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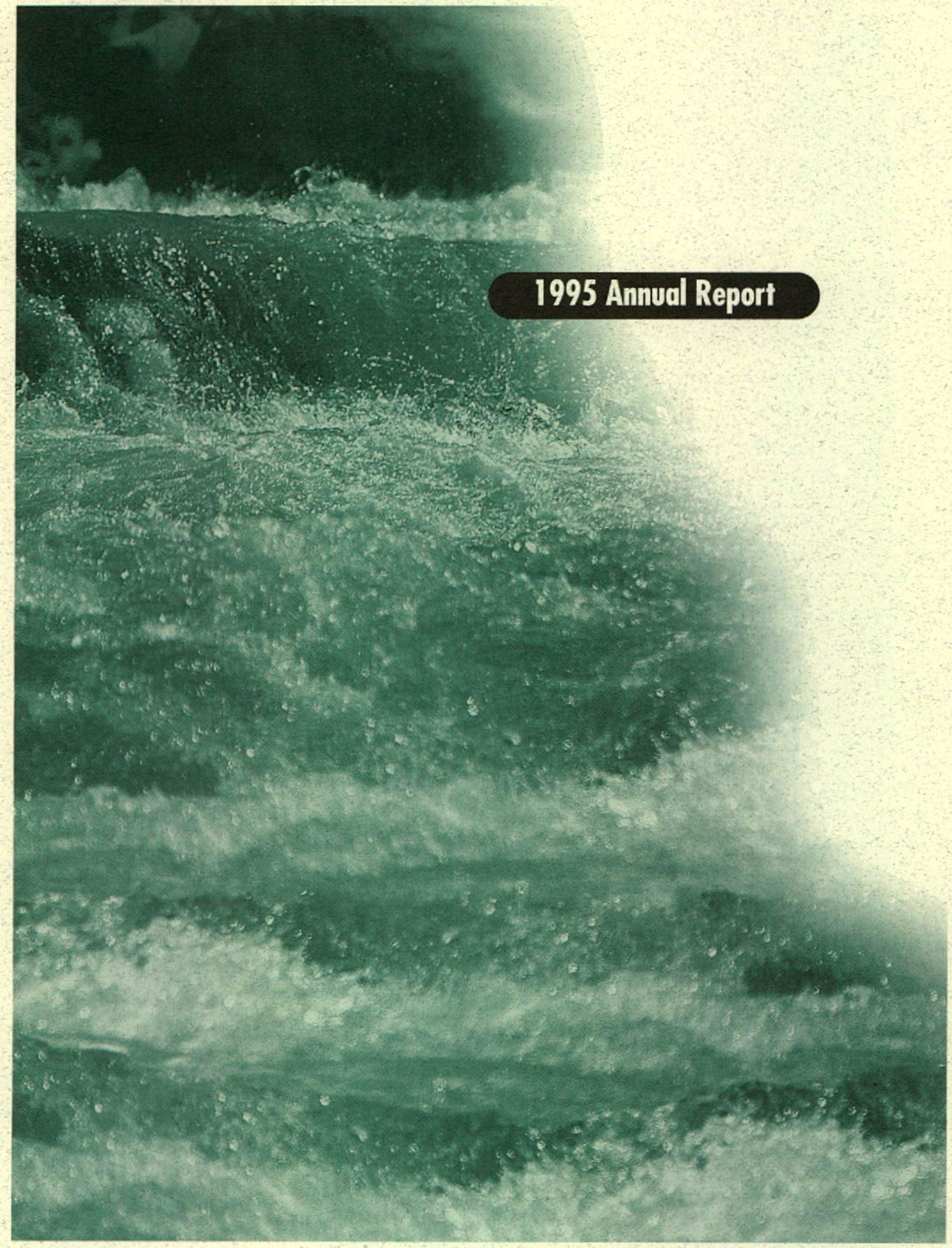
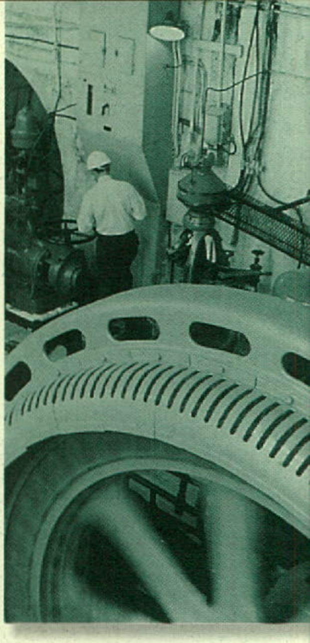


1995 Annual Report

Boralex inc.
Cascades Group

TABLE OF CONTENTS



PROFILE

Since its integration into the Cascades Group in December 1995, Boralex Inc. has become one of the largest private producers of hydroelectricity in Québec and one of the primary suppliers of electricity to Hydro-Québec.

Active in the hydroelectric field since 1991, Boralex, through MegÉner Inc. (a 50%-owned subsidiary), grouped together two operating electric-power plants and two others under development on September 30, 1995. Boralex also owns petroleum- and gas-development activities in Alberta.

On December 22, 1995, Boralex acquired the electricity producing assets of Cascades Énergie (1995) Inc., for shares of Boralex, totalling 82,5% of all Boralex shares. With the completion of this transaction, Boralex is now the sole- or part-owner of five hydroelectric power plants and a cogenerating plant, giving it a total generating capacity of 50.5 megawatts. The Company also acquired management contracts for eight power plants, having a total capacity of 30 megawatts, and a controlling interest in six projects under development, which are expected to add approximately 20 megawatts of additional capacity over the next two years.

Boralex has been listed on the Montréal Exchange since 1984. The firm's shares trade under the listing BLX.A.

FINANCIAL HIGHLIGHTS

(Fiscal years ended September 30)	1995	1994
Revenues [1]	$ 990,140	$ 714,298
Operating income [2]	$ 206,231	$ 191,337
Net income (loss)	$ (151,940)	$ 30,279
Total assets	$12,752,298	$12,200,136
Capital assets	$ 9,355,601	$ 5,996,059
Shareholders' equity	$ 3,141,755	$ 3,293,695
Long-term debt	$ 7,458,500	$ 7,679,000

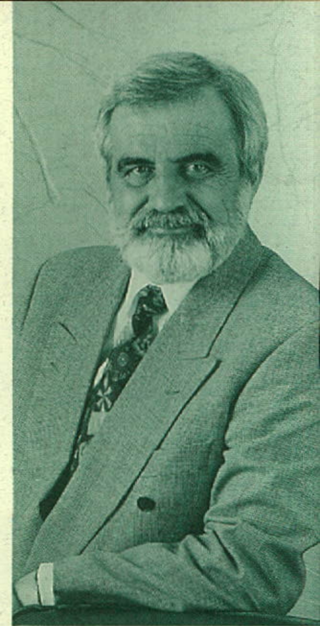
[1] *Excluding the revenues of the assets of Cascades Énergie (1995) Inc. acquired pursuant to the transaction completed on December 22, 1995.*

[2] *Before financial expenses, depletion and amortization.*

GENERAL INFORMATION ON POWER STATIONS

Project name	Capacity in MW	Estimated annual production in GWH	Percentage owned directly or indirectly by the Company	Start up date of commercial operations
Cogénération Kingsey [1]	27.0	215	50%	December 1992
St-Lambert	5.0	40	100%	August 1995
Buckingham [1]	10.0	85	70%	November 1994
St-Hyacinthe	2.0	11	100%	May 1994
Montmorency [1]	4.5	19	50%	April 1995
St-François [1]	2.0	14.8	50%	February 1993

[1] *Acquired as part of the transaction with Cascades Énergie (1995) Inc.*



BERNARD LEMAIRE
President and
Chief Executive
Officer

MESSAGE TO SHAREHOLDERS

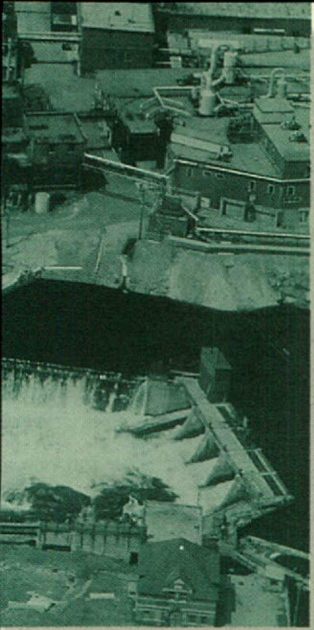
With the completion of the transaction with Cascades Énergie (1995) Inc., Boralex has put in place a profitable and efficient operational structure capable of supporting major expansion in the years ahead.

Under the terms of the agreement between Boralex, Cascades Énergie (1995) Inc. and Groupe Benoît, Boralex has acquired all the assets of Cascades Énergie (1995) Inc., related to energy production, which include its co-ownership interest in Cogénération Kingsey Redg., Forces Motrices St-François Inc., Forces Motrices Montmorency Inc. and Société en commandite hydroélectrique Buckingham, and controlling interests in projects under development in Rimouski, Val-Jalbert and Huntingville, Québec and in Russell and Palmer, Massachusetts.

In return for these assets, Boralex issued 137.8 million shares of capital stock to Cascades Énergie (1995) Inc., giving the latter an 82.5% interest in the Company. The combination of the Cascades Énergie (1995) Inc. assets and the Boralex power stations located in St-Lambert and St-Hyacinthe gives us a generating capacity of 50.5 megawatts.

Today Boralex has assets which, had they been combined at the beginning of the fiscal year, would have generated a net income of $2.6 million over the past year. In order to ensure efficient operations and bring our various projects to successful completion, we have assembled a qualified team of over 40 operators, computer technicians, electronics technicians and engineers.

The Boralex and Cascades Énergie (1995) Inc. business merger provides us with major strategic advantages. We have created the critical mass that will enable us to optimize our administrative and operational structure and become more competitive in the marketplace. The diverse geographic locations of our operational power plants and those under construction, spread out over eleven different waterways, reduces our vulnerability to natural phenomena such as runoff fluctuations and, thereby, our business risk.



In addition, we will be able to lower the costs of our six projects under development by a structured planning of construction and financing activities. Lastly, the prospect of moving into capital markets will, over the longer term, provide powerful leverage that will serve to accelerate our expansion in North America and increase our profitability.

Our efforts in 1996 will primarily involve consolidating our power generating network and our administrative and financial structure. Specifically, we will seek to optimize the performance of the St-Lambert, St-Hyacinthe and Montmorency power plants, and to complete construction of the plants in Huntingville, Québec and Palmer, Massachusetts. We also intend to continue our efforts to obtain the necessary authorizations and financing required for the Rimouski, Clermont and Mont-Rolland projects, which are slated to begin operation sometime in 1997.

Our prospects over the longer term are exciting. The concept of hydroelectric mini-power plants, in line with an increasingly global trend, has already spread to much of Europe and the United States, where a significant percentage of electricity is supplied by private producers. Because they offer great operating flexibility and operate at a lower cost when compared to large hydroelectric installations, private power plants can respond to specific market demands. In particular, they represent an efficient source of electricity production during peak hours, as well as a tool for economic development in the regions where they are able to offer lower rates.

All of these factors lead us to believe that there will be a strong recovery of activity in the private electricity production sector in Québec once the current moratorium is lifted. Our strategy for the coming years will be to extend our network of plants not only in Québec but also in Ontario and the U.S., in order to achieve optimum utilization of our financial and human resources. In this way we will be able to capitalize on a greater volume of activities, thereby increasing our profitability and our shareholders' equity.

Bernard Lemaire
President and Chief Executive Officer

Montréal, February 9, 1996

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

The Management of Boralex Inc. is pleased to present you with its analysis of the Company's operating results and a summary of its principal activities for the fiscal year ended September 30, 1995.

1. ANALYSIS OF OPERATING RESULTS

Revenues this past year were up considerably—from $714,298 to $990,140—an increase of 38%. Electricity revenues reached a Boralex all-time high of $216,950. In addition, revenues from oil and gas wells rose by 10%, due to the increase in the price of oil.

The 23% increase in operating expenses is related primarily to the start-up of commercial operations of the St-Hyacinthe hydroelectric power plant and to interest expenses ($192,536) on the long-term debt for this project.

The net loss incurred during the fiscal year was linked to the 60% increase in administrative expenses, which rose from $375,000 to $602,000. The increase is not, however, recurring. Among these expenses two items are noteworthy: bad debts totalling $111,166 and professional fees totalling $163,359. The bad debts have been the subject of negotiations for several years now, and our auditors have therefore suggested that we delete these entries from our assets. As for the professional fees, approximately half of the total amount is related to the financing arrangements approved by our shareholders at the special meeting held in May 1995.

2. SUMMARY OF ACTIVITIES

During the 1995 fiscal year, the focus of the Company's activities was hydroelectricity and financial restructuring.

In the fall of 1995 the Company completed the start-up of the St-Hyacinthe hydroelectric power plant, and major modifications were made to its turbines in order to increase their generating capacity. In addition, construction of the St-Lambert hydroelectric plant was completed during the summer of 1995, and modifications and

adjustments connected with the plant's start-up were made. This plant is now in commercial operation.

The economic and political environments pertaining to our principal sector of activity—hydroelectricity—are changing rapidly and, all factors considered, we believe that consolidation of the industry is necessary; the economies of scale to be realized through such a consolidation in terms of both operations and financing are self-evident. The next generation of small power plants to be built will, in the North American and Québec contexts, have to conform to constraints different from those that have existed up until now.

Our discussions with Cascades Énergie Inc. and Groupe Benoît, our partner in MegÉner Inc., revealed the same line of thinking and a similar long-term analysis. This recognition of our shared views led to the October 27, 1995 signing of a memorandum of understanding concerning the merging of our interests within the same legal entity.

The goal of the proposed transaction was to transfer to the Company those assets of Cascades Énergie (1995) Inc. related to energy production, as well as its interests in various projects and several hydroelectric power plant management contracts. After obtaining the approval of our shareholders, the parties finalized the agreement on December 22, 1995. Thanks to its increased size, Boralex Inc. is now poised to meet the competition and equipped with the tools it needs to pursue its growth.

Yvon Renaud,
Chairman of the Board of Directors

Montréal, February 9, 1996

MANAGEMENT AND AUDITORS' REPORTS

MANAGEMENT'S REPORT

The financial statements for the fiscal year ended September 30, 1995 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 Company's business.

The Company 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 financial statements contained herein.

The financial statements have been audited by Charron, Schiller & Associés, the Company's auditors, whose report is provided below.

Bernard Lemaire,
President and Chief Executive Officer

Montréal, February 9, 1996

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of «BORALEX INC.» as at September 30, 1995 and 1994 and the statements of income, deficit and changes in financial position 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 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Chamard, Schiller & Associés

Chartered Accountants

Laval, November 17, 1995, except as to Note 13 which is as of December 22, 1995

INCOME STATEMENT

(Years ended September 30)	1995	1994
REVENUES	**$ 990,140**	$ 714,298
Operating expenses	**182,078**	148,269
Administrative expenses	**601,831**	374,692
Financial expenses	**244,480**	33,929
	1,028,389	556,890
EARNINGS (LOSS) BEFORE DEPLETION AND AMORTIZATION	**(38,249)**	157,408
Depletion and amortization of capital assets	**137,056**	110,396
EARNINGS (LOSS) BEFORE INCOME TAXES	**(175,305)**	47,012
Income taxes		
Current	**(8,772)**	—
Deferred	**(14,593)**	16,733
	(23,365)	16,733
NET INCOME (LOSS)	**$ (151,940)**	$ 30,279
EARNINGS (LOSS) PER SHARE	**$ (.012)**	$ .002

«See notes to financial statements — Note 17»

DEFICIT

(Years ended September 30)	1995	1994
BALANCE AT BEGINNING		
As previously reported	**$ (555,211)**	$ (415,157)
Adjustments of prior years' income (Note 2)	**—**	(155,614)
RESTATED BALANCE	**(555,211)**	(570,771)
Net income (loss)	**(151,940)**	30,279
	(707,151)	(540,492)
Contributed surplus	**5,025**	—
Share issue expenses	**—**	(14,719)
	5,025	(14,719)
BALANCE AT END	**$ (702,126)**	$ (555,211)

BALANCE SHEETS

(September 30)	1995	1994
ASSETS		
Current		
Cash	**$ 440,665**	$ 142,030
Temporary investments	**521,808**	3,766,846
Accounts receivable	**578,520**	625,093
Prepaid expenses	**118,355**	7,951
	1,659,348	4,541,920
Accounts receivable	**—**	95,475
Investments (Note 4)	**759,678**	759,677
Capital assets (Note 5)	**9,355,601**	5,996,059
Deferred charges (Note 6)	**977,671**	807,005
	$12,752,298	$12,200,136
LIABILITIES		
Current		
Accounts payable	**$ 1,589,841**	$ 1,185,809
Notes payable (Note 7)	**400,000**	—
Income taxes	**16,396**	3,899
Current portion of long term debt	**41,500**	21,000
	2,047,737	1,210,708
Long term debt (Note 8)	**7,458,500**	7,679,000
Deferred income taxes	**104,306**	16,733
	9,610,543	8,906,441
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**3,843,881**	3,843,881
Contributed surplus	**—**	5,025
Deficit	**(702,126)**	(555,211)
	3,141,755	3,293,695
	$12,752,298	$12,200,136

On behalf of the Board,

Director

Director

CHANGES IN FINANCIAL POSITION

(Years ended September 30)	1995	1994
OPERATING ACTIVITIES		
Net income (loss)	$ (151,940)	$ 30,279
Items not requiring an outlay of cash and equivalents:		
Depletion and amortization of capital assets	137,056	110,396
Amortization of deferred charges	19,343	14,813
Loss on redemption of debentures	—	5,974
Deferred income taxes	14,593	16,733
	19,052	178,195
Change in non-cash working capital balances (Note 18)	752,698	484,908
	771,750	663,103
FINANCING ACTIVITIES		
Long term debt	—	7,700,000
Long term debt issue expenses	(41,175)	(412,346)
Reimbursement of long term debt	(200,000)	(64,248)
Share issue expenses	—	(14,719)
	(241,175)	7,208,687
INVESTING ACTIVITIES		
Long term accounts receivable	95,475	89
Acquisition of investments	(1)	(6,071)
Acquisition of capital assets	(3,496,598)	(4,788,345)
Deferred income taxes	72,980	
Proceeds on disposal of capital assets	—	68,000
Increase in deferred charges	(148,834)	(21,131)
	(3,476,978)	(4,747,458)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(2,946,403)	3,124,332
CASH AND EQUIVALENTS AT BEGINNING	3,908,876	784,544
CASH AND EQUIVALENTS AT END	$ 962,473	$ 3,908,876
Cash and equivalents consist of:		
Cash	$ 440,665	$ 142,030
Temporary investments	521,808	3,766,846
	$ 962,473	$ 3,908,876

NOTES TO FINANCIAL STATEMENTS

(September 30, 1995)

NOTE 1 — ACCOUNTING POLICIES

A) TEMPORARY INVESTMENTS

Temporary investments are carried at the lower of cost or market value.

B) INVESTMENTS

The portfolio investments are accounted for at cost. The investments in partnerships are accounted for at cost. The interests in the joint venture MegÉner Inc. and its wholly owned subsidiaries Hydraska (St-Hyacinthe) Inc., Hydraska (St-Lambert) Inc. and Hydraska (Mont-Rolland) Inc. are accounted for through the proportionate consolidation method. The Corporation owns, through MegÉner Inc. an interest of 25% in Hydraska (Malbaie) Inc. accounted for at cost. This company has not began operations (see Note 10 — Commitments and contingencies).

C) AMORTIZATION OF CAPITAL ASSETS

i) Petroleum and gas properties

The Corporation accounts for its petroleum and gas properties according to the full cost method. Accordingly, all acquisition, exploration and development costs pertaining to petroleum and gas reserves are capitalized. These costs include mainly acquisition costs of land and reserves, geological costs, carrying charges and interest costs related to non productive wells, drilling costs of productive and non productive wells and general charges related to exploration activities. These costs are depleted using the unit of production method based upon estimated recoverable reserves.

The Corporation carries its petroleum and gas properties at the capitalized cost of properties less depletion which is less than the cost recovery ceiling. The cost recovery ceiling is derived from the future net estimated revenues from production of proved petroleum and gas reserves using average prices and costs of the fiscal year, after deducting estimated general and administrative costs.

ii) Hydroelectric plants

The hydroelectric plants, completed or under construction, are accounted for at cost which includes the cost of materials, direct and indirect labour and general administrative costs related to their construction, as well as start-up costs less any income generated during this period. The cost also includes the interest capitalized during the construction period.

These plants are amortized using the compound interest method over their useful life estimated at 40 years. This method establishes an amortization charge which includes an annual fixed component and an indexation rate of 3% which corresponds to the minimum escalation rate under the agreement with Hydro-Québec. This charge is sufficient to completely amortize the cost over the estimated useful life.

iii) Other capital assets

Other capital assets are recorded at cost. They are amortized according to the following methods and rate or period:

	Methods	Rate or period
Leasehold improvements	Straight-line	5 years
Office furniture and equipment	Declining balance	20%

D) DEFERRED CHARGES

i) Pre-operating costs

These costs, related to the acquisition and design of hydroelectric plants are deferred until the start of production of the first plant. They are amortized over a period of 5 years after the beginning of production in each plant, proportionally to their production capacity.

ii) Construction projects

Costs related to the study and evaluation of plant projects are deferred up to the start of their construction, at which time they are capitalized to the construction costs. If projects are abandonned, the costs are amortized over a period of 5 years using the straight-line method.

iii) Long term debt issue expenses

These expenses are deferred and amortized over the term of the loans on a straight-line basis or over 20 years for debt carrying no maturity date. The amortization expense is charged to interest on long term debt.

NOTE 2 — ADJUSTMENTS OF PRIOR YEARS' INCOME

The adjustments, which were accounted for in the previous year, arose from the loss of $181,193 following the Québec Court of Appeals' decision in October, 1994 to reject the Corporation's attempt to recover cash held in safekeeping by an institution. Secondly, an amount of $25,579 was recovered from the goods and services tax. The accumulated deficit as of October 1st, 1992 was increased by an amount of $155,614 to reflect these adjustments.

NOTE 3 — JOINT VENTURE – MEGÉNER INC.

These financial statements include the 50% venturer's share in the financial statements of the joint venture MegÉner Inc., which, through its subsidiaries, operates hydroelectric plants. During the year, it completed construction of the St-Lambert plant, where commercial production began in October, 1995. Being in a pre-operating period, revenues and expenses for the year from this plant have been deferred until the beginning of commercial production.

	1995	1994
Current assets	**$ 1,191,683**	$ 4,229,903
Long term assets	**9,532,989**	5,952,469
Current liabilities	**1,457,603**	1,115,662
Long term liabilities	**7,554,142**	7,679,000
Revenues	**216,950**	—
Expenses	**312,247**	—
Net loss	**(95,297)**	—
Cash flows resulting from operating activities	**416,033**	565,326
Cash flows resulting from financing activities	**(241,175)**	7,287,654
Cash flows resulting from investing activities	**(3,516,364)**	(4,744,600)

NOTE 4 — INVESTMENTS

	1995	1994
Portfolio investments, partnerships and others, at cost:		
Listed shares	**$ 494,735**	$ 494,735
110 Units of Albany-Charter Joint Venture 82/83 Energy Partnership	**135,453**	135,453
6 Units of Exar-Albany Energy Exploration Program No. 2	**44,361**	44,361
Rights in mining properties	**85,128**	85,128
50% of 1 common share of Hydraska (Malbaie) Inc. (25%)	**1**	—
	$ 759,678	$ 759,677

The market value of the listed shares as of September 30, 1995 is $232,922 ($98,728 in 1994). The Corporation holds 298 partnership units out of 300 units outstanding of the partnership Exar-Albany Energy Partnership No. 1. The assets held through this partnership are accounted for in capital assets (see Note 5).

NOTE 5 — CAPITAL ASSETS

	COST	ACCUMULATED AMORTIZATION	BOOK VALUE 1995	BOOK VALUE 1994
Petroleum and gas properties	$ 4,426,804	$ 3,764,698	**$ 662,106**	$ 703,252
Hydroelectric plants	8,684,938	26,178	**8,658,760**	5,250,717
Leasehold improvements	24,219	24,219	**—**	4,461
Office furniture and equipment	80,661	45,926	**34,735**	37,629
	$13,216,622	$ 3,861,021	**$ 9,355,601**	$ 5,996,059

During the year, the Corporation acquired petroleum and gas properties for an amount of $61,428 ($63,012 in 1994) and incurred a total depletion of $102,573 ($101,803 in 1994). The petroleum and gas properties include the Corporation's share of the assets of the partnership Exar-Albany Energy Partnership No. 1.

NOTE 6 — DEFERRED CHARGES

	1995	1994
Unamortized cost:		
Pre-operating costs	**$ 169,852**	$ 171,239
Construction projects	**334,096**	190,920
Long term debt issue expenses	**473,723**	444,846
	$ 977,671	$ 807,005

NOTE 7 — NOTES PAYABLE

Notes payable of $200,000 each to two companies being shareholders of the Corporation, bearing interest at a rate of 12.7% yearly.

NOTE 8 — LONG TERM DEBT

	1995	1994
Note payable to the other shareholder of MegÉner Inc., secured by loans from MegÉner Inc. to its subsidiaries, maturing at the latest on March 11, 1996, bearing interest at the Bank of Canada base rate plus 10% from March 11, 1994, increased by 1% at the start of each quarter until May 31, 1995, without interest afterwards.	**$ 800,000**	$ 1,000,000
Loan bearing interest at 11.13%, secured by a hydroelectric plant, repayable until 2014 through monthly instalments of $17,791, principal and interest, beginning May 23, 1997.	**1,600,000**	1,600,000
Loan bearing interest at 11.47%, secured by a hydroelectric plant and by temporary investments of $150,450, repayable until 2020 through monthly instalments of $52,208, principal and interest, beginning at the signing date of the loan agreement. [1]	**5,100,000**	5,100,000
	7,500,000	7,700,000
Less: current portion	**41,500**	21,000
	$ 7,458,500	$ 7,679,000

[1] The terms of the loan hereinabove are drawn from a loan agreement proposal which has been agreed to by the Corporation but has not been concluded as of September 30, 1995. At this time, the lender is secured by guarantees and temporary investments while no repayments are required on the loan.

The principal repayments required over the next 5 years are:
1996 – $41,500, 1997 – $46,500, 1998 – $87,000, 1999 – $97,000, 2000 – $108,000.

NOTE 9 — SHARE CAPITAL

	1995	1994
AUTHORIZED:		
Unlimited number of Class «A» shares, participating, voting, without par value.		
ISSUED AND OUTSTANDING:		
12,525,315 Class «A» shares	**$ 3,843,881**	$ 3,843,881

i) The Corporation has approved a stock option plan on Class «A» shares for certain officers, consisting of purchase options on 800,000 Class «A» shares exercisable in limited predetermined annual portions up until 1996. Options on 600,000 shares at a price of $0.16 per share expire in February 2000 while options on 200,000 shares at a price of $0.20 per share expire in August 2002. These options remain valid as long as the officers remain employed by the Corporation.
ii) In 1993, the Corporation proceeded to a share capital reduction of $3,401,427, representing the devaluation of certain petroleum and gas properties and of certain investments which occurred between 1986 and 1990.
iii) The Corporation is incorporated under the Canada Business Corporations Act.

NOTE 10 — COMMITMENTS AND CONTINGENCIES

The Corporation is party to a lease agreement for its premises, expiring in December 1995 and carrying total remaining minimum lease payments of $6,980.
On August 30, 1993 the Corporation entered into a lease agreement with the City of St-Hyacinthe for the rental of land and of dam structures used by the Corporation, for an initial term of 20 years, renewable for an additional term of 20 years. The rent is based on a percentage of sales from the operation of the plant built on this site.
The Corporation has entered into a lease agreement with the St-Lawrence Seaway Authority for an initial term of 25 years, renewable for an additional term of 23 years. Under this lease, the annual rent is based on a percentage of sales from the operation of the plant built on this site.
The Corporation holds a 25% interest in Hydraska (Malbaie) Inc. Under the terms of a construction project for a hydroelectric plant with an estimated total cost of $7,626,000, MegÉner Inc. has agreed to lend to Hydraska (Malbaie) Inc. an amount of $650,000. From this amount will be reduced expenditures totalling $315,926 as of year end, incurred by MegÉner Inc. towards the assessment of the project. The latter has also agreed to cover its share of construction cost overruns. As of September 30, 1995 the terms of this agreement were not all met in order to render it executory.
The Corporation has secured a long term loan of the joint venture MegÉner Inc. for an amount limited to 1 million dollars.

NOTE 11 — RELATED PARTY TRANSACTIONS

The Corporation has accounted for management fees from the joint venture amounting to $108,000 ($108,000 in 1994). As of September 30, 1995, $41,027 remains receivable.
The Corporation has incurred interest charges amounting to $38,932 with two companies which are shareholders of the Corporation. The principal shareholders of these companies are also directors of the Corporation. As of year end, $14,324 remained payable to the companies.

NOTE 12 — ECONOMIC DEPENDENCE

The continuing operation of the hydroelectric plants is dependent on Hydro-Québec, being the only client for the electricity generated by the Corporation. The Corporation is bound to this company under long term contracts ranging from 20 to 25 years, all renewable for an additional term of 20 to 25 years.

NOTE 13 — SUBSEQUENT EVENTS

As of December 22, 1995 the shareholders of the Corporation adopted a resolution with respect to proposed transactions pursuant to a memorandum of agreement entered into on October 27, 1995 among the Corporation, Cascades Énergie (1995) Inc. and a group representing the shareholders of 3089-8183 Québec Inc. (the other shareholder of MegÉner Inc.). These transactions may be summarized as follows:

- the acquisition by the Corporation of all of the issued and outstanding shares of 3089-8183 Québec Inc. and all of the advances due by 3089-8183 Québec Inc. to its shareholders in consideration for the issuance by the Corporation of 16,708,081 Class A shares in the share capital of the Corporation;
- the acquisition by the Corporation of the interests of Cascades Énergie (1995) Inc. in electric projects in operation or development and of its other assets, including the management agreements, relating to the production of electricity, in consideration for the issuance by the Corporation of 137,810,140 Class A shares in the share capital of the Corporation; and
- the approval of the related transactions more fully described in the management proxy circular dated November 22, 1995 among which: the declaration of an aggregate dividend of $1,155,000 to the holders of its Class A shares of record the day before the closing of the above-mentioned transactions, which is a dividend of $0.0922 per share on the basis of the 12,525,315 Class A shares currently outstanding.

Once these transactions are completed, MegÉner Inc. becomes a wholly-owned subsidiary of the Corporation and Cascades Énergie (1995) Inc. holds 82.5% of the issued and outstanding Class A shares of the Corporation, the previous shareholders of 3089-8183 Québec Inc. hold 10% thereof and the current shareholders of the Corporation hold 7.5% thereof. The number of Class A shares issued to Cascades Énergie (1995) Inc. and to the previous shareholders of 3089-8183 Québec Inc. was established by prorating the value assigned to their respective contribution in relation to the value assigned to the assets of the Corporation. These shares are issued on a basis equal to approximately $0.2156 per share. The operating results of Cascades Énergie (1995) inc. are not included in these financial statements.

NOTE 14 — INCOME TAXES

	1995	1994
Reconciliation of statutory tax rate and effective tax rate:		
Statutory income tax rate	(39.0)%	40.1%
• Deduction for resource allowances	(18.2)	(69.8)
• Non deductible items or items applicable against future taxable income	26.1	47.7
• Allocation of losses towards payment of capital tax at a rate below the corporate tax rate	12.4	—
• Other items	5.4	17.6
Effective tax rate	(13.3)%	35.6%

The Corporation may benefit from capital losses in the amount of $691,812 which can be applied to future capital gains. The income tax value of certain capital assets and investments is inferior to their net book value by $232,477. The tax effect of these differences is not recorded in the financial statements.

NOTE 15 — INTEREST CAPITALIZED

The Corporation has capitalized interest to the cost of capital assets or deferred charges as follows:

	1995	1994
Interest on short-term financing	$ —	$ 146,234
Interest on long term debt	752,263	235,018
	752,263	381,252
Interest income on cash and temporary investments	(85,207)	(66,183)
	$ 667,056	$ 315,069

NOTE 16 — REMUNERATION OF OFFICERS

The remuneration and fees paid to officers during the year total $119,167 ($117,747 in 1994) and $62,226 ($50,552 in 1994) respectively. Of these amounts, $62,134 ($61,584 in 1994) has been capitalized in long term assets.

NOTE 17 — INCOME STATEMENT

The income statement includes the following information:

	1995	1994
Interest on long term debt	$ 192,526	$ 17,665
Amortization of deferred charges	$ 19,343	$ 14,813

NOTE 18 — CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	1995	1994
Accounts receivable	$ 46,573	$ (446,250)
Prepaid expenses	(110,404)	(2,695)
Accounts payable	404,032	931,034
Notes payable	400,000	—
Income taxes	12,497	2,819
	$ 752,698	$ 484,908

NOTE 19 — SEGMENTED INFORMATION

	PETROLEUM AND GAS		HYDROELECTRICITY		OTHER ACTIVITIES		TOTAL	
	1995	1994	1995	1994	1995	1994	1995	1994
Revenues	$ 654,987	$ 594,224	$ 216,950	$ —	$ 118,203	$ 120,074	$ 990,140	$ 714,298
Operating expenses	146,115	148,269	35,963	—	601,831	374,692	783,909	522,961
Amortization and depletion	102,573	101,803	26,178	—	8,305	8,593	137,056	110,396
Segmented operating profit (loss)	$ 406,299	$ 344,152	$ 154,809	$ —	$ (491,933)	$ (263,211)	69,175	80,941
Financial expenses and income taxes							221,115	50,662
Net income (loss)							$ (151,940)	$ 30,279
Identifiable assets	$ 1,111,955	$ 1,192,300	$10,828,114	$10,182,372	$ 812,229	$ 825,464	$12,752,298	$12,200,136
Capital expenditures	$ 61,428	$ 63,012	$ 3,429,946	$ 4,723,469	$ 5,224	$ 1,864	$ 3,496,598	$ 4,788,345

The Corporation operates in the following industry segments:

PETROLEUM AND GAS: Operating of petroleum and gas resources in Canada.
HYDROELECTRICITY: Operating of hydroelectric plants in Québec.
OTHER ACTIVITIES: In general, management fees and investment income and administrative expenses.

SUPPLEMENTARY INFORMATION

(Years ended September 30)	1995	1994
REVENUES		
Sales — petroleum, gas, royalties and electricity	**$ 859,708**	$ 594,224
Management fees	**108,000**	108,000
Other income	**22,432**	12,074
	$ 990,140	$ 714,298
OPERATING EXPENSES		
Crown royalties	**$ (5,054)**	$ 13,713
Other royalties	**38,523**	24,131
Field operations	**148,609**	110,425
	$ 182,078	$ 148,269
ADMINISTRATIVE EXPENSES		
Amortization of deferred charges	**$ 7,045**	$ —
Insurance	**5,267**	2,307
Communications	**7,934**	6,971
Professional fees	**163,359**	100,442
Rent and services	**38,449**	22,413
Bad debts	**111,166**	—
Office and stationery	**33,063**	34,345
Travelling and promotion	**34,968**	41,170
Registrar fees	**27,486**	26,687
Remuneration of officers and employees	**129,751**	118,126
Taxes and permits	**43,343**	22,231
	$ 601,831	$ 374,692
FINANCIAL EXPENSES		
Interest and bank charges	**$ 39,656**	$ 1,451
Amortization of deferred charges	**12,298**	14,813
Interest on long term debt	**192,526**	17,665
	$ 244,480	$ 33,929

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Bernard Lemaire

Laurent Lemaire

Alain Lemaire

Jacques Gauthier

Germain Benoît

Yvon Renaud

OFFICERS

Yvon Renaud
Chairman of the Board

Bernard Lemaire
President and Chief Executive Officer

Jacques Gauthier
Executive Vice-President

Robert F. Hall
Secretary

André Fortin
Assistant-Secretary

HEAD OFFICE

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Fax: (514) 871-1702

GENERAL INFORMATION

The Annual General Meeting of Shareholders
will be held on April 22, 1996 at 11 A.M.
in the Salon Automne, Le Westin Mont-Royal,
1050, Sherbrooke West, Montréal, Québec.

LISTING

Montréal Exchange

SYMBOL

BLX.A

TRANSFER AGENT

Montréal Trust, Montréal

This annual report is available
in both French and English.

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