal 2010. As shown in the table on page 10, earnings for fiscal 2011 include a favourable specific item with a net amount of $1.7 million, comprised of the following gains recorded during the first quarter.

- 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 section; and
- A $1.3 million net gain from the sale of the Merlin-Buxton wind power project in Ontario.

Earnings for the first six months of fiscal 2010 included specific items with an unfavourable net amount of $5.7 million, broken down as follows:

- Boralex’s $2.7 million net share in the impairment charge against property, plant and equipment at the Dolbeau thermal 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 of 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;
- Professional fees in the amount of $1.6 million incurred in connection with the offer to acquire the Fund during the second quarter of 2010; 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 reported $0.2 million in adjusted net earnings or $0.01 per share for the first six months of fiscal 2011, compared with $3.0 million in adjusted net earnings or $0.08 per share for the same quarter of fiscal 2010.

The addition of the Fund's assets and wind power stations commissioned in 2010 increased consolidated adjusted EBITDA by a total of $39.4 million compared with the first six months of fiscal 2010. Despite this contribution, adjusted net earnings decreased due to the same factors presented in the second quarter discussion, namely:

- The increase in amortization expense;
- The increase in financing costs;
- The decline in operating income from the U.S. wood-residue power stations; and
- Various adverse differences, particularly regarding losses on foreign exchange and financial instruments.

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

(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*
SIX-MONTH PERIOD ENDED JUNE 30, 2010	**87.7**	**23.2**
Impact of consolidated operations of the Fund	53.2	29.9
Data pertaining to other operations of Boralex:		
Power stations commissioned	14.8	12.5
Shutdown of Ashland power station	(5.8)	(2.1)
Pricing	2.3	2.3
Volume	(6.5)	(2.0)
RECs and green certificates	(6.5)	(6.4)
Translation of self-sustaining subsidiaries (exchange rate effect)	(3.1)	(0.9)
Raw material costs	-	(1.7)
Maintenance	-	1.2
Development - prospecting	-	1.0
Boralex Power Income Fund (pre-acquisition)[1]	-	0.7
Other	(0.1)	1.8
SIX-MONTH PERIOD ENDED JUNE 30, 2011	**136.0**	**59.5**

(1) This amount is reflected in the following items in the 2010 statement of earnings: *Share in earnings (loss) 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 six-month period ended June 30, 2011 totalled $136.0 million up $48.3 million or 55.1% from $87.7 million for the same period of fiscal 2010. The inclusion of the Fund's ten power stations contributed $53.2 million in additional revenues. Excluding these power stations, revenues attributable to Boralex's other operations for the first six months of fiscal 2011 totalled $82.8 million, down $4.9 million or 5.6% from the same period last year. This is largely due to the strengthening of Canada's currency against the US dollar and, to a lesser extent, the euro, which had a $3.1 million adverse impact on revenues. Excluding the acquisition of the Fund, the main items to favourably impact revenues were the following:

- The commissioning of new wind power stations, which contributed additional revenues of $14.8 million; and
- A total of $2.3 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 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. The increase in Boralex's average selling price is also due to higher selling prices for the steam and electricity sold by the Blendecques cogeneration power station in France, and a higher average price for the electricity sold by the U.S. hydroelectric and wood-residue power stations.

Conversely, in addition to the $3.1 million unfavourable impact owing to the exchange rate movements, Boralex's revenues for the first six months of fiscal 2011 were affected by the following three key items:

- A $6.5 million shortfall arising from lower planned production volumes at existing power stations, excluding the ten power stations acquired from the Fund and the newly commissioned wind power stations. The drop in production at existing power stations stemmed primarily from the wood-residue segment in the U.S. and, to a lesser extent, the wind power segment in France;
- A $6.5 million decrease in sales of RECs and green certificates; and
- A $5.8 million shortfall resulting from the shutdown of operations at the Ashland wood-residue power station.

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

In total, Boralex generated 1,313,774 MWh of electricity in the first six months of fiscal 2011 compared with 849,985 MWh for the same period of fiscal 2010. This 54.6% increase was driven by the acquisition of the Fund and the commissioning of new wind power stations. Excluding these two items, production volume at Boralex's existing power stations fell 20.5% owing primarily to the challenging conditions facing the U.S. wood-residue power stations.

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 $0.3 million recorded in the first six months of fiscal 2011 essentially consisted of management fees for a power station owned by a trust, whose sole trustee is a director of the Corporation. The reason for the decline in *Other income* compared with the same period of fiscal 2010 was that the Blendecques natural gas power station in France has recorded no excess CO_2 quota sales since the beginning of the current fiscal year.

EBITDA

Consolidated EBITDA for the first six months of 2011 amounted to $59.5 million compared with adjusted EBITDA of $29.2 million for the same period of 2010, excluding specific items that impacted EBITDA for the period, namely Boralex's share of the impairment charge against property, plant and equipment at the Dolbeau power station and the professional fees related to acquisition of the Fund. Accordingly, Boralex recorded a $30.3 million or 103.8% year-over-year increase in adjusted EBITDA for the first six months of fiscal 2011, while its EBITDA margin as a percentage of revenues from energy sales for the first six months of 2011 rose to 43.8% from 33.2% year over year.

Excluding the writedown of Dolbeau power station property, plant and equipment from 2010 results, the full consolidation of the Fund's earnings in fiscal 2011, excluding a 23% interest recognized in the previous year, contributed an additional $26.9 million to adjusted EBITDA for the first half of fiscal 2011. Boralex's other operations posted a $3.4 million or 11.6% increase in their contribution to adjusted EBITDA. After excluding the $0.9 million unfavourable foreign exchange effect, this increase would have been $4.3 million or 14.7% in light of the following three key factors:

- A $12.5 million additional contribution to EBITDA from the Corporation's new wind power stations;
- A $2.3 million additional contribution driven by higher average selling prices at Boralex's power stations (excluding Fund power stations); and
- An aggregate decline of $2.2 million in maintenance expenses and development and prospecting costs.

The above favourable factors offset the following unfavourable items:

- The $6.4 million adverse effect on EBITDA due to lower sales of RECs and green certificates;
- The $2.1 million shortfall in EBITDA resulting from the shutdown of operations at the Ashland power station;
- A $2.0 million unfavourable volume effect (excluding Fund power stations and newly commissioned facilities); and
- A $1.7 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 primarily to the suspension of the 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.

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

The Corporation's amortization expense for the first six months of 2011 amounted to $32.8 million compared with $15.9 million for the same period of fiscal 2010. Excluding amortization at Fund power stations, Boralex's amortization expense was up $6.4 million owing to expansion in the wind power segment. Amortization expense in the second quarter declined by $0.7 million on a change in the useful life of a wind turbine component. On a full annual basis, the forecasted impact of this change is estimated to be approximately $2.7 million. However, the rise in amortization expense relative to the same six-month period in fiscal 2010 driven by investments over the past 12 months 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.

Boralex reported a $2.0 million foreign exchange loss compared with a $0.4 million gain for the corresponding period of the previous year. This $2.4 million unfavourable difference resulted from the remeasurement of intercompany advances. Furthermore, the Corporation posted a $0.4 million net loss on financial instruments for the first six months of the current fiscal year, representing a $0.7 million unfavourable difference from the $0.3 million net gain on financial instruments for the same period of fiscal 2010.

Financing costs totalled $24.5 million for the first six months of fiscal 2011 compared with $8.9 million for the same period of fiscal 2010. Excluding the debt acquired from the Fund ($2.1 million), Boralex's financing costs rose $13.5 million as a result of issuing convertible debentures to finance the acquisition of the Fund and expansion in the wind power segment. 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 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 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 market generated net proceeds of $20.8 million and a gain on disposal of $0.6 million. 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. As at June 30, 2011, Boralex held 148,780 shares valued at $19.56.

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 made due to the limited development potential of the site for Boralex.

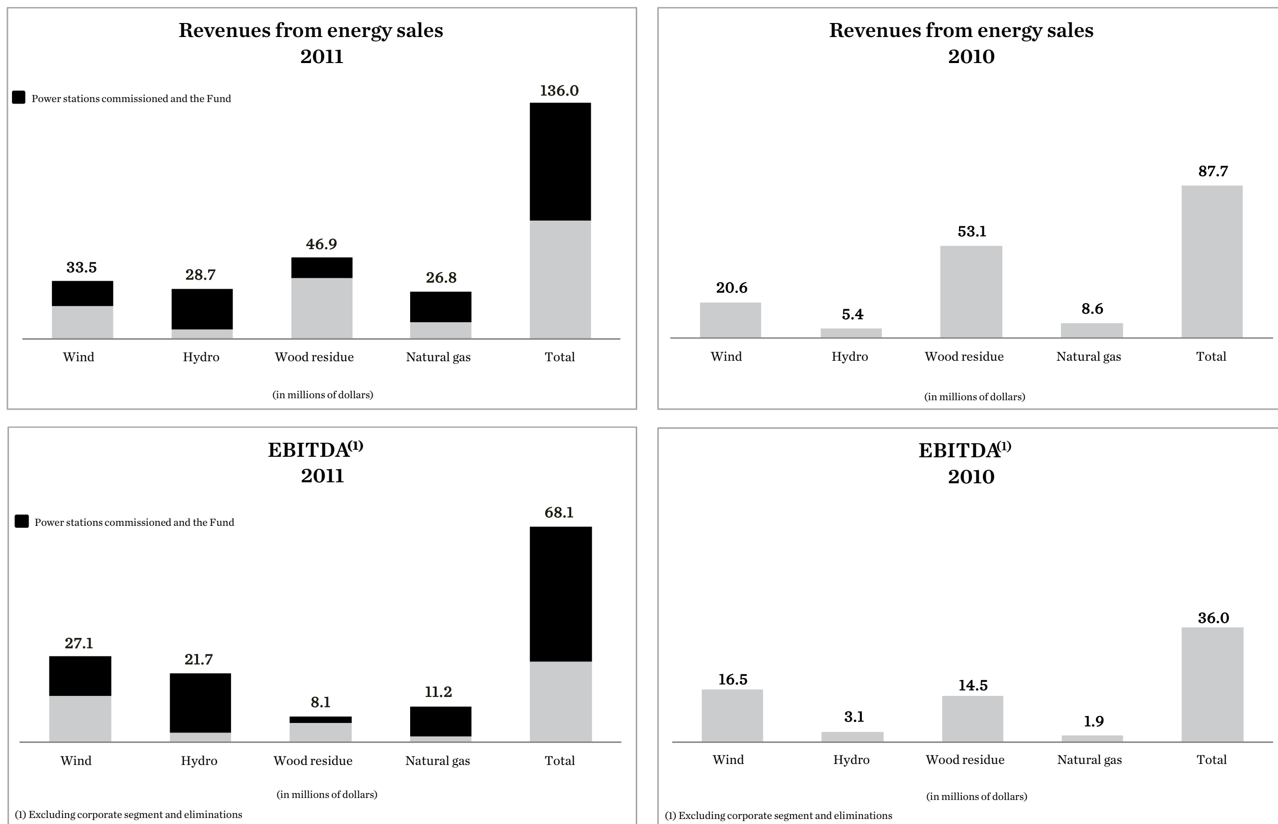
The previous fiscal year reflected the fact that, on March 31, 2010, Boralex realized a $0.8 million gain on the sale of the subsidiary that owned the Bel Air wind farm in France.

EARNINGS BEFORE INCOME TAXES, INCOME TAXES AND NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Boralex ended the first six months of fiscal 2011 with earnings before income taxes and non-controlling interests of $2.1 million compared with $0.1 million for the same period of fiscal 2010. Boralex reported a $0.6 million income taxes compared with $2.6 million in the same period of fiscal 2010, owing primarily to the increase in earnings before income taxes. Accordingly, Boralex ended the first six months of fiscal 2011 with net earnings attributable to shareholders of $1.9 million or $0.05 per share compared with a net loss of $2.7 million or $0.07 per share for the same period of fiscal 2010.

To sum up, **in terms of growth in revenues, EBITDA and profit margins, our results for the first half of fiscal 2011 underscore the merits and value added of the transaction to acquire the Fund completed in November 2010, as well as the 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
GEOGRAPHIC AND SEGMENT BREAKDOWN FOR THE FIRST SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2011



Over the last few 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 53.5 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 that all have long-term power sales contracts and a total 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 bring the current 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 and, more recently the commissioning of the Corporation's first solar power station, have together added an aggregate 339 MW to Boralex's installed capacity, or more than 90%. The share of production covered by long-term power sales contracts has advanced to 73% from 48%.

BREAKDOWN OF RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011

During the first six months of fiscal 2011, the geographic breakdown of Boralex's revenues from energy sales was as follows:

- 42% in Canada compared with 10% for the same period in 2010;
- 39% from the United States compared with 64% in 2010; and
- 19% from Europe compared with 26% 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 due to the decline in revenues of the Corporation's U.S. wood-residue power stations since the beginning of fiscal 2011, and the depreciation of U.S. and European currencies against the Canadian dollar. Changes in the segment breakdown of quarterly results have trended as follows:

Wind — While year-to-date revenues for the segment showed growth of 62.6% over the first six months of 2010 due to the commissioning of the new power stations, its relative share of consolidated revenues remained relatively stable at 24.6%, compared with 23.5% for the same period of 2010. 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 64.2% in wind power segment EBITDA, its share of consolidated EBITDA (before corporate and eliminations) declined to 39.8% in the first six months of 2011 from 45.8% 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 80.9% in the first six months of 2011(80.1% in 2010), compared with an overall margin of 50.1% for all power stations in the first six months of 2011 (41.0% 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 — The contribution of the hydroelectric power segment to Boralex's consolidated revenues from energy sales rose to 21.1% from 6.2% between the six-month periods ended June 30, 2011 and 2010 as segment revenues expanded more than fivefold 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 sevenfold. Its share of consolidated EBITDA rose to 31.9% in the first six months of 2011 from 8.6% for the same period in 2010, while its margin of EBITDA as a percentage of revenues advanced to 75.6% from 57.4% between these same periods.

Wood-residue — The wood-residue segment generated 34.5% of Boralex's consolidated revenues and 11.9% of consolidated EBITDA for the six-month period ended June 30, 2011 compared with 60.5% and 40.3%, respectively, for the same period of 2010, due primarily to the earnings decrease at Boralex's U.S. wood-residue power stations and the decline in the segment's relative weight.

Natural gas — Integration of the Kingsey Falls power station in Québec had a significant positive impact on the segment, which showed more than threefold and almost sixfold revenue and EBITDA growth, respectively. As a result, the segment's contribution to consolidated revenues was 19.7% in 2011, compared with 9.8% in 2010, while its contribution to Boralex's EBITDA rose to 16.4% from 5.3%. Accordingly, the segment's year-to-date margin of EBITDA advanced to 41.8% in fiscal 2011 from 22.1% in 2010.

Solar — The commissioning of the Corporation's first solar power station on June 17, 2011 had little impact on results for the second quarter and the six months ended June 30, 2011. Because this power station represents less than 1.0% of the Corporation's total installed capacity, its share in the consolidated results will remain relatively small. However, Boralex is on the lookout for opportunities that will drive growth for the segment.

WIND POWER STATIONS

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

	Three-month periods		Six-month periods	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
AS AT JUNE 30, 2010	**9.2**	**7.1**	**20.6**	**16.5**
Power stations commissioned[(1)]	6.5	5.4	14.8	12.5
Pricing	(0.5)	(0.5)	(0.7)	(0.7)
Volume	(0.4)	(0.4)	(1.2)	(1.2)
Translation of self-sustaining subsidiaries (exchange rate effect)	0.4	0.3	(0.1)	(0.1)
Other	-	0.1	0.1	0.1
AS AT JUNE 30, 2011	**15.2**	**12.0**	**33.5**	**27.1**

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

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

Highlights for the second quarter results of fiscal 2011 are essentially the same as for the first quarter, namely:

- The significant contribution of the new wind power stations totalling almost 100 MW commissioned during the last five months of fiscal 2010, notably Phase II of the Thames River (50 MW) site in Canada, and the Ronchois (30 MW), Le Grand Camp (10 MW) and Chasse Marée (9 MW) sites in France;
- The strong performance by the Phase I (40 MW) of the Thames River site commissioned in December 2009 and January 2010; and
- A decline in revenues of the existing power stations in France caused by less favourable climate conditions than in 2010 and certain other external factors.

However, unlike in the first quarter, exchange rate movements, more specifically the strengthening of the euro against the Canadian dollar between the second quarters of fiscal 2010 and fiscal 2011, had a favourable effect on results for the three-month period ended June 30, 2011 of approximately $0.4 million on revenues and $0.3 million on EBITDA.

During the second quarter of fiscal 2011, Boralex's wind power segment produced 124,362 MWh of electricity and generated revenues of $15.2 million and EBITDA of $12.0 million. These performance indicators represent increases of 61.5%, 65.2% and 69.0%, respectively, over production volume, revenues and EBITDA for the same period in fiscal 2010. EBITDA margin as a percentage of revenues stood at 78.9% compared with 77.2% for the previous year. These sound results arise almost entirely from the commissioning of the new power stations discussed previously, which produced 51,304 MWh of electricity. They also generated additional revenues of $6.5 million and contributed $5.4 million to segment EBITDA. Moreover, Phase I of Thames River in Canada increased its production by 4.0% and contributed close to $0.2 million to wind power segment revenues and EBITDA due to greater equipment availability.

In France, existing power stations posted an 8.1% slowdown in production mainly as a result of poorer wind conditions than in the previous year for certain sites, as well as technical malfunctions beyond the Corporation's control and equipment enhancement and replacement works. This decline in production represented a net unfavourable volume effect of $0.4 million on revenues and EBITDA for the wind power segment overall. Wind power segment results for the second quarter of fiscal 2011 also include a net unfavourable price effect of $0.5 million. This is primarily attributable to contractual agreements with EDF that provide for a retroactive downward adjustment of the selling price per MWh after five or ten years from the contract effective date if the production volume for the previous five or ten years exceeded the set level. Rather than being a negative factor, such a downward adjustment of the selling price indicates that the power stations affected performed better than forecast after commissioning and thus contributed to overall profitability in excess of Boralex management's expectations.

OPERATING RESULTS FOR THE SIX-MONTH PERIOD

During the first six months of fiscal 2011, Boralex's wind power segment produced 276,931 MWh of electricity and generated $33.5 million in revenues and EBITDA of $27.1 million, which represents increases of 65.5%, 62.6% and 64.2%, respectively, over the data for the corresponding six-month period of fiscal 2010. EBITDA margin as a percentage of revenues was 80.8% compared with 80.1% in fiscal 2010. These results essentially reflect the commissioning of the new power stations discussed previously, which produced 119,520 MWh of electricity.. They also generated additional revenues of $14.8 million and contributed $12.5 million to segment EBITDA.

Excluding commissionings however, existing wind power stations posted a 24.1% decline in production, while their revenues and EBITDA pulled back 9.2% and 11.5%, respectively, driven by the following items:

- A $1.2 million unfavourable volume effect on revenues and EBITDA;
- A $0.7 million unfavourable effect of lower prices due largely to the previously mentioned contractual agreements in force in France and the reduction in the consumer price index, to which our electricity selling prices in France are indexed; and
- A $0.1 million unfavourable impact resulting from the Canadian dollar's strengthening against the euro for the full six-month period compared with the same period of the previous year.

The factors listed above relate exclusively to the existing French power stations, as the Phase I of Thames River in Canada raised their contribution to segment results. For information purposes, these posted growth rates of 10.0% in production volume, 4.5% in selling price, 15.0% in revenues and 14.0% in EBITDA. The performance of these sites is improved primarily in that, because they were commissioned in December 2009 and January 2010 and were in a fine-tuning period in the first quarter of 2010, they have been fully operational since the beginning of fiscal 2011. That being said, in addition to a higher utilization factor, all of the equipment qualified for the full Advanced RESOP rate over the entire six-month period in 2011.

RECENT EVENTS

In April 2011, the consortium consisting of Boralex and an entity formed and controlled indirectly by Gaz Métro Limited Partnership (the "Consortium"), whose mission is to commission and operate Seigneurie de Beaupré wind farms 2, 3 and 4 in Québec, began construction work on wind farms 2 and 3. Together, these facilities have an installed capacity of 272 MW and will be commissioned in December 2013. The construction of wind farms 2 and 3 represents an investment of approximately $700 million, for which financing is expected to be finalized over the next few months. Furthermore, Boralex and its partner set up a joint venture 50% owned by Boralex, Seigneurie de Beaupré Wind Farms 2 and 3, G.P. (the "Joint Venture") to continue construction work and, eventually, operate wind farms 2 and 3. As a result, as of this quarter, the development costs arising from this specific Consortium projects will not be included in *Development projects* in Boralex's balance sheet, but will be accounted for in the investment account *Interest in a joint venture*. Construction work on the 69 MW wind farm will begin in 2014 with commissioning slated for late 2014.

In June 2011, the two community wind farm projects developed jointly by Boralex and the Québec RCMs of Témiscouata and La Côte-de-Beaupré both have 20-year power sales contracts with Hydro-Québec Distribution. These wind farms have a capacity of 25 MW each, with one slated for commissioning late in 2014 and the second, late in 2015.

In France, Boralex launched a new maintenance centre in May 2011. The centre will, in particular, house an electrical laboratory for turbine testing and enhancements, miscellaneous analysis tools and a replacement parts inventory. Part of under Boralex's proactive approach to energy asset management and maintenance, this initiative will particularly serve to enhance maintenance efficiency at the Ally-Mercœur, Cham Longe and La Citadelle wind farms, totalling 75.5 MW.

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 and the rates are approximately 4.58%. As at June 30, 2011, the fair value of these swaps is unfavourable by $6.7 million. In July 2011, the Corporation entered into two additional interest rate swap transactions for an amount of $40 million at an average rate of 3.98%. As a result, the overall average rate of all the swaps is 4.48%. The 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 invited 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, including the selection of nine reputable financial institutions, and will carry out the preliminary steps in the coming months to finalize the Program. As the final lenders will require Boralex to enter into swaps with their institution, the initial transactions will probably be settled in cash when the Program is finalized, which is expected to be in the fourth quarter of 2011. Any prior accumulated gains or losses will be maintained in *Accumulated other comprehensive income (loss)* and recognized in the statement of earnings (loss) using the effective interest 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, construction at Seigneurie de Beaupré wind farms 2 and 3, totalling 272 MW and owned by the Joint Venture, is on schedule for commissioning in December 2013. In fiscal 2011, the Joint Venture intends to finalize the main contracts with its suppliers and arrange financing. It also expects a significant portion of the construction work on the foundations and most of the road work to be completed this year. In addition, Boralex and Gaz Métro G.P. are defining the parameters for the upcoming 69 MW Seigneurie de Beaupré wind farm, slated for commissioning in December 2014. Apart from the site's significant advantages regarding wind and environmental conditions and existing infrastructure, the future farm will enjoy a performance boost from logistical synergies to be achieved during its construction and subsequent operation. In addition, of the two projects of 25 MW each developed by Boralex in partnership with Québec RCMs, the wind farm in La Côte-de-Beaupré RCM will also be built on the Seigneurie de Beaupré property. 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, and various financing scenarios will be assessed by the Corporation in the coming months.

OUTLOOK

At the outset of the third quarter of fiscal 2010, Boralex's wind power segment had an installed and operating capacity of 152 MW, consisting of 112 MW in Europe and 40 MW in Canada. One year later, Boralex began the third quarter of the current fiscal year with 65% more installed capacity, now totalling 251 MW, comprising 161 MW in Europe and 90 MW in Canada. The Corporation's 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 owing primarily to:

- The contribution of the 50 MW Phase II of the Thames River site throughout the 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, totalling 49 MW, throughout the 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 site, 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 sound 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:

	Three-month periods		Six-month periods	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
AS AT JUNE 30, 2010	**2.3**	**1.2**	**5.4**	**3.1**
Impact of consolidated operations of the Fund	13.2	11.0	23.4	18.8
Data pertaining to other operations of Boralex:				
Pricing	0.1	0.1	0.2	0.2
Volume	0.5	0.5	0.1	0.1
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.1)	-	(0.2)	(0.1)
Other	-	(0.2)	(0.2)	(0.4)
AS AT JUNE 30, 2011	**16.0**	**12.6**	**28.7**	**21.7**

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

HYDROELECTRIC PRODUCTION (MWh)[1]	2011	2010
Three-month periods ended June 30	**213,490**	34,301
Six-month periods ended June 30	**358,495**	74,610
Historical average – three-month periods[2]	**188,683**	190,847
Historical average – six-month periods[2]	**346,206**	348,525
Historical average – twelve-month periods[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. The significant difference for the three- and six- month periods ended June 30 resulted from the addition of 96 MW on acquisition of the Fund.

[2] Historical averages include all of Boralex's existing power stations.

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

Building on its first-quarter momentum, the hydroelectric power segment's strong earnings growth in the second quarter of 2011 compared with the same period in 2010 clearly underscores a key advantage of Boralex's acquisition of the Fund: quality hydroelectric assets that all have long-term power sales contracts and generate superior profit margins. Indeed, the addition of the Fund's seven hydroelectric power stations more than tripled Boralex's hydroelectric installed capacity.

Assisted by favourable water flow conditions in spring 2011, the acquisition of the Fund generated most of the growth in segment results for the quarter, including revenues, up nearly sevenfold to $16.0 million, with EBITDA reaching $12.6 million—10.5 times higher than a year ago. This lifted EBITDA margin as a percentage of revenues to 78.8% for the second quarter of 2011 from 52.2% for the same period of 2010. Note that exchange rate movements had little impact on segment results for the second quarter and the first six months of fiscal 2011.

In terms of production, the segment delivered 213,490 MWh compared with 34,301 MWh for the same quarter of 2010, up over 500%. The power stations acquired from the Fund generated 168,252 MWh, while existing power stations stepped up output by 31.9% due to better water flow conditions in the second quarter of 2010 in Canada and the Northeastern United States.

These favourable conditions also translated into higher output at the power stations acquired from the Fund compared with the previous year. Including the Fund's power stations, as shown in the preceding table, total segment production outpaced historical averages by 13.1% for the second quarter of fiscal 2011.

In addition to contributing $13.2 million and $11.0 million to revenues and EBITDA attributable to the acquisition of the Fund, respectively, higher production at existing facilities in Canada and the U.S. added $0.5 million to quarterly revenues and EBITDA in the hydroelectric segment. Higher selling prices at existing power stations had a net favourable effect of $0.1 million.

OPERATING RESULTS FOR THE SIX-MONTH PERIOD

During the first six months of fiscal 2011, Boralex's hydroelectric segment accumulated $21.7 million compared with a year-over-year reading of $3.1 million, over revenues totalling $28.7 million, relative to $5.4 million for the same period a year earlier. These increases represented growth multiples of 7.0 and 5.3, respectively. The addition of the Fund's power stations generated substantially all of this growth, while increased production volume and selling prices at existing power stations added $0.3 million to the six-month period revenues and EBITDA. The power stations in the United States, in particular, benefited from a 0.6% rise in average price (in US$) due to a contractual price increase at the Middle Falls power station and an upturn in electricity market prices in New York State. In Canada, the 20-year renewal of the power sales contract at the East

Angus power station in Québec at a lower price than the initial agreement was notably offset by a positive price indexation at our British Columbia power station.

Total segment production for the first half of 2011 amounted to 358,495 MWh, up from 74,610 MWh year over year due to the addition of the Fund's power stations and a 9.2% rise in production volume at existing power stations. Including the Fund's power stations, as shown in the preceding table, year-to-date segment production outperformed historical averages by 3.5%.

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 limited request for proposals (known by the French acronym "APR") and was due to expire at the end of 2010. This is Boralex's first long-term contract to be renegotiated and renewed with Hydro-Québec.

OUTLOOK

With the acquisition of the Fund, hydroelectric segment installed capacity rose from 39.5 MW (of which 27 MW is currently in production) to 136 MW, while the portion of Boralex's installed capacity under long-term power sales contracts rose to 85% (representing 115.5 MW) from 48% (19 MW). Year-to-date results show the considerable impact of Boralex's hydroelectric portfolio transformation on segment results. Boralex began fiscal 2011 with a larger, more profitable hydroelectric power base that generates steadier, more predictable cash flows. The new profile will reduce the exposure of segment performance to economic factors, particularly to volatility in open market selling prices in the U.S. largely tied to the price of natural gas.

Given the quality of the assets and the ongoing maintenance program at all power stations currently comprising Boralex's hydroelectric power segment, there is no indication that they will not continuing producing at 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:

	Three-month periods		Six-month periods	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
AS AT JUNE 30, 2010	**22.9**	**4.4**	**53.1**	**14.5**
Impact of consolidated operations of the Fund	2.6	(1.7)	12.2	2.1
Data pertaining to other operations of Boralex:				
Shutdown of Ashland power station	(5.8)	(2.1)	(5.8)	(2.1)
Pricing	(0.1)	(0.1)	1.8	1.8
Volume	(3.1)	(0.4)	(5.3)	(1.2)
RECs	(3.1)	(3.0)	(6.3)	(6.3)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1.0)	(0.2)	(2.6)	(0.7)
Capacity premiums	0.1	0.1	(0.2)	(0.2)
Raw material costs	-	-	-	(1.4)
Maintenance	-	0.6	-	0.8
Other	-	0.2	-	0.8
AS AT JUNE 30, 2011	**12.5**	**(2.2)**	**46.9**	**8.1**

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

Boralex's wood-residue segment continued to weather difficult business conditions in the United States, given currently low REC and electricity free market selling prices and the shutdown of the Ashland power station after a sales agreement was not secured on expiry of its electricity price financial swaps in February 2011. Bear in mind that the second quarter is usually the weakest for Boralex's U.S. thermal power stations, which usually schedule periodic maintenance in the spring. As announced by management, the Chateaugay, Livermore Falls and Stratton power stations were idle for extended periods during the second quarter. In Canada, in addition to a shutdown throughout the quarter at the Dolbeau power station, the Senneterre facility was impacted by technical difficulties and the scheduling of an extended planned shutdown longer than in the same period last year.

As a result, the wood-residue segment produced 178,033 MWh of electricity in the second quarter of 2011, compared its year-over-year output of 265,470 MWh. Excluding the newly acquired Senneterre power station, production at Boralex's existing power stations—all located in the U.S.—declined 49.1%. Nearly half of the drop resulted from shutting down the Ashland power station, which management does not expect to restart in the near term in light of current market conditions. In addition, the Stratton and Livermore Falls power stations in Maine and our New York state facility in Chateaugay voluntarily scaled back production owing in part to low selling prices but also to conduct planned maintenance.

For the three-month period ended June 30, 2011, the segment reported revenues totalling $12.5 million, down $10.4 million or 45.4% from $22.9 million for the same period a year ago. Excluding the $2.6 million generated by the Senneterre facility, revenues at existing power stations were down $13.0 million or 56.8% owing to the following key factors:

- A $5.8 million shortfall resulting from Ashland's operational shutdown;
- A $3.1 million adverse production volume effect resulting from decisions to curb output at three other power stations;
- A $3.1 million decrease in REC sales. Note that the second-quarter decline resulted primarily from lower REC sales. Management currently foresees a favourable trend in this market for the end of 2011 and 2012, prompting it to defer the sale of RECs currently on hand; and
- A $1.0 million translation effect caused by the US dollar's depreciation against Canada's currency.

Note that average price of the electricity sold by U.S. power stations was up 8% from the second quarter of 2010, although the net effect on revenues was singly unfavourable by $0.1 million due to a drop in production volume.

The segment reported an operating loss, that is, negative EBITDA of $2.2 million compared with operating income of $4.4 million for the same quarter of 2010. This $6.6 million unfavourable difference resulted from the following:

- The $3.0 million unfavourable effect of lower REC sales on EBIDTA;
- A $2.1 million adverse effect stemming from the Ashland power station's shutdown;
- A $1.7 million operating loss attributable to the Québec power stations, as Dolbeau was idle during the period and Senneterre had prolonged shutdowns;
- A combined unfavourable effect of $0.5 million triggered by production volume and pricing impacts; and
- A $0.2 million adverse translation effect sparked by fluctuating Canadian and US dollars.

On the upside, the segment got a boost from favourable items totalling $0.9 million, consisting primarily of lower maintenance costs and a number of other expenses, such as for chemicals.

OPERATING RESULTS FOR THE SIX-MONTH PERIOD

For the first six months of fiscal 2011, the wood-residue segment produced 550,453 MWh of electricity compared with 585,577 MWh for the first half of 2010. Excluding the Dolbeau and Senneterre facilities, Boralex's existing power stations saw production fall 29.1% for the reasons discussed in the previous section.

The segment reported revenues of$46.9 million compared with $53.1 million year over year, reflecting the $12.2 million contribution of the two power stations acquired from the Fund, net of an $18.4 million or 34.7% decline in revenues from Boralex's existing power stations. The segment recorded $8.1 million in EBITDA for the first half of the year, compared with $14.5 million for the same period a year ago; the $2.1 million contribution from the newly acquired facilities was partially offset by the $8.5 million or 58.6% decrease in EBITDA at U.S. power stations. In line with the aforementioned causes, the key factors affecting revenues at the existing power stations were as follows:

- The drop in REC sales (adversely affecting revenues and EBITDA by $6.3 million);
- The Ashland power station's shutdown (causing adverse impacts on revenues and EBITDA of $5.8 million and $2.1 million, respectively);
- Reduced production at the other U.S. power stations (eroding revenues and EBITDA by $5.3 million and $1.2 million, respectively);
- A rise in raw material costs (curbing EBITDA by $1.4 million) partly due to higher fuel prices, but primarily to a different environment in 2011 at U.S. power stations, which did not enjoy the same benefits as in the first quarter of 2010 under the BCAP program that ran from December 2009 to April 2010; and
- The depreciation of the US dollar relative its Canadian counterpart (lowering revenues and EBITDA by $2.6 million and $0.7 million, respectively).

However, the above factors were partially offset by the $1.8 million positive impact on revenues and EBITDA arising from an 8.7% increase in the average selling price obtained (in US$) by Boralex's U.S. power stations owing mainly to higher selling prices in the Northeastern U.S. open market. Note however, that it is difficult at this point to predict medium-term electricity price trends given the volatility of natural gas prices to which electricity prices are correlated. Segment EBITDA for the first half of 2011 was bolstered by favourable items totalling $1.6 million, including a $0.8 million reduction in maintenance costs stemming in part from lower production but also from progress in developing in-house maintenance expertise.

RECENT EVENTS

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 while minimizing equipment damage. 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.

With the current push to cut the deficit in the U.S., the potential application and benefits for Boralex of the U.S. Department of Agriculture's October 2010 BCAP attribution rules have become increasingly uncertain. Note that the BCAP was introduced in December 2009 and suspended in April 2010.

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 a result, as at the date of this MD&A, Boralex had very few firm sales commitments for REC deliveries through December 31, 2012, preferring instead to defer sales until the expected recovery in selling prices materializes. The Corporation's management continues to believe 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 forecasts annual increases in demand and supply does not seem to follow step.

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 electricity production at the Dolbeau power station, which no longer sells steam, and management is currently seeking new alternatives for this facility.

NATURAL GAS COGENERATION POWER STATION

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

	Three-month periods		Six-month periods	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
AS AT JUNE 30, 2010	**2.3**	**(0.1)**	**8.6**	**1.9**
Impact of consolidated operations of the Fund	7.3	3.2	17.6	9.3
Data pertaining to other operations of Boralex:				
Pricing	0.5	0.5	1.1	1.1
Volume	(0.1)	0.1	(0.2)	0.1
CO_2 quota	-	-	-	(0.2)
Translation of self-sustaining subsidiaries (exchange rate effect)	0.1		(0.3)	(0.1)
Natural gas costs	-	0.1	-	(0.3)
Other	-	(0.2)	-	(0.6)
AS AT JUNE 30, 2011	**10.1**	**3.6**	**26.8**	**11.2**

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

The addition of the Kingsey Falls cogeneration power station in Québec, acquired from the Fund, had a significant impact on segment performance for the three- and six-month periods ended June 30, 2011.

In the second quarter, segment electricity production totalled 45,336 MWh, compared with 77 MWh for the same period of 2010, owing to the addition of Kingsey Falls. Since 2005, due to market conditions, the Blendecques power station in France has operated its cogeneration equipment from November 1 to March 31 only. During this period, the facility continues to serve its industrial steam clients using an auxiliary boiler.

Segment revenues amounted to $10.1 million, up from $2.3 million year over year, owing to the $7.3 million contribution of the Canadian power station coupled with a $0.5 million revenue boost from the French facility. Apart from a $0.1 million favourable effect arising from the euro's appreciation against the Canadian dollar, this increase resulted from a higher selling price for steam, largely offset by a slight decline in steam sales.

Quarterly EBITDA stood at $3.6 million, up $3.7 million from the same period of 2010. This resulted primarily from the $3.2 million contribution of the Kingsey Falls power station, as well as a $0.5 million improvement in profitability at Blendecques, driven by a higher price for steam, lower natural gas consumption owing to lower production volume, and a slight drop in the price of natural gas. These favourable items readily offset the increase in certain costs, related in part to maintenance and equipment modernization.

Despite production remaining flat, the Kingsey Falls power station reported revenue and profit margin growth owing to the increase in the price of steam relative to last year, pushed up by a rise in the price of oil to which steam prices are indexed. Moreover, the Corporation implemented two financial instruments ("swaps") to further stabilize results over the next 18 months. One swap serves to fix the price of natural gas as of November 2011 through to the end of fiscal 2012, and the other to fix the price of steam for 50% of forecast deliveries.

OPERATING RESULTS FOR THE SIX-MONTH PERIOD

Year to date, segment electricity production has increased more than fivefold, totalling 127,627 MWh from 22,507 MWh for the first half of fiscal 2010. This growth was driven by the addition of the Kingsey Falls power station, as electricity output at Blendecques was down somewhat. Steam production was up 152.4% to 343,634 thousand pounds, due to adding the Canadian facility.

Year-to-date segment revenues and EBITDA amounted to $26.8 million and $11.2 million, respectively, logging increases of 211.6% and 526.3%. Accordingly, EBITDA margin as a percentage of revenues stood at 41.8% for the first half of 2011, compared to a reading of 22.1% in the first half of 2010. The new power station made segment revenue and EBITDA contributions of $17.6 million and $9.3 million, respectively, during the first half of fiscal 2011. Revenues were up 7.0% at Blendecques, while EBITDA remained flat. Our French facility benefitted in particular from increases of approximately 17% and 14% in selling prices for steam and electricity, respectively, which are both indexed to natural gas prices in France. Higher prices translated into a $1.1 million revenue and EBITDA advantage relative to the same period last year. This advantage handily offset the slight decrease in production and the unfavourable foreign exchange effect for period as a whole, as well as for the drag on EBITDA caused by a rise in the price of natural gas, given that the power station sold none of its excess CO_2 quota and by certain other unfavourable items.

Note that Kingsey Falls reported across-the-board growth for its performance indicators during the first six months of 2011 compared with the same period of 2010.

OUTLOOK

The results for the three- and six-month periods ended June 30, 2011 clearly show that the combination of its 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station stands to substantially boost segment revenues and profit margins in 2011, as of the acquisition of the Fund. Note however that the Kingsey Falls power station's sales agreement expires in November 2012 and the agreement for the French facility terminates at the end of 2013.

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 CO_2 quota, management expects the French government to soon amend the rules governing the limits for CO_2 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 November 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. 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 agreement 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 fix the price of its natural gas purchases.

ANALYSIS OF MAJOR CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011

OPERATING ACTIVITIES

Year to date, Boralex reported $33.0 million or $0.87 per share in cash flows from operations compared with $19.9 million or $0.53 per share for the first six months of fiscal 2010. Excluding adjustments in the two comparative periods, mainly gains on disposal of assets, the unrealized foreign exchange loss on intercompany advances, as well the amortization expense in the two comparative periods, the increase stemmed primarily from the growth in adjusted EBITDA driven by the addition of the Fund's power stations and expansion in the wind power segment, less the distributions received from the Fund in 2010, which readily offset the rise in payments of financing costs and taxes.

The change in non-cash working capital items generated additional cash inflows of $23.0 million ($2.1 million in 2010), owing in large part to the disposal of the ABI shares during the first quarter of 2011. In addition, accounts receivable were down $21.7 million, which was largely offset by a $24.2 million decrease in accounts payable. The decline in accounts receivable resulted primarily from the slowdown in wood-residue operations, the seasonal cycle, the receipt of $2.1 million on disposal of the Merlin-Buxton wind power development project and the collection of VAT receivable as at December 31, 2010 on wind turbine purchase agreements for the wind farms built in 2010. The decline in accounts payable stemmed mainly from payments in the first quarter of 2011 to the suppliers who built the French wind farms in 2010.

As a result, year-to-date operating activities generated cash inflows totalling $56.0 million, more than doubling the $22.0 million in cash inflows generated by operating activities in the first six months of the previous year.

INVESTING ACTIVITIES

Year-to-date financing activities resulted in cash outflows totalling $9.5 million, net of the following cash inflows:

- A $14.6 million tranche from cash earmarked primarily for development at Thames River II in Canada; and
- A $2.1 million inflow on the aforementioned receipt of a portion of the Merlin-Buxton project's disposal proceeds.

Investments for the first half of fiscal 2011 are detailed as follows:

- A total of $23.4 million to acquire property, plant and equipment, mainly to complete wind power projects in France, commission phase II of Thames River, Ontario in January 2011, build and commission the Corporation's first solar energy facility in France, implement a new handling and processing system for old bark pile wood-residue at the Senneterre power station in Québec and invest in various upgrades to existing equipment;
- A $2.2 million increase in the Boralex's investment in the Joint Venture, Seigneurie de Beaupré Wind Farms 2 and 3, G.P.;
- An $0.2 million investment in reserve funds; and
- A net total amount of $0.6 million allocated to Boralex development projects, primarily for the wind power facilities at the Seigneurie de Beaupré site in Québec.

FINANCING ACTIVITIES

Year-to-date, financing activities resulted in total net cash outflows of $0.1 million. The Corporation made total repayments of $33.3 million on its long-term debt and bank loans and advances. Conversely, Boralex increased its long-term debt by an additional $33.3 million, of which $11.4 million (€8.2 million) was drawn down under the €15.6 million financing facility arranged in 2010 in connection with its solar power project in France, and $10.8 million (€8.0 million) in drawdowns under the VAT tranche of the master financing agreement for the wind power projects in France. On March 31, 2011, the Corporation entered into an $11.0 million credit agreement relating to its Ocean Falls hydroelectric power station located in British Columbia, Canada, acquired in 2009. The proceeds of this 13-year term financing arrangement, secured by all the assets of Ocean Falls, without recourse to Boralex, were received during the second quarter. On April 2011, the Corporation repaid the initial loan balance of $9.0 million as required under the terms of the agreement.

On December 31, 2010, the €265 million master financing agreement entered into 2007 with BNP Paribas to finance wind power projects in France expired. The Corporation decided not to renew this facility in order to pursue other financing options. Under this master agreement, the Corporation owed $192.8 million (€137.7 million) as at June 30, 2011, repayable by 2022.

NET CHANGE IN CASH AND CASH EQUIVALENTS

Year-to-date fluctuations in Canada's currency relative to euro and the US dollar resulted in a $0.3 million decline in cash and cash equivalents. Accordingly, total cash movements for the six-month period ended June 30, 2011 resulted in total net cash inflows of $46.1 million. Cash and cash equivalents amounted to $138.7 million as at June 30, 2011, compared with $92.7 million as at December 31, 2010.

To sum up, **changes in cash flows for the first six months of fiscal 2011 mainly reflect:**

- **The increase in the Corporation's cash flow financing capacity resulting from its acquisition of the Fund and expansion in the wind power segment;**
- **Responsible debt and capital structure management;**
- **Continuation of its development projects, including diversification into solar energy; and**
- **Ongoing initiatives to optimize its operational base.**

FINANCIAL POSITION AS AT JUNE 30, 2011

ASSETS

As at June 30, 2011, Boralex reported total assets of $1,227.5 million, down $18.5 million or 1.5% from $1,246.0 million as at December 31, 2010.

Current assets decreased $12.3 million or 6.0% to $192.9 million as at June 30, 2011 owing primarily to a $21.7 million decline in accounts receivable stemming mainly from a VAT receipt that was receivable as at December 31, 2010, as well as a to $20.4 million reduction in an available-for-sale financial asset, more specifically the shares of ABI, which the Corporation divested in the first quarter. These two items were partially offset by a $31.4 million increase in total cash and cash equivalents and restricted cash.

Long-term assets held steady at their December 31, 2010 level, amounting to $1,034.6 million as at June 30, 2011, as the additions to property, plant and equipment were partially offset by the amortization expense of property, plant and equipment.

WORKING CAPITAL

As at June 30, 2011, the Corporation's working capital amounted to $131.1 million with a ratio of 3.12:1 compared with $108.0 million and a ratio of 2.11:1 as at December 31, 2010. This increase is explained by the decrease in accounts payable and accrued liabilities which, as at December 31, 2010, notably included amounts due to suppliers in connection with construction projects in the wind power segment and the decline in the current portion of long-term debt resulting from the renegotiation of the loan for the Ocean Falls power station, which expired on April 1, 2011.

TOTAL DEBT AND SHAREHOLDERS' EQUITY

As at June 30, 2011, the Corporation's total debt, including long-term debt and its current portion, bank loans and advances, and the liability component of convertible debentures, amounted to $743.3 compared with $734.6 million as at December 31, 2010. Long-term debt (including the current portion) notably increased $7.8 million as a result of drawdowns under European credit facilities to finance the wind power projects in France, particularly the solar power plant, the whole net of debt repayments for the period. Also, the euro's strengthening against the Canadian dollar from December 31, 2010 to June 30, 2011 resulted in an increase of approximately $11.0 million in Boralex's long-term debt in Europe. In this regard, note that 42% of Boralex's long-term debt as at June 30, 2011 was in Europe (40% as at December 31, 2010). Furthermore, major repayments on long-term debt in Europe, amounting to approximately €5.0 million, were made in July 2011. Cash and cash equivalents were readily adequate to cover these obligations.

Net of cash and cash equivalents and restricted cash, total net debt amounted to $603.3 million as at June 30, 2011 compared with $626.0 million as at December 31, 2010. Moreover, total equity fell $4.2 million to $363.5 million as at June 30, 2011 from $367.7 million as at December 31, 2010. This decline resulted primarily from the unfavourable change in *Accumulated other comprehensive income (loss)* attributable to the change in value of hedging financial instruments, partially offset by net earnings for the six-month period ended June 30, 2011.

As a result, the ratio of total net debt, excluding convertible debentures, to booked capitalization, including convertible debentures, that is, total net debt plus equity, fell to 40% as at June 30, 2011 from 41% as at December 31, 2010.

Based on Boralex's share price of $7.93 as at June 30, 2011, the total net debt, excluding convertible debentures, to enterprise value ratio was 42% 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, management expects recent expansion in the wind power segment to mitigate the impact on operating income for fiscal 2011 of difficult business conditions for the wood-residue segment. The outlook for Boralex's different operating segments for fiscal 2011 is discussed in detail under *Analysis of Segmented Results* in this MD&A. 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 has grown 133% to 251 MW from 108 MW since the beginning of December 2009. Of this increase, approximately 100 MW were commissioned as of 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 December 2013 and December 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 half of fiscal 2011 are an indication of the significant positive impact that of the integration of the Fund's seven hydroelectric power stations for fiscal 2011 as a whole. 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.

The Corporation'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 and ensuring a steady supply stream. Despite current economic conditions, the Corporation's management expects REC selling prices to recover and believes the REC market has attractive potential through 2020 for recurring revenues and profits in its wood-residue segment.

With regard to its Canadian facilities, management is currently seeking other alternatives for its Dolbeau power station, which is currently in a difficult situation. The Corporation has invested in its Senneterre power station to optimize its raw material supply stream, which should stabilize performance.

NATURAL GAS THERMAL POWER SEGMENT

Based on performance in the first half of 2011, the combination of the Fund's 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station stands to boost segment revenues and profits in the near term. However, the Kingsey Falls power station sales contract expires at the end of 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 few fiscal years.

SOLAR ENERGY SEGMENT

On June 17, 2011, Boralex commissioned its first solar power station, collocated with its Avignonet-Lauragais wind power site in France. With a potential installed capacity of 4.5 MW, the new infrastructure uses photovoltaic technology panels, and the electricity produced will be sold to EDF under a 20-year contract. Management expects this site to produce an average of approximately 5,000 MWh of electricity for the first ten years.

Boralex is convinced of the potential of solar energy, particularly in Europe where this type of renewable power generation enjoys preferential sales rates. Advances in solar technology in recent years have brought down the cost of solar technology equipment and improved performance. Boralex intends to continue its development initiatives in the solar power segment, including in particular projects totalling 40 MW currently under consideration in France.

DEVELOPMENT OBJECTIVE

Following the acquisition of the Fund and the commissioning of new wind power facilities and its first solar power station, Boralex now has an installed capacity of over 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 aggregating 1,000 MW of capacity in operation or under development has been achieved. As a result, Boralex has set a new objective of attaining an operating or 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 sites 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 June 30, 2011, Boralex's capital stock consisted of 37,778,267 Class A shares issued and outstanding (37,765,139 as at December 31, 2010) and 2,449,278 convertible debentures (2,451,244 as at December 31, 2010). There were 1,804,845 stock options outstanding as at June 30, 2011, of which 850,380 were exercisable.

From July 1, 2011 to August 4, 2011, no new shares were issued on exercise of stock options and 13,100 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 June 30, 2011, the unfavourable fair value of this contract amounted to $3.4 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 its client. This contract covers a two-year period, from December 1, 2010 to November 30, 2012. As at June 30, 2011, the unfavourable fair value of this contract amounted to $1.5 million.

These contracts qualify for hedge accounting.

INTEREST RATE RISK

As at June 30, 2011, approximately 40% 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 June 30, 2011, the nominal balance of these swaps stood at $384.4 million (€131.7 million and $200.0 million) while their unfavourable fair value was $13.3 million (€4.7 million and $6.7 million).

Subsequent to the end of the second quarter, the Corporation entered into two additional transactions amounting to $40.0 million at an average rate of 3.98%. As a result, the overall average rate of transactions is 4.48%.

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 past 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 €4.0 million outlay in 2011 for turbine purchases at the Seigneurie de Beaupré wind farms 2 and 3, for which the supplier is 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 (loss)* 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 six-month period ended June 30, 2010, these management and administration agreements generated $3.3 million while the share in earnings (loss) of the Fund amounted to $1.2 million loss. Lastly, Boralex received Fund distributions totalling $3.1 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, as it holds 35% of the Corporation's capital stock. In the first half of fiscal 2011, revenues from this division of Cascades amounted to $1.8 million ($4.9 million in the first half of 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 first six months of 2011, revenues from this agreement totalled $0.3 million ($0.3 million in 2010).

The Kingsey Falls natural gas power station has a steam sales contract with Cascades. For the first half of fiscal 2011, $9.5 million in revenues were 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 June 2011, the Joint Venture, 50% owned by the Corporation, entered into a land lease maturing in 2033. The land on which wind turbines will be installed is leased for an insignificant annual amount, and as of the commissioning date slated for December 2013, for an annual amount of approximately $1,5 million, indexed annually at a rate of 1.5%. As at June 30, 2011, the Corporation's share of the commitments undertaken by the Joint Venture amounted to $17.5 million.

In June 2011, the Joint Venture entered into a contract to build and install wind turbines on the Seigneurie de Beaupré site. Expenditures will be made using the percentage-of-completion method. In the event of cancellation of the the current agreement by the Joint Venture, the Joint Venture must, in addition to the costs of work already carried out, reimburse to the contractor any loss of profit on work not carried out. As at June 30, 2011, the Corporation's share in the commitments undertaken by the Joint Venture was $275.0 million, consisting of €85 million and $156 million.

In May 2011, the Joint Venture entered into an agreement for the construction of the roads and the power grid of the Seigneurie wind farm project. Expenditures will be made using the percentage-of-completion method. As at June 30, 2011, the Corporation's share in the commitments undertaken by the Joint Venture was $40.0 million.

In connection with the wind power projects in Ontario and for certain sites in France, the Corporation entered into an agreement in June 2011 to purchase equipment for a net amount of $0.6 million. Expenditures will largely be made during fiscal 2011.

Furthermore, in May 2011, the Corporation entered into an agreement for the repair of the bridge of its Ocean Falls hydroelectric power station. The total cost of this commitment is $0.8 million. Expenditures will be made during the third quarter of 2011.

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 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, the future selling prices of RECs, 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") 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 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 CGUs 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 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.

In the second quarter, conditions at the wood-residue power stations prompted impairment testing at all of these facilities. Station by station assessments were carried out, based on specific cost structure and operating market factors. At present, analyses show that the level of anticipated cash flows under current assumptions support the carrying amounts for these assets. However, the Corporation continues to closely monitor the situation. While these analyses reflect management's assumptions and estimates, the current environment's special mix of adverse risks bears on the power stations' financial performance and, accordingly, a marked long-term decline in electricity or REC prices could trigger impairment.

CHANGE IN ACCOUNTING ESTIMATE

CHANGE IN USEFUL LIFE OF A WIND POWER FARM COMPONENT

As of April 1, 2011, the Corporation changed the useful life of a component for certain wind turbine models. The estimated life, which was formerly 15 years, was increased to 20 years, which now represents the estimated useful life for these models. This change in accounting estimate arose from new information obtained, as well as more experience regarding the component's estimated useful life. This revised estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decline of approximately $2.7 million in annual amortization expense for future periods. The impact of the change for the three-month period ended June 30, 2011 was a $0.7 million decrease in amortization expense.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, *FINANCIAL INSTRUMENTS*

IFRS 9, *Financial Instruments*, issued in November 2009, 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 (loss)*.

In October 2010, the International Accounting Standards Board ("IASB") amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure their debt at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Accumulated other comprehensive income,* instead of the statement of 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.

IFRS 10, *CONSOLIDATED FINANCIAL STATEMENTS*
IAS 27, *SEPARATE FINANCIAL STATEMENTS* (REVISED 2011)

In May 2011, the IASB released IFRS 10, *Consolidated Financial Statements,* which supersedes SIC-12, *Consolidation—Special Purpose Entities*, and parts of former IAS 27, *Consolidated and Separate Financial Statements*. New IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. Regarding IAS 27, the rules for separate financial statements are carried forward unchanged in the amended version of IAS 27. These other sections of IAS 27 are superseded by IFRS 10. IFRS 10 and IAS 27 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of these standards on its consolidated financial statements or determined whether to opt for early adoption.

IFRS 11, *JOINT VENTURES*
IAS 28, *INVESTMENTS IN ASSOCIATES AND JOINT VENTURES* (REVISED 2011)

In May 2011, the IASB released IFRS 11, *Joint Ventures*, which supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The

Corporation currently uses the equity method to account for its interest in a joint venture. Under this method, the share of net assets, net earnings (loss) and *Accumulated other comprehensive income (loss)* of the joint venture is reported on separate lines in the consolidated balance sheet, statement of earnings (loss) and statement of comprehensive income (loss), respectively. The revised version of IAS 28 (2011), *Investments in Associates and Joint Ventures*, supersedes current IAS 28, *Interests in Associates*. IAS 28 has been amended to conform to the changes made on issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 11 and IAS 28 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards or determined whether to opt for early adoption but does not anticipate these standards to have a significant impact on its consolidated financial statements as it already uses the equity method to account for its interest in the Joint Venture.

IFRS 12, *DISCLOSURE OF INTERESTS IN OTHER ENTITIES*

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IFRS 13, *FAIR VALUE MEASUREMENT*

In May 2011, the IASB released IFRS 13, Fair Value Measurement. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard with be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IAS 1, *PRESENTATION OF FINANCIAL STATEMENTS* (REVISED 2011)

In June 2011, the IASB released an amended version of IAS 1, *Presentation of Financial Statements*. This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be reclassified to earnings during a subsequent period and items that will be reclassified subsequently to earnings when specific conditions are met. IAS 1 (2011) further requires separate reporting of the share of the *Accumulated other comprehensive income (loss)* of associates and joint ventures accounted for using the equity method. The standard with be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

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. 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 second quarter ended June 30, 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 websites of SEDAR (www.sedar.com) and Boralex (www.boralex.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 Canadian dollars) (unaudited)	Note	**As at June 30, 2011**	As at December 31, 2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**138,737**	92,650
Restricted cash		**1,277**	15,924
Accounts receivable		**38,698**	60,420
Available-for-sale financial asset		**2,910**	23,251
Future income taxes		**-**	512
Inventories		**7,392**	9,179
Prepaid expenses		**3,866**	2,516
Fair value of derivative financial instruments	9	**55**	769
		192,935	205,221
Interest in a joint venture	5	**7,292**	–
Property, plant and equipment		**736,804**	738,884
Energy sales contracts		**102,498**	103,994
Water rights		**111,535**	113,015
Other long-term assets	6	**38,408**	46,842
Goodwill	4	**38,063**	38,063
		1,227,535	1,246,019
LIABILITIES			
CURRENT LIABILITIES			
Bank loans and advances		**-**	195
Accounts payable and accrued liabilities		**35,317**	59,558
Income taxes payable		**2,545**	3,209
Fair value of derivative financial instruments	9	**-**	183
Current portion of long-term debt	7	**23,944**	34,033
		61,806	97,178
Long-term debt	7	**497,449**	479,546
Convertible debentures	8	**221,973**	220,824
Long-term lease accruals		**3,058**	2,981
Future income taxes		**61,571**	66,967
Fair value of derivative financial instruments	9	**18,207**	10,834
		864,064	878,330
EQUITY			
Capital stock		**223,049**	222,853
Equity component of convertible debentures		**14,379**	14,488
Contributed surplus		**5,612**	5,028
Retained earnings		**144,204**	142,300
Accumulated other comprehensive loss	10	**(32,245)**	(25,874)
Equity attributable to shareholders		**354,999**	358,795
Non-controlling interests		**8,472**	8,894
Total equity		**363,471**	367,689
		1,227,535	1,246,019

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings (Loss)

(in thousands of Canadian dollars, except per share amounts and number of shares) (unaudited)	Note	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
		2011	2010	**2011**	2010
REVENUES					
Revenues from energy sales		**53,963**	36,728	**135,992**	87,732
Management revenues from the Fund		**-**	1,523	**-**	3,279
Other income		**172**	155	**324**	454
		54,135	38,406	**136,316**	91,465
COSTS AND OTHER EXPENSES					
Operating costs	11	**26,043**	23,914	**65,258**	50,933
Administrative	11	**5,574**	6,825	**9,868**	10,531
Development		**785**	1,189	**1,669**	2,802
Management and operation of the Fund		**-**	1,314	**-**	2,819
Amortization		**17,053**	8,272	**32,833**	15,940
Gain on sale of assets	13	**-**	-	**(2,377)**	(774)
		49,455	41,514	**107,251**	82,251
OPERATING INCOME (LOSS)		**4,680**	(3,108)	**29,065**	9,214
Financing costs	12	**12,513**	3,123	**24,496**	8,883
Foreign exchange loss (gain)		**518**	(884)	**2,037**	(430)
Net loss (gain) on financial instruments		**93**	220	**409**	(339)
EARNINGS (LOSS) BEFORE INCOME TAXES AND SHARE IN EARNINGS (LOSS) OF THE FUND		**(8,444)**	(5,567)	**2,123**	1,100
Income taxes (recovery)		**(2,853)**	(433)	**647**	2,552
NET EARNINGS (LOSS) BEFORE SHARE IN EARNINGS (LOSS) OF THE FUND		**(5,591)**	(5,134)	**1,476**	(1,452)
Share in earnings (loss) of the Fund		**-**	232	**-**	(1,193)
NET EARNINGS (LOSS)		**(5,591)**	(4,902)	**1,476**	(2,645)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:					
Shareholders of Boralex Inc.		**(5,107)**	(4,714)	**1,904**	(2,738)
Non-controlling shareholders		**(484)**	(188)	**(428)**	93
NET EARNINGS (LOSS)		**(5,591)**	(4,902)	**1,476**	(2,645)
Net earnings (loss) per share (basic and diluted)	17	**$(0.14)**	$(0.12)	**$0.05**	$(0.07)
Weighted average number of shares outstanding (basic)		**37,773,213**	37,740,921	**37,769,872**	37,740,921
Weighted average number of shares outstanding (diluted)		**37,881,857**	37,880,115	**37,879,083**	37,976,830

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Loss

(in thousands of Canadian dollars) (unaudited)	Note	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
		2011	2010	**2011**	2010
NET EARNINGS (LOSS)		**(5,591)**	(4,902)	**1,476**	(2,645)
Other comprehensive income (loss)	10				
Translation adjustments					
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		**(64)**	2,929	**283**	(6,374)
Share of cumulative translation adjustments of the Fund		**-**	694	**-**	216
Taxes		**(259)**	154	**(259)**	160
Cash flow hedges					
Change in fair value of financial instruments		**(9,947)**	(8,482)	**(10,723)**	(14,077)
Hedging items realized and recognized in net earnings (loss)		**1,521**	(2,159)	**2,150**	(3,378)
Hedging items realized and recognized in balance sheet		**78**	991	**198**	2,137
Taxes		**2,613**	3,136	**2,186**	3,913
Available-for-sale financial asset					
Unrealized loss on available-for-sale financial asset		**(954)**	-	**(200)**	-
		(7,012)	(2,737)	**(6,365)**	(17,403)
COMPREHENSIVE LOSS		**(12,603)**	(7,639)	**(4,889)**	(20,048)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Shareholders of Boralex Inc.		**(12,121)**	(7,441)	**(4,467)**	(20,119)
Non-controlling shareholders		**(482)**	(198)	**(422)**	71
COMPREHENSIVE LOSS		**(12,603)**	(7,639)	**(4,889)**	(20,048)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SIX-MONTH PERIOD ENDED JUNE 30, 2011

(in thousands of Canadian dollars) (unaudited)	Attributable to shareholders						Non-controlling interests	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Comprehensive loss	Total		
Balance – beginning of period	**222,853**	**14,488**	**5,028**	**142,300**	**(25,874)**	**358,795**	**8,894**	**367,689**
Net earnings for the period	-	-	-	1,904	-	1,904	(428)	1,476
Other comprehensive loss	-	-	-	-	(6,371)	(6,371)	6	(6,365)
Comprehensive loss	**-**	**-**	**-**	**1,904**	**(6,371)**	**(4,467)**	**(422)**	**(4,889)**
Conversion of convertible debentures	196	-	-	-	-	196	-	196
Stock option expense	-	-	584	-	-	584	-	584
Other	-	(109)	-	-	-	(109)	-	(109)
Balance – end of period	**223,049**	**14,379**	**5,612**	**144,204**	**(32,245)**	**354,999**	**8,472**	**363,471**

See accompanying notes to consolidated financial statements.

SIX-MONTH PERIOD ENDED JUNE 30, 2010

(in thousands of Canadian dollars) (unaudited)	Attributable to shareholders					Non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Comprehensive loss	Total		
Balance – beginning of period	**222,694**	**4,290**	**105,538**	**(2,344)**	**330,178**	**7,031**	**337,209**
Net loss for the period	-	-	(2,738)	-	(2,738)	93	(2,645)
Other comprehensive loss	-	-	-	(17,381)	(17,381)	(22)	(17,403)
Comprehensive loss	**-**	**-**	**(2,738)**	**(17,381)**	**(20,119)**	**71**	**(20,048)**
Excess of purchase price paid for acquisition of non-controlling interests	-	-	(1,725)	-	(1,725)	(26)	(1,751)
Stock option expense	-	438	-	-	438	-	438
Balance – end of period	**222,694**	**4,728**	**101,075**	**(19,725)**	**308,772**	**7,076**	**315,848**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)	Note	SIX-MONTH PERIODS ENDED JUNE 30 2011	2010
OPERATING ACTIVITIES			
Net earnings (loss) attributable to shareholders		**1,904**	(2,738)
Distributions received from the Fund		**-**	3,098
Financing costs		**24,496**	8,883
Interest paid		**(24,723)**	(7,451)
Income taxes		**647**	2,552
Income taxes paid		**(2,829)**	(1,574)
Adjustments:			
Unrealized foreign exchange loss on intercompany advances		**1,575**	-
Net loss (gain) on financial instruments		**409**	(339)
Share in earnings of the Fund		**-**	1,193
Amortization		**32,833**	15,940
Gain on sale of assets	13	**(2,377)**	(774)
Other		**1,052**	1,060
		32,987	19,850
Change in non-cash working capital items		**22,979**	2,101
		55,966	21,951
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(23,441)**	(64,281)
Change in restricted cash		**14,647**	(73,685)
Increase in interest in a joint venture	5	**(2,212)**	-
Proceeds from sale of a subsidiary		**-**	878
Change in reserve funds		**(244)**	882
Development projects		**(649)**	(395)
Sale of asset	13	**2,050**	-
Other		**312**	1,504
		(9,537)	(135,097)
FINANCING ACTIVITIES			
Decrease in bank loans and advances		**(201)**	(12,291)
Net increase in long-term debt		**33,253**	208,866
Payments on long-term debt		**(33,116)**	(60,774)
Purchase of non-controlling interests		**-**	(1,751)
		(64)	134,050
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		**(278)**	(8,970)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**46,087**	11,934
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		**92,650**	37,821
CASH AND CASH EQUIVALENTS – END OF PERIOD		**138,737**	49,755

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

As at June 30, 2011
(Tabular amounts are in thousands of Canadian 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, two natural gas cogeneration power stations and recently, a solar power facility for a total capacity of more than 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 and convertible debentures are listed on the Toronto Stock Exchange ("TSX").

The Board of Directors approved these unaudited interim condensed consolidated financial statements on August 4, 2011.

*(*The data expressed in MW and MWh contained in Note 15 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") in accordance with Part V of the CICA Handbook. 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 condensed 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*. The accounting policies followed in the interim condensed consolidated financial statements are the same as those applied in the interim financial statements of the Corporation for the period ended March 31, 2011. The Corporation has consistently applied the same accounting policies for all of the periods presented, as if these policies had always been in effect. These interim financial statements do not constitute a complete set of financial statements as the Corporation does not present a summary of significant accounting policies. To avoid repetition of information previously reported, the Corporation deemed it irrelevant to include such information and, therefore, readers must be advised that these financial statements constitute a condensed set of financial statements as defined in IAS 34.

Note 18 discloses the impact of the transition to IFRS on the Corporation's condensed statements of consolidated loss, comprehensive income (loss) and cash flows for the three- and six-month periods ended June 30, 2010, its condensed consolidated statement of equity as at June 30, 2010, 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 condensed consolidated financial statements are based on IFRS issued and outstanding as of August 4, 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 condensed consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended December 31, 2010 and its interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS for interim financial statements.

Note 2.

USE OF ESTIMATES AND MEASUREMENT 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, the future selling prices of RECs, 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") 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 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 CGUs 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 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.

In the second quarter, conditions at the wood-residue power stations prompted impairment testing at all of these facilities. Station by station assessments were carried out, based on specific cost structure and operating market factors. At present, analyses show that the level of anticipated cash flows under current assumptions support the carrying amounts for these assets. However, the Corporation continues to closely monitor the situation. While these analyses reflect management's assumptions and estimates, the current environment's special mix of adverse risks bears on the power stations' financial performance and, accordingly, a marked long-term decline in electricity or REC prices could trigger impairment.

Note 3.

CHANGE IN ACCOUNTING ESTIMATE

CHANGE IN USEFUL LIFE OF A WIND POWER FARM COMPONENT

As of April 1, 2011, the Corporation changed the useful life a component for certain wind turbine models. The estimated life, which was formerly 15 years, was increased to 20 years, which now represents the estimated useful life for these models. This change in accounting estimate arose from new information obtained, as well as more experience regarding the component's estimated useful life. This revised estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decline of approximately $2,700,000 in annual amortization expense for future periods. The impact of the change for the three-month period ended June 30, 2011 was a $675,000 decrease in amortization expense.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, *FINANCIAL INSTRUMENTS*

IFRS 9, *Financial Instruments*, issued in November 2009, 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 (loss)*.

In October 2010, the IASB amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure their debt at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Accumulated other comprehensive income,* instead of the statement of 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.

IFRS 10, *CONSOLIDATED FINANCIAL STATEMENTS*

IAS 27, *SEPARATE FINANCIAL STATEMENTS* (REVISED 2011)

In May 2011, the IASB released IFRS 10, *Consolidated Financial Statements,* which supersedes SIC-12, *Consolidation—Special Purpose Entities,* and parts of former IAS 27, *Consolidated and Separate Financial Statements*. New IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. Regarding IAS 27, the rules for separate financial statements are carried forward unchanged in the amended version of IAS 27. These other sections of IAS 27 are superseded by IFRS 10. IFRS 10 and IAS 27 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of these standards on its consolidated financial statements or determined whether to opt for early adoption.

IFRS 11, *JOINT VENTURES*

IAS 28, *INVESTMENTS IN ASSOCIATES AND JOINT VENTURES* (REVISED 2011)

In May 2011, the IASB released IFRS 11, *Joint Ventures*, which supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The Corporation currently uses the equity method to account for its interest in a Joint Venture. Under this method, the share of net assets, net earnings (loss) and *Accumulated other comprehensive income (loss)* of the joint venture is reported on separate lines in the consolidated balance sheet, statement of earnings (loss) and statement of comprehensive income (loss), respectively. The revised version of IAS 28 (2011), *Investments in Associates and Joint Ventures,* supersedes current IAS 28, *Interests in Associates*. IAS 28 has been amended to conform to the changes made on issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 11 and IAS 28 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards or determined whether to opt for early adoption but does not anticipate these standards to have a significant impact on its consolidated financial statements as it already uses the equity method to account for its interest in the Joint Venture.

Note 3. Change in accounting estimate and future changes in accounting policies (Cont'd)

IFRS 12, *DISCLOSURE OF INTERESTS IN OTHER ENTITIES*

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IFRS 13, *FAIR VALUE MEASUREMENT*

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard with be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IAS 1, *PRESENTATION OF FINANCIAL STATEMENTS* (REVISED 2011)

In June 2011, the IASB released an amended version of IAS 1, *Presentation of Financial Statements*. This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be reclassified to earnings during a subsequent period and items that will be reclassified subsequently to earnings when specific conditions are met. IAS 1 (2011) further requires separate reporting of the share of the *Accumulated other comprehensive income (loss)* of associates and joint ventures accounted for using the equity method. The standard with be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

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:

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	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 valuators. This PPA is final.

On November 2, 2010, the Corporation carried out a reorganization of the tax structure of the Fund, including its initial operations and, during the fourth quarter of 2010, remeasured its future income tax balances using the new income tax rate. As a result of this reorganization, the Corporation tested goodwill for impairment. Subsequent to this test, during the fourth quarter of 2010, the Corporation recognized a goodwill impairment charge of $23,158,000. Accordingly, goodwill totalled $38,063,000 as at December 31, 2010.

Note 5.

INTEREST IN A JOINT VENTURE

In June 2011, in connection with the Seigneurie de Beaupré wind power project, the Corporation entered into a partnership agreement with a subsidiary of Gaz Métro Limited Partnership and created the joint venture Seigneurie de Beaupré Wind Farms 2 and 3, G.P. (the "Joint Venture), of which each party owns 50%. Under the agreement, all expenditures are made jointly and all earnings, costs, expenses, liabilities, obligations and risks resulting from the Joint Venture are shared equally. The Corporation's interest in the Joint Venture is accounted for using the equity method. Under this method, the share of net assets, net earnings (loss) and *Accumulated other comprehensive income (loss)* of the Joint Venture is reported on separate lines in the consolidated balance sheet, statement of earnings (loss) and statement of comprehensive income (loss), respectively. As at June 30, 2011, the Corporation's share of net assets of the Joint Venture amounted to $7,292,000, consisting of capitalized development costs of $5,080,000 and invested funds totalling $2,212,000.

In June 2011, the Joint Venture entered into a land lease maturing in 2033. The land on which wind turbines will be installed is leased for an annual amount of approximately $50,000, and as of the commissioning date slated for December 2013, for an annual amount of approximately $1,500,000, indexed annually at a rate of 1.5%. As at June 30, 2011, the Corporation's share of the commitments undertaken by the Joint Venture amounted to $17,500,000.

In June 2011, the Joint Venture entered into a contract to build and install wind turbines on the Seigneurie de Beaupré site. Expenditures will be made using the percentage-of-completion method. In the event of cancellation of the current agreement by the Joint Venture, the Joint Venture must, in addition to the costs of work already carried out, reimburse to the contractor any loss of profit on work not carried out. As at June 30, 2011, the Corporation's share in the commitments undertaken by the Joint Venture was $275,000,000, consisting of €85,000,000 and $156,000,000.

In May 2011, the Joint Venture entered into an agreement for the construction of the roads and the power grid of the Seigneurie wind farm project. Expenditures will be made using the percentage-of-completion method. As at June 30, 2011, the Corporation's share in the commitments undertaken by the Joint Venture was $40,000,000.

Note 6.

OTHER LONG-TERM ASSETS

	Note	**As at June 30, 2011**	As at December 31, 2010
Renewable energy tax credits	(a)	**15,120**	16,410
Reserve funds and other funds held in trust	(b)	**3,419**	3 146
Net investments in finance leases	(c)	**11,347**	11,854
CO_2 quota		**1,529**	860
Development projects	(d)	**5,441**	12,434
Other intangible assets	(e)	**1,552**	2,138
		38,408	46,842

Amortization of other long-term assets amounted to $295,000 and $590,000 for the three- and six-month periods ended June 30, 2011 (nil for the comparable periods of 2010). Those amounts were recognized under *Amortization*.

Notes:

(a) *Renewal energy tax credits* are tax credits earned by the Corporation in the U.S. and will be used to reduce the Corporation's future tax burden in the United States. Financial projections indicate that the amount recorded may be realized in the next five to six years. These tax credits mature in 2025 and 2026.

(b) Reserves for long-term debt servicing guarantee financing arrangements in France, the U.S. and Canada and represent three to six months of debt servicing, depending on the project. These reserves totalled $2,661,000 (€1,142,000 and US$1,100,000). A reserve to finance capital expenditures amounted to $289,000 (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 June 30, 2011, receivables from U.S. and Canadian suppliers amounted to $11,347,000, specifically, US$10,733,000 and $997,000.

(d) *Development projects* primarily consisted of one hydroelectric project and one wind power project in Québec and one wind power project in Italy.

(e) *Other intangible assets* consisted mainly of the natural gas supply contract held by the Kingsey Falls power station.

Note 7.

LONG-TERM DEBT

Long-term debt includes the following:

	Maturity	*Rate*[1]	**As at June 30, 2011**	As at December 31, 2010
Master agreement – wind power projects (France)	2017-2022	4.95	**192,774**	192,079
Term loan payable – Nibas wind farm	2016	5.00	**7,368**	7,580
Capital leases (France)	2012-2015	4.43	**6,169**	7,079
Term loan payable – Ocean Falls power station	2024	6.55	**11,000**	9,000
Term loan payable – Thames River wind farms	2031	7.05	**182,555**	184,665
Canadian senior secured notes	2014	6.60	**37,747**	38,328
U.S. senior secured notes	2013	6.20	**73,701**	76,646
Term loan payable – solar power station (France)	2025-2028	5.49	**14,809**	3,205
Other debts	–	–	**5,022**	4,068
			531,145	522,650
Current portion			**(23,944)**	(34,033)
Financing costs, net of accumulated amortization			**(9,752)**	(9,071)
			497,449	479,546

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

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 the Ocean Falls power station, without recourse to Boralex. 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 bonds with a similar term plus 0.5%.

On April 1, 2011, the Corporation repaid the initial loan balance of $9,000,000 as required under the terms of the agreement.

REVOLVING CREDIT FACILITY

On May 6, 2011, the revolving credit facility was increased by $20,000,000 to a total authorized amount of $60,000,000. However, the total amount of cash advances is limited to $40,000,000. For drawdowns in US dollars, the interest rate is based on the LIBOR or the U.S. prime rate plus a margin while interest on Canadian dollar drawdowns is calculated using the Canadian bankers' acceptance rates or prime rate plus their respective margins. This facility is secured by the assets of Boralex Inc. and its investments in its U.S. operations. As at June 30, 2011, letters of credit totalling $10,217,600 had been issued.

Note 8.

CONVERTIBLE DEBENTURES

The value of convertible debentures was determined as follows:

	As at June 30, 2011	As at December 31, 2010
Convertible debentures issued, net of $222 in conversions as at June 30, 2011	**244,928**	245,124
Equity component of convertible debentures [1]	**(19,537)**	(19,537)
Costs related to issue of convertible debentures, net of accumulated amortization of $349 as at June 30, 2011	**(4,956)**	(5,174)
Imputed interest on convertible debentures of 8.50%	**1,538**	411
	221,973	220,824

(1) Excluding impact of future income taxes of $5,158,000.

Note 9.

FINANCIAL INSTRUMENTS

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

	As at June 30, 2011	As at December 31, 2010
FINANCIAL ASSETS		
Foreign exchange forward contracts	**55**	104
Financial swaps – electricity prices	**-**	665
	55	769
FINANCIAL LIABILITIES		
Foreign exchange forward contracts	**-**	183
Financial swaps – commodities	**4,875**	2,632
Financial swaps – interest rates	**13,332**	8,202
	18,207	11,017

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%. As at June 30, 2011, the fair value of these swaps is unfavourable by $6,712,000.

In July 2011, the Corporation entered into two additional interest rate swap transactions for an amount of $40,000,000 at an average rate of 3.98%.

The overall average rate of all the swaps is 4.48%.

Note 10.

ACCUMULATED OTHER COMPREHENSIVE INCOME

As at June 30, 2011

	Translation adjustments	*Hedge Electricity price*	*Hedge Interest rate*	*Hedge Commodities*	*Hedge Foreign currency*	*Total*
Balance – beginning of period	**(16,429)**	**2,021**	**(9,853)**	**(828)**	**(785)**	**(25,874)**
Change in fair value	**77**	**(1,818)**	**(6,631)**	**(2,627)**	**353**	**(10,646)**
Reclassification to earnings	**-**	**(464)**	**2,245**	**474**	**(105)**	**2,150**
Balance sheet reclassification	**-**	**-**	**-**	**-**	**198**	**198**
Taxes	**(259)**	**261**	**1,279**	**539**	**107**	**1,927**
Balance – end of period	**(16,611)**	**-**	**(12,960)**	**(2,442)**	**(232)**	**(32,245)**

As at June 30, 2010

	Translation adjustments	*Hedge Electricity price*	*Hedge Interest rate*	*Hedge Commodities*	*Hedge Foreign currency*	*Total*
Balance – beginning of period	-	5,019	(6,720)	-	(643)	(2,344)
Change in fair value	(6,352)	4,201	(10,975)	-	(7,303)	(20,429)
Share of cumulative translation adjustments of the Fund	216	-	-	-	-	216
Reclassification to earnings	-	(4,735)	1,604	-	(247)	(3,378)
Balance sheet reclassification	-	-	-	-	2,137	2,137
Taxes	160	214	2,994	-	705	4,073
Balance – end of period	(5,976)	4,699	(13,097)	-	(5,351)	(19,725)

Note 11.
EXPENSES BY NATURE

OPERATING COSTS

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Raw material and consumables	**12,271**	13,219	**36,326**	30,901
Maintenance and repairs	**3,947**	3,485	**7,152**	5,642
Salaries (a)	**6,095**	4,110	**13,149**	7,956
Transmission and selling fees	**417**	689	**1,335**	1,417
Property and school taxes	**1,209**	746	**2,523**	1,478
Leases and permits	**1,387**	382	**3,090**	803
Insurance	**589**	397	**1,301**	802
Other expenses	**128**	886	**382**	1,934
	26,043	23,914	**65,258**	50,933

(a) SALARIES - ADMINISTRATION

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Wages and salaries	**5,671**	3,803	**12,358**	7,371
Employer social security costs	**184**	105	**291**	250
Other employee benefit costs	**240**	202	**500**	335
	6,095	4,110	**13,149**	7,956

ADMINISTRATION

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Salaries (b)	**2,203**	1,711	**4,032**	3,317
Professional fees	**1,759**	3,417	**3,069**	4,312
Tax on capital and business taxes	**658**	486	**1,024**	885
Office expenses	**561**	382	**1,029**	759
Telecommunications and information technology	**185**	173	**406**	347
Advertising and donations	**176**	187	**351**	349
Other expenses	**32**	469	**(43)**	562
	5,574	6,825	**9,868**	10,531

(b) SALARIES - ADMINISTRATION

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Wages and salaries	**1,556**	1,355	**3,070**	2,574
Employer social security costs	**37**	(28)	**46**	8
Other employee benefit costs	**186**	144	**332**	297
Share options granted to directors and employees	**424**	240	**584**	438
	2,203	1,711	**4,032**	3,317

Note 12.
FINANCING COSTS

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Interest on long-term debt, net of the impact of interest rate swaps [(a)]	**8,218**	4,374	**16,014**	7,460
Interest on convertible debentures	**4,804**	-	**9,397**	-
Interest income and other receivables	**(783)**	(136)	**(1,522)**	(392)
Amortization of financing costs	**542**	213	**1,061**	3,131
Other interest and banking fees	**179**	176	**305**	472
	12,960	4,627	**25,255**	10,671
Interest capitalized to sites under development	**(447)**	(1,504)	**(759)**	(1,788)
	12,513	3,123	**24,496**	8,883

(a) The interest expense under capital leases amounted to $81,000 and $168,000 for the three- and six-month periods ended June 30, 2011 ($111,000 and $256,000 for the comparable periods of 2010).

Note 13.
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 for approximately $83,000,000 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. As at June 30, 2011, Boralex held 148,780 shares valued at $19.56.

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 for Boralex. 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 14.
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 38 Boralex facilities that have long-term indexed 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 — For all 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 these periods 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 eight 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, since 2005, the power station has operated its cogeneration equipment only during the five months from November to March.

Solar – The Corporation's only solar power station currently in operation is located in the south of France. For this asset totalling 4.5 MW, for which Boralex benefits from a long-term power sales contract, sun conditions are usually more favourable in the spring and summer, which fall during Boralex's second and third quarters. In general, in view of weather conditions described above, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters and 35% in the first and fourth quarters.

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.

Note 15.

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.

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA as a performance measure. Management believes that this measure is a financial indicator widely used by investors to assess operating performance. This non-GAAP measure is drawn primarily from the unaudited interim condensed consolidated financial statements, but does not have a standardized meaning under IFRS; accordingly, it 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, which are IFRS measures.

EBITDA is reconciled to the most comparable IFRS measure, namely, net earnings (loss) attributable to shareholders, in the following table:

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Net earnings (loss) attributable to shareholders	**(5,107)**	(4,714)	**1,904**	(2,738)
Non-controlling interests	**(484)**	(188)	**(428)**	93
Income taxes (recovery)	**(2,853)**	(433)	**647**	2,552
Net loss (gain) on financial instruments	**93**	220	**409**	(339)
Foreign exchange loss (gain)	**518**	(884)	**2,037**	(430)
Financing costs	**12,513**	3,123	**24,496**	8,883
Gain on sale of assets	**-**	-	**(2,377)**	(774)
Amortization	**17,053**	8,272	**32,833**	15,940
EBITDA	**21,733**	5,396	**59,521**	23,187

Note 15. Segmented information (Cont'd)

INFORMATION BY OPERATING SEGMENT

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Power generation (MWh)				
Wind power stations	**124,362**	76,999	**276,931**	167,291
Hydroelectric power stations	**213,490**	34,301	**358,495**	74,610
Wood-residue thermal power stations	**178,033**	265,470	**550,453**	585,577
Natural gas thermal power station	**45,336**	77	**127,627**	22,507
Corporate (solar power)	**268**	-	**268**	-
	561,489	376,847	**1,313,774**	849,985
Revenues from energy sales				
Wind power stations	**15,193**	9,230	**33,466**	20,643
Hydroelectric power stations	**15,990**	2,323	**28,722**	5,377
Wood-residue thermal power stations	**12,544**	22,896	**46,853**	53,111
Natural gas thermal power station	**10,112**	2,279	**26,827**	8,601
Corporate (solar power)	**124**	-	**124**	-
	53,963	36,728	**135,992**	87,732
EBITDA				
Wind power stations	**11,991**	7,112	**27,057**	16,531
Hydroelectric power stations	**12,648**	1 182	**21,724**	3,055
Wood-residue thermal power stations	**(2,174)**	4,424	**8,110**	14,452
Natural gas thermal power station	**3,559**	(106)	**11,198**	1,932
Corporate and eliminations (including solar power)	**(4,291)**	(7,216)	**(8,568)**	(12,783)
	21,733	5,396	**59,521**	23,187
Additions to property, plant and equipment				
Wind power stations	**613**	42,000	**8,732**	61,341
Hydroelectric power stations	**157**	199	**331**	415
Wood-residue thermal power stations	**1,348**	1,073	**2,643**	2,057
Natural gas thermal power station	**-**	6	**4**	9
Corporate and eliminations (including solar power)	**10,685**	295	**11,731**	459
	12,803	43,573	**23,441**	64,281

	AS AT JUNE 30, 2011	As at December 31, 2010
Total assets		
Wind power stations	**513,005**	536,135
Hydroelectric power stations	**367,857**	364,548
Wood-residue thermal power stations	**149,644**	162,070
Natural gas thermal power station	**35,972**	37,974
Corporate and eliminations (including solar power)	**161,057**	145,292
	1,227,535	1,246,019
Long-term assets		
Wind power stations	**470,997**	469,707
Hydroelectric power stations	**339,857**	350,773
Wood-residue thermal power stations	**128,157**	137,376
Natural gas thermal power station	**18,716**	22,619
Corporate and eliminations (including solar power)	**76,873**	60,323
	1,034,600	1,040,798

Note 15. Segmented information (Cont'd)

INFORMATION BY GEOGRAPHIC SEGMENT

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
	2011	2010	**2011**	2010
Power generation (MWh)				
Canada	**217,816**	33,229	**484,563**	70,058
United States	**277,675**	292,164	**657,374**	643,156
Europe	**65,998**	51,454	**171,837**	136,771
	561,489	376,847	**1,313,774**	849,985
Revenues from energy sales				
Canada	**23,220**	4,143	**56,814**	8,577
United States	**20,301**	24,433	**52,850**	56,570
Europe	**10,442**	8,152	**26,328**	22,585
	53,963	36,728	**135,992**	87,732
EBITDA				
Canada	**9,568**	(2,838)	**26,892**	(3,166)
United States	**7,299**	4,902	**19,323**	15,953
Europe	**4,866**	3,332	**13,306**	10,400
	21,733	5,396	**59,521**	23,187
Additions to property, plant and equipment				
Canada	**1,461**	37,770	**8,423**	41,755
United States	**683**	1,265	**993**	2 436
Europe	**10,659**	4,538	**14,025**	20,090
	12,803	43,573	**23,441**	64,281

	AS AT JUNE 30, 2011	AS AT DECEMBER 31, 2010
Total assets		
Canada	**635,793**	634,043
United States	**283,984**	301 ,921
Europe	**307,758**	310,055
	1,227,535	1,246,019
Long-term assets		
Canada	**520,289**	529,787
United States	**233,490**	263,094
Europe	**280,821**	247,917
	1,034,600	1,040,798

Note 16.

COMMITMENT AND CONTINGENCIES

In June 2011, in connection with the wind power projects in Ontario and for certain sites in France, the Corporation entered into an agreement to purchase equipment for a net amount of $600,000. Expenditures will largely be made during fiscal 2011.

Furthermore, in May 2011, the Corporation entered into an agreement for the repair of the bridge of its Ocean Falls power station. The total cost of this commitment is $800,000. Expenditures will be made during the third quarter of 2011.

Note 17.

NET EARNINGS (LOSS) PER SHARE

Basic and diluted net earnings (loss) per share is detailed as follows:

	THREE-MONTH PERIODS ENDED JUNE 30		SIX-MONTH PERIODS ENDED JUNE 30	
(in thousands of Canadian dollars, except per share amounts and number of shares)	**2011**	2010	**2011**	2010
Net earnings (loss) attributable to shareholders (basic and diluted)	**(5,107)**	(4,714)	**1,904**	(2,738)
Weighted average number of shares	**37,773,213**	37,740,921	**37,769,872**	37,740,921
Dilutive effect of stock options	**108,644**	139,194	**109,211**	235,909
Adjusted weighted average number of shares	**37,881,857**	37,880,115	**37,879,083**	37,976,830
Basic and diluted net earnings (loss) per share	**$(0.14)**	$(0.12)	**$0.05**	$(0.07)
Convertible debentures excluded from diluted net earnings (loss) per share calculation due to their anti-dilutive effect	**19,594,224**	-	**19,594,224**	-
Stock options excluded from diluted net earnings (loss) per share calculation due to their anti-dilutive effect	**1,088,871**	581,445	**1,088,871**	545,961

Note 18.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Corporation's consolidated financial statements for the three- and six-month periods ended June 30, 2011 are the second consolidated financial statements prepared in accordance with IFRS.

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

The mandatory exceptions and elective exemptions, as of the date of transition, are presented in the interim financial statements of the Corporation for the period ended March 31, 2011.

IMPACT OF TRANSITION TO IFRS

The differences between Canadian GAAP ("previous GAAP") and IFRS identified as having a significant effect on the Corporation's consolidated financial performance and financial position for the three- and six-month periods ended June 30, 2010 are summarized in the following reconciliation tables.

GENERAL PRESENTATION OF THE CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

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 (loss). To facilitate understanding of other reconciliation items specific to IFRS conversion, the reconciliations of the consolidated statements of earnings (loss) for the three- and six-month periods ended June 30, 2010 provided below have been prepared according to the former presentation. However, development costs have been reclassified on a separate line of *Operating costs* to facilitate the reconciliation of earnings (loss) with the new 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 under *Operating activities*.

Note 18. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Loss - Reconciliation

				THREE-MONTH PERIOD ENDED JUNE 30, 2010
(in thousands of Canadian dollars, except per share amounts and number of shares) (unaudited)	Note	Canadian GAAP	IFRS adjustments	**IFRS**
Revenues from energy sales		36,728	-	**36,728**
Operating costs		23,914	-	**23,914**
		12,814	-	**12,814**
Share in earnings of the Fund	(e)	201	31	**232**
Management revenues from the Fund		1,523	-	**1,523**
Other income		155	-	**155**
		14,693	31	**14,724**
OTHER EXPENSES				
Management and operation of the Fund		1,314	-	**1,314**
Development		1,189	-	**1,189**
Administrative	(f)	6,948	(123)	**6,825**
		9,451	(123)	**9,328**
OPERATING INCOME		5,242	154	**5,396**
Amortization	(d)	8,052	220	**8,272**
Foreign exchange loss (gain)	(g)	154	(1,038)	**(884)**
Net loss on financial instruments		220	-	**220**
Financing costs		3,123	-	**3,123**
		11,549	(818)	**10,731**
LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS		(6,307)	972	**(5,335)**
Recovery of income taxes	(d), (e), (f)	(321)	(112)	**(433)**
Net loss including non-controlling interests		(5,986)	1,084	**(4,902)**
Non-controlling interests		188	-	**188**
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(5,798)	1,084	**(4,714)**
Net loss per Class A share (basic and diluted)		$(0.15)		**$(0.12)**
Weighted average number of Class A shares outstanding (basic)		37,740,921		**37,740,921**
Weighted average number of Class A shares outstanding (diluted)		37,880,115		**37,880,115**

Note 18. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Loss - Reconciliation

(in thousands of Canadian dollars, except per share amounts and number of shares) (unaudited)	Note	Canadian GAAP	IFRS adjustments	SIX-MONTH PERIOD ENDED JUNE 30, 2010 IFRS
Revenues from energy sales		87,732	-	**87,732**
Operating costs		50,933	-	**50,933**
		36,799	-	**36,799**
Share in earnings of the Fund	(e)	(1,260)	67	**(1,193)**
Management revenues from the Fund		3,279	-	**3,279**
Other income		454	-	**454**
		39,272	67	**39,339**
OTHER EXPENSES				
Management and operation of the Fund		2,819	-	**2,819**
Development		2,802	-	**2,802**
Administrative	(f)	10,777	(246)	**10,531**
		16,398	(246)	**16,152**
OPERATING INCOME		22,874	313	**23,187**
Amortization	(d)	15,751	189	**15,940**
Foreign exchange loss (gain)	(g)	1,030	(1,460)	**(430)**
Net gain on financial instruments		(339)	-	**(339)**
Financing costs		8,883	-	**8,883**
Gain on sale of subsidiary		(774)	-	**(774)**
		24,551	(1,271)	**23,280**
LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS		(1,677)	1,584	**(93)**
Income taxes	(d), (e), (f)	2,680	(128)	**2,552**
Net loss including non-controlling interests		(4,357)	1,712	**(2,645)**
Non-controlling interests		(93)	-	**(93)**
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(4,450)	1,712	**(2,738)**
Net loss per Class A share (basic and diluted)		$(0.12)		**$(0.07)**
Weighted average number of Class A shares outstanding (basic)		37,740,921		**37,740,921**
Weighted average number of Class A shares outstanding (diluted)		37,976,830		**37,976,830**

Note 18. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Comprehensive Loss - Reconciliation

(in thousands of Canadian dollars) (unaudited)	Note	Canadian GAAP	IFRS adjustments	THREE-MONTH PERIOD ENDED JUNE 30, 2010 IFRS
Net loss for the period including non-controlling interests		(5,986)	1,084	**(4,902)**
Other comprehensive income (loss)				
TRANSLATION ADJUSTMENTS				
Unrealized foreign exchange gain on translation of financial statements of self-sustaining foreign operations		2,918	11	**2,929**
Reclassification to net loss of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations	(g)	1,038	(1,038)	-
Share of cumulative translation adjustments of the Fund		694	-	**694**
Taxes		154	-	**154**
CASH FLOW HEDGES				
Change in fair value of financial instruments		(8,482)	-	**(8,482)**
Hedging items realized and recognized in net earnings (loss)		(2,159)	-	**(2,159)**
Hedging items realized and recognized in balance sheet		991	-	**991**
Taxes		3,136	-	**3,136**
		(1,710)	(1,027)	**(2,737)**
Comprehensive loss for the period including non-controlling interests		(7,696)	57	**(7,639)**
Less: Loss for the period attributable to non-controlling interests		198	-	**198**
Comprehensive loss for the period attributable to shareholders		(7,498)	57	**(7,441)**

Note 18. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Comprehensive Loss - Reconciliation

(in thousands of Canadian dollars) (unaudited)	Note	Canadian GAAP	IFRS adjustments	SIX-MONTH PERIOD ENDED JUNE 30, 2010 IFRS
Net loss for the period including non-controlling interests		(4,357)	1,712	**(2,645)**
Other comprehensive income (loss)				
TRANSLATION ADJUSTMENTS				
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(6,394)	20	**(6,374)**
Reclassification to net loss of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations	(g)	1,460	(1,460)	-
Share of cumulative translation adjustments of the Fund		216	-	**216**
Taxes		160	-	**160**
CASH FLOW HEDGES				
Change in fair value of financial instruments		(14,077)	-	**(14,077)**
Hedging items realized and recognized in net earnings (loss)		(3,378)	-	**(3,378)**
Hedging items realized and recognized in balance sheet		2,137	-	**2,137**
Taxes		3,913	-	**3,913**
		(15,963)	(1,440)	**(17,403)**
Comprehensive loss for the period including non-controlling interests		(20,320)	272	**(20,048)**
Less: Earnings for the period attributable to non-controlling interests		(71)	-	**(71)**
Comprehensive loss for the period attributable to shareholders		(20,391)	272	**(20,119)**

Note 18. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Equity - Reconciliation

(in thousands of Canadian dollars) (unaudited)	Note	Adjustments				As at June 30, 2010
		Contributed surplus	Retained earnings	Earnings	Comprehensive income (loss)	Total equity
Total equity under Canadian GAAP						**325 675**
IFRS ADJUSTMENTS:						
Stock-based compensation over the vesting period	(f)	(251)	7	311	-	**67**
Amortization of property, plant and equipment and intangible assets	(d)	-	(579)	(109)	-	**(688)**
Investment in the Fund	(e)	-	(7,151)	50	-	**(7,101)**
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 (loss)	(g)	-	-	1,460	(1,460)	-
Business combinations – additional consideration	(a)	-	(2,092)	-	-	**(2,092)**
Employee benefits – actuarial loss	(b)	-	(32)	-	-	**(32)**
Other		(1)	-	-	20	**19**
		(252)	(54,362)	1,712	43,075	**(9,827)**
Total equity under IFRS						**315,848**

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. The additional consideration for the amount of $2,092,000 was charged to *Retained earnings*.

(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. The amount of $32,000 was charged to *Retained earnings*.

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

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. On January 1, 2010, an amount of $44,515,000 was thus transferred to *Retained earnings*.

(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, the Fund tested its property, plant and equipment and power sales contracts for impairment. Subsequent to this test, no impairment 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)
For the three-month period ended June 30, 2010:	
Property, plant and equipment	$(220,000)
Future income tax liabilities	$(87,000)
Retained earnings	$(133,000)
Amortization expense	$220,000
Income tax expense	$(87,000)

Note 18. Adoption of International Financial Reporting Standards (Cont'd)

For the six-month period ended June 30, 2010:

Property, plant and equipment	$(189,000)
Future income tax liabilities	$(80,000)
Retained earnings	$(109,000)
Amortization expense	$189,000
Income tax expense	$(80,000)

(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 CGUs. 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 resulted from the fact that 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 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. As at January 1, 2010, 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)

For the three-month period ended June 30, 2010:

Investment	$31,000
Future income tax liabilities	$7,000
Retained earnings	$24,000
Share in earnings of the Fund	$(31,000)
Income tax expense	$7,000

For the six-month period ended June 30, 2010:

Investment	$67,000
Future income tax liabilities	$17,000
Retained earnings	$50,000
Share in earnings of the Fund	$(67,000)
Income tax expense	$17,000

Note 18. Adoption of International Financial Reporting Standards (Cont'd)

(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
For the three-month period ended June 30, 2010:	
Future income tax liabilities	$(32,000)
Contributed surplus	$(123,000)
Retained earnings	$155,000
Compensation expense	$(123,000)
Income tax expense	$(32,000)
For the six-month period ended June 30, 2010:	
Future income tax liabilities	$(65,000)
Contributed surplus	$(246,000)
Retained earnings	$311,000
Compensation expense	$(246,000)
Income tax expense	$(65,000)

(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:

For the three-month period ended June 30, 2010:	
Retained earnings	$1,038,000
Accumulated other comprehensive loss	$(1,038,000)
Foreign exchange gain	$(1,038,000)
For the six-month period ended June 30, 2010:	
Retained earnings	$1,460,000
Accumulated other comprehensive loss	$(1,460,000)
Foreign exchange gain	$(1,460,000)

Profile

Boralex is a power producer whose core business involves developing and operating renewable energy power stations with a total installed capacity of more than 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 four power generation types — wind, hydroelectric, thermal and more recently, solar.

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.

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