we look to the future

Boralex

annual report 2001

mission

Boralex intends to continue to grow through the acquisition and development of energy-producing power stations in North America and Europe. To achieve this objective, Boralex is banking on the solid in-house expertise it has acquired over the years that contributes, more than ever, to enhancing the Corporation's reputation.

profile

In Year One of the third millennium, Boralex Inc. (the Corporation) further consolidated its leadership position in the energy industry. The Corporation is now considered one of the leading private producers of electricity in Canada.

Boralex operates 18 power stations with an installed capacity of approximately 350 MW and employs more than 200 skilled workers, recognized for their diversified expertise. The Corporation focuses its activities on three main types of production based on renewable and green energy:

Wood-residue thermal energy _ This type of production alone involves eight wood-residue thermal power stations with a production capacity of 264 MW, including two power stations in Quebec and six in the northeastern United States.

Energy supplied by natural gas _ A pioneer in this field, Boralex operates the only natural-gas cogeneration power station in Quebec, along with a second similar station located in Blendecques, in northern France, for a combined installed capacity of 45 MW.

Hydroelectric energy _ Drawing on its well-established expertise in hydroelectric energy production, Boralex operates eight power stations with an installed capacity of 29 MW, located in Quebec, the United States and France.

Boralex is an affiliate of Cascades Inc., which holds a 39.9% direct interest. The Corporation is listed on the Toronto Stock Exchange where its shares are traded under the ticker symbol BLX.A.

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financial and operational highlights

Years ended September 30
In thousands of dollars (except per share amounts)

	2001	2000
Financial Performance		
Revenue	92,789	82,446
Operating Income [1]	30,979	31,081
Net Earnings	7,884	6,626
Per Share	0.31	0.32
Cash Flow from Operations	19,438	17,846
Weighted Average Number of Shares	24,366,534	19,397,618
Financial Position		
Total Assets	354,314	246,167
Capital Assets	320,348	223,349
Long-term Debt [2]	177,597	154,855
Shareholders' Equity	129,283	55,217
Operational Data		
Installed Capacity at year end (MW)	290.0	174.0
Electricity		
Electricity Deliveries (MWh)	1,147,148	1,143,746
Revenue (in thousands of dollars)	68,782 [3]	62,126
Average Selling Price ($/MWh)	59.96	54.32
Steam		
Steam Deliveries (thousand pounds of steam)	2,639,711	2,644,661
Revenue (in thousands of dollars)	19,373	18,025
Average Selling Price ($/thousand pounds of steam)	7.34	6.82

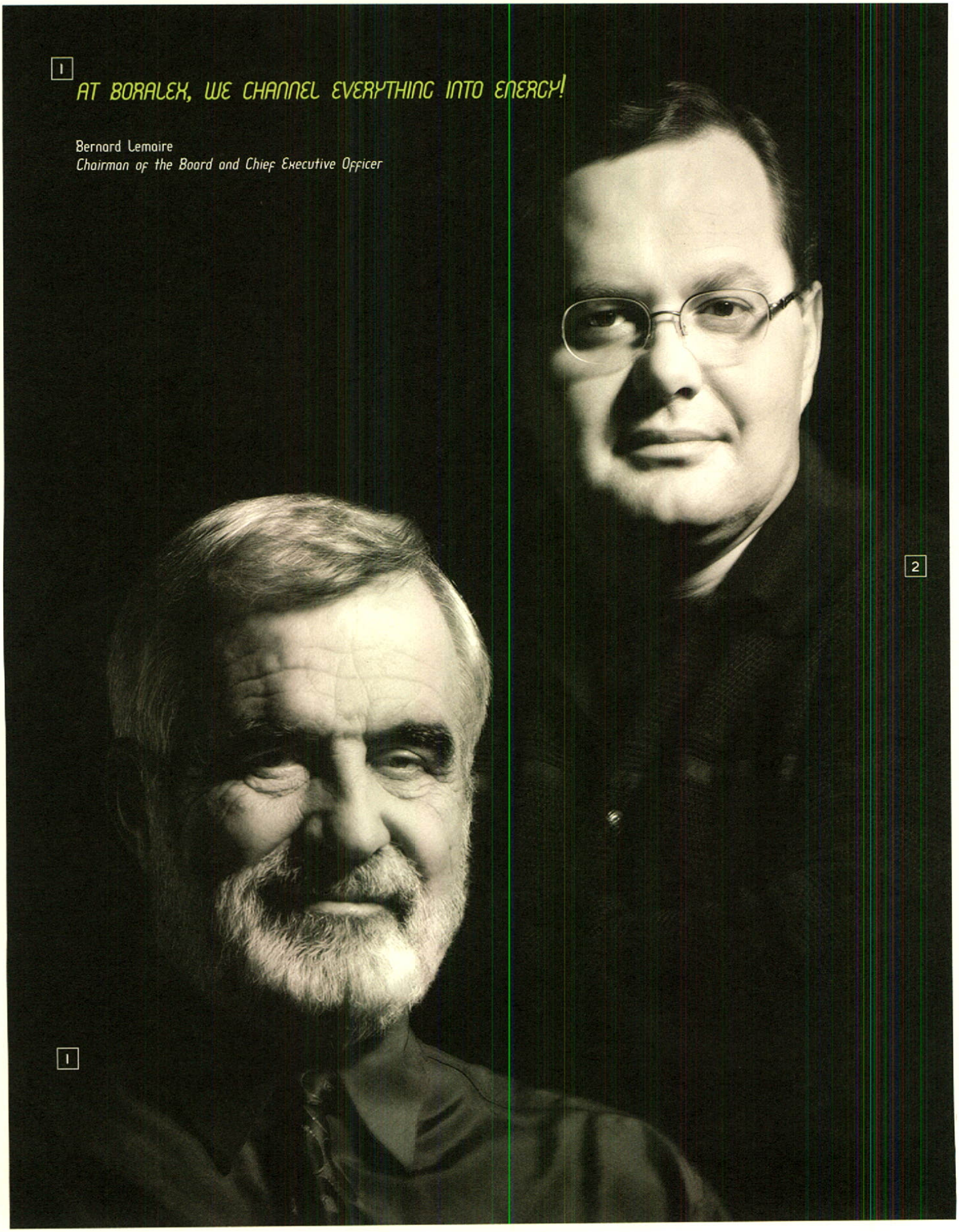
[1] Income before financial expenses, interest income, amortization, financing charges, income taxes and non-controlling interests.
[2] Including the current portion of long-term debt.
[3] Excluding management fees of $3.2 million realized during the interim period preceding the closing date of an acquisition.

Revenue
(in thousands of dollars)

Operating Income
(in thousands of dollars)

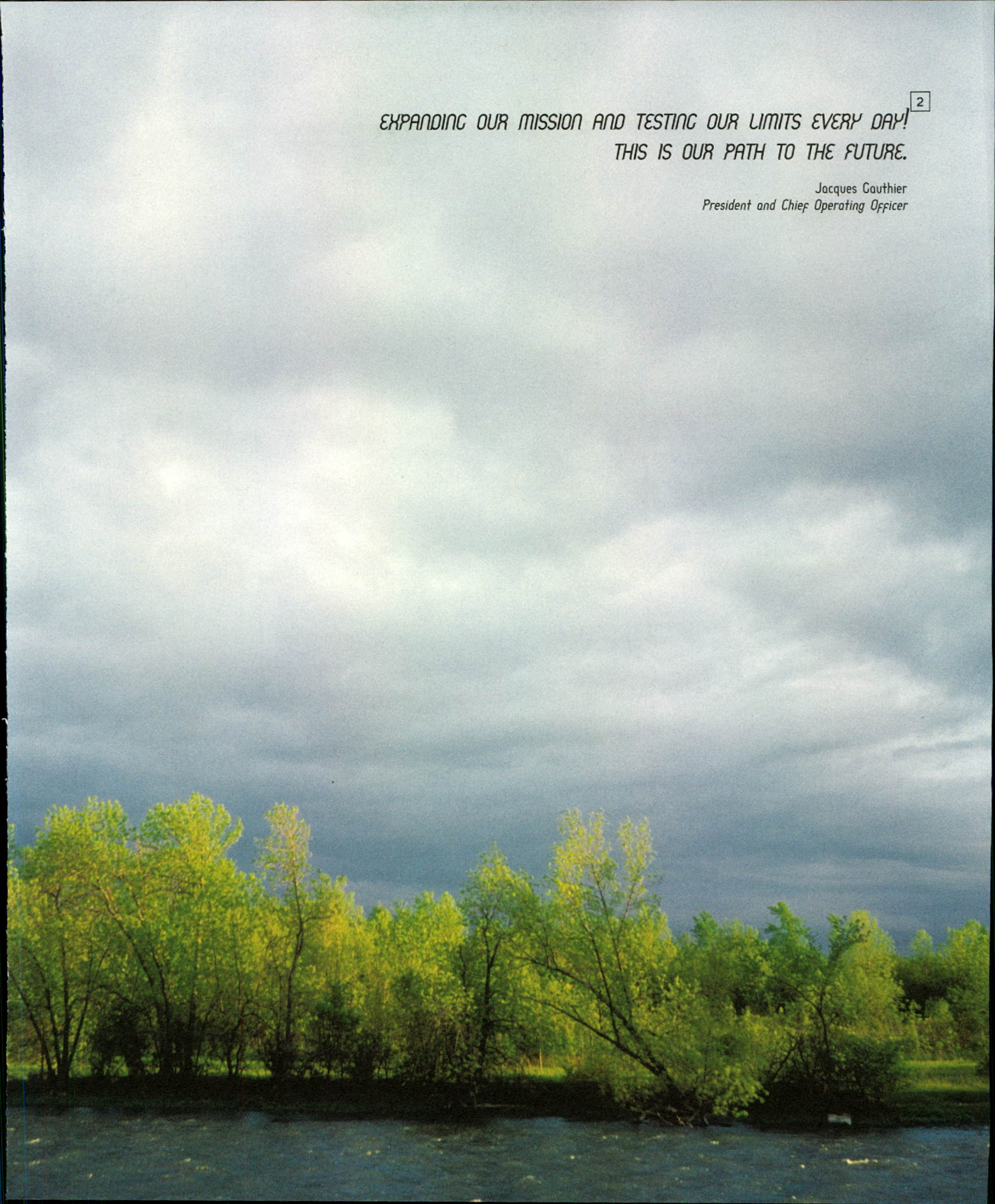
Net Earnings
(in thousands of dollars)

Cash Flow from Operations
(in thousands of dollars)


1
AT BORALEX, WE CHANNEL EVERYTHING INTO ENERGY!
Bernard Lemaire
Chairman of the Board and Chief Executive Officer
2
1

EXPANDING OUR MISSION AND TESTING OUR LIMITS EVERY DAY!
THIS IS OUR PATH TO THE FUTURE.

Jacques Gauthier
President and Chief Operating Officer



message to shareholders

Over the past year at Boralex, we have channeled everything into energy and have become better than ever at forward thinking!

A Record Year _ We are very pleased to present our achievements of the past fiscal year. Our enthusiasm is based on the fact that the results for 2000-2001 have exceeded all our expectations, allowing us to look to the future with even greater confidence.

The past year has been marked by an increase in profitability as a result of decisions made and transactions successfully completed. We are particularly proud to present these results to our loyal shareholders, whose trust over the years is deeply appreciated.

Increasing Net Earnings and Revenue _ Boralex posted revenues unequalled to date. As at September 30, 2001, revenues totalled $92.8 million, an increase of 13% over $82.4 million of the previous fiscal year.

This produced net earnings of $7.9 million, or $0.31 per share, once again better than last year's net earnings of $6.6 million, or $0.32 per share. In terms of growth in net earnings, this reflects a 19% increase, which is very significant.

The Corporation's asset base now totals $354 million and its equity increased to $129 million from $55 million at the same time last year: truly remarkable progress.

Reasons behind Our Success _ Several reasons explain our success. First, Boralex capitalized on all business and development opportunities that arose. The northeastern United States, where we acquired new power stations, was, in that respect, a region favourable to growth. However, the sizeable expansion of our activities in that region is not the sole reason for our positive results.

In the past 12 months, we completed the construction of two new power stations. We also successfully completed two share issues. Furthermore, we renewed two electricity sales contracts in the United States at increased rates. In addition, Boralex became the sole shareholder of a hydroelectric power station of which it was previously part owner. Finally, Boralex exchanged or converted its outstanding debentures for common shares. All of these significant actions contributed to the current results.

The acquisition of fully operational power stations and the construction of new, modern power stations have had a direct impact on Boralex's installed capacity, which rose to 290 MW this year from 174 MW last year. Boralex's vision of the future is evident in this stellar performance. Just four years ago, our goal was to reach an installed capacity of 200 MW by the end of 2000. Today, that goal has not only been achieved, but largely surpassed.

In Quebec, for example, in January 2002, we took an important step forward with the commissioning of our new wood-residue thermal power station in Senneterre. Boralex will reap the real benefits from operating this major new power station in the years ahead.

A Promising Future _ Bolstered by these concrete results, Boralex can look to the future with even more optimism. Our work program is ambitious but commensurate with our ability to develop Boralex even further, based on our proven ability to produce energy in our own niche markets.

In terms of projects in Quebec, Boralex intends to pursue its growth selectively, through the mini-hydroelectric power station development program introduced by the government of Quebec in 2001. We intend to focus first on establishing mini power stations located near our existing facilities in certain regions of Quebec.

At the same time, we will ensure that we participate in the tendering process launched by Hydro-Québec for energy supply in 2006-2009. In this respect, the partnership agreement signed recently with Gaz Métropolitain should give us a strategic advantage. This agreement covers the development, ownership and management of electricity cogeneration and natural-gas-fired thermal power stations operating in Quebec, a sector in which both companies already excel.

Extending the Scope of Our Activities _ Boralex is a major private producer of electricity in Quebec. The Corporation plans to extend the scope of its activities to other regions in Canada by embarking on projects in other provinces.

As indicated in last year's annual report, the deregulation expected in Ontario should finally become a reality in the spring of 2002. Deregulated energy production in the Ontario marketplace will pave the way for private producers such as Boralex. This represents a new opportunity for development, with projects already in advanced stages in Toronto, Thunder Bay, Mississauga and Red Rock.

In our efforts to strengthen our presence where conditions are favourable, we cannot overlook the US market, which, more than ever, ranks among our top priorities.

Thanks to its most recent acquisitions, Boralex is strategically positioned in the northeastern United States. States such as Vermont and New Hampshire offer attractive possibilities, where we plan to increase our presence and take advantage of any business opportunities that meet the Corporation's development criteria.

Among these opportunities, we intend to focus on the acquisition of power stations that will create synergies with the stations already in our network. In so doing, we will optimize our operations in certain areas, including that of wood-residue use.

In early 2002, Boralex made its first true incursion in Europe, with the commissioning of the 14 MW natural gas cogeneration power station in Blendecques, France. Although this is a new venture for us, we will be able to benefit from the expertise developed in this country by the Cascades Group since 1985.

In addition, Boralex completed the acquisition of a majority ownership interest in Seris Eole SAS which will build and operate wind turbines, generating 10.4 MW, located in Avignonet-Lauragais, France. This is the first time that the Corporation will be involved in wind energy production, and the project will allow Boralex to diversify its sources of energy production and pursue its development in France.

Our presence in the United States and Europe is far more than just symbolic. It is a clear demonstration of the Corporation's ability to operate facilities in countries where energy and environmental contexts are different. It is also an indication of our ability to adapt to situations where means and methods inevitably differ.

Our Unfailing Commitment _ In light of these achievements, we firmly believe that all the conditions are present to make the next fiscal year a banner year in terms of revenues and net earnings.

Our confidence is based on our most recent acquisitions, the commissioning of two new power stations and firm power purchase contracts signed for 2002 in the United States, all of which provide greater stability in terms of revenues and a solid foundation for our vision of the Corporation's development.

We are also backed by the strong team we have built over the years, especially in the last fiscal year when the number of employees nearly doubled. Boralex can rely on experienced professionals who share in our objective to look ahead. All of these elements should have a significant impact on our results over the next 12 months.

We cannot thank you enough for the confidence you have so often shown the Boralex team and for your support as we expand our activities and operations.

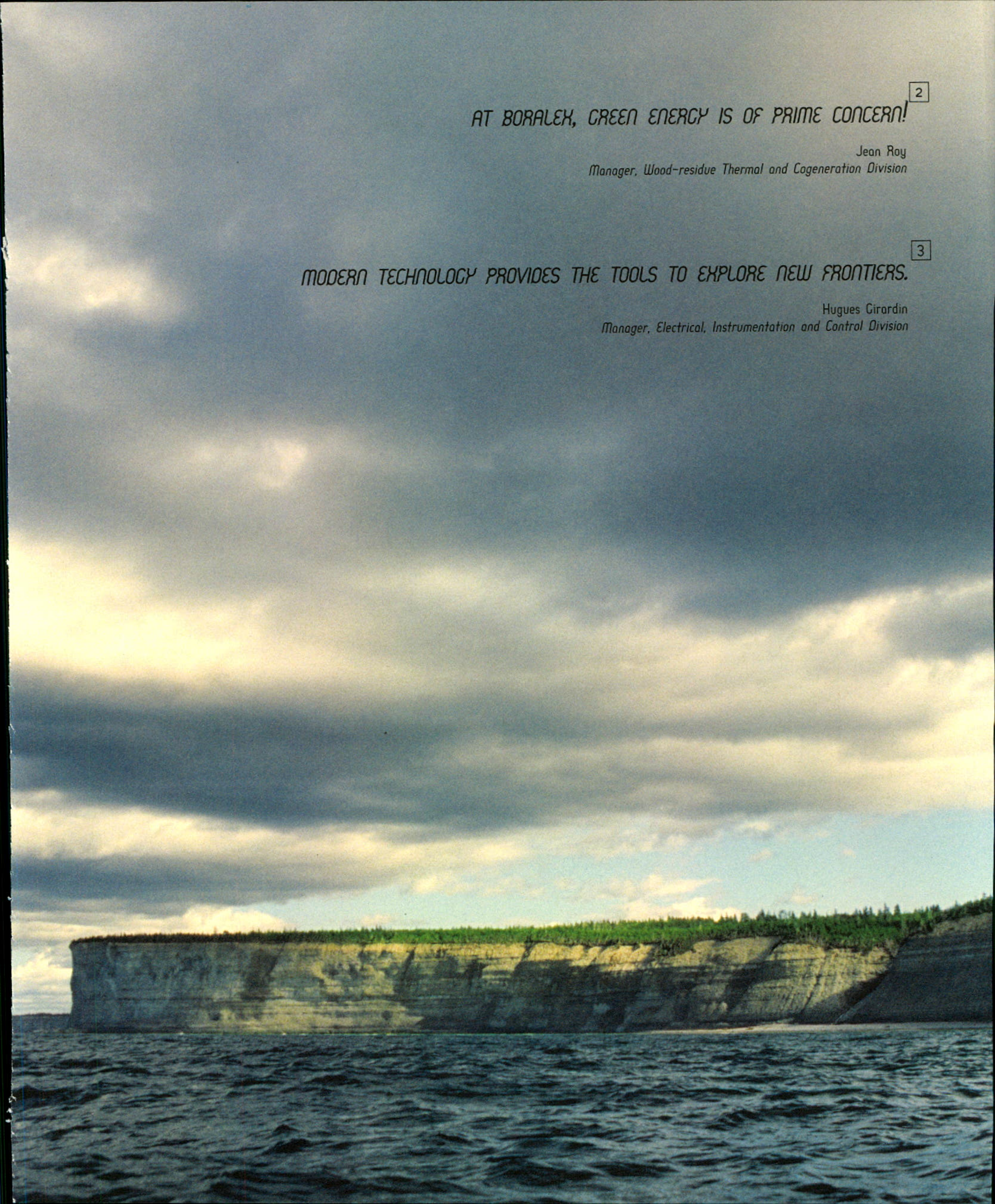
Bernard Lemaire
Chairman of the Board and
Chief Executive Officer

Jacques Gauthier
President and
Chief Operating Officer

1

MAXIMIZING OUR PRESENCE WHEREVER DEVELOPMENT OPPORTUNITIES EXIST!

Denis Aubut
Manager, Hydroelectric and Gas Cogeneration Division



2

AT BORALEX, GREEN ENERGY IS OF PRIME CONCERN!

Jean Roy
Manager, Wood-residue Thermal and Cogeneration Division

3

MODERN TECHNOLOGY PROVIDES THE TOOLS TO EXPLORE NEW FRONTIERS.

Hugues Girardin
Manager, Electrical, Instrumentation and Control Division

67%

of growth in our installed capacity in fiscal 2000 - 2001

we continuously

set new standards

review of operations

Throughout the last fiscal year, Boralex extended its limits and achieved everything it had set out to accomplish. It increased production capacity while ensuring profitable growth and consolidating its leadership in the field of privately owned electricity production.

Boralex's latest fiscal year was highlighted by unprecedented activities, including:

• the acquisition of three new power stations;
• two new Class A share issues;
• two major financings;
• the acquisition of the 30% minority interest in the Buckingham hydroelectric power station;
• the exchange of all outstanding debentures;
• the construction of two power stations.

Increased Presence in the United States _ In the past year, Boralex consolidated its presence in Maine, acquiring three new wood-residue thermal power stations.

The first of these acquisitions, initiated in April and completed in July 2001, was in Fort Fairfield, in northeastern Maine. With a gross installed capacity of 36 MW, the Fort Fairfield thermal power plant, which employs 28 people, is favourably located for the supply of wood-residue. Indeed, the location of this power station will foster the sale of electricity on local markets and on the New England market in general.

review of operations

Last September, Boralex acquired two other power stations in the northeastern United States—Ashland and Livermore Falls—also in Maine.

Each of these modern wood-residue thermal power plants boasts an installed capacity of 40 MW, for a combined annual production of 480 million KWh. Together, they employ about 40 people.

These acquisitions are in line with Boralex's business plan and allow the Corporation to benefit from operational synergies resulting from the close proximity of its sites, optimizing the supply of wood-residue. Boralex now owns five wood-residue thermal power plants in Maine, with a total installed capacity of 182 MW.

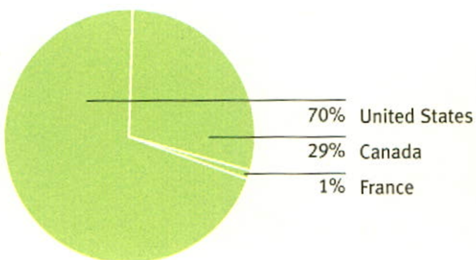
More Money _ The most recent fiscal year also saw the closing of two Class A share issuances. Eight million shares were issued, generating net proceeds of $59 million.

During the same period, Boralex successfully completed two rounds of financing related to construction projects underway in Quebec and in France. Through the first financing, Boralex raised $42.5 million for the Senneterre project in Quebec. The second, totalling approximately 50 million FF (equivalent to $10 million CAN), will be used to complete the power station in Blendecques, France.

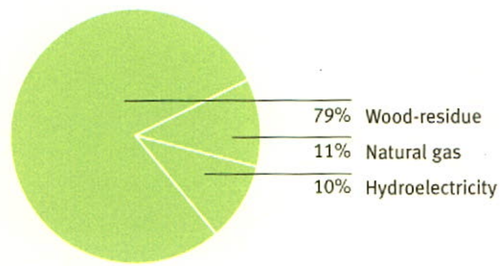
The Boralex Family _ In order to benefit fully from profits generated by its power station in Buckingham, Quebec, Boralex acquired the 30% interest held in the station by the Caisse de dépôt et de placement du Québec. The Buckingham hydroelectric power station, with an installed production capacity of 9.9 MW, is now an integral member of the large Boralex family.

Newcomers _ The past fiscal year was also marked by the construction of two new power stations.

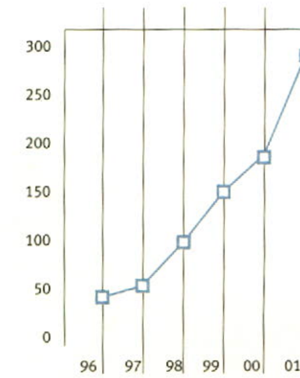
A total of $61 million was invested in a 34.6 MW wood-residue thermal power station in Senneterre, Quebec. About 20 new jobs were created to ensure the plant's daily operations. The Senneterre power station produces electricity using sawmill wood-residue such as bark, tree crowns and branches. The station will supply power to Hydro-Québec under a long-term contract.



Geographic diversification
(installed capacity as at September 30, 2001)



Diversification by type of power station
(installed capacity as at September 30, 2001)



Growth of the installed capacity
(as at September 30, 2001)

The second new project consolidated Boralex's presence in familiar territory since the Corporation is already active in La Rochette, France. It involved the construction of a natural-gas cogeneration station located in Blendecques, in northern France. The installed capacity of 14 MW represented an investment of $12 million CAN. The power station, which will produce 82 million kWh annually, will supply electricity to Électricité de France (EDF) under a long-term contract.

Moreover, the completion of this project in France provides a fine example of synergy within the Cascades Group. The power station in Blendecques will sell the 221,000 tons of steam produced to a plant owned by Norampac Inc.

At Boralex, we are particularly proud of the commissioning of these two power stations in January 2002. They will have a definite impact on financial results in 2002. These additions are in line with the Corporation's objective of developing specific market niches directly related to Boralex's strengths and business plan.

A Productive Exchange _ The last fiscal year was also marked by the conversion, in June 2001, of all the outstanding debentures into Class A shares of the Corporation.

A Booming Year-end _ The last months of 2001 were marked by several events at Boralex. First, the Corporation consolidated its presence in the wood-residue energy production in Quebec with the announcement of a project to build a cogeneration power station with an annual capacity of approximately 20 MW in the Hautes-Laurentides region. This project, valued at approximately $40 million, will create some 100 jobs during the construction phase, and the daily operation of the power plant will create about 20 permanent jobs.

Also in Quebec, Boralex acquired an urban-wood recycling site in Montreal. It acquired Secure Wood Chips L.P., a company that specializes in receiving and recycling wood. This company is located on the Saint-Michel site of the Miron quarry, in Montreal. The recycling centre has an annual capacity of 40,000 tons of urban wood and was acquired for $1.3 million. With this transaction, Boralex will consolidate its presence in wood recycling, in which it was already active.

The Corporation recently signed an agreement with Gaz Métropolitain for the development, ownership and management of natural-gas-fired electricity and steam cogeneration facilities operating in Quebec.

1

NURTURING OUR CORPORATE IMAGE AS IF IT WERE OUR OWN.

Carole Villeneuve
Director, Communications

2

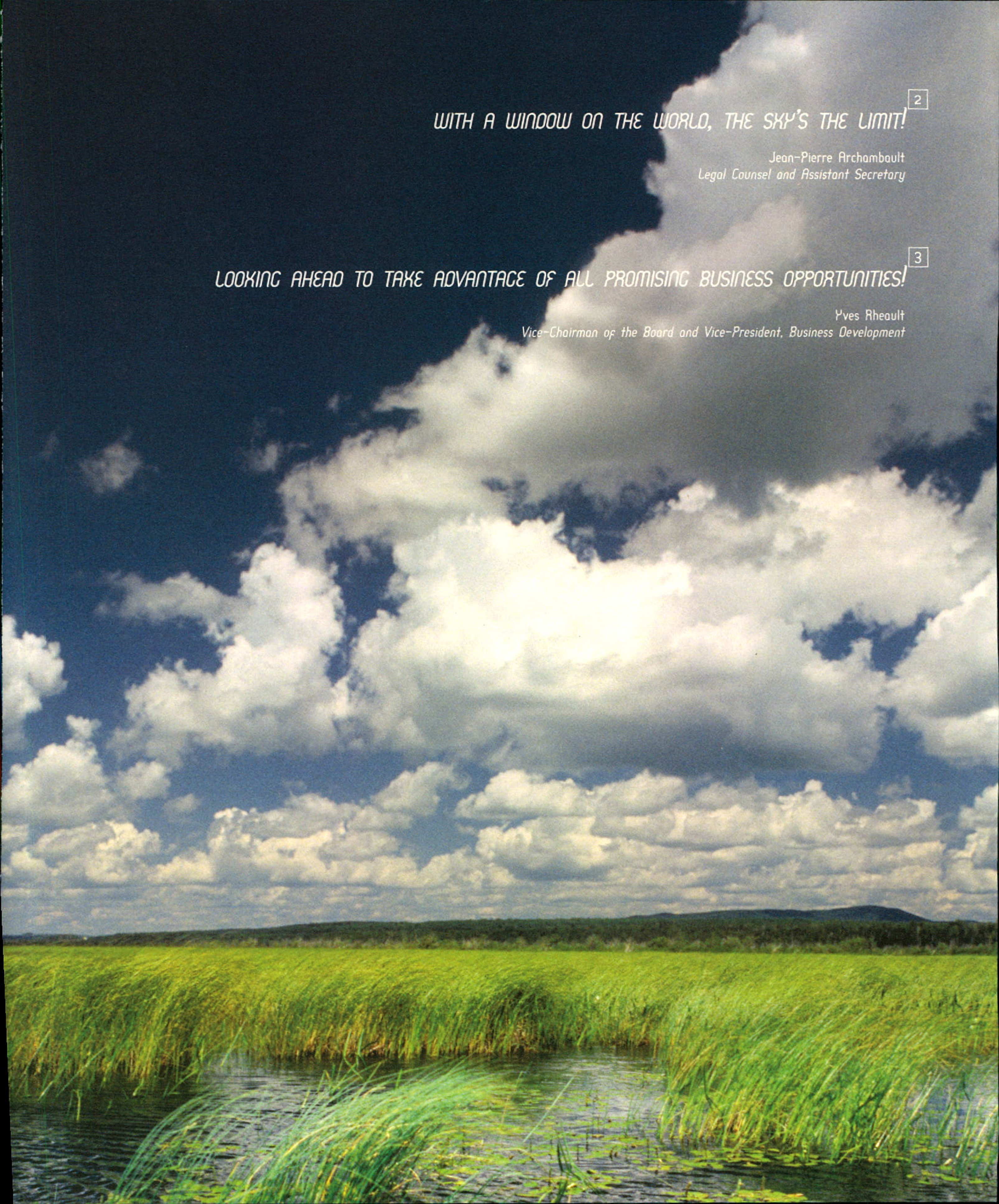
WITH A WINDOW ON THE WORLD, THE SKY'S THE LIMIT!

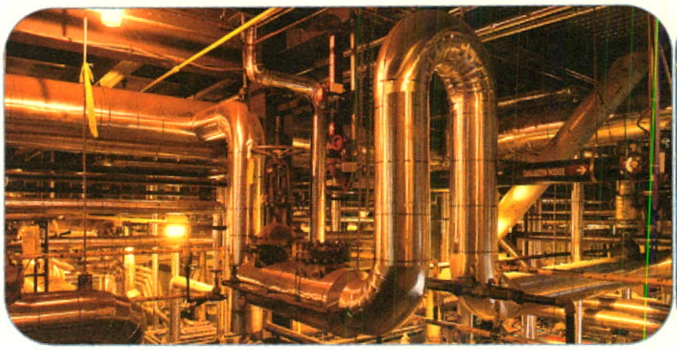
Jean-Pierre Archambault
Legal Counsel and Assistant Secretary

3

LOOKING AHEAD TO TAKE ADVANTAGE OF ALL PROMISING BUSINESS OPPORTUNITIES!

Yves Rheault
Vice-Chairman of the Board and Vice-President, Business Development





In France, Boralex signed an agreement with the French company, Seris SA for its first venture in wind-energy production. Thirteen wind turbines will be built and operated in the commune of Avignonet-Lauragais in southern France. These wind turbines will produce a total of 10.4 MW. This project, estimated at approximately 60 million FF ($12 million CAN), represents an innovative breakthrough since France introduced new regulations for this type of electricity production. Construction began near the end of 2001, and the wind turbines will be commissioned during the summer of 2002.

A few days before the holiday season, Boralex filed a preliminary prospectus for the sale of units of an income fund to be created, the Boralex Power Income Fund. This Fund will acquire from Boralex the hydroelectric power stations located in Beauport, Buckingham, Rimouski and Saint-Lambert, the Dolbeau and Senneterre wood-residue thermal power stations and the natural-gas-fired thermal power station in Kingsey Falls. The Fund will also acquire a hydroelectric power facility located in Forestville from RSP Hydro Trust.

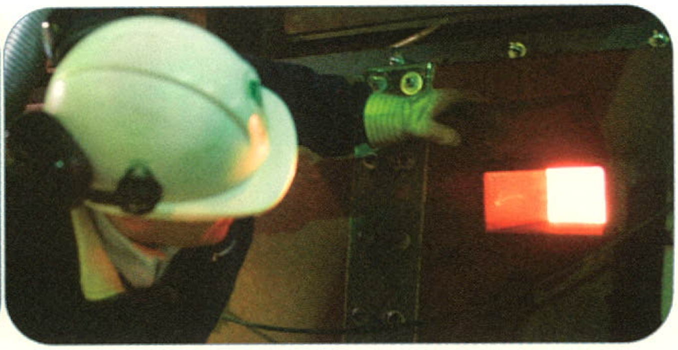
In total, these power stations account for an installed capacity of 131 MW. On an annual basis, they generate 820 GWh of electricity and 2.64 million units of 1,000 pounds of steam.

Assessing the Outcome _ An analysis of the results for 2001 shows that the activities prioritized by Boralex meet the estimates of both analysts and interested observers. Accordingly, the results must be assessed in an overall perspective, especially in a global context affected dramatically by the events of September 11, 2001.

As a major player in the energy industry well established in several regions in northeastern North America, Boralex was also faced with increased wood-residue costs and higher than anticipated diesel fuel costs. To counter this, Boralex decreased operating costs to the bare minimum and developed strategic partnerships to optimize energy output.

However, this situation has demonstrated the capacity of Boralex management to exercise foresight and marshal their skills to respond promptly in various situations.





Diversifying for Better Management _ Well before the beginning of the lumber trade dispute, Boralex management was looking into diversifying the Corporation's supplies of wood-residue. This situation led Boralex to develop alternative sources of supply and the payback on alternative markets has been impressive to date. In addition to traditional sources, Boralex has access to a range of alternative sources, including recycled wood, building and demolition wood, paper-mill sludge and railroad ties which contributes to reducing dependence on traditional wood-residue supplies.

Thus, over 300,000 tons out of the total 3 million tons of residue consumed annually come from alternative sources. By the spring of 2002, this should more than double to 750,000 tons. The goal is to increase the use of alternative products to 1 million tons, one third of the total volume consumed by Boralex on a yearly basis.

In the Wood-residue Division, where there are many projects, the management team has been strengthened. Boralex has taken advantage of its new growth in this sector to consolidate its resources and presence, especially in the United States.

Looking Ahead _ In keeping with its approach and its business plan, Boralex will continue to be on the lookout for opportunities to acquire promising power stations. The Corporation intends to pursue this avenue in the coming years, since it believes that the demand for electricity will continue to grow.

Take, for example, the skyrocketing use of computers and the Internet. In the United States alone, by the end of the 1990s, the demand for electricity attributable to this activity reached 13% of overall consumption. Five years earlier, it accounted for a mere 5%. These statistics do not reflect the fact that the new generation of computers consumes more energy.

There is every indication that the energy sector is growing. Businesses that succeed and benefit fully from the situation are those that can face it efficiently and systematically. Boralex is definitely in this category, as witnessed by its actions in the last few years.

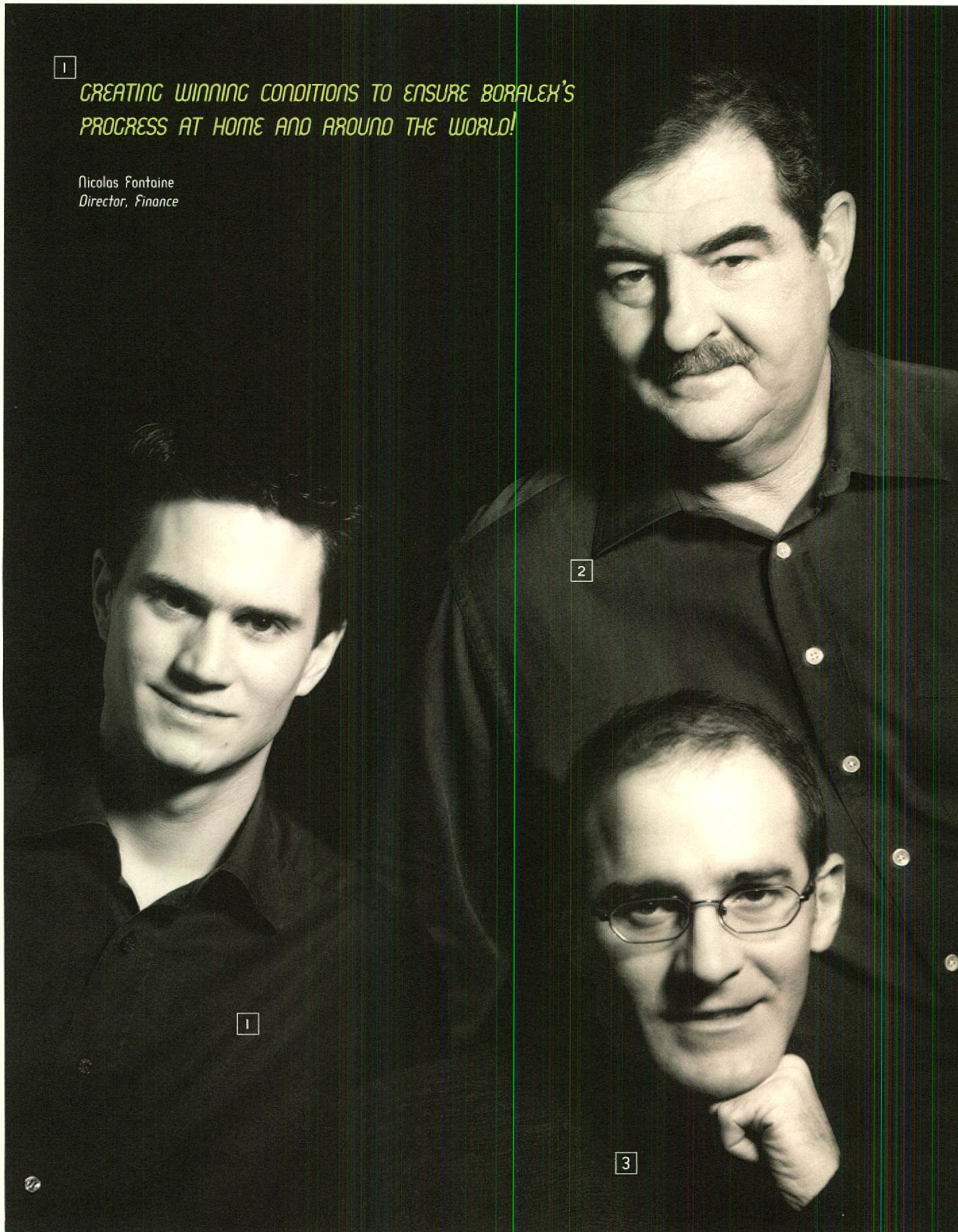
Boralex does not intend to rest on its laurels. The Corporation is carefully considering all new forms of energy that it might eventually develop in view of increasingly stringent environmental requirements. Clean and renewable energy, combined with the recycling of waste, already figure prominently among the Corporation's priorities.

Boralex will continue to take a foward-looking approach to its development.

1

CREATING WINNING CONDITIONS TO ENSURE BORALEX'S PROGRESS AT HOME AND AROUND THE WORLD!

Nicolas Fontaine
Director, Finance



2

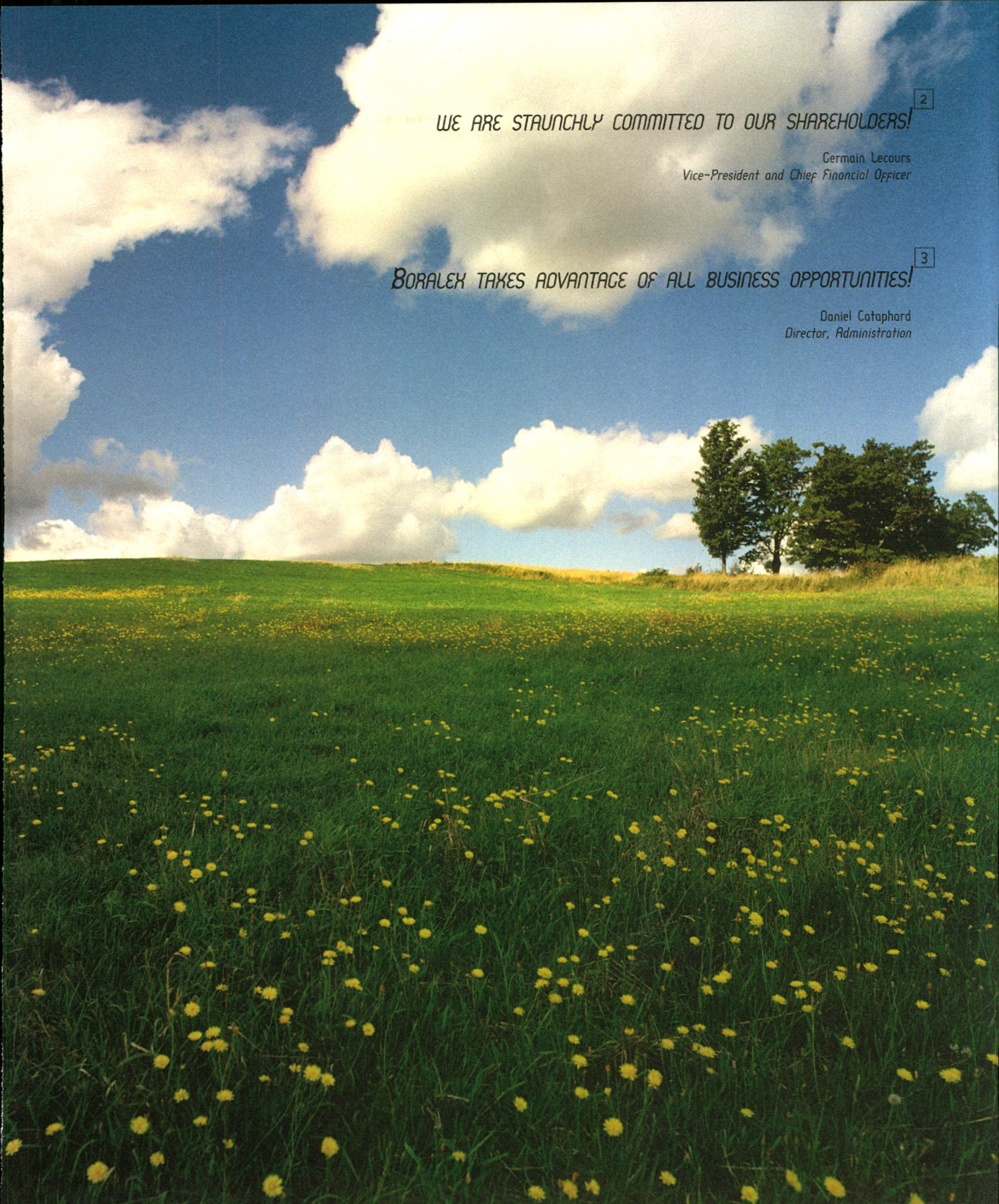
We are staunchly committed to our shareholders!

Germain Lecours
Vice-President and Chief Financial Officer

3

Boralex takes advantage of all business opportunities!

Daniel Cataphard
Director, Administration



information on sites

Hydroelectric Power Stations in Operation

1. Boralex Inc.
City: Huntingville (Quebec, Canada) _ Capacity: 0.3 MW
_ Annual Output: 1.0 GWh

2. Cascades Energy Thorndike, Inc.
City: Palmer (Massachusetts, United States) _ Capacity: 1.1 MW
_ Annual Output: 4.0 GWh

3. Forces Motrices du Joudron S.A.
City: La Rochette (France) _ Capacity: 1.0 MW
_ Annual Output: 3.0 GWh

4. Forces Motrices Montmorency Inc.
City: Beauport (Quebec, Canada) _ Capacity: 4.5 MW
_ Annual Output: 21.5 GWh

5. Forces Motrices St-François Inc.
City: East Angus (Quebec, Canada) _ Capacity: 2.2 MW
_ Annual Output: 15.0 GWh

6. Hydraska St-Lambert Inc.
City: Saint-Lambert (Quebec, Canada) _ Capacity: 6.5 MW
_ Annual Output: 42.0 GWh

7. Rimouski Hydro-Électrique Inc.
City: Rimouski (Quebec, Canada) _ Capacity: 3.5 MW
_ Annual Output: 20.5 GWh

8. Société en commandite Hydroélectrique Buckingham
City: Buckingham (Quebec, Canada) _ Capacity: 9.9 MW
_ Annual Output: 76.0 GWh

Hydroelectric Power Station Project

9. Vermont
City: Newport (Vermont, United States) _ Capacity: 4,0 MW
_ Annual Output: 15.0 GWh
Pending regulatory approval

Natural-gas Cogeneration Power Stations in Operation

10. Cascades Énergie Inc.
City: Kingsey Falls (Quebec, Canada) _ Capacity: 31.0 MW
_ Annual Output: 215.0 GWh

11. Boralex Industélec Services S.A.R.L.
City: Blendecques (France) _ Capacity: 14.0 MW
_ Annual Output: 82.0 GWh

Natural-gas and Cogeneration Power Station Projects

12. Toronto
City: Toronto (Ontario, Canada) _ Capacity: 150.0 MW

13. Mississauga
City: Mississauga (Ontario, Canada) _ Capacity: 150.0 MWh

14. Red Rock
City: Red Rock (Ontario, Canada) _ Capacity: 15.0 MWh

Wood-residue Thermal and Cogeneration Power Stations in Operation

15. Boralex Chateaugay, Inc.
City: Chateaugay (New York, United States) _ Capacity: 20.0 MW
_ Annual Output: 140.0 GWh

16. Boralex Dolbeau Inc.
City: Dolbeau (Quebec, Canada) _ Capacity: 28.0 MW
_ Annual Output: 164.0 GWh

17. Boralex Stratton Energy, Inc.
City: Stratton (Maine, United States) _ Capacity: 50.0 MW
_ Annual Output: 370.0 GWh

18. Boralex Athens Energy, Inc.
City: Athens (Maine, United States) _ Capacity: 16.0 MW
_ Annual Output: 110.0 GWh

19. Boralex Senneterre Inc.
City: Senneterre (Quebec, Canada) _ Capacity: 34.6 MW
_ Annual Output: 232.1 GWh

20. Boralex Fort Fairfield
City: Fort Fairfield (Maine, United States) _ Capacity: 36.0 MW
_ Annual Output: 252.0 GWh

21. Boralex Ashland, Inc.
City: Ashland (Maine, United States) _ Capacity: 40.0 MW
_ Annual Output: 240.0 GWh

22. Boralex Livermore Falls, Inc.
City: Livermore Falls (Maine, United States) _ Capacity: 40.0 MW
_ Annual Output: 240.0 GWh

Wood-residue Thermal Power Station Project

23. Boralex Thunder Bay
City: Thunder Bay (Ontario, Canada) _ Output: 100,000 lb of steam per hour

Wind Power Station under Construction

24. Seris Eole SAS
City: Avignonet-Lauragais (France) _ Capacity: 10.4 MW


Growth
that respects
people and
communities
Boralex

Boralex at a glance

More than ever, in 2000-2001, Boralex consolidated its role as a leading private producer of electricity in Quebec and the northeastern United States, in addition to making inroads in France. Much of its success is attributable to the 200-odd employees who work in the Corporation's 18 power stations strategically located in North America and Europe. Boralex is active in three main types of production that focus on renewable and green energy.


Reginald Cordon
Maintenance Supervisor
Carolyn Rainaud
Plant Administrator
Lori Puleo
Human Resources
Officer, in training
Stephen Hall
Plant Manager

Cornerstone of our success: a philosophy based on action

Boralex's actions are based on respect for people, both inside and outside the company. It takes a decentralized, employee-centred approach in each of the power stations it operates. By fostering open communication between employees and managers, the Corporation can rely on highly qualified workers who take pride in being part of the Boralex team.

Since Boralex believes in the importance on enhancing employees' quality of life, it has introduced preventive measures and lockdown procedures to ensure workplace safety. The Corporation has taken care to create a safe and pleasant working environment at each of its facilities.

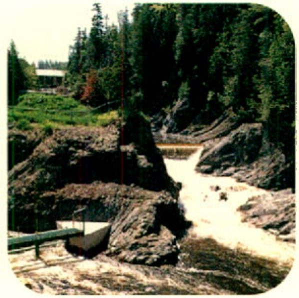
Employees are encouraged to demonstrate initiative and entrepreneurship. They enjoy many benefits, including the possibility of taking training adapted to both their personal needs and those of the company. Boralex strongly supports employees in their efforts to expand their knowledge and acquire new skills. This ensures that, from the outset, employees embrace values that are important to the Corporation, which, in turn, has a positive impact in the community.

Active in the community

Boralex's decentralized approach is also reflected in its involvement in the communities where it operates facilities. In partnership with community and fish and wildlife protection agencies, the company supports important causes that are related to its business mission.

Générations is without a doubt the best example of Boralex's community involvement. This Quebec organization provides information and support services to children, adolescents and parents.

Formerly known as Parents Anonymous, *Générations* has developed three different services: *La ligne parents*, *Parentraide* and *Tel-jeunes*. Boralex is proud to support *Générations* in the invaluable assistance it provides to thousands of young people and their families every year.



The environment: a key concern at Boralex

Boralex is very proud of its commitment to environmental issues as part of its daily operations, especially in the area of fish and wildlife.

In the area of environmental protection, the company has taken action to protect salmon and salmon rivers in the Rimouski region. Boralex has played an active role in the rehabilitation of the Rimouski River and the development of salmon stocks.

In partnership with the Association des pêcheurs sportifs de saumon de la rivière Rimouski, Boralex has stocked the river with more than 182,000 salmon parr, raised in hatchery facilities located at the Corporation's Rimouski power station. In total, more than 700,000 salmon parr have been released into the river in the past four years. Boralex takes great pride in this initiative, a prime example of a successful partnership involving a wildlife protection agency and private enterprise.

Boralex intends to continue its active involvement in projects and activities to restore river habitats.

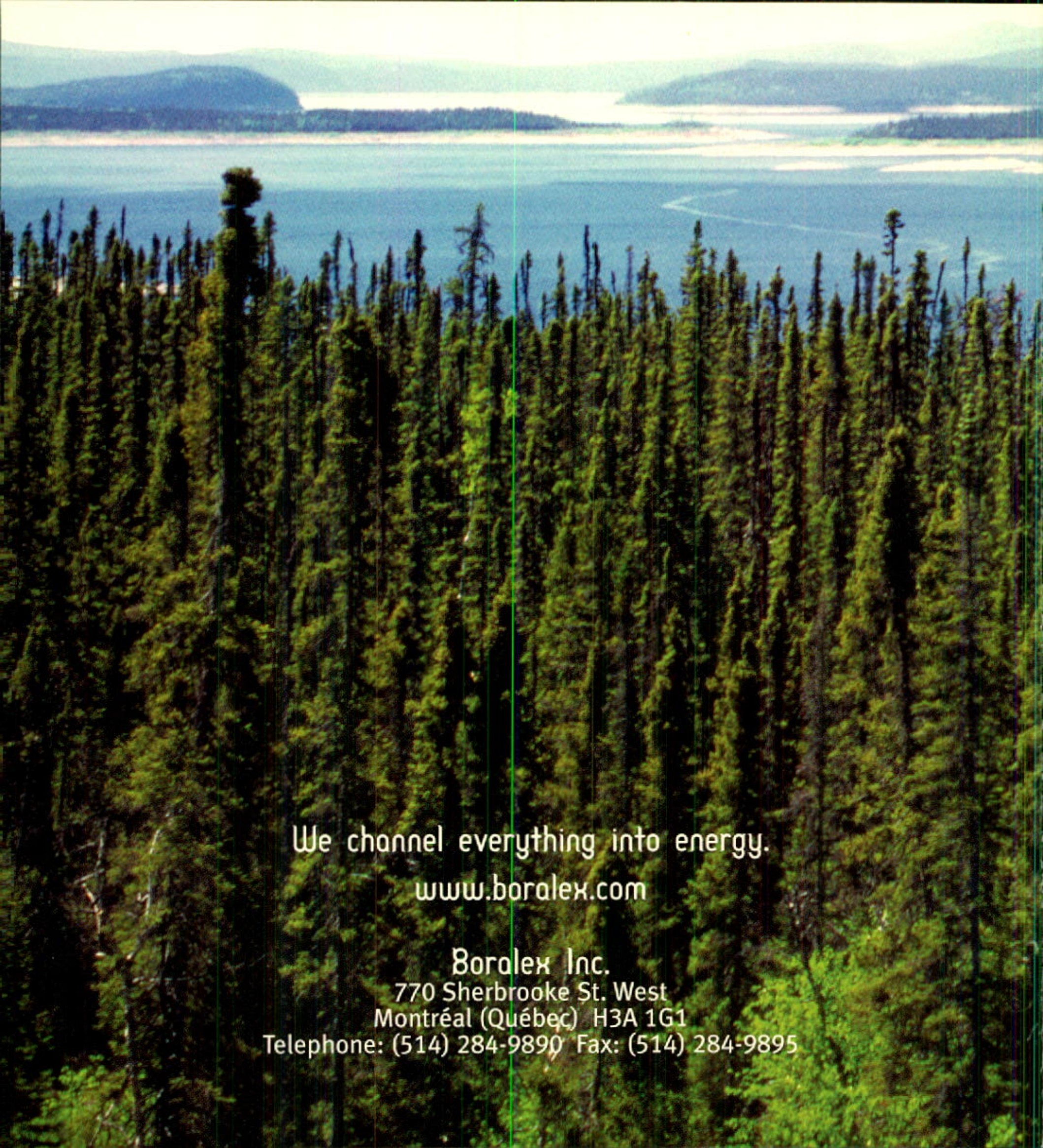
Another example: wood-residue use

As part of its daily activities, Boralex processes more than 3 million tons of wood residue and alternative products every year. The Corporation has thoroughly reviewed its methods and found better ways to recycle wood waste that otherwise would have been burned or buried.

Boralex has developed specific expertise in using wood residue to generate electrical and thermal energy, also known as green energy.

By using wood residue in its thermal power plants, the Corporation has better control over atmospheric emissions, improved water treatment methods, better management of the storage and handling of residue and recycling of ashes, all of which have a direct positive impact on the environment.

Boralex cares about its employees and the communities in which it operates. Its concerns reflect the environmental issues of the new millennium.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management's discussion and analysis of operating results and financial position

Revenue _ Consolidated revenue for the fiscal year ended September 30, 2001 totalled an all time record level of $92.8 million as compared to $82.4 million for the corresponding period in 2000. The increase of 13% in revenue is the result of higher generation and delivery of electricity in 2001 for the wood-residue and gas-fired power stations. In addition, the Corporation benefited from increased selling prices for electricity in Canada and in the United States. The lower Canadian dollar in relation to the US dollar also impacted positively the Corporation's revenue.

In the hydroelectricity sector, revenue for 2001 was $9.7 million in comparison to $11.1 million for the same period in 2000. This shortfall of $1.4 million or 12% is the result of very poor hydraulic conditions which were caused by an unusually dry spring and summer seasons. The impact of lower levels of electricity produced was, however, somewhat offset by higher electricity prices resulting from the minimum indexation of 3% provided for in its long-term sales agreements.

Total revenue for 2001 in the wood-residue sector was $61.3 million, an increase of $11.6 million over the comparable amount for 2000. This 23% increase is the result of a substantial increase in the sales of electricity in the U.S. from the new power stations acquired during the year in Fort Fairfield (ME), Livermore Falls (ME) and Ashland (ME). In addition, the Corporation entered into new power purchase agreements, which generated higher electricity prices over those of 2000. Finally, the lower Canadian dollar in relation to the US dollar had a positive impact on revenue from the US operations.

Revenue in 2001 from the natural gas power station totalled $20.8 million as compared to $19.3 for the same period in 2000. The increase in revenue of $1.5 million is the result of higher prices for electricity and for steam delivered under its long term sales agreements

Income _ Consolidated earnings before financial expenses, interest income, non-controlling interests, income taxes and amortization (EBITDA) for the fiscal year ended September 30, 2001 totalled $31.0 million as compared to $31.1 million for the comparable period in 2000. Higher revenue from the sale of electricity and steam were more than offset by the increased cost of wood-residue for the Corporation's US operations.

Financial expenses in 2001 (net of interest income) of $10.4 million were $1.6 million less than those incurred in 2000. This decrease in the result of interest income generated from cash generated from the two Class A share issuances completed during 2001. Amortization increased from $8.0 million in 2000 to $8.7 million in 2001, following additional amortization of the new installations acquired in the US during 2001. The Corporation's net earnings for 2001 reached $7.9 million or $0.31 per share as compared to $6.6 million or $0.32 per share in 2000. The weighted average number of Class A shares outstanding in 2001 increased from 19.4 million shares to 24.4 million shares as a result of the new Class A shares issued during the year, thereby slightly reducing earnings per share.

For the hydroelectricity sector, EBITDA for 2001 was $6.9 million, some $1.1 million lower than in 2000. Higher selling prices for electricity were more than offset by the lower production and sales of electricity following poor hydraulic conditions in the spring and summer of 2001.

In the wood-residue sector, EBITDA for 2001 was $14.9 million as compared to $14.5 million in 2000. Higher prices for electricity and increased sales of electricity from new acquisitions in the US in 2001 had a favourable impact on EBITDA. However, substantial increase in the cost of wood-residue especially during the second and third quarters of 2001 impacted negatively on EBITDA. The Corporation instituted several measures during the fourth quarter of 2001, which resulted in lowering wood-residue cost by the end of the fiscal year.

EBITDA for the natural gas power station was $6.9 million during 2001, approximately $0.1 million higher than the corresponding period in 2000. The improvement comes from higher selling prices of steam and electricity of which the impact was mostly offset by higher fuel expense in the same period.

management's discussion and analysis of operating results and financial position

Cash flow _ Cash flow from operations for the fiscal year ended September 30, 2001 amounted to $19.4 million compared to $17.8 million for the corresponding period in 2000. This increase of 9% is the result of the increase in the earnings for 2001 and an increase in the Corporation's future income taxes.

Investing activities totalled $105.9 million during 2001. The principal areas of investment were the acquisition of three wood-residue power stations in the US for a total cash consideration of $64.5 million and capital expenditures related to the construction of the wood-residue power station in Senneterre (Quebec) and the natural gas power station in Blendecques (France) for a total of $38.8.

Financing activities generated $91.7 million in 2001. The Corporation completed two Class A share issuances for net proceeds of $59.1 million and it increased its long term debt by $27.1 million to finance the construction projects in Senneterre and Blendecques. In addition, the Corporation drew $6.2 million on its operating line of credit.

Financial position _ As at September 30, 2001, the Corporation's total assets reached $354.3 million, an increase of some $108.1 million since the end of the fiscal year 2000. Capital assets totalled $320.3 million, of which $64.2 million were not yet in service in comparison with $223.3 million and $27.6 million respectively in 2000. The increase in assets not yet in service is related to the Senneterre and Blendecques projects, which were still under construction at the end of the fiscal year. These two power stations will be in operation by January 2002.

Working capital deficit as at September 30, 2001 amounted to $29.5 million as compared to a deficit of $28.7 million as at the same date in 2000. The deficit arises from the current portion of long-term debt of $24.4 million as at September 30, 2001. The Corporation has obtained the necessary lines of credit to meet its obligations when due. The debt to equity ratio at the end of 2001, excluding the $16.0 million redeemable preferred shares, improved to 1.2 to 1. from 2.5 to 1 in 2000. This significant improvement results from the increase in the Corporation's shareholders equity following the issuance of new Class A shares and the net earnings for the year which increased the Corporation's equity.

Outlook, requirements _ Insofar as the Corporation's revenue is concerned, power and steam sales agreements are in place for all of the Corporation's volume of generation of electricity and steam for the fiscal year 2002. In addition, two new plants, one wood-residue fuelled in Senneterre, the other natural gas in Blendecques, will be in operation in January of 2002. The start up and operation of these new assets combined with Corporation's new acquisitions in the US, which will have an impact on the full fiscal year 2002, will improve profitability and cash flows in fiscal year 2002.

Insofar as operating costs are concerned, apart from normal inflation of most of the Corporation's costs, the Corporation is exposed to market fluctuations in the cost of wood-residue for its US power stations. The Corporation has put on place a series of measures to ensure supply of a volume of wood-residue required to generate the electricity planned for 2002 at a cost which should be lower than that incurred in 2001. In fact, benefits from these measures began to impact the Corporation's results in the fourth quarter of 2001.

The Corporation will invest $5.0 million in capital expenditures necessary to maintain its actual production capacity and is expected to repay $24.4 million of its long-term debt in the next fiscal year. These activities will be funded from the Corporation's operating cash flow and its lines of credit totalling $30.0 million.

The Senneterre and Blendecques projects will require $5.0 million to complete and the financing requirements are in place.

management's report

The consolidated financial statements for the years ended September 30, 2001 and 2000, were completed by the management of Boralex Inc., reviewed by the Audit Committee and approved by the Board of Directors. They were prepared in accordance with accounting principles generally accepted in Canada and those consistent with the Corporation's business.

The Corporation and its subsidiaries maintain high quality systems of internal controls. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable. The information included in this Annual Report is consistent with the consolidated financial statements contained herein.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Corporation's auditors, whose report is provided below.

Montréal, Canada
November 20, 2001

Bernard Lemaire, Chairman of the Board and Chief Executive Officer

auditors' report

To the Shareholders of Boralex Inc.

We have audited the consolidated balance sheets of Boralex Inc. as at September 30, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Montréal, Canada
November 9, 2001

As at September 30, 2001 and 2000
(in thousands of dollars)

consolidated balance sheets

	Note	2001	2000
Assets			
Current assets			
Cash and cash equivalents		3,201	2,072
Accounts receivable		16,057	10,612
Inventories		3,623	937
Income taxes		-	212
		22,881	13,833
Capital assets	4	320,348	223,349
Other assets	5	11,085	8,985
		354,314	246,167
Liabilities			
Current liabilities			
Bank loans and advances	6	15,239	9,025
Accounts payable and accrued liabilities		12,484	9,467
Income taxes		271	-
Current portion of long-term debt	7	24,425	23,999
		52,419	42,491
Long-term debt	7	153,172	130,856
Future income taxes	11	18,895	14,208
Non-controlling interests		545	3,395
		225,031	190,950
Shareholders' Equity			
Equity component of convertible debentures	8	-	11,902
Capital stock	9	110,789	31,827
Retained earnings		16,765	11,290
Cumulative translation adjustments		1,729	198
		129,283	55,217
		354,314	246,167

Approved by the Board of Directors

Bernard Lemaire
Director

Germain Benoit
Director

For the years ended September 30, 2001 and 2000
(in thousands of dollars, except per share amounts)

consolidated statements of earnings

	Note	2001	2000
Revenue		92,789	82,446
Expenses			
Operating costs		57,011	45,892
Administration		4,799	5,473
		61,810	51,365
Earnings before the following		30,979	31,081
Financial expenses	10	11,664	12,433
Interest income		(1,228)	(344)
Amortization		8,675	7,984
		19,111	20,073
Earnings before income taxes and non-controlling interests		11,868	11,008
Provision for income taxes	11	3,939	3,639
		7,929	7,369
Non-controlling interests		(45)	(743)
Net earnings for the year		7,884	6,626
Net earnings per Class A share		0.31	0.32
Weighted average number of Class A shares		24,366,534	19,397,618

For the years ended September 30, 2001 and 2000
(in thousands of dollars)

consolidated statements of retained earnings

	2001	2000
Balance – Beginning of year	11,290	5,109
Net earnings for the year	7,884	6,626
	19,174	11,735
Increase in equity component of convertible debentures, net of future income taxes of $105 (2000 – $200)	(231)	(445)
Share issue expenses, net of future income taxes of $979	(2,178)	-
Balance – End of year	16,765	11,290

For the years ended September 30, 2001 and 2000
(in thousands of dollars)

consolidated statements of cash flows

	Note	2001	2000
Operating activities			
Net earnings for the year		7,884	6,626
Items not affecting cash			
Amortization		8,675	7,984
Future income taxes		2,803	2,473
Non-controlling interests		45	743
Other		31	20
Cash flows from operations		19,438	17,846
Change in non-cash working capital balances	12	(4,217)	(557)
		15,221	17,289
Investing activities			
Purchase of capital assets		(38,776)	(14,518)
Other assets		(2,626)	(1,240)
Business acquisitions	3	(64,481)	(2,985)
		(105,883)	(18,743)
Financing activities			
Bank loans and advances		6,214	7,565
Increase in long-term debt		52,967	-
Payments of long-term debt		(25,897)	(6,276)
Net proceeds on issuance of shares		59 ,097	29
Non-controlling interests		(675)	(75)
		91,706	1,243
Translation adjustments on cash and cash equivalents		85	49
Net change in cash and cash equivalents during the year		1,129	(162)
Cash and cash equivalents – Beginning of year		2,072	2,234
Cash and cash equivalents – End of year		3,201	2,072
Supplemental disclosure			
Cash and cash equivalents paid for:			
Interest		14,548	13,173
Income taxes		952	3,012

notes to consolidated financial statements

1. Nature of operations and basis of consolidation

The Corporation operates principally as a private producer of energy. As at September 30, 2001, the Corporation had interests in eight hydroelectric power stations (2000 – eight), seven wood-residue thermal and cogeneration power stations (2000 – four) and one natural gas cogeneration power station (2000 – one), comprising a total capacity of 290 MW (2000 – 174 MW). Furthermore, a wood-residue thermal and a natural gas cogeneration power station were under construction as at September 30, 2001 and will comprise an additional power capacity of 48 MW. The Corporation also manages five hydroelectric power stations (2000 – five) on behalf of an entity controlled by a director of the Corporation.

These consolidated financial statements include the accounts of the Corporation, its subsidiaries and its joint venture.

2. Significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Revenue recognition

The Corporation recognizes its revenue when the energy produced is received by the client.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less.

Inventories

Inventories represent wood residue and are valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

Capital assets and amortization

Capital assets, comprised mainly of power stations, are recorded at cost, including interest incurred during the period of construction of certain assets. Amortization is provided for from the date the assets are put into service using the compound interest method at an indexation rate of 3% for those stations with index-linked long-term sale contracts and using the straight-line method for the other stations over periods varying from 20 to 40 years. Replacement parts are valued at the lower of cost and replacement cost.

Restricted funds

Restricted funds represent funds held in trust for the purpose of satisfying long-term debt agreements. The funds, consisting of investment certificates, are valued at the lower of cost and fair market value.

Deferred costs

Deferred costs include deferred financing costs, amortized using the straight-line method over the term of the corresponding debt instruments, and expenses relating to water rights and hydraulic forces, amortized using the straight-line method over a period of 40 years. They also include expenses related to the development of new sources of fuel for the thermal power stations, amortized using the straight-line method over four years.

September 30, 2001 and 2000
(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements *continued*

2. Significant accounting policies *(continued)*

Project development costs

Project development costs include design and acquisition costs related to new projects. These costs are deferred up to the start of the construction of the new power station, at which time the costs are transferred to the cost of the power station. When the Corporation determines that the abandonment of a project is probable, the related costs are written off.

Income taxes

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

Foreign currency translation

Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the local currency at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are included in the determination of the net earnings for the year.

Foreign operations

The Corporation's foreign operations are defined as self-sustaining. The assets and liabilities of these operations are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and shown as a separate component in shareholders' equity.

Per share amounts

Per share amounts are determined based on the weighted average number of Class A shares outstanding during the year. In the determination of the per share amounts, the increase in the equity component of the convertible debentures, net of related income taxes, has been subtracted from the net earnings for the year.

Fair market value of financial instruments

The Corporation has estimated the fair market values of its financial instruments based on the current interest rate environment, related market values and current pricing of financing instruments with comparable terms. The carrying value of its financial instruments approximates their fair market value, unless otherwise indicated.

3. Business acquisitions

On September 10, 2001, the Corporation acquired the assets of two wood-residue thermal power stations with an installed capacity of 40 MW each, for a cash consideration of $42,073,000 (US$26,868,000). In addition, following an interim management agreement, the Corporation realized management fees totalling $3,234,000 between June 18, 2001 and the closing date of the transaction. These management fees are included in the revenue for the year.

On July 6, 2001, the Corporation acquired all the outstanding shares of a corporation operating a wood-residue thermal power station with an installed capacity of 36 MW, for a cash consideration of $15,408,000 (US$10,187,000).

On March 26, 2001, the Corporation acquired the 30% interest it did not own in the Société en commandite hydroélectrique Buckingham, to bring its interest to 100%. This transaction was carried out for a cash consideration of $7,000,000.

(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements *continued*

3. Business acquisitions *(continued)*

On January 7, 2000, the Corporation acquired the assets of a wood-residue thermal power station with an installed capacity of 16 MW, for a cash consideration of $2,985,000 (US$2,000,000).

These acquisitions have been accounted for using the purchase method. The accounts and the results of operations of these acquisitions are included in these financial statements from their respective date of acquisition. The following allocation of the purchase price to the identifiable assets acquired and liabilities assumed did not result in any goodwill.

	2001	2000
Current assets	921	86
Long-term assets	63,749	2,899
Current liabilities	(189)	-
Total consideration	64,481	2,985

4. Capital assets

			2001
	Cost	Accumulated amortization	Net
Power stations	294,130	37,948	256,182
Stations in progress and replacement parts	64,166	-	64,166
	358,296	37,948	320,348

			2000
	Cost	Accumulated amortization	Net
Power stations	225,546	29,764	195,782
Stations in progress and replacement parts	27,567	-	27,567
	253,113	29,764	223,349

5. Other assets

	2001	2000
Restricted funds and other funds held in trust	3,984	3,689
Deferred costs	4,096	2,434
Project development costs	1,902	1,663
Other investments	1,103	1,199
	11,085	8 985

September 30, 2001 and 2000
(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements *continued*

6. Bank loans and advances

As at September 30, 2001, the Corporation had a revolving credit facility in an authorized amount of $10,000,000 repayable on December 31, 2001 at the latest and a temporary credit facility for an amount of $6,500,000 repayable when an additional equivalent amount is drawn on the secured term credit available for the Senneterre power station or on December 31, 2001 at the latest. These credit facilities bear interest at a variable rate, plus an additional premium based on the amount used. As at September 30, 2001, the amount used of $15,239,000 bore interest at a rate of 6.88%.

On November 9, 2001, the Corporation increased to $30,000,000 the authorized amount of its revolving credit facility which will be repayable on December 31, 2002 at the latest.

7. Long-term debt

a) Long-term debt comprises the following:

	Note	2001	2000
Secured loan of an original amount of $60,000,000, bearing interest at a variable rate (September 30, 2001 – 6.17%)	7 c), 7 f)	56,000	58,000
Secured loans of an original amount of $63,500,000, bearing interest at a fixed weighted average rate of 9.81%, repayable between 2007 and 2020		53,548	55,798
Secured loan of an original amount of US$13,500,000, bearing interest at a variable rate (September 30, 2001 – 5.57%), repayable on May 1, 2005		19,794	-
Secured loan of an original amount of US$12,000,000, repaid during the year		-	18,084
Secured term credit of an authorized amount of $42,500,000, bearing interest at a variable rate (September 30, 2001 – 7.00%), repayable on December 31, 2003	7 d)	27,000	-
Secured credit of an original amount of FF25,000,000, bearing interest at a fixed rate of 6.50%, repayable on March 31, 2012 at the latest		4,941	-
Redeemable preferred shares	7 e)	16,000	16,000
Liability component of convertible debentures	8	-	6,135
Other		314	838
		177,597	154,855
Less: Current portion		24,425	23,999
		153,172	130,856

b) With the exception of the capital assets of certain power stations located in the United States totalling $62,187,000 as at September 30, 2001 and related elements of working capital, substantially all of the assets of the Corporation, its subsidiaries and its joint venture have been pledged as collateral for the bank loan (note 6) and the secured loans and credits. The loan agreements include certain restrictions in the use of cash flows of the subsidiaries of the Corporation.

c) The Corporation has entered into an interest rate swap agreement involving no exchange of principal to fix interest at 7.79%, including a premium equivalent to the one applied to the corresponding loan, on a notional amount of $30,000,000 until March 28, 2002.

(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements *continued*

7. Long-term debt *(continued)*

d) The Corporation has entered into an interest rate swap agreement involving no exchange of principal to fix interest at 6.81%, including a premium equivalent to the one applied to the corresponding loan, on a notional amount of $42,500,000 until December 31, 2003.

e) The preferred shares consist of 16,000,000 shares of a subsidiary which bear a fixed preferred cumulative dividend of 4% per year and which are redeemable by the subsidiary at any time, or are callable by the holders at any time from January 28, 2002, at a price of $1 per share plus any accrued and unpaid dividends. Given the option granted to the holders, the entire amount is presented as a current liability as at September 30, 2001.

f) On November 8, 2001, the Corporation obtained the consent of its lenders to postpone the maturity of the secured loan from March 31, 2002 to December 31, 2002.

g) The aggregate fair market value of the long-term debt, including the interest rate swap agreements described above but excluding the redeemable preferred shares, was estimated at $173,096,000 (September 30, 2000 – $146,577,000), based on discounted future cash flows using interest rates available to the Corporation for debt issued with similar terms and conditions.

h) The estimated aggregate amount of repayments on long-term debt in each of the next five years is as follows:

2002	24,425
2003	61,286
2004	32,081
2005	14,391
2006	4,034

8. Convertible debentures

On April 4, 1997, the Corporation issued $17,095,000 of unsecured convertible subordinated debentures bearing interest at the annual rate of 7% and maturing on April 4, 2007. These debentures were convertible into Class A shares at the price of $6.90 per share until April 3, 2002, at $7.20 per share between April 4, 2002 and April 3, 2004, and at $7.50 per share thereafter. Furthermore, effective April 4, 2000, the Corporation could redeem the debentures prior to maturity or demand their conversion into Class A shares under certain conditions.

Following a notice of conversion issued by the Corporation, the remaining convertible debentures outstanding as at June 5, 2001 were exchanged for 2,472,522 Class A shares of the Corporation. The book value of the debentures converted, including the unamortized balance of the related liability component, net of future income taxes of $759,000, has been included in capital stock for a total amount of $16,709,000.

9. Capital stock

a) Authorized

An unlimited number of Class A shares

Issued

	2001	2000
29,940,262 Class A shares (2000 – 19,404,340)	110,789	31,827

notes to consolidated financial statements *continued*

9. Capital stock *(continued)*

b) The transactions relating to Class A shares for the years ended September 30, 2001 and 2000 are detailed as follows:

	2001		2000	
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Balance – Beginning of year	19,404	31,827	19,397	31,798
Cash transactions				
New issue of shares	8,000	62,000	-	-
Exercise of options	63	253	7	29
Non-cash transactions				
Conversion of convertible debentures	2,473	16,709	-	-
Balance – End of year	29,940	110,789	19,404	31,827

c) The Corporation has a redemption program authorized until November 3, 2000 for a maximum of 581,910 of its issued Class A shares, whereby no shares were redeemed during the years ended September 30, 2001 and 2000.

d) The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 1,500,000 Class A shares have been reserved. The exercise price equals the market value on the day preceding the date the options were granted. The options granted vest over a period of four years, 25% per year, beginning at the grant date with the exception of the options granted in 1996 and 1997 which vest over a period of five years, 20% per year, beginning at the grant date. The stock options are detailed as follows for the years ended September 30, 2001 and 2000:

	2001		2000	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding – Beginning of year	228,388	4.13	160,303	4.38
Exercised	(63,400)	4.00	(7,322)	3.96
Cancelled	(17,570)	3.80	(14,426)	4.32
Granted	92,150	6.00	89,833	3.71
Outstanding – End of year	239,568	4.90	228,388	4.13
Options exercisable – End of year	121,489	4.73	128,788	4.32

(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements
continued

9. Capital stock *(continued)*

The following options were outstanding as at September 30, 2001:

	Options outstanding		Options exercisable		
Years granted	Number of options	Exercise price	Number of options	Exercise price	Year of expiration
1996	38,956	4.10	38,956	4.10	2006
1997	25,000	5.70	25,000	5.70	2007
1999	43,760	4.00	27,819	4.00	2009
2000	39,702	3.64	6,676	3.46	2010
2001	92,150	6.00	23,038	6.00	2011
	239,568		121,489		

No expense is recognized when stock options are issued to management. Any consideration received on exercise of stock options is credited to capital stock.

10. Financial expenses

	2001	2000
Interest on long-term debt	11,477	12,016
Interest on liability component of convertible debentures	293	627
Dividends on redeemable preferred shares	638	642
Other interest	142	571
	12,550	13,856
Interest capitalized to stations in progress	(886)	(1,423)
	11,664	12,433

11. Income taxes

a) The provision for income taxes is as follows:

	2001	2000
	$	$
Provision for income taxes		
Current	1,136	1,166
Future	2,803	2,473
	3,939	3,639

September 30, 2001 and 2000
(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements *continued*

11. Income taxes *(continued)*

a) The provision for income taxes is as follows: *(continued)*

	2001	2000
	%	%
Provision for income taxes based on combined basic Canadian and Quebec income tax rate	45.4	45.4
Increase (decrease) in income taxes arising from the following:		
Difference in foreign operations statutory income tax rate	(1.2)	(1.7)
Unrecognized tax benefits	0.7	0.7
Deduction for manufacturing and processing and for active business income carried on in Quebec	(11.6)	(10.7)
Large corporations tax	2.7	3.3
Non-controlling interest in earnings of a limited partnership	(0.3)	(1.6)
Other	(2.5)	(2.3)
	(12.2)	(12.3)
	33.2	33.1

b) Future income taxes include the following items:

	2001	2000
Future income tax assets		
Tax benefit arising from losses carried forward	2,702	3,916
Share issue expenses	979	-
Convertible debentures	-	654
Other	152	224
	3,833	4,794
Future income tax liabilities		
Capital assets	22,336	18,612
Other assets	392	390
	22,728	19,002
Future income taxes	18,895	14,208

c) The Corporation has accumulated losses for Federal and provincial income tax purposes amounting to approximately $8,496,000 and $9,247,000, respectively, which may be carried forward to reduce taxable income in future years and for which a future tax benefit has been recognized in the accounts. These unused losses for income tax purposes may be claimed in years ending no later than 2006.

(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements *continued*

12. Change in non-cash working capital balances

	2001	2000
Decrease (increase) in		
Accounts receivable	(4,958)	213
Inventories	(2,446)	(14)
Increase (decrease) in		
Accounts payable and accrued liabilities	2,747	1,132
Income taxes	440	(1,888)
	(4,217)	(557)

13. Segmented information

The Corporation's power stations are grouped under three distinct segments: hydroelectric power, wood-residue thermal power and natural gas thermal power, and are engaged mainly in the production of energy. The classification of these segments is based on the different cost structures relating to each type of power station.

The Corporation analyzes the performance of its operating segments based on their EBITDA which is defined as net earnings before income taxes and non-controlling interests, amortization, interest income and financial expenses. EBITDA is not a measure of performance under Canadian generally accepted accounting principles; however, management uses this performance measure for assessing the operating performance of its reportable segments. Earnings for each segment are presented on the same basis as those of the Corporation.

a) Information by segment

2001

	Hydroelectric power stations	Wood-residue thermal power stations	Natural gas thermal power stations	Corporate and elimination	Total
Revenue	9,744	61,324	20,810	911	92,789
EBITDA	6,922	14,859	6,900	2,298	30,979
Purchase of capital assets	228	31,359	6,882	307	38,776
Assets	57,330	243,786	43,521	9,677	354,314

2000

	Hydroelectric power stations	Wood-residue thermal power stations	Natural gas thermal power station	Corporate and elimination	Total
Revenue	11,125	49,772	19,307	2,242	82,446
EBITDA	8,034	14,458	6,789	1,800	31,081
Purchase of capital assets	70	12,185	1,896	367	14,518
Assets	59,203	144,443	40,145	2,376	246,167

September 30, 2001 and 2000
(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements *continued*

13. Segmented information *(continued)*

b) Geographic information

	2001		2000	
	Revenue	Capital assets	Revenue	Capital assets
Canada	50,989	224,815	50,149	191,013
United States	41,800	89,510	30,948	32,336
Other	-	6,023	1,349	-
	92,789	320,348	82,446	223,349

Revenues are attributed to countries based on the location of the customers.

c) In 2001, the Corporation had four customers accounting for more than 10% of its revenue: 32.2%, 24.2%, 19.3% and 11.4% (three in 2000 – 37.6%, 25.9% and 12.1%).

14. Related party transactions

The Corporation entered into the following transactions with related parties:

	2001	2000
Company (and its subsidiaries) having significant influence over the Corporation		
Energy revenue	9,167	7,983
Other revenue	304	29
Operating expenses	480	475
Entity controlled by a director of the Corporation		
Management revenue	650	567
Interest income	85	-

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The balance sheets as at September 30 included the following balances with related parties:

	2001	2000
Company (and its subsidiaries) having significant influence over the Corporation		
Accounts receivable	863	1,081
Accounts payable	585	467
Entity controlled by a director of the Corporation		
Accounts receivable	1,358	636

(tabular amounts are in thousands of dollars, unless otherwise specified)

notes to consolidated financial statements
continued

15. Interest in a joint venture

The major components of the Corporation's interest in a joint venture included in the consolidated financial statements as at September 30, 2001 are as follows:

Consolidated balance sheet	
Current assets	33
Long-term assets	6,036
Current liabilities	380
Long-term debt	4,561
Consolidated statement of cash flows	
Investing activities	(6,036)
Financing activities	4,941

16. Commitments and contingency

a) The Corporation is committed to sell all of its electricity production in Canada under long-term contracts expiring from 2010 to 2022 and renewable, except the one expiring in 2022, for periods of 10 to 25 years. The steam production from its two cogeneration power stations in Canada is sold under long-term contracts expiring in 2012 and 2023. The Corporation is also committed to sell most of its electricity production in the United States under contracts expiring from September 2002 to March 2004.

b) The Corporation is committed under the terms of a service agreement ending January 28, 2023 to allow a third party, under its overview, the entire management of the operation and maintenance of one of its stations. The agreement covers the cost of the wood-residue supply, salaries, supplies and spare parts, minor maintenance work (described as a maintenance not exceeding $250,000), and operating and administration costs. Major maintenance work and capital expenditures are assumed in addition to the service fees. Fees related to this service agreement amounted to $8,844,000 for the year. They are adjusted annually based on the consumer products index and, if applicable, to give effect to changes in the wood-residue supply costs.

c) In order to complete the construction projects in Senneterre, Quebec and Blendecques, France, the Corporation is committed to the acquisition of capital assets amounting to $4,500,000 and $550,000 respectively.

d) Since 1999, the ministère du Revenu du Québec is trying to impose on the private producers located in Quebec, some of which are subsidiaries of the Corporation, a 3% tax on revenue realized after November 22, 1996 from the sale of electricity under the provisions of the Loi sur la fiscalité municipale. The assessments received by the subsidiaries of the Corporation amounted to $1,418,172 and cover the years 1997 to 2000. The Corporation has objected to these assessments and questions their validity. Management believes that the resolution of this contingency will not have significant adverse effect on the financial position of the Corporation. Therefore, no payment has been made and no provision has been recorded for these assessments or any potential assessments.

In thousands of dollars, except per share amounts and ratios (unaudited)

Five years financial review

	2001	2000	1999	1998 [4]	1997
Operatind results					
Revenue	92,789	82,446	64,768	26,041	18 760
Operating earnings[1]	30,979	31,081	26,695	11,041	8,829
Net earnings	7,884	6,626	5,243	405	774
Operating cash flow and investments					
Cash flows from operations	19,438	17,846	14,641	5,384	4,267
Purchase of capital assets	38,776	14,518	11,202	6,873	8,854
Business acquisitions	64,481	2,985	59,705	37,988	0
Financial position					
Working capital	(29,538)	(28,658)	(4,417)	2,548	15,149
Capital assets	320,348	223,349	210,686	130,737	75,316
Total assets	354,314	246,167	234,726	148,376	112,081
Long-term debt[2]	177,597	154,855	160,422	88,418	60,737
Shareholders' equity	129,283	55,217	48,074	43,251	42,341
Class A shares data					
Net earnings per share	0.31 $	0.32 $	0.25 $	0.00 $	0.03 $
Cash flows from operations per share	0.80 $	0.92 $	0.72 $	0.24 $	0.22 $
Shareholders' equity per share outstanding at the end of the period	4.32 $	2.85 $	2.48 $	2.23 $	2.18 $
Weighted average number of shares outstanding (in thousands)	24,367	19,398	19,398	19,402	18,061
Shares outstanding at the end of the period (in thousands)	29,940	19,404	19,397	19,402	19,402
Financial ratios					
Current ratio	0.44	0.33	0.76	1.37	1.78
Long-term debt to equity[3]	1.18	2.37	3.19	1.97	1.07

[1] Earnings before amortization, financial expenses, interest income, provision for income taxes and non-controlling interests
[2] Including the current portion
[3] Long-term debt (excluding the current portion) divided by the shareholders' equity
[4] The 1998 financial information has been adjusted to reflect new standards of presentation

Board of Directors

Bernard Lemaire (1)
Chairman of the Board and
Chief Executive Officer
Boralex Inc.

Chairman of the Board
Cascades Inc.

Jacques Gauthier (1) (3)
President and Chief Operating Officer
Boralex Inc.

Alain Lemaire
Executive Vice-President
Cascades Inc.

President and Chief Executive Officer
Norampac Inc.

Allan Hogg (1) (2)
Corporate Controller
Cascades Inc.

Yves Rheault
Vice-Chairman of the Board and Vice-President,
Business Development
Boralex Inc.

Richard Lemaire (3)
President
Séchoirs Kingsey Falls Inc.

Germain Benoît (2)
President
Capital Benoit Inc.

Gilles Shooner (2) (3)
Associate
Génivar Consulting Group Inc.

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Environmental Committee

Management

Bernard Lemaire
Chairman of the Board and
Chief Executive Officer

Jacques Gauthier
President and Chief Operating Officer

Yves Rheault
Vice-Chairman of the Board and Vice-President,
Business Development

Germain Lecours
Vice-President and Chief Financial Officer

Denis Aubut
Manager, Hydroelectric and
Gas Cogeneration Division

Jean Roy
Manager, Wood-Residue Thermal and
Cogeneration Division

Hugues Girardin
Manager, Electrical, Instrumentation and
Control Division

Robert F. Hall
Corporate Secretary

Share Data

Registered Securities

Securities	*Symbol*	*Exchange*
Common Shares	BLX.A	Toronto

Majority Shareholder
(as at September 2001)

Cascades Inc.: 39.9%

Trading on Common Shares

Fiscal year ended September 30	Shares issued and outstanding	Public float	High	Low	Closing price as at September 29
2001	**29,940,262**	**17,966,463**	**11.95**	**5.00**	**5.80**
2000	19,404,340	5,145,484	5.80	3.10	5.50

Trading on Debentures*

Fiscal year ended September 30	Debentures issued and outstanding (in thousands of dollars)	Public float (in thousands of dollars)	High	Low	Closing price as at September 29
2001	**-**	**-**	**149.00**	**96.05**	**-**
2000	17,095	16,483	104.00	88.00	100.00

**On June 5th, 2001, the totality of the outstanding debentures of the Corporation was exchanged for Class A shares of the Corporation.*

General Information

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Fax: (514) 284-9895

Transfer Agent and Registrar
Computershare Trust Company of Canada

Shareholders Services
(514) 982-7555
1 800 564-6253

Shareholders Information
The Annual General Meeting of Shareholders will be held on March 5, 2002, at 10:30 AM., at the Omni-Mont-Royal Hotel, Saison A Room, 1050 Sherbrooke St. West, Montréal (Québec).

The 2000 Annual Information Form of Boralex Inc. will be available upon request from the Corporation's Montréal office as of February 15, 2002.

This annual report is available in both French and English.

On peut se procurer la version française du présent rapport annuel en s'adressant à: Boralex inc., 770, rue Sherbrooke Ouest, Montréal, Québec, H3A 1G1.

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