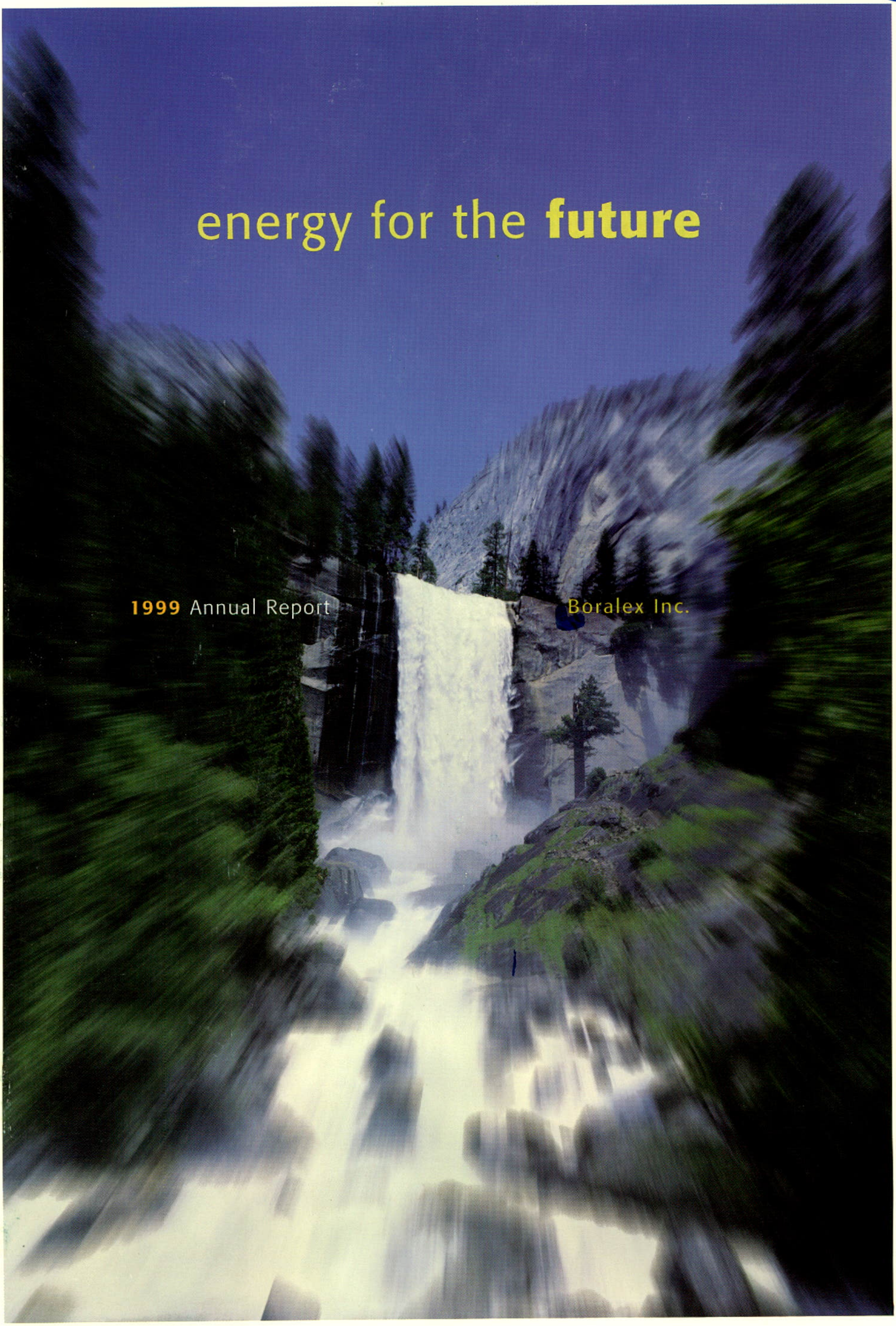
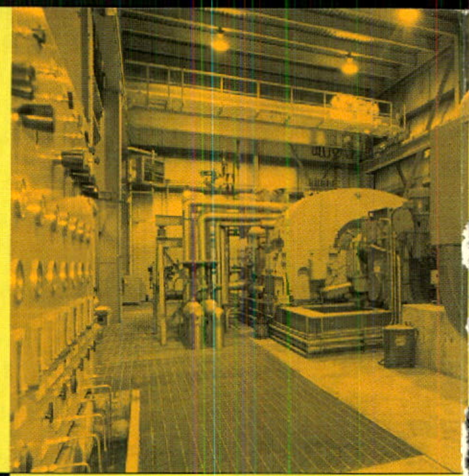

energy for the future
1999 Annual Report
Boralex Inc.



Profile

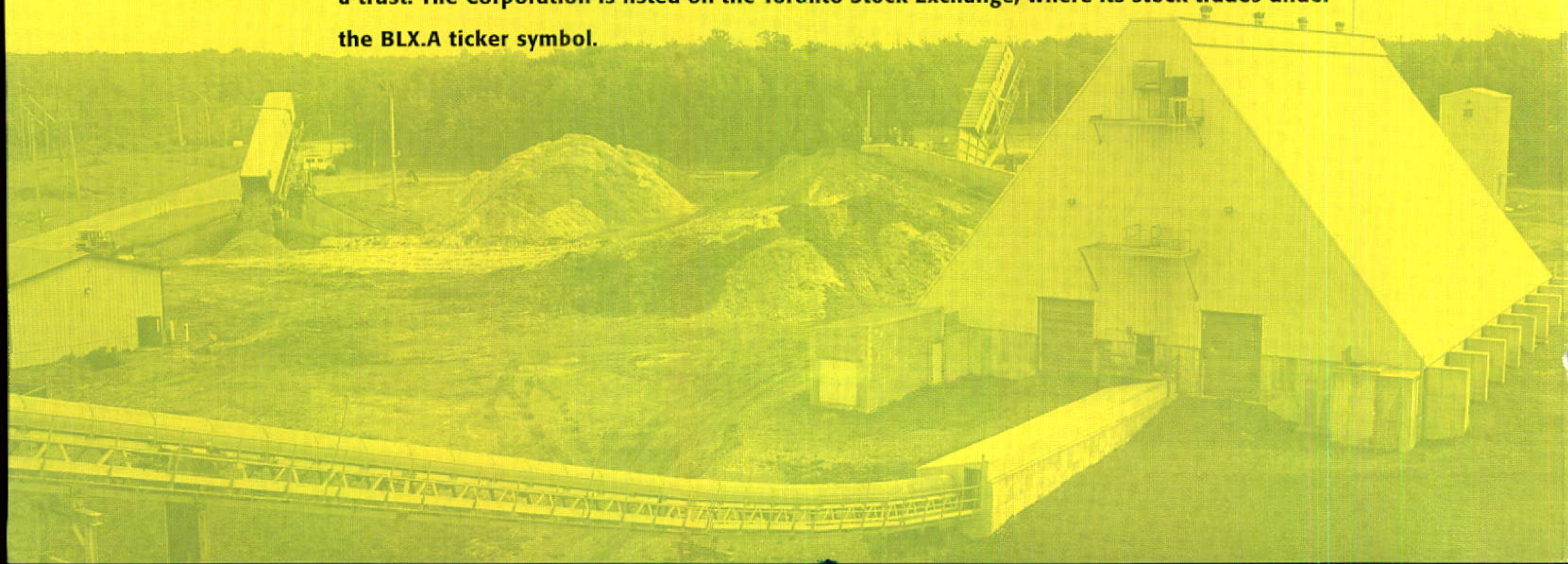
Boralex Inc. ("the Corporation") is an important independent producer of hydroelectric and thermal power, with an installed capacity of 158 MW and more than 100 employees. The Corporation specializes in three main types of production:

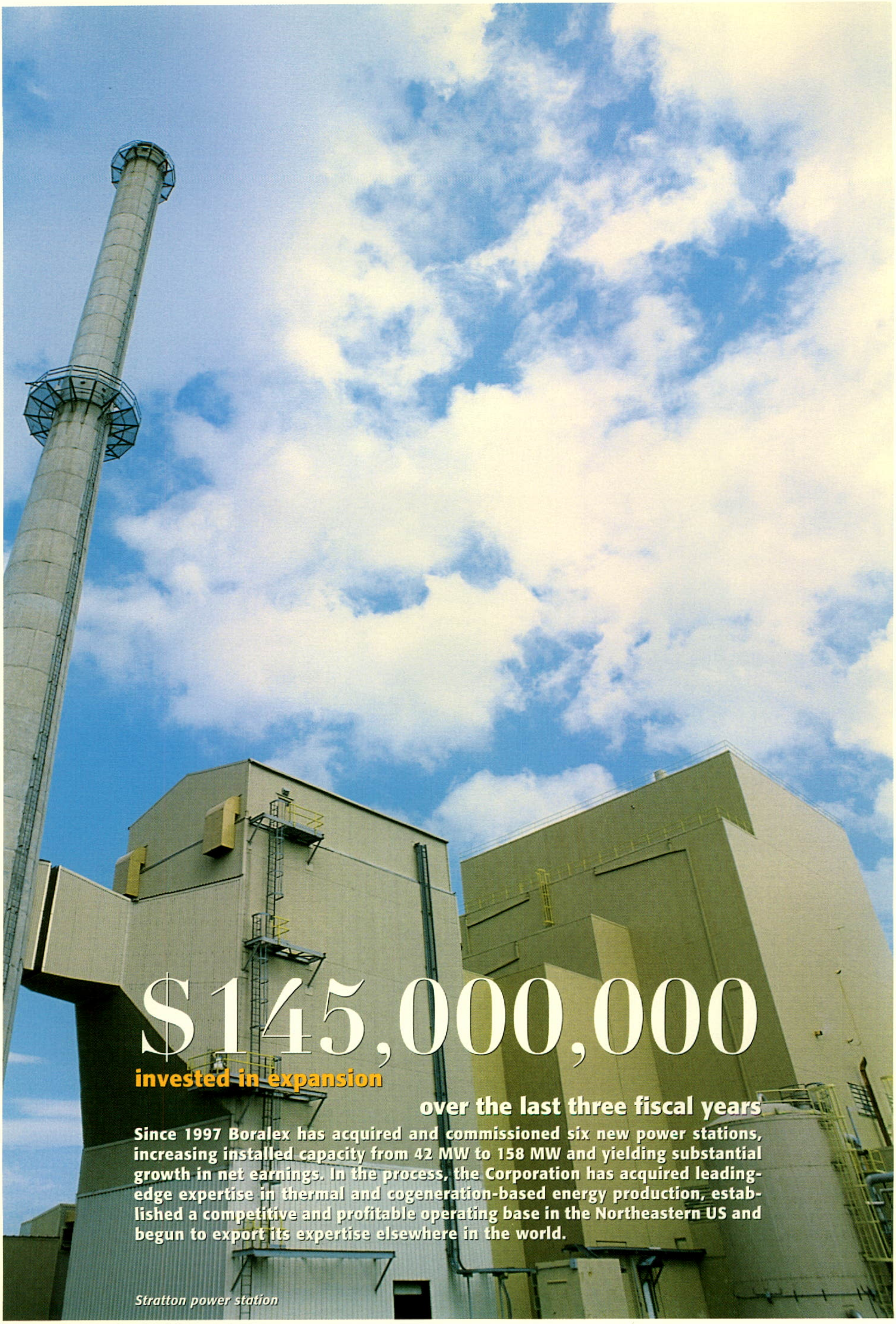
- Boralex is one of North America's largest producers of wood-residue thermal and cogeneration-based energy, with three ultramodern power stations having a combined capacity of 98 MW, two of which are located in the Northeastern US and one in Quebec;
- Boralex is a pioneer in natural-gas cogeneration in Quebec, where it currently operates the only unit of its kind, with a production capacity of 31 MW;
- Boralex holds a proven record in hydroelectric energy production, operating eight power stations with consolidated capacity of 29 MW, six of which are located in Quebec, one in the US and one in France.

Eight of the Corporation's 12 production units sell their electrical output under purchasing agreements with terms varying from 12 to 23 years. These units, located principally in Quebec, account for 54% of total installed capacity. Boralex also operates five hydroelectric power stations owned by third parties, with a combined capacity of 23 MW, as well as a 21-MW natural gas-fired cogeneration plant in Ecuador.

Boralex holds leading-edge expertise in the acquisition, construction, refurbishing, fueling and management of power stations. It also owns an ultramodern control centre that ensures remote management of planning, operations, monitoring and preventive maintenance for most of its power stations.

Founded in 1982 and headquartered in Kingsey Falls, Quebec, Boralex is an affiliate of Cascades Inc., which holds 45% of its capital stock through direct ownership and 26.6% through a trust. The Corporation is listed on the Toronto Stock Exchange, where its stock trades under the BLX.A ticker symbol.





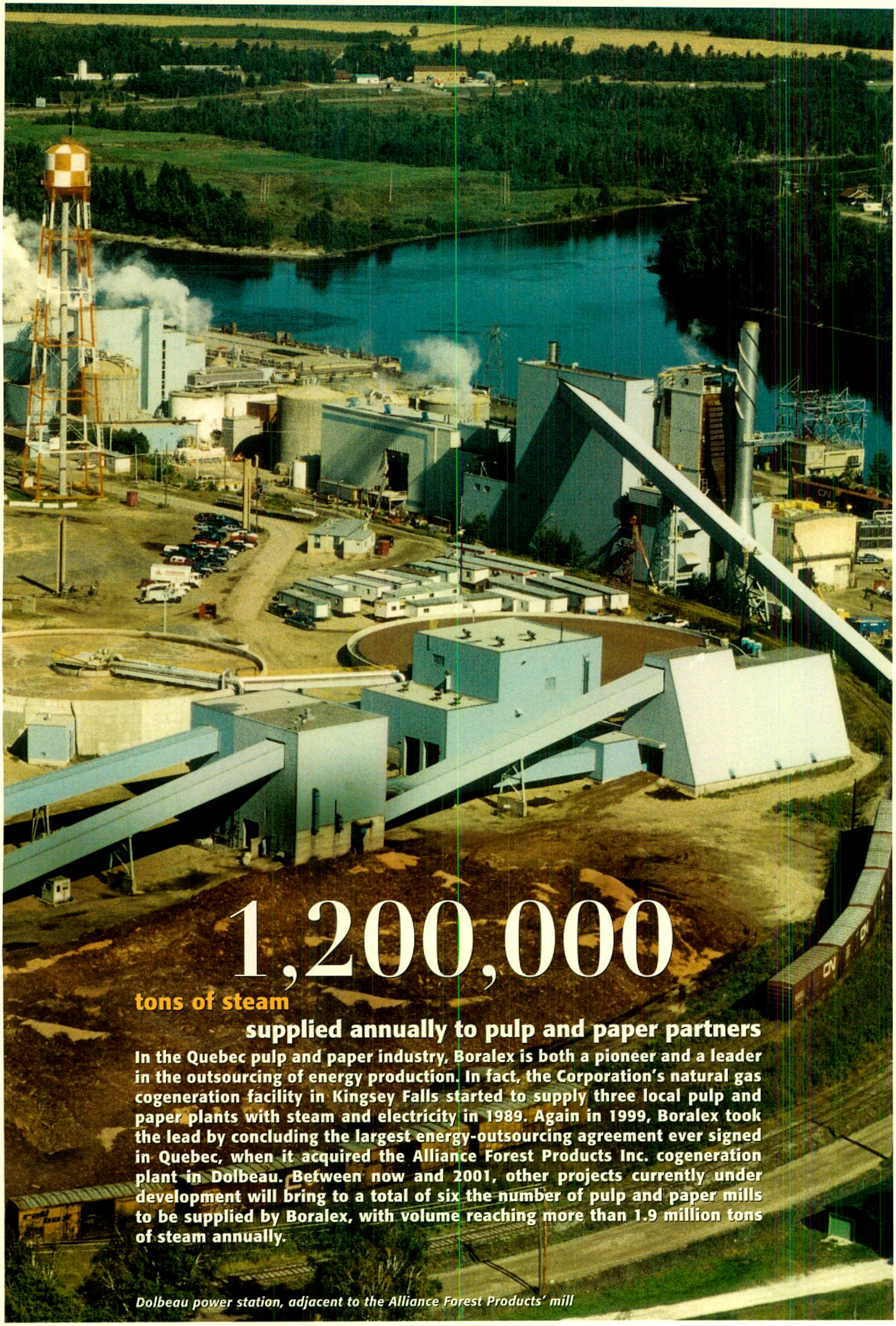
$145,000,000

invested in expansion

over the last three fiscal years

Since 1997 Boralex has acquired and commissioned six new power stations, increasing installed capacity from 42 MW to 158 MW and yielding substantial growth in net earnings. In the process, the Corporation has acquired leading-edge expertise in thermal and cogeneration-based energy production, established a competitive and profitable operating base in the Northeastern US and begun to export its expertise elsewhere in the world.

Stratton power station



1,200,000

tons of steam

supplied annually to pulp and paper partners

In the Quebec pulp and paper industry, Boralex is both a pioneer and a leader in the outsourcing of energy production. In fact, the Corporation's natural gas cogeneration facility in Kingsey Falls started to supply three local pulp and paper plants with steam and electricity in 1989. Again in 1999, Boralex took the lead by concluding the largest energy-outsourcing agreement ever signed in Quebec, when it acquired the Alliance Forest Products Inc. cogeneration plant in Dolbeau. Between now and 2001, other projects currently under development will bring to a total of six the number of pulp and paper mills to be supplied by Boralex, with volume reaching more than 1.9 million tons of steam annually.

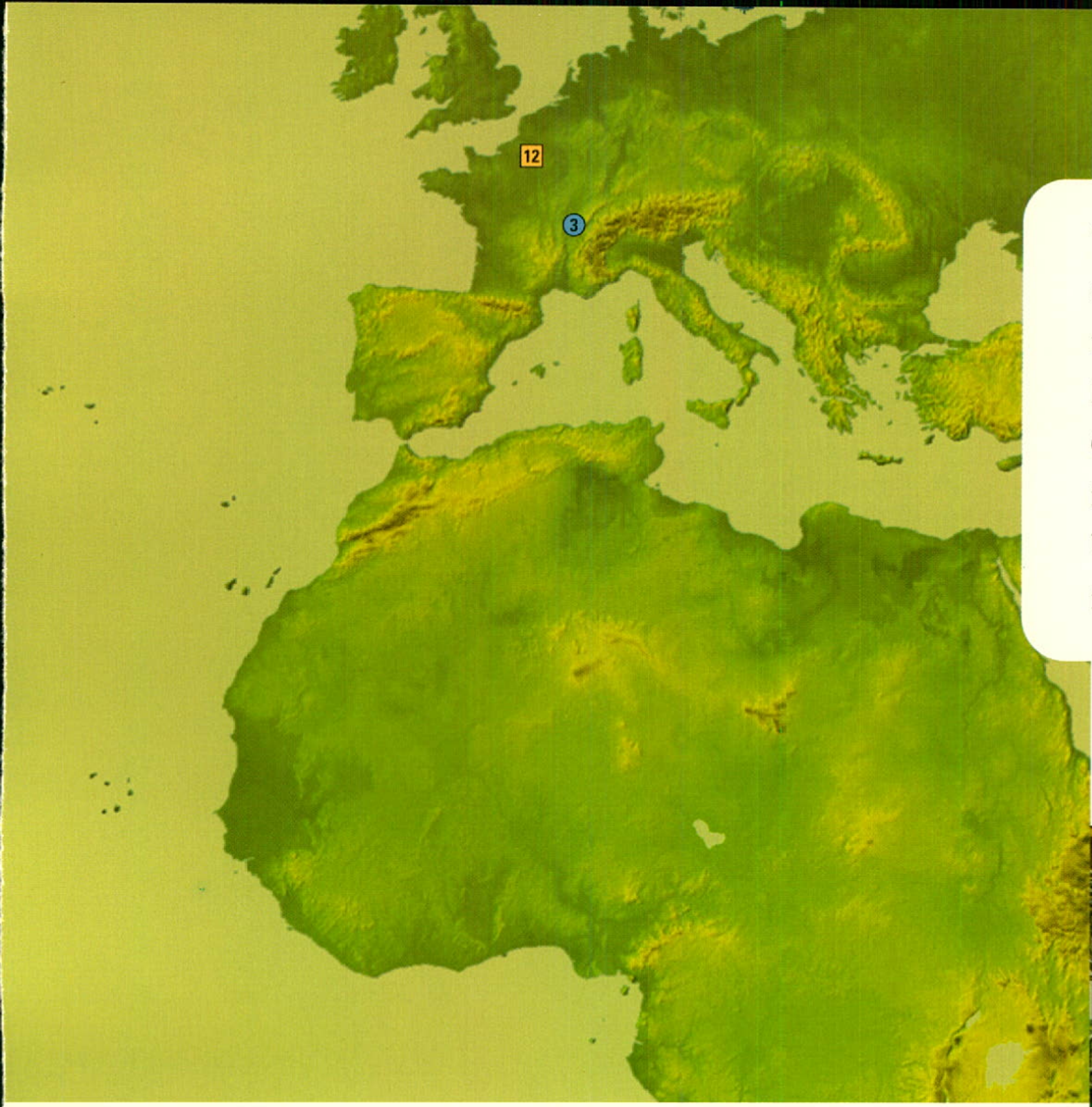
Dolbeau power station, adjacent to the Alliance Forest Products' mill

1,200,000

tons of wood residue recycled into green energy yearly

Owing to its three wood residue-fired plants, with consolidated capacity of 98 MW, Boralex is one of North America's most important producers of this form of green energy. Aside from recycling major volumes of residue to produce electricity and steam for industrial purposes, the Corporation also recycles by-products for use in both agriculture and road construction.

Wood residue



Through its diversified asset base, during the last fiscal year Boralex generated 62% of its revenue in Quebec, 37% in the US and 1% elsewhere in the world.

NATURAL GAS COGENERATION POWER STATION PROJECTS

12 Norampac Avot-Vallée S.A.
City: Blendecques (France)

13 Cogénération Toronto
City: Toronto

WOOD-RESIDUE THERMAL AND COGENERATION POWER STATIONS IN OPERATION

14 Boralex Chateaugay, Inc.
City: Châteaugay (New York)
Capacity: 20 MW
Annual output: 140 GWh

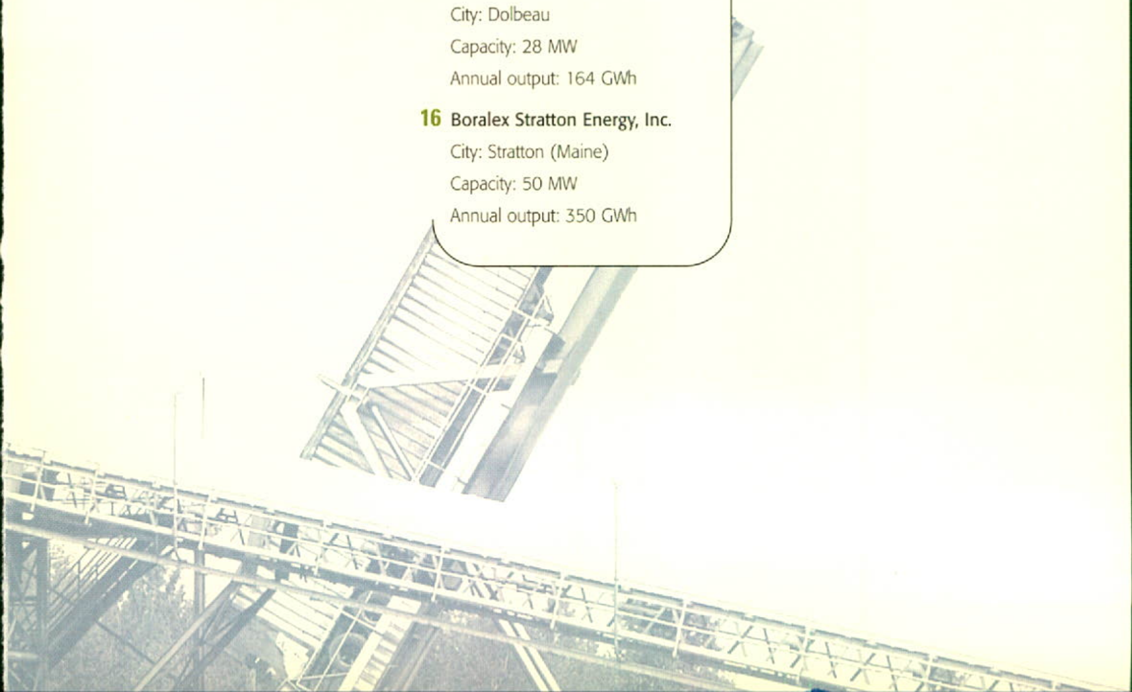
15 Boralex Dolbeau Inc.
City: Dolbeau
Capacity: 28 MW
Annual output: 164 GWh

16 Boralex Stratton Energy, Inc.
City: Stratton (Maine)
Capacity: 50 MW
Annual output: 350 GWh

WOOD-RESIDUE THERMAL POWER STATIONS PROJECTS

17 Boralex Cabano Inc.
City: Cabano

18 Boralex Senneterre Inc.
City: Senneterre



Contents

INFORMATION on sites

HYDROELECTRIC POWER STATIONS IN OPERATION

1 Boralex Inc.
City: Huntingville
Capacity: 0.3 MW
Annual output: 1 GWh

2 Cascades Energy Thorndike, Inc.
City: Palmer (Massachusetts)
Capacity: 1.1 MW
Annual output: 4 GWh

3 Forces Motrices du Joudron S.A.
City: La Rochette (France)
Capacity: 1 MW
Annual output: 3 GWh

4 Forces Motrices Montmorency Inc.
City: Beauport
Capacity: 4.5 MW
Annual output: 21 GWh

5 Forces Motrices St-François Inc.
City: East Angus
Capacity: 2.2 MW
Annual output: 15 GWh

6 Hydraska (St-Lambert) Inc.
City: Saint-Lambert
Capacity: 6.5 MW
Annual output: 42 GWh

7 Rimouski Hydro-Électrique Inc.
City: Rimouski
Capacity: 3.5 MW
Annual output: 19 GWh

8 Société en commandite Hydroélectrique Buckingham
City: Buckingham
Capacity: 9.9 MW
Annual output: 85 GWh

HYDROELECTRIC POWER STATION PROJECT

9 Forces Motrices Batiscan Inc.
Cities: Saint-Stanislas, Sainte-Geneviève-de-Batiscan
Capacity: 9.7 MW
Annual output: 60 GWh

NATURAL GAS COGENERATION POWER STATION IN OPERATION

10 Cascades Énergie Inc.
City: Kingsey Falls
Capacity: 31 MW
Annual output: 215 GWh

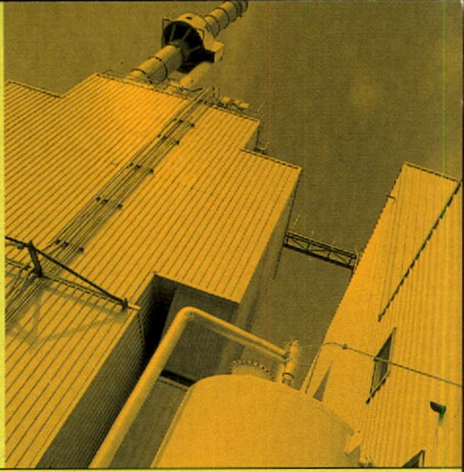
NATURAL GAS THERMAL POWER STATION OPERATED FOR A THIRD PARTY

11 Boralex Équateur Inc.
City: Tarapoa (Ecuador)
Capacity: 21 MW

As one of Canada's most important independent producers of electrical power, Boralex has founded its **growth** strategy on developing leading-edge **expertise** in means of production emphasizing renewable and green energy sources. As well, Boralex stands out for its ability to optimize the management of its energy infrastructure, leading to enhanced **profitability**. Together, these strengths make Boralex a preferred partner for industries choosing to outsource electricity production and will sustain its development in an increasingly open market.

Financial

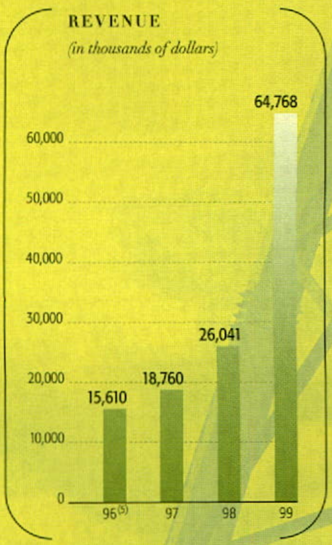
AND OPERATIONAL HIGHLIGHTS

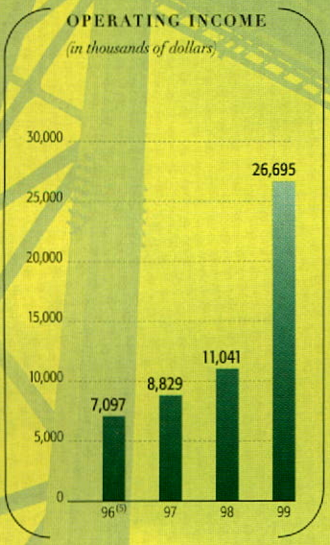


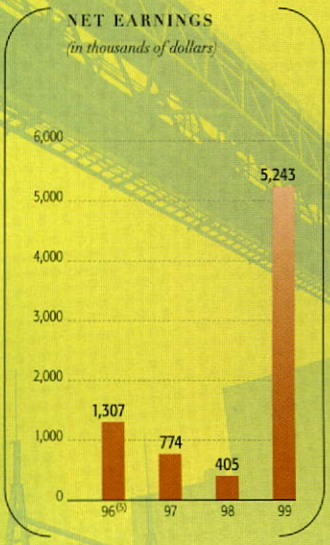
Years Ended September 30
in thousands of dollars

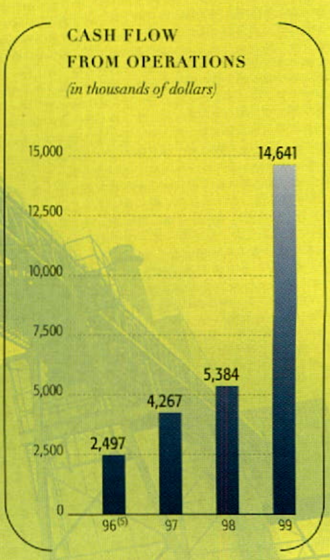
	1999	1998	1997
FINANCIAL PERFORMANCE			
Revenue	**64,768**	26,041	18,760
Operating Income[1]	**26,695**	11,041	8,829
Net Earnings	**5,243**	405	774
• Per Share ($)	**0.25**	0.00	0.03
Cash Flow from Operations[2]	**14,641**	5,384	4,267
Weighted Average Number of Shares	**19,397,610**	19,402,018	18,061,032
FINANCIAL POSITION			
Total Assets	**234,726**	148,376	114,903
Capital Assets	**210,686**	130,737	75,316
Shareholders' Equity	**48,074**	43,251	42,341
Long-term Debt[3]	**160,422**	88,418	60,737
Non-Controlling Interests	**2,729**	2,777	4,208
OPERATIONAL DATA			
Installed Capacity at Year End (MW)	**158.0**	112.4	45.9
Sales of Electricity and Steam	**63,138**	25,209	17,011
Electricity Deliveries (MWh)	**910,869**	377,945	254,156
Average Selling Price ($/MWh)[4]	**69.32**	66.70	66.93

[1] Earnings before financial expenses, amortization, other income and expenses, income taxes and non-controlling interests
[2] Before net change in non-cash operating working capital balances
[3] Including the current portion of long-term debt and the liability component of convertible debentures
[4] Revenue from the sale of electricity and steam, divided by electricity deliveries
[5] For purposes of comparison, results for 1996 include the financial results for the nine-month fiscal year ended September 30, 1996 to which those for the three-month period ended December 31, 1995 have been added.









DOLBEAU POWER STATION

STRATEGIC OBJECTIVES

Achi

Profitability

Objectives for 1999

Optimize existing operational and financial structure of the Corporation to ensure long-term competitiveness and profitability under open market conditions

Achievements in 1999

In fiscal 1999, Boralex posted record net earnings of $5.2 milllion or $0.25 per share

- Optimal integration of the Stratton and Châteaugay power stations, resulting in major reduction in production costs
- Performance improvement at the Dolbeau power station following acquisition of the facility in January 1999
- Positive experience in the production and sale of energy in a partially deregulated market (Northeastern US)
- Substantial increase in productivity at existing Boralex facilities: internal growth of 21% in EBITDA

Objectives for 2000-2001

Stand out in an increasingly open market, due to an efficient, flexible and profitable operational structure

- Consolidation of expertise in the efficient management and fueling of energy-production infrastructure
- Greater profitability and revenue stability due to balanced diversification of geographic markets and means of production
- Continued security of a substantial portion of assets through long-term agreements, particularly in foreign markets
- Development of more systematic methods of operational support and follow-up

Expertise

Objectives for 1999

Further develop our expertise in the production of renewable and environmentally-friendly energy:

- wood-residue cogeneration and thermal power stations
- natural gas cogeneration power stations
- hydroelectric power stations

Achievements in 1999

Within one year Boralex became one of North America's most important independent producer of wood residue-fired energy

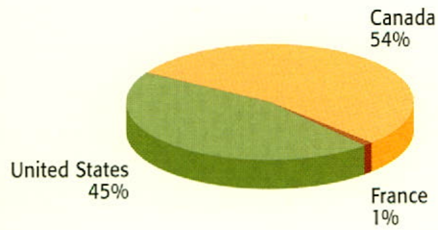
- Integration of three wood-residue thermal energy and cogeneration power stations, with a combined capacity of 98 MW, at Stratton, Maine, Châteaugay, New York and Dolbeau, Quebec
- Diversification of assets between wood residue energy production (62% of installed capacity), natural gas cogeneration (20%) and hydroelectric production (18%)
- Export of our expertise:
  - securing a five-year contract to operate a 21-MW natural gas-fired power plant in Ecuador
  - proceeding with development projects for natural gas and wood residue-fired plants in North America and France

Objectives for 2000-2001

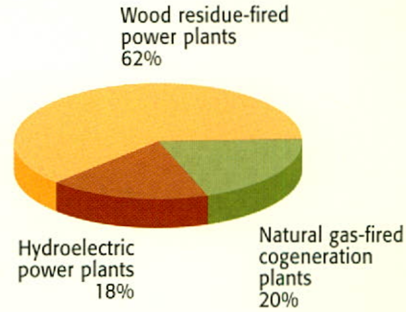
Excel in our three fields of expertise, while emphasizing recovery and reuse of natural resources

- Realizing expansion opportunities resulting from the emergence of open markets in North America
- Capitalizing on the growing trend toward outsourcing of energy production, enabling businesses to enhance the efficiency of existing infrastructures while recycling production-generated waste

Geographic Breakdown
(installed capacity as at September 30, 1999)



Breakdown by type of energy production
(installed capacity as at September 30, 1999)

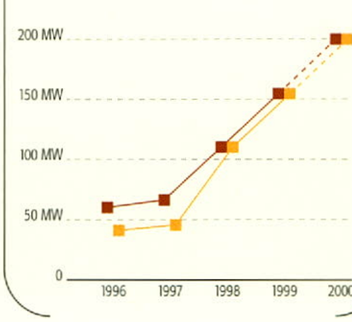


AND

evements

INSTALLED CAPACITY

(as at September 30)



■ Total
■ Boralex Inc.'s consolidated portion

Growth

Objectives for 1999

Reach a critical mass of 200 MW in the year 2000, while minimizing business risk

Achievements in 1999

Boralex invested nearly $90 million in 1999, increasing installed capacity by 41%, to 158 MW

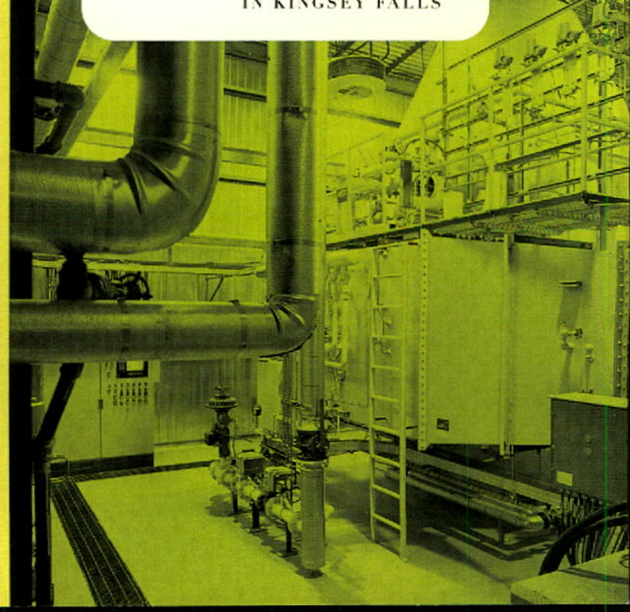
- Acquisition of a 28-MW wood-residue cogeneration plant in Dolbeau, Quebec, along with 23-year agreement to sell electricity to Hydro-Québec and steam to Alliance Forest Products Inc.
- Acquisition of a 20-MW wood residue thermal power station in Châteaugay, New York
- Proceeding with various development projects in North America and elsewhere in the world
- Growing geographic diversification: 46% of installed capacity located outside Quebec

Objectives for 2000-2001

Continue expansion of Boralex, with focus on balanced and profitable growth

- Completion of projects currently in progress in North America and France, increasing installed capacity by 70 MW
- Complete other projects currently under development and prospection
- Active search for opportunities to acquire other operational power stations

NATURAL GAS-FIRED
COGENERATION PLANT
IN KINGSEY FALLS

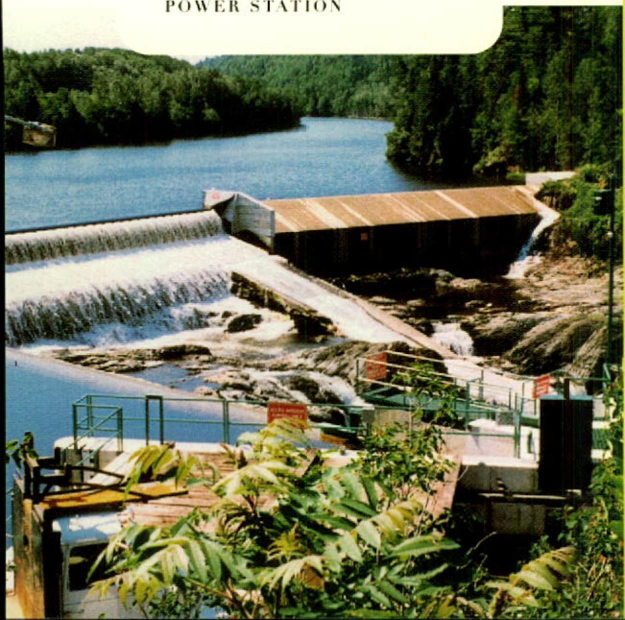


DEMINERALIZED WATER TREATMENT OF CHÂTEAUGAY POWER STATION

In fiscal 1999, aside from achieving significant increases in installed capacity and revenue, the Corporation's net earnings rose more than tenfold, reaching a record $5.2 million or $0.25 per share. This superior level of financial performance points to a promising future for Boralex, since it is based on fundamental and sustainable factors, not least among which are the competence and vitality of our team of professionals.

Boralex experienced remarkable growth during the last fiscal year, in both its production and profitability.

RIMOUSKI HYDROELECTRIC POWER STATION



Exceptional growth recorded in 1999 resulted largely from expansion attributable to new acquisitions, mostly in the US, illustrating the ability at Boralex not only to optimize return on investments rapidly, but also to operate effectively and competitively in an open market. As well, our hydroelectric facilities and our natural gas cogeneration plant in Kingsey Falls also made significant contributions to growth in earnings during fiscal 1999, providing an equally revealing indicator of the Corporation's capacity to generate sustained internal growth through the optimized management of its assets.

As shareholders will be able to conclude from the report on the past year's various developments, Boralex has followed through on its commitment to pace its growth by pursuing profitable opportunities as they arise. In the process, we have made important strides toward achieving our principal strategic positioning objectives, which include effective integration of already operational power stations, establishment of recognized expertise in means of production which we have chosen to develop, diversification of our geographic presence and the creation of industrial outsourcing partnerships.

After a year characterized by heightened development and financial performance, Boralex is better positioned and equipped to achieve its vision and enter the new millennium on a sound footing.

The acquisition of the Stratton, Maine, power station on September 26, 1998 launched the Corporation's expansion into the Northeastern-US market and its development into a recognized leader in the generation of electricity from wood residue. This acquisition surpassed performance objectives for 1999 due to its synergies with the other units of Boralex, combining our creativity and long record at optimizing energy infrastructures to an ultramodern facility and its experienced personnel. In the months following the acquisition, production costs at the unit were reduced substantially, due principally to the strengthening of wood residue supply practices. This decisive experience and the leading-edge expertise with which it provided us in the generation of electricity from wood residue served as a springboard leading toward two other major acquisitions.

On January 28, 1999 Boralex concluded the largest energy-outsourcing agreement ever signed in Quebec, with its acquisition of the Alliance Forest Products cogeneration plant located in

JACQUES GAUTHIER
Executive Vice-President

BERNARD LEMAIRE
President and Chief Executive Officer

MESSAGE TO Shareholders

Dolbeau, Quebec. Built in 1997, the 28-MW plant is fired by wood residue supplied by regional sawmills. Aside from acquiring all assets, including a 24-year electricity purchasing agreement with Hydro-Québec, Boralex also signed an agreement of the same length to provide Alliance Forest Products with 800,000 tons of steam per year. We also signed a fixed-rate service agreement with our partner, which continues to operate the unit under Boralex management.

We believe this is an excellent agreement for both parties, since it represents a major long-term source of revenue for Boralex, while allowing our partner to benefit from *reliable steam supply.* From a strategic standpoint, it also confirms our ability to form partnerships with major pulp and paper producers, both within and outside of the Cascades Group. The transaction has thereby positioned us advantageously in the energy-outsourcing sector, in which we expect to experience substantial growth as the market opens up to independent producers.

On March 24, 1999 Boralex acquired a 20-MW wood residue-fired thermal power station in Châteaugay, New York, which sells its production in the state's almost completely deregulated energy market. While the new unit had a positive impact on our profitability from the moment it was acquired, plant optimizations carried out after the acquisition further highlighted its potential profitability. Since it has secured a foothold in the Northeastern US with the Stratton and Châteaugay power stations, Boralex has become familiar with the dynamics of a market already driven largely by the laws of supply and demand. In turn, we have adapted quickly to this new business environment, responding to demand reliably and profitably.

By the end of the year 2000 Boralex will have reached the objectives presented to its shareholders during its March 1997 public issue. In order to achieve the first of these objectives, building a critical mass to ensure solid and sustained growth in profitability, we invested more than $145 million to acquire and commission power stations. As a result, installed capacity, revenue and operating income increased nearly fourfold.

> After a year characterized by heightened development and financial performance, Boralex is better positioned and equipped to achieve its vision and enter the new millennium on a sound footing.

Our objective is to position Boralex as a flexible, efficient and profitable operator.

In the process, we established an operating structure providing both growth and stability, since half of our assets, including the new plant in Dolbeau, are secured through power purchasing agreements with terms varying from 12 to 23 years. This provides a solid foundation to pursue our expansion under open market conditions, particularly in the Northeastern US.

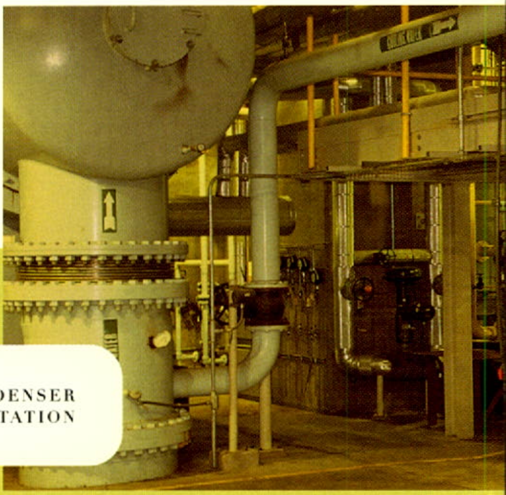
In addition, we made a commitment to diversify our business risk by developing new geographic markets and a balanced presence in various types of energy production. Consistent with this objective, Boralex has not only entered the Northeastern-US market, but has also become one of North America's most important producers of electricity from wood residue. Although accounting for only a small fraction of electrical production in North America at the present time, this environmentally-friendly energy source, which already benefits from preferential rates in the US and Europe, is expected to experience continued development in coming years, given its undeniable environmental and economic advantages.

Several other major projects currently underway at Boralex will result in a 70-MW increase in our installed capacity, which should reach 228 MW over an 18 to 24-month timeframe.

In Quebec, we will continue development of a 20-MW wood-residue cogeneration power station on-site at the Norampac Inc. plant located in Cabano. Also, we will begin construction of a 30-MW wood residue-fired thermal power station in Senneterre, Quebec, scheduled to start operation in the summer of 2001. To this end, we recently acquired a 25-year power purchasing agreement for the sale of 28 MW per year to Hydro-Québec, which had been awarded to another independent producer for the Senneterre project, under the APR-91 program.

Capitalizing on over ten years of experience in natural gas-fired production, Boralex was recently awarded a five-year contract by Alberta Energy to operate a 21-MW natural gas-fired power station in Ecuador. Also, we will soon begin construction of a 15-MW natural gas-fired cogeneration plant located in Blendecques, in northern France, in partnership with Industélec Services, a subsidiary of Électricité de France (EDF). The unit, to be commissioned at the beginning of 2001, will sell its steam to the Norampac Inc. plant located in Blendecques, France, and its electricity to EDF under 12-year purchasing agreements.

An Emerging Leader in the Energy Industry



TURBINE CONDENSER
STRATTON POWER STATION

Closer to home, we will continue to pursue development of our joint-venture with Toronto-Hydro to build a 250-MW natural gas cogeneration unit, a project which holds exceptional potential for Boralex and its partner.

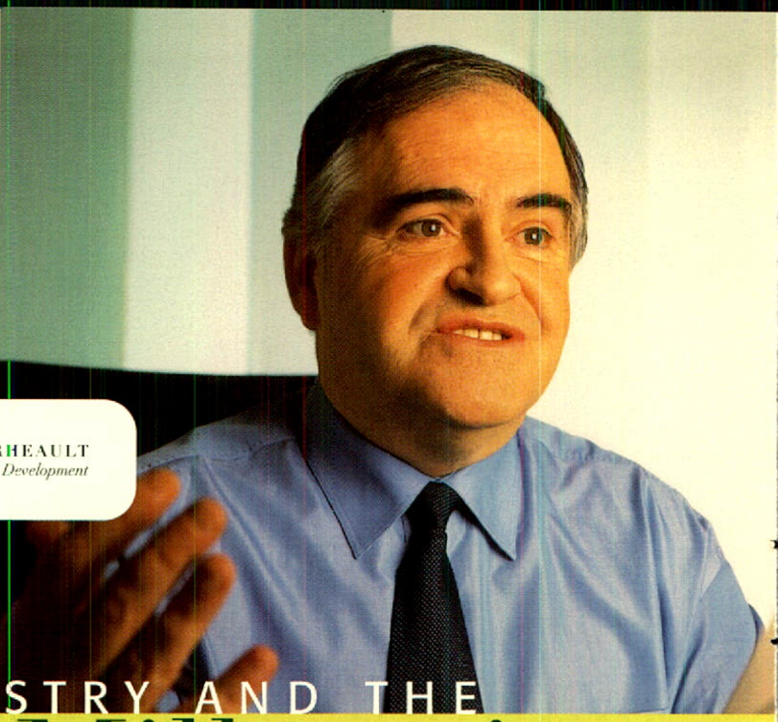
As Boralex enters a new phase in its growth, we remain committed to our objectives of long-term, profitable development with the ultimate goal of maximizing shareholder value. As in the past, the Corporation will continue to base its success on its ability to seize upon the most advantageous growth opportunities and to optimize its assets. In this light, aside from our involvement in various development projects, we will remain on the lookout for opportunities to acquire other operational power stations.

Our objective is to position Boralex as a flexible, efficient and profitable operator with distinctive know-how in various production methods. To this end, we will continue to emphasize development in our principal areas of expertise, in accordance with our vocation as a producer of renewable energy, specializing in the recovery and reuse of natural resources. At the same time, we will continue to ensure that our most fundamental resource, our employees, continues to develop in accordance with our growth objectives, and in keeping with a corporate culture based on creativity, excellence and above all performance.

In conclusion, we wish to express our appreciation to the employees of Boralex for their commitment to reaching the Corporation's objectives as well as their competence and skill in meeting the challenges resulting from accelerated growth in recent years. We also wish to thank our shareholders for believing in Boralex and its potential, and for their support as we enter a new phase in our growth.

BERNARD LEMAIRE
President and Chief Executive Officer

JACQUES GAUTHIER
Executive Vice-President



YVES RHEAULT
Vice-President, Business Development

THE ENERGY INDUSTRY AND THE New Millennium

What vision does Boralex hold of its near to mid-term development in the emerging open market?

In an open market, in which electricity is traded as a commodity, producers will have to focus on optimizing their infrastructure in order to offer clients a reliable product at competitive prices.

In the near term, our priority is to optimize production costs at our existing facilities, ensuring that they remain competitive in an environment undergoing rapid change as electrical markets open up. In addition, as in recent years, our development efforts will continue to focus on production methods which further distinguish the Corporation for its unique expertise, in particular, in the production of energy from wood residue.

In the mid-term, when acquiring or building new production units, Boralex will ensure that its power stations are located in strategic proximity to major electrical consumption centres, specifically to avoid the possibility of network congestion during transport. Naturally, the same principle applies to energy outsourcing projects implemented in partnership with large industrial firms.

In summary, given the highly positive results yielded by our recent entry into the deregulated New England and New York State markets, Boralex will continue to apply the same methods in order to intensify our presence in target markets. In all of our development and acquisition projects we will ensure that production costs remain in keeping with those of our competitors, while focusing on producing clean, green energy and renewable energy. Moreover, all projects will be identified, developed and carried out on the basis of their direct contribution to the Corporation's profitability.

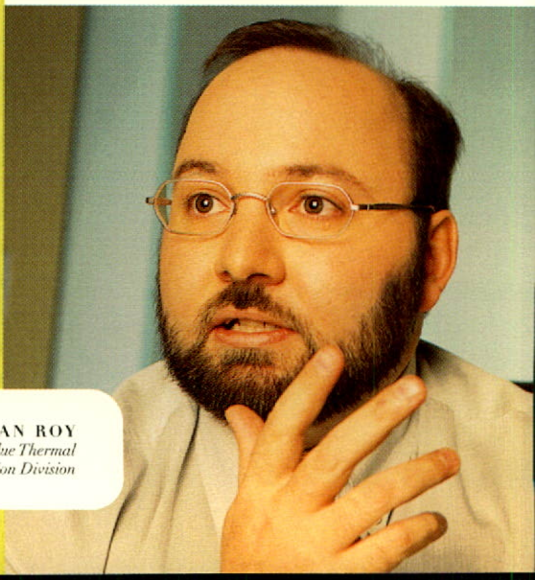
BORALEX: RECOGNIZED Expertise

Why is electrical production from wood residue considered environmentally-friendly?

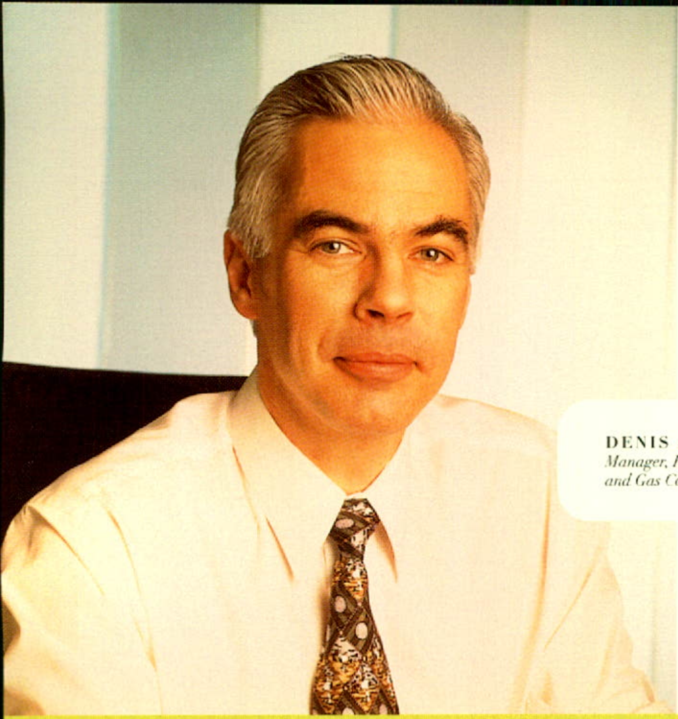
Utilizing tree bark, tops, and branches as well as factory-generated sludge as fuel, disposes of logging and pulp-and-paper-industry residue which would otherwise have to be burnt under less controlled conditions or buried at a relatively high cost. From the outset, electrical production from wood residue provides a solution to both environmental and economic problems.

In addition, our three power stations involved in this type of production are equipped with leading-edge environmental technology allowing a reduction in CO_2 emissions as well as complete burning of particulates. Moreover, the Stratton unit operates using a closed circuit, with no discharge of effluents, whereby water is constantly treated and reused by other systems such as the cooling tower. Also, quantities of residual ash are recycled in road construction, and mineral matter is used for agricultural purposes as fertilizer and as a neutralizing agent.

Boralex reuses 1.2 million tons of residue annually at its three current power stations having a combined capacity of 98 MW to produce and sell 654 GWH of electricity, 800,000 tons of steam and 40,000 tons of recyclable materials. In short, this is the very essence of green energy, in which, not surprisingly, modern societies are showing increasing interest. To date, several governments have taken measures limiting landfill use in the disposal of forestry-generated residue or prohibiting uncontrolled burning, and the trend will become even more pronounced in coming years. In light of our experience in the field, we already hold a firm lead.



JEAN ROY
Manager, Wood-Residue Thermal and Cogeneration Division



DENIS AUBUT
Manager, Hydroelectric and Gas Cogeneration Division

What is Boralex doing in its more "traditional" sectors, natural gas cogeneration and hydroelectric production?

In 1999 most of our hydroelectric stations benefited from water levels which were clearly superior to those in 1998. Coupled with optimization measures taken in previous years, these favourable conditions resulted in record performance at several units, most notably those in Buckingham, Rimouski and Montmorency.

The year also yielded highly positive results for our natural gas cogeneration plant, in both financial performance and development activity. It should be noted that our unit remains the first and only operational power station of its kind in Quebec, giving Boralex distinct expertise in the field, which is experiencing accelerated growth in the US and Europe. One concrete illustration was provided by the agreement we concluded last May in Ecuador to operate a 21-MW unit. While supplying electrical power to an oil field, the plant utilizes recovered oil-well natural-gas runoff which would otherwise be burnt. Finally, with the Norampac Avot-Vallée project in Blendecques, we will also begin exporting our expertise in this sector to France, a high-potential market for this production method.

CYRILLE VITTECOQ
Vice-President, Finance

Y2K Compliance

How did Boralex and, more specifically, its control centre in Kingsey Falls, prepare for the year 2000?

HUGUES GIRARDIN
Manager, Electrical, Instrumentation and Control Division

Because of the raw materials we use, primarily water and wood residue, Boralex was less vulnerable to year-2000 compliance issues than businesses in other fields. However, over the last two fiscal years we have adopted a stringent plan in this regard. First, we conducted a comprehensive inventory of components relating to production equipment, the control centre and information systems which could have been affected by the millennium bug. More than 300 components were tested, then adapted as necessary.

At the control centre we implemented new operating software on a fully Y2K-compliant client-server platform, achieving what was our first and foremost priority in 1999. As a precaution, we have nonetheless maintained the former system, which is to remain available as a backup until the end of February 2000. Effectively, the new system has provided the control centre with important technological advancements, resulting, in particular, in far quicker and more detailed analysis capabilities as well as an accounting system which is better adapted to industry standards.

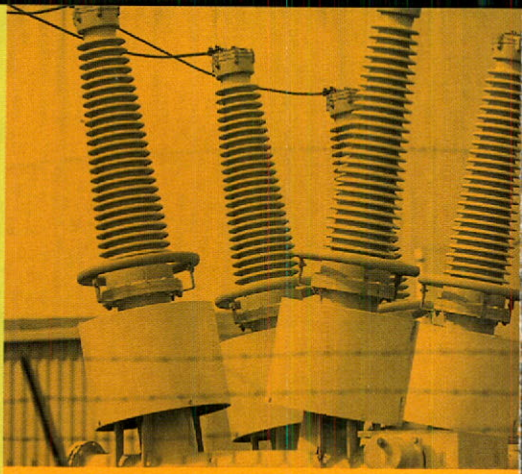
By the fall of 1999 all of our operations, including newly acquired power stations, were Y2K-ready. Several simulation tests have since been run and all units have successfully passed audits conducted by our Year 2000 Committee. In the fourth quarter we conducted other similar tests for our clients.

Furthermore, contingency plans have also been established to cover any possible incidents which could have occured in the hours, days or weeks following the arrival of the new millennium.

Aside from outstanding growth in profitability, what other trends are discernable in the 1999 financial performance posted by Boralex?

One crucial fact must be highlighted with regard to our performance in 1999, since it points to greater revenue stability and will facilitate the management of our financial resources in the future. Through diversification of our geographic presence we greatly improved the seasonal curve of our revenue.

As the graphic representation of our quarterly results for the last three years indicates, revenue in 1999 was significantly more evenly distributed throughout the entire year than was previously the case. The main factor responsible for the change was the presence which we established in the US, where demand and selling prices peak during the summer months. More significantly, this greater balance, combined with an increase in our critical mass, enabled us to eliminate previous seasonal losses and generate a substantial profit during each quarter of fiscal 1999. To illustrate, whereas two thirds of EBITDA has traditionally been generated during the first two quarters, it was spread evenly in 1999 over both the first and the second half of the fiscal year. This is yet another trend which will continue to serve as a driving force behind sustained and profitable development at Boralex.



MANAGEMENT'S

Growth

For the fiscal year ended September 30, 1999, Boralex recorded revenue of $64.8 million, up 149% from $26 million for the previous year. Approximately 90% of this growth was due to expansion through acquisitions. First, the power station located in Stratton, Maine, acquired at the end of the previous fiscal year, contributed to results for the full year. In addition, this plant generated higher than expected results. During the second quarter, on January 28, 1999, the Dolbeau, Quebec unit was added to the operating base, followed by the Châteaugay, New York unit near the end of the same quarter, on March 24, 1999. Also, contribution from the latter power station surpassed our objectives, due particularly to operational improvements and to market price increases caused by the 1999 summer heat wave.

Internally, revenue from existing operations increased by 8%. In addition to various unit-productivity improvements implemented in previous years, growth was aided by favourable water levels at a majority of the hydroelectric facilities and by a significant increase in steam sales at the Kingsey Falls natural gas cogeneration plant. It should also be noted that the 1998 ice storm affected our performance in the previous fiscal year, specifically at the Buckingham hydroelectric power station and the Kingsey Falls cogeneration plant. In 1999 the main influence on performance at the latter unit can be attributed to steam sales. While steam deliveries indeed reached higher volumes than anticipated, in the second half of the year the cogeneration plant benefited from an increase in the price of oil, to which the selling price of steam is indexed.

Overall electrical production at Boralex reached 911 GWH in 1999, compared to 378 GWH for the previous fiscal year, up 141%. Our average selling price, which includes sales of both electricity and steam, reached $69.32 per GWH compared to $66.70 for the previous year. Our sales mix has undergone an important shift from that of the previous fiscal year, benefiting from the acquisition of the Dolbeau power-station, which resulted in an increased share of revenue derived from steam sales.

Profitability

Operating income, or EBITDA, increased by 143% from $11 million in 1998 to $26.7 million in 1999. While growth was due largely to recent acquisitions, in particular the new power station at Stratton, our performance also benefited from existing Boralex units, which increased their contribution to EBITDA by more than 21%.

Our operating profit margin stood at 41.2% compared with 42.4% for the previous year, due to the integration of three wood residue cogeneration stations. In contrast to hydroelectric power stations, fuel costs account in a significant portion of the cost structure in this type of facility, although not to the same degree as for natural gas-fired units. However, while cogeneration and thermal energy facilities yield a lower operating profit margin than hydroelectric power stations, this is largely compensated in their net operating profit margin due to their lower capital cost.

Financing expenses increased by 74.3%, from $4.6 million to $10.7 million, due to additional debts related to the acquisition of the Dolbeau and Stratton power stations. Amortization expenses grew from $3.7 million in the previous fiscal year to $7.7 million in 1999 as a result of expansion, which increased the value of capital assets by more than 60% during the last fiscal year.

Net of financial expenses, depreciation and amortization, earnings before income taxes and non-controlling interests increased nearly sevenfold, from $1.2 million in the previous fiscal year to $8.2 million in 1999. Our pre-tax profit margin increased nearly threefold, reaching 12.7%, compared with 4.4% in the previous fiscal year.

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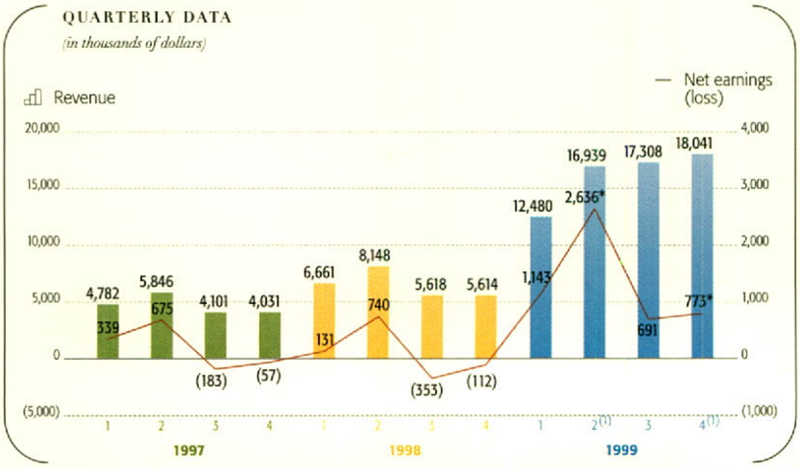
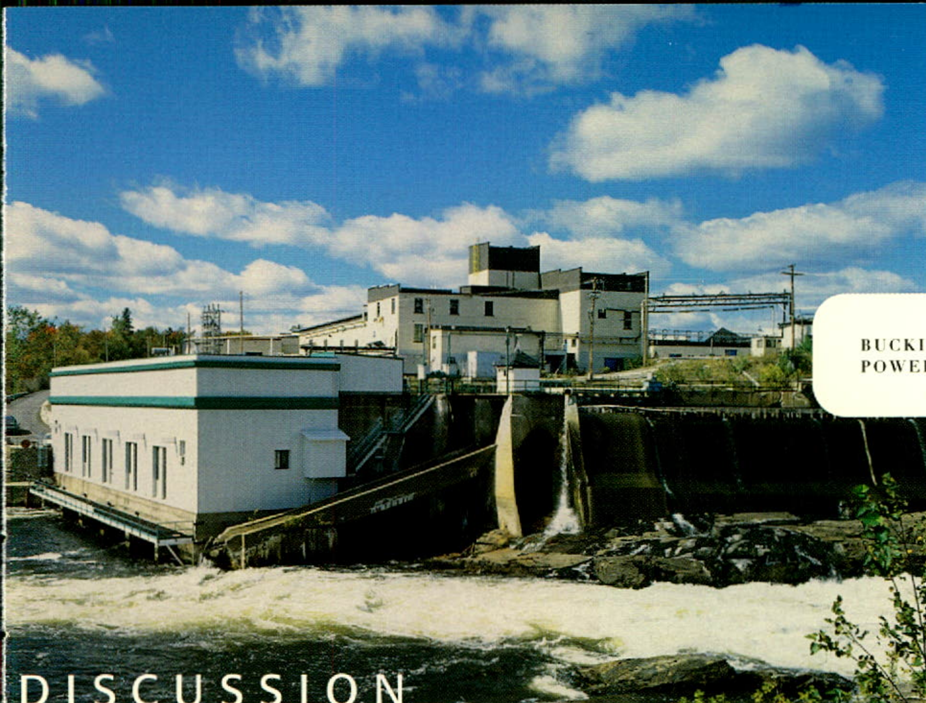


(1) The second and fourth-quarter figures of 1999 have been restated according to the adoption of a new accounting policy regarding income taxes.



BUCKINGHAM
POWER STATION

DISCUSSION and Analysis of Operating Results and Financial Position

Our effective tax rate increased to 29.2% from 26.8% in 1998. The new provision in federal tax law granting producers of electrical power the same status as manufacturing and processing companies partly compensated for the fact that we did not benefit as in the previous year from certain unrecognized tax benefits. To a lesser extent, Boralex also benefited from a relative decrease in federal income taxes on large corporations, due to the significant share of its assets now located in the US.

Lastly, non-controlling interests increased 30%, to $0.6 million, due to the strong performance at the Buckingham and St-François power stations, in which Boralex holds 70% and 50% interests respectively. The Corporation thereby reported net earnings of $5.2 million, up nearly thirteen times from $0.4 million the previous year. Earnings per share reached $0.25 on a weighted average of 19,397,610 shares outstanding in 1999, compared with $0.00 on 19,402,018 shares in 1998. This represents a net profit margin of 8.1% and a return of 11.5% on average shareholders' equity for the last fiscal year.

Cash Flow

Consistent with recorded earnings of $5.2 million, amortization expenses of $7.7 million, and other items not affecting cash, cash flow from operations rose from $5.5 million in 1998 to $14.8 million, a solid increase of 174%.

Boralex continued to make major investments in its expansion, totalling $73.7 million, the bulk of which was allocated to the acquisition of all shares in the corporation operating the Dolbeau power station for a cash consideration of $59.7 million. The balance of the purchase price, in the amount of $16 million, was paid through the issue to the selling party of preferred shares in this entity. These shares, which entitle their bearer to a 4% annual dividend, are retractable by Boralex at any time, or redeemable by their bearer at any time after January 28, 2002.

In 1999 Boralex invested $15.1 million in new capital assets and the development of power-station projects, slightly more than two thirds of which were related to wood-residue thermal and cogeneration units in Quebec.

During the fourth quarter, Boralex paid $1.4 million to acquire all rights held by a US company in a 30-MW wood residue-fired thermal power project to be built in Senneterre, Quebec. The assets acquired consist mainly of a 25-year agreement for the sale of electricity.

In addition, in March 1999 we purchased assets of the Châteaugay power station at a cost of US$2 million (approximately CDN$3 million). The facility is a modern unit built in 1994 at a cost of US$40 million. Under the terms of the acquisition, the purchase cost is payable over a 2-year term in quarterly installments of US$250,000. The balance of investment and capital costs in 1999 consisted of periodic major maintenance operations carried out at the Kingsey Falls cogeneration plant as well as various investments made throughout the Boralex asset base.

Lastly, during the third quarter Boralex received net proceeds of $1.2 million from the sale of its St-Hyacinthe hydroelectric power station. Disposing of this unit, which no longer met our criteria in terms of financial structure, enabled us to realize its net book value while reducing our long-term debt by approximately $3 million.

In its financing activities, Boralex repaid $3.1 million in long-term debt. The year's most noteworthy development was a $60-million loan to finance the acquisition of the Dolbeau power station. We also contracted $1.5 million in bank loans and advances in the normal course of operations.

Overall, operational, investment and financing activities used cash resources of $2.9 million during fiscal 1999, bringing total cash and cash equivalents to $2.2 million on September 30, 1999 from $4.7 million a year earlier.

Financial Position

Expansion carried out during the last fiscal year translated into a 58% increase in total assets, reaching nearly $235 million on September 30, 1999. Capital assets grew 61% to $210.7 million, representing approximately 90% of total assets.

On September 30, 1999 working capital registered a $4.4-million deficit, for a ratio of 0.76:1, due to an increase in the current portion of the long-term debt and the use of cash flow from operations to finance the majority of new capital assets and various development projects undertaken during the year.

Net earnings for the year increased shareholders' equity to $48.1 million, up 11.1% from the previous fiscal year. As a result of financing related to the Dolbeau power station, long-term debt (including the current portion and the liability component of convertible debentures) rose from $88.4 million to $160.4 million by the end of the year. On September 30, 1999, Boralex showed a long-term debt/equity ratio of 3:1, excluding the $16 million in preferred shares otherwise shown in long-term debt.

Outlook, Financial Requirements and Sources of Funds in 2000

We anticipate revenue growth in the vicinity of 20% during fiscal 2000, mainly since revenue from the Châteaugay and Dolbeau power stations will be recorded for the entire year. In addition, the latter unit will benefit from the power-surcharge stipulated premium next winter, which was limited to half of the period in 1999.

These factors should also contribute to strong growth in net earnings and cash flow from operations, especially given the full impact resulting from improvements to the Stratton, Châteaugay and Dolbeau facilities. Growth will also result from the operating agreement for the power station located in Ecuador.

Among the financial requirements in the normal course of its activities, Boralex expects to invest approximately $1 million in capital assets necessary for the maintenance of its infrastructure, and to pay $6.8 million in long-term debt. As well, Boralex intends to pursue its normal course issuer bid to buy back its shares. On November 2, 1999 the Corporation renewed its bid to acquire for cancellation up to 581,910 of its shares, representing 3% of Class A Shares.

Boralex expects to invest approximately $95 million initiating and carrying out current development projects, with financing drawn from a mix of cash flow from operations and long-term debt. These projects include continued development of the Cabano wood-residue cogeneration project, and starting construction of the natural gas cogeneration station in Blendecques, France, as well as the 30-MW thermal energy station in Senneterre. The Blendecques and Senneterre units are to be commissioned during fiscal 2001. These investments will increase our critical mass by approximately 70 MW, further reinforcing our profitability as well as our expertise regarding our target production methods.

Management's
REPORT

The financial statements for the years ended September 30, 1999 and 1998 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 financial statements contained herein.

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

Montréal, Canada
Novembre 20, 1999

BERNARD LEMAIRE
President and Chief Executive Officer

Auditors'
REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Boralex Inc. as at September 30, 1999 and 1998 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, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montréal, Canada
October 29, 1999

PricewaterhouseCoopers LLP
Chartered Accountants

Consolidated

BALANCE SHEETS

As at September 30, 1999 and 1998
in thousands of dollars

	Note	1999	1998
ASSETS			
Current assets			
Cash and cash equivalents		**2,234**	4,679
Accounts receivable		**10,827**	4,764
Inventories		**923**	–
		13,984	**9,443**
Capital assets	4	**210,686**	130,737
Other assets	5	**10,056**	8,196
		234,726	**148,376**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank loans and advances		**1,460**	–
Accounts payable and accrued liabilities		**8,381**	3,602
Income taxes payable		**1,750**	239
Current portion of long-term debt	6	**6,810**	3,054
		18,401	**6,895**
Long-term debt	6	**153,612**	85,364
Future income taxes	12	**11,910**	10,089
Non-controlling interests		**2,729**	2,777
		186,652	**105,125**
SHAREHOLDERS' EQUITY			
Equity component of convertible debentures	7	**11,257**	10,647
Capital stock	8	**31,798**	31,806
Retained earnings		**5,265**	511
Cumulative translation adjustments		**(246)**	287
		48,074	**43,251**
		234,726	**148,376**

Approved by the Board of Directors,

BERNARD LEMAIRE
Director

GERMAIN BENOÎT
Director

Consolidated

STATEMENTS OF RETAINED EARNINGS

For the years ended September 30, 1999 and 1998
in thousands of dollars

	Note	1999	1998
Balance–Beginning of year		**511**	464
Net earnings for the year		**5,243**	405
		5,754	**869**
Increase in equity component of convertible debentures, net of future income taxes of $131 (1998–$218)		**(479)**	(358)
Excess of redemption price of Class A shares over their paid-up capital	8 b)	**(10)**	–
Balance–End of year		**5,265**	**511**

Consolidated

STATEMENTS OF EARNINGS

For the years ended September 30, 1999 and 1998
in thousands of dollars, except per share amounts

	Note	1999	1998
Revenue	10	**64,768**	**26,041**
Operating Expenses			
Operating costs		**34,129**	12,570
Administration		**3,944**	2,430
		38,073	**15,000**
Earnings before the following		**26,695**	**11,041**
Financial expenses	11	**10,740**	6,162
Amortization		**7,740**	3,725
		18,480	**9,887**
Earnings before income taxes and non-controlling interests		**8,215**	1,154
Provision for income taxes	12	**2,400**	309
		5,815	**845**
Non-controlling interests		**(572)**	**(440)**
Net earnings for the year		**5,243**	**405**
Net earnings per Class A share		**0.25**	**0.00**
Weighted average number of Class A shares		**19,397,610**	**19,402,018**

Consolidated

STATEMENTS OF CASH FLOWS

For the years ended Septemebr 30, 1999 and 1998
in thousands of dollars

	Note	1999	1998
Operating activities			
Net earnings for the year		**5,243**	405
Items not affecting cash			
Amortization		**7,740**	3,725
Interest on liability component of convertible debentures		**682**	732
Future income taxes		**463**	114
Non-controlling interests		**572**	440
Other		**(59)**	(32)
Cash flows from operations		**14,641**	**5,384**
Change in non-cash working capital balances	9	**119**	147
		14,760	**5,531**
Investing activities			
Purchase of capital assets		**(11,202)**	(6,873)
Other assets		**(3,907)**	(1,872)
Business acquisitions	3	**(59,705)**	(37,988)
Net proceeds on disposal of a subsidiary		**1,154**	–
		(73,660)	**(46,733)**
Financing activities			
Bank loans and advances		**1,460**	–
Increase in long-term debt		**60,000**	19,661
Payments of long-term debt		**(3,094)**	(1,734)
Redemption of shares		**(18)**	–
Interest on convertible debentures		**(1,197)**	(1,197)
Non-controlling interests		**(642)**	(300)
		56,509	**16,430**
Translation adjustments on cash and cash equivalents		**(54)**	**–**
Net change in cash and cash equivalents during the year		**(2,445)**	(24,772)
Cash and cash equivalents–Beginning of year		**4,679**	29,451
Cash and cash equivalents–End of year		**2,234**	**4,679**
Supplemental disclosure			
Cash and cash equivalents paid for			
Interest		**10,964**	6,306
Income taxes		**446**	200

Notes

TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 1999 and 1998
(tabular amounts are in thousands of dollars)

1 NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

The Corporation operates principally as a private producer of energy. At September 30, 1999, the Corporation had interests in eight hydroelectric power plants (1998–nine), two cogeneration plants (1998–one) and two biomass fueled generating plants (1998–one) comprising a total capacity of 158.0 MW (1998–112.4 MW). In addition, the Corporation manages six power plants (1998–five) on behalf of other parties.

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, which have been accounted for using the purchase method.

2 SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements. Actual results could differ from those estimates.

Change in accounting policies

In 1999, the Corporation applied retroactively the new recommendations of the Canadian Institute of Chartered Accountants relative to income taxes and the statement of cash flows. The application of these new accounting standards did not have any effect on prior years' net earnings and shareholders' equity. However, some comparative figures have been restated in respect to the new disclosure requirements.

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 mainly 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, composed mainly of power plants, are recorded at cost, including interest incurred during the period of construction for 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 plants with index-linked long-term sale contracts and using the straight-line method for the other plants over periods varying from 20 to 40 years.

Reserved funds

Reserved funds represent funds held in trust for the purpose of satisfying long-term debt agreements.

Deferred costs

Deferred costs including deferred financing costs and water rights and hydraulic forces are amortized using the straight-line method over the term of the corresponding debt instruments and over 40 years, respectively.

Project development costs

Project development costs include conception and acquisition costs related to new projects. These costs are deferred up to the start of the construction of the new power plant, at which time the costs are transferred to the cost of the power plant. When a project is abandoned, the related costs are charged to income.

Income taxes

The Corporation has adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants which require the use of 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 the 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 March 24, 1999, the Corporation acquired the assets of a biomass fueled generating plant with an installed capacity of 20 MW, for a total consideration of $3,035,000 (US$2,000,000) payable in quarterly installments of $367,500 (US$250,000).

On January 28, 1999, the Corporation acquired all the outstanding shares of a corporation operating a biomass fueled cogeneration plant with an installed capacity of 28 MW, for a total consideration of $75,705,000 of which $59,705,000 was paid in cash and $16,000,000 in preferred shares of a subsidiary (note 6e).

On September 25, 1998, the Corporation acquired the assets of a biomass fueled generating plant for a cash consideration of $26,164,000.

On October 3, 1997, the Corporation acquired, for a cash consideration of $13,000,000, a 30% interest in its subsidiary Hydraska (St-Lambert) inc. and a 20% interest in Société en commandite hydroélectrique Buckingham enr. and its general partner, Forces Motrices Buckingham inc., together with a 50% interest in Société en nom collectif Cogénération Kingsey enr. providing the Corporation with 100% control over this entity.

These acquisitions have been accounted for using the purchase method. The accounts and the results of operations of these acquisitions are included in these consolidated financial statements since 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.

	1999	1998
Cash and cash equivalents	–	1,176
Current assets	**2,092**	894
Long-term assets	**79,470**	53,292
	81,562	**55,362**
Current liabilities	**(1,288)**	(1,220)
Long-term liabilities	**(1,534)**	(14,978)
Total consideration	**78,740**	**39,164**

4 CAPITAL ASSETS

			1999
	Cost	**Accumulated amortization**	**Net**
Power plants	**218,498**	**22,586**	**195,912**
Assets in progress and replacement parts	**14,774**	**–**	**14,774**
	233,272	**22,586**	**210,686**

			1998
	Cost	**Accumulated amortization**	**Net**
Power plants	140,470	16,663	123,807
Assets in progress and replacement parts	6,930	–	6,930
	147,400	**16,663**	**130,737**

5 OTHER ASSETS

Other assets comprise the following:

	1999	1998
Reserved funds and other funds held in trust	**4,807**	3,290
Deferred costs	**3,078**	2,877
Project development costs	**1,120**	1,427
Other investments	**1,051**	602
	10,056	**8,196**

6 LONG-TERM DEBT

a) Long-term debt comprises the following:

	Note	**1999**	1998
Secured loan for an original amount of $60,000,000, bearing interest at prime rate plus 1.75% or at bankers' acceptance rate plus 2.75% (7.70% as at September 30, 1999). Repayment terms provide for three payments of $2,000,000 on March 31, 2000, March 31, 2001 and December 31, 2001 with the balance due on March 31, 2002	6 d)	**60,000**	–
Secured loan for an original amount of $23,000,000, repayable in varying quarterly installments, bearing interest at a fixed rate of 9.07%, maturing in 2011		**20,021**	20,981
Secured loan for an original amount of US$12,000,000, bearing interest at U.S. prime rate plus 0.875% or LIBOR rate plus 1.875% until March 31, 2000 and at U.S. prime rate plus 1.125% or LIBOR rate plus 2.125% thereafter (6.935% as at September 30, 1999) repayable December 31, 2000		**17,640**	18,311
Secured loans for an original amount of $17,600,000, repayable in blended quarterly installments of $521,666, bearing interest at a fixed rate of 10.44%, maturing in 2016		**16,468**	16,834
Secured loan for an original amount of $10,200,000 (1998–$13,400,00), repayable in blended monthly installments of $103,894 (1998–$138,897), bearing interest at a fixed rate of 11.47%, maturing in September 2020		**9,881**	13,149
Secured loan for an original amount of $5,000,000, repayable in blended quarterly installments of $146,000, bearing interest at a fixed rate of 8.32%, maturing in 2011		**4,473**	4,678
Secured loan for an original amount of $5,000,000, repayable in blended monthly installments of $44,408, bearing interest at a fixed rate of 8.27%, maturing in 2007		**4,783**	4,917
Secured loan for an original amount of $2,700,000, repayable in blended monthly installments of $27,385, bearing interest at a fixed rate of 9.89%, maturing in 2010		**2,226**	2,329
Balance of purchase price bearing no interest, repayable in quarterly installments of $367,500 (US$250,000)		**1,837**	–
Redeemable preferred shares	6 e)	**16,000**	–
Liability component of convertible debentures		**6,705**	7,219
Other		**388**	–
		160,422	**88,418**
Less: Current portion		**6,810**	3,054
		153,612	**85,364**

b) As at September 30, 1999, the Corporation had a revolving credit facility for an authorized amount of $7,000,000, bearing interest at prime rate plus 0.25%, repayable 18 months after its first utilization. The Corporation also had an operating credit facility of $3,000,000, repayable on demand and bearing interest at prime rate plus 0.625%. As at September 30, 1999, only $1,460,000 was used from the operating credit facility.

c) Substantially all of the assets of the Corporation and its subsidiaries, with the exception of cash and cash equivalents, have been pledged as collateral for the credit facilities and the secured loans. The loan agreements include certain restrictions in the use of cash flows of the subsidiaries of the Corporation.

d) The Corporation has entered into an interest rate swap involving no exchange of principal to fix interest at 6.04% on a notional principal amount of $30,000,000 until March 28, 2002.

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, and by the holders at any time from January 28, 2002, at the price of $1 per share plus any accrued and unpaid dividend.

f) The aggregate fair market value of the long-term debt, including the liability component of the convertible debentures but excluding the redeemable preferred shares, was estimated at $152,965,000 ($101,345,000 as at September 30, 1998), based on discounted future cash flows using interest rates available to the Corporation for debt issues with similar terms and conditions.

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

2000	6,810
2001	23,435
2002	75,404
2003	3,520
2004	3,662

7 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 are 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.

Effective April 4, 2000, the Corporation may redeem the debentures prior to maturity, under certain conditions, at their issue price plus a premium based on the trading price of the Class A shares. Once the Corporation has given its notice of redemption prior to maturity, the holders of the debentures will no longer be entitled to convert their debentures into shares.

Also effective April 4, 2000, the Corporation will be entitled to exchange them prior to maturity, under certain conditions, for Class A shares plus the payment in cash of any accrued and unpaid interest on that date. If the debentures are called for exchange prior to maturity, the holders will be entitled to convert the debentures until the business day preceding the date of exchange.

Upon maturity, the debentures will be payable, at the Corporation's option, by the issuance and delivery of that number of Class A shares obtained by dividing the principal amount of the debentures by the weighted average trading price of the Class A shares for the last 20 days, plus the payment in cash of any accrued and unpaid interest, or by the payment in cash of the principal amount of the debentures plus the accrued and unpaid interest.

8 CAPITAL STOCK

a) Authorized

An unlimited number of Class A shares

Issued

	1999	1998
19,397,018 (1998–19,402,018) Class A shares	**31,798**	31,806

b) Under a redemption program authorized until September 29, 1999 for a maximum of 970,100 of its issued Class A shares, the Corporation acquired during the year 5,000 Class A shares for $18,300 cash. The excess of the redemption price over the paid-up capital of these shares is charged to retained earnings.

c) Under the terms of a stock option plan for the benefit of directors, senior management and certain key employees of the Corporation, 1,500,000 Class A shares have been reserved. During the year ended September 30, 1999, stock options to purchase 75,303 Class A shares (1998–none) at a price of $4.00 per share were granted. The exercise rights vest over a period of four years. The exercise price equals the market value on the day preceding the date the options were granted. As at September 30, 1999, options to purchase 160,303 (1998–85,000) Class A shares at prices ranging between $4.00 and $5.70 per share and maturing no later than February 18, 2009 were outstanding.

9 CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	1999	1998
Decrease (increase) in		
Accounts receivable	**(4,404)**	1,415
Inventories	**(866)**	(63)
Increase (decrease) in		
Accounts payable and accrued liabilities	**3,985**	(926)
Income taxes payable	**1,404**	(279)
	119	**147**

10 INSURANCE PROCEEDS

Revenue includes insurance proceeds of $1,493,000 (1998–$403,000) due to the breakdown of major pieces of equipment at a plant. In 1998, revenue included insurance proceeds of $383,000, resulting from claims for business interruption following the ice storm in January 1998.

11 FINANCIAL EXPENSES

	1999	1998
Interest on long-term debt	**10,406**	6,223
Interest on liability component of convertible debentures	**682**	732
Dividends on redeemable preferred shares	**431**	–
Other interest	**119**	35
Interest income	**(898)**	(828)
	10,740	**6,162**

12 INCOME TAXES

a) The provision for income taxes is as follows:

	1999 %	1998 %
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	**(3.5)**	–
Unrecognized tax benefits	**0.5**	(20.8)
Deduction for manufacturing and processing and for active business income carried on in Quebec	**(6.2)**	(5.6)
Large corporation tax	**3.7**	16.9
Share of the income taxes of a limited partnership not attributable to the Corporation	**(2.0)**	(11.8)
Decrease in future income taxes resulting from a reduction in tax rate	**(7.2)**	–
Other	**(1.5)**	2.7
	(16.2)	**(18.6)**
	29.2	**26.8**

b) Future income taxes include the following items:

	1999	1998
Future income tax assets		
Tax benefit arising from losses carried forward	**4,431**	877
Convertible debentures	**454**	324
Other	**499**	621
	5,384	**1,822**
Future income tax liabilities		
Capital assets	**16,829**	11,571
Other assets	**465**	340
	17,294	**11,911**
Future income taxes	**11,910**	**10,089**

c) The Corporation has accumulated losses for Federal and provincial income tax purposes amounting to approximately $14,024,000 and $14,936,000, 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 2005.

13 COMMITMENTS AND CONTINGENCIES

a) The Corporation is committed to sell all of its electricity production in Quebec to one customer, Hydro-Québec, under long-term contracts maturing from 2010 to 2022 and renewable, except the one maturing in 2022, for periods of 10 to 25 years. The steam production from its two cogeneration plants is sold under long-term contracts maturing in 2006 and 2023, respectively. The Corporation is also committed to sell 95% of its electricity production from its Stratton plant to one customer under a contract maturing in 2001, and the production of its Chateaugay plant to one customer under a contract maturing in September 2000.

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 plants. The agreement covers the waste wood supply cost, salaries, supplies and spare parts, minor maintenance work, 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 $5,776,000 for the year. They are adjusted annually based on the consumer products index rate and, if applicable, to give effect to changes in the waste wood supply costs.

c) Under the terms of a lease with the administration of the St. Lawrence Seaway expiring in 2020, the Corporation has lease commitments of a minimum of $140,000 per year. The Corporation is also committed to pay, under the terms of various contracts, rental charges proportionate to the production of electricity.

d) The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. The Corporation has adopted an action plan and formed a committee whose mandate is to evaluate and identify the systems that could be affected. It also has the responsibility of ensuring a follow-up of the corrective measures to be taken and the implementation of a contingency plan for every sector of the Corporation. Despite all efforts made by the Corporation, its customers, suppliers or other third parties, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation will be fully resolved.

e) Certain subsidiaries of the Corporation have received notices of assessment from the ministère du Revenu du Québec totaling $2,159,000, for the years 1994 to 1997 inclusively. These assessments were made under new dispositions of the Loi sur la fiscalité municipale with respect to a 3% tax on revenue from the sale of electricity. The Corporation has objected to these assessments and questioned their validity. Management believes their resolution will not have significant adverse effects on the financial position of the Corporation and, therefore, no payment has been made and no provision has been accounted for these assessments, neither for fiscal 1998 nor for fiscal 1999.

14 RELATED PARTY TRANSACTIONS

In addition to the related party transactions presented separately in these financial statements, the Corporation entered into the following transactions:

	1999	1998
Energy revenue	**6,045**	4,732
Management revenue	**761**	603
Operating expenses	**565**	536
Interest income	**626**	59

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

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

	1999	1998
Parent company		
Short-term investment	**–**	1,900
Companies under common control		
Accounts receivable	**945**	654
Accounts payable	**262**	118

Directors

AND OFFICERS

BOARD OF DIRECTORS

BERNARD LEMAIRE (1)
Chairman of the Board of Cascades Inc.
President and Chief Executive Officer of the Corporation

ALAIN LEMAIRE
Executive Vice-President of Cascades Inc.
President and Chief Executive Officer of Norampac Inc.

JACQUES GAUTHIER (1) (3)
Executive Vice-President of the Corporation

ALLAN HOGG (1) (2)
Corporate Controller of Cascades Inc.

YVES RHEAULT
Vice-President of the Board and Vice-President,
Business Development of the Corporation

RICHARD LEMAIRE
Development Manager of the Corporation

GERMAIN BENOÎT (2) (3)
President of Ger-Ben Investments Inc.

GILLES SHOONER (2) (3)
Partner of Genivar Consulting Group Inc.

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

OFFICERS

BERNARD LEMAIRE
President and Chief Executive Officer

JACQUES GAUTHIER
Executive Vice-President

YVES RHEAULT
Vice-President,
Business Development

CYRILLE VITTECOQ
Vice-President, Finance

JEAN ROY
Manager, Wood-Residue Thermal
and Cogeneration Division

DENIS AUBUT
Manager, Hydroelectric
and Gas Cogeneration Division

HUGUES GIRARDIN
Manager, Electrical, Instrumentation
and Control Division

ROBERT F. HALL
Corporate Secretary

General

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Montreal Trust Company

SHAREHOLDERS SERVICES
(514) 982-7555
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SHAREHOLDER INFORMATION

The Annual General Meeting of Shareholders will be held on February 23, 2000 at 11 a.m. at the Inter-Continental Hotel, Sarah Bernhardt Room, 360 St.Antoine St. West, Montreal, Quebec.

The 1999 Annual Information Form of Boralex Inc. will be available upon request from the Corporation's Montreal office as of February 23, 2000.

This annual report is available in both French and English.

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

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STOCK DATA

REGISTERED SECURITIES

Securities	Symbol	Exchange
Common shares	BLX.A	Toronto
Convertible debentures	BLX.db	Toronto

MAJORITY SHAREHOLDER

Cascades Inc.	45%

* Cascades Inc. holds 45% of its capital stock through direct ownership and 26.6% through a trust.

TRADING ON COMMON SHARES

Fiscal year ended September 30	Shares issued and outstanding	Public float	High	Low	Closing price as at September 30
1999	**19,397,018**	**5,615,354**	**4.64**	**3.25**	**3.35**
1998	19,402,018	5,620,954	5.65	2.75	3.65

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 30
1999	**17,095**	**16,483**	**104.00**	**97.00**	**102.00**
1998	17,095	1,483	109.00	95.00	99.75

Boralex inc.
Cascades Group

Member of the Cascades Group
www.cascades.com