NORTHLAND POWER INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2012

February 21, 2013

NORTHLAND POWER INC.

ANNUAL INFORMATION FORM

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All capitalized terms used in this Annual Information Form ("**Annual Information Form**" or "**AIF**") have the meanings assigned to them under the heading "Glossary of Terms", unless otherwise defined. All currency amounts in this AIF are in Canadian dollars unless otherwise indicated. Unless otherwise noted, the information contained in this AIF is given as at or for the year ended December 31, 2012.

In this AIF, "Northland" means, prior to January 1, 2011, Northland Power Income Fund (the "Fund"), and, after January 1, 2011, Northland Power Inc., ("Northland" or the "Company") the corporation resulting from the corporate conversion of the Fund pursuant to the terms of the Arrangement.

Northland's audited consolidated financial statements for the year ended December 31, 2012 and related Annual MD&A are hereby specifically incorporated by reference in this AIF. Copies of these documents are available on SEDAR at www.sedar.com under Northland's profile and on Northland's website at www.northlandpower.ca.

FORWARD LOOKING STATEMENTS

This AIF contains certain forward-looking statements that are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future EBITDA, cash flows and dividend payments; the construction, completion, attainment of commercial operations, cost and output of development projects; plans for raising capital; and the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, construction risks, counterparty risks, operational risks, the variability of revenues from generating facilities powered by intermittent renewable resources and the other factors described in Northland's 2012 Annual Report and this AIF dated February 21, 2013, both of which can be found at www.sedar.com under Northland's profile and on Northland's website at www.northlandpower.ca. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained in this AIF are based on assumptions that were considered reasonable on February 21, 2013. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

NON IFRS MEASURES

This AIF includes references to Northland's free cash flow and EBITDA, which are not measures prescribed by IFRS. Free cash flow and EBITDA, as presented, may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that free cash flow and EBITDA are widely accepted financial indicators used by investors to assess the performance of a company and its ability to generate cash through operations.

CORPORATE STRUCTURE

Northland Power Inc. is a corporation governed by the *Business Corporations Act* (Ontario) that resulted from the Arrangement which became effective on January 1, 2011. The head and principal office of Northland is located at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario, M4V 3A1.

The following is a list of Northland's principal subsidiary entities (ownership interest is 100% except as indicated in the footnotes), showing the jurisdiction where they were incorporated or otherwise established.

Subsidiary	Jurisdiction of Incorporation / Establishment
Iroquois Falls Corp.	Ontario
Kingston LP	Ontario
Thorold LP	Ontario
Spy Hill LP	Ontario
North Battleford LP	Ontario
Ground-mounted Solar Entities	Ontario
Jardin LP	Quebec
Mont Louis LP	Quebec
German Wind Farms	Germany
PEC[(1)]	Texas

(1) PEC is owned 19% by Northland.

See more detail in "Narrative Description of the Business – Northland's Facilities".

OVERVIEW

Northland's business strategy is based on a balance of stability and growth. The Company's objective is to maximize long term shareholder value by maintaining stable and sustainable dividends and pursuing sustainable growth in the independent power industry. Northland aims to achieve this objective by maintaining a robust but disciplined development pipeline along with maintaining the expertise to manage projects from inception throughout their lifecycle.

Northland has been delivering on customers' needs for energy since 1987 by developing, building, owning and operating clean (natural gas) and green (hydro, wind, solar and biomass) power generation projects. The company has developed or acquired a diversified portfolio of power generation projects in Canada, the US and Germany that produce long-term stable cash flows, providing regular dividends to shareholders since becoming publicly traded in 1997.

Currently, Northland owns or has a net economic interest in power producing facilities with a total capacity of approximately 1,005 MW. Northland's operating assets comprise facilities that produce electricity from natural gas and renewable resources for sale under long-term Power Purchase Agreements (**PPAs**) to creditworthy customers in order to ensure cash flow stability.

Northland's current construction projects, the 260 MW North Battleford natural-gas-fired baseload facility, 60 MW of Ground-mounted Solar Phase I Projects and 60 MW McLean's Mountain wind project, are scheduled to reach commercial operations at various dates in 2013 and early 2014. Northland's advanced development projects encompass wind, solar and run-of-river hydro, including 196 MW with PPAs awarded under the OPA FIT program (70 MW solar, 100 MW wind and 26 MW hydro), and a 24 MW PPA with Hydro-Québec to construct a wind project near Frampton, Quebec; Northland expects to construct these projects over the next two to three years. In addition, Northland has an extensive portfolio of projects in earlier stages of development.

GENERAL DEVELOPMENT OF THE BUSINESS

Northland Power's principal activity is the development, construction, ownership and operation of independent power projects**.**

Development of Northland's Projects

Northland has developed, constructed and/or completed the following projects over the last three completed financial years:

- Site clearing commenced in late December 2012 on the 60 MW (30 MW net to Northland) McLean's Mountain Wind Farm which is expected to be completed early in 2014. Major construction activities are planned for early spring 2013.

- Construction commenced in 2012 on six of the thirteen ground- mounted solar projects ("**Ground-mounted Solar Phase 1 Projects**") which are scheduled to reach commercial operations as each project is completed through mid 2013.

- Financing was completed and construction of the Mont Louis Wind Farm commenced in 2010. The Mont Louis Wind Farm attained COD in September 2011.

- Northland and Loblaw installed photovoltaic solar panels on the roofs of four Loblaw Ontario stores as a pilot project. The projects have PPAs under the OPA's FIT Program. Construction in stages commenced in 2010. All four sites attained COD in 2011.

- Northland was awarded a PPA to build the North Battleford Facility in 2010. Financing was completed and construction of the North Battleford Facility commenced later that year. The project remains on schedule to attain commercial operation by the end of the second quarter of 2013 following the completion of construction, commissioning and synchronization with the SaskPower grid.

- Construction of the Thorold Facility was completed and attained COD in April 2010. Northland repaid the subordinated debt used in part to fund the construction of the Thorold Facility in December 2010.

- Northland was awarded a PPA to build the Spy Hill Facility in 2009. Financing was completed and construction of the Spy Hill Facility commenced in 2010. The Spy Hill Facility attained COD in October 2011.

- In 2010 and 2011, Northland executed PPAs to build 316 MW of renewable green energy projects under the OPA's FIT Program. 120 MW of these projects are currently under construction, represented by the Ground-mounted Solar Phase 1 Projects and McLean's Mountain Wind Farm. The remaining projects to be constructed are 70 MW of ground-mounted solar projects, four hydro projects totalling 26 MW and the 100 MW Grand Bend Wind Farm. An additional 24 MW PPA was executed with Hydro Quebec to build a wind farm near Frampton, Quebec.

Conversion of Merger Shares

On January 16, 2012 **(**the **"Conversion Date"),** all of Northland's Class A Shares became exchangeable on a one-for-one basis into Common Shares and became entitled to dividends on the same basis as Northland's Common Shares. As of the date of this report, no Class A Shares have been exchanged for Common Shares. Additionally, 4,528,269 Replacement Rights held by senior management of Northland became exercisable and were subsequently exchanged for Common Shares; this included the 388,937 Replacement Rights that were previously subject to a reduction if Northland failed to declare annual dividends of at least $1.08 per Common Share prior to the Conversion Date. Pursuant to certain adjustments, 5,464 contingent Replacement Rights were cancelled.

The terms of Northland's Class B Convertible Shares and Class C Convertible Shares provide that these securities may be converted into Class A Shares or exchanged for Common Shares at defined milestones related to the development profits attributable to certain of Northland's electricity generation projects as they achieve commercial operation. In addition, up to an additional 759,355 contingent Replacement Rights may be convertible into Common Shares in proportion to the remaining Class C Convertible Shares that become eligible for conversion into Class A Shares.

A process for determining the convertibility of these securities (the **"Determination Process")** was established under the terms of the Merger and restated in the Corporation's Articles. Northland's 100.5 MW Mont Louis Wind Farm, 86 MW Spy Hill Facility and four rooftop solar projects achieved commercial operations in 2011. These projects, along with the South Kent development project that was sold in 2011, were included in the first Determination Process. A special committee of the independent directors of Northland (the **"Special Committee")** was appointed by the board to oversee the first Determination Process and the Special Committee retained BMO Nesbitt Burns Inc. as its independent financial advisor to determine the fair market value and the development profits of these projects as required by the Corporation's Articles.

In January 2012, as a result of the first Determination Process, 4,206,270 Class C Convertible Shares were converted into Class A Shares on a one-for-one basis and 739,103 contingent Replacement Rights were converted into Common Shares.

Subsequent to the first Determination Process, 4,289,808 Class C Convertible Shares and 8,067,723 Class B Convertible Shares remain outstanding and may be converted into Class A Shares in further Determination Processes.

Issuance of Series 3 and Series 4 Preferred Shares

On May 24, 2012, Northland issued 4.8 million cumulative rate reset Series 3 Preferred Shares at a price of $25.00 per share, for aggregate gross proceeds of $120 million ($116 million after costs and underwriters' fees). The $116 million net proceeds was consistent with the expected net proceeds as disclosed in the prospectus dated May 15, 2012. Northland has used the net proceeds of the offering to fund the equity portion of Ground-mounted Solar Phase I Projects, fund additional ground-mounted solar project development, repay bank indebtedness, replenish working capital, and for general corporate purposes.

The holders of the Series 3 Preferred Shares are entitled to fixed cumulative dividends at an annual rate of $1.25 per share, payable quarterly, as and when declared by the Board of Directors of Northland. The Series 3 Preferred Shares yield 5% annually at the issue price for the initial five-year period ending December 31, 2017. The dividend rate will reset on December 31, 2017 and every five years thereafter at a rate equal to the then five-year Government of Canada Bond yield plus 3.46%. The Series 3 Preferred Shares are redeemable on December 31, 2017 and on December 31 of every fifth year thereafter.

The holders of Series 3 Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, series 4 (the "**Series 4 Preferred Shares**"), subject to certain conditions, on December 31, 2017 and on December 31 of every fifth year thereafter. The holders of Series 4 Preferred Shares will be entitled to receive quarterly floating rate cumulative dividends, as and when declared by the Board of Directors, at a rate equal to the then three month Government of Canada Treasury Bill yield plus 3.46%.

Ground Mounted Solar Financial Closing

On July 16, 2012, Northland completed $227 million of non-recourse project financing for six solar projects totalling 60 MW, which are located in Ontario. The non-recourse credit facility is provided by a syndicate of banks with $115 million allocated to three projects ("**Cluster 1**") and $112 million allocated to the remaining three projects ("**Cluster 2**"). Once term conversion is achieved, the loans will require blended payments of principal and interest based on an 18-year amortization period. As required under the loan provisions, Northland previously entered into interest rate swaps to effectively fix the variable interest rate of the non-recourse debt. The loans and interest rate swaps have a term to December 31, 2030, to cover both loan advances during construction and debt repayments during the commercial operations period. The all-in rate including interest rate swaps and credit spreads for the first four years after term conversion is 5.2% for Cluster 1 and 5.3% for Cluster 2.

Spy Hill Bond Refinancing

On January 21, 2013, Spy Hill's debt was repaid in full with the proceeds of a $156.3 million, 4.14% Canadian private placement senior secured amortizing bonds. The bond will require blended payments of principal and interest beginning March 31, 2013 and be amortized until maturity on March 31, 2036. The bonds were rated A (stable) by DBRS.

Kingston Debt Repayment

On January 23, 2013, Kingston repaid in full its non-recourse bank term loan and senior secured note and settled its associated interest rate swaps.

Corporatization and Internal Reorganization of Northland Power Inc.

On January 1, 2011, Northland converted from an income trust to a corporation pursuant to the Arrangement. Under the Arrangement, the Fund's trust units (the "**Units**") were exchanged for Common Shares of Northland Power Inc. on a one-for-one basis and trade under the TSX symbol NPI (the previous symbol was NPI.UN). Northland's business is now carried on by Northland Power Inc., a corporation governed by the *Business Corporations Act* (Ontario). As part of the reorganization, the Fund, NPIF Commercial Trust, NPIF Holdings LP, Prefco, Northland Power Income Fund Management Inc. (the former Manager of the Fund) and the original Northland Power Inc. were effectively wound up or amalgamated into Northland Power Inc. As a result of the amalgamation, Prefco's Series 1 Preferred Shares became Series 1 Preferred Shares of Northland and continued to trade under the symbol NPI.PR.A. Northland's convertible unsecured subordinated debentures continued to trade as convertible unsecured subordinated debentures of Northland under the TSX symbol NPI.DB.A.

$250 million Bank Credit Facility

Northland amended and restated its credit facility with a syndicate of banks on May 31, 2011. The amended facility provides for a $250 million revolving credit facility (increased from $130 million) to assist in the funding of development activities, acquisitions and investments in projects as well as for general corporate purposes. The facility expires in May 2015 and has further annual renewal options.

Amended Dividend Reinvestment Plan

In November 2011, Northland amended its existing dividend reinvestment plan to allow Common shareholders and the Class A shareholder to elect to reinvest their dividends in Common Shares of Northland to be issued from treasury at up to a 5% discount at the discretion of Northland's Board of Directors. As of December 31, 2012 the DRIP has raised $33.9 million in proceeds.

Issuance of Series 1 and Series 2 Preferred Shares

In July 2010, Northland raised $150 million through the sale of 6,000,000 cumulative rate reset preferred shares, series 1 (the "**Series 1 Preferred Shares**") at $25.00 per share for gross proceeds of $150 million (net $144.8 million).

The holders of Series 1 Preferred Shares are entitled to receive fixed cumulative dividends at an annual rate of $1.3125 per share, payable quarterly, as and when declared by the Board of Directors. The Series 1 Preferred Shares yield 5.25% annually at the issue price for the initial five-year period ending September 30, 2015. The dividend rate will reset on September 30, 2015, and every five years thereafter at a rate equal to the then five-year Government of Canada bond yield plus 2.80%. The Series 1 Preferred Shares are redeemable on September 30, 2015, and on September 30 of every fifth year thereafter.

The holders of Series 1 Preferred Shares have the right to convert their shares into cumulative floating rate preferred shares, series 2 (the "**Series 2 Preferred Shares**"), subject to certain conditions, on September 30, 2015, and on September 30 of every fifth year thereafter. The Series 2 Preferred Shares carry the same features as the Series 1 Preferred Shares, except that holders will be entitled to receive quarterly floating-rate cumulative dividends, as and when declared by the Board of Directors, at a rate equal to the then three-month Government of Canada treasury bill yield plus 2.80%. The holders of Series 2 Preferred Shares will have the right to convert their shares into Series 1 Preferred Shares on September 30, 2020, and on September 30 of every fifth year thereafter.

Sale of Mont Miller LP

On December 16, 2010, Northland sold 100% of its investment in Mont Miller LP to NextEra Energy Canada.

Investment in PEC

On May 27, 2010, the outstanding loan balance on the PIC senior loan was repaid in full. The prepayment arose as a result of Panda-Brandywine, L.P. receiving a payment from Sempra in consideration for changes to the Panda-Brandywine, L.P. PPA. In addition to the outstanding principal, Northland received a prepayment fee of US$4.9 million (CAD$5.2 million) and a special one-time dividend in the amount of US$2.4 million (CAD$2.5 million) that was indirectly related to changes to the PPA. As at December 31, 2012, Northland retains a 19% equity interest in PEC.

NARRATIVE DESCRIPTION OF THE BUSINESS

Ontario Electricity Industry Overview

Ontario government policies are intended to foster the development of renewable and clean energy generation projects as well as conservation and demand management programs. The OPA has been the principal body utilized by the Ontario government to procure new generation and to implement conservation and demand management initiatives.

The OPA has conducted a number of competitive procurement processes for natural gas-fired and renewable generation to which NPI has responded. The OPA may continue procurements for natural gas projects and other technologies either through an RFP process, FIT Program, or direct negotiation as directed by the Minister of Energy ("**Minister**"). There were no competitive procurements announced in Ontario during 2012.

In 2009, the *Green Energy and Green Economy Act, 2009* ("**GEA**") was passed into law and the OPA was directed by the Minister to launch the FIT Program. The FIT Program offers stable prices under long-term contracts for energy generated from renewable sources, including biomass, wind, solar photovoltaic ("**PV**") and waterpower. Domestic content requirements for wind and solar projects were also established. The OPA began accepting FIT applications in October, 2009, and according to the OPA, 4,754 MW had been contracted as of June 25, 2012.

On August 10, 2012, the Ministry of Energy released a revised FIT Program after its scheduled 2-year review, as further revised and finalized on December 14, 2012 ("**FIT 2.1**"). The new FIT 2.1 program and rules do not affect FIT contracts issued prior to October 31, 2011, which include all of Northland's FIT contracts. In mid-December 2012, the OPA established the first application period under the new FIT 2.1 program for renewable projects under 500 kW. The OPA has not yet announced an application period for larger FIT 2.1 projects.

In November 2010, the Minister of Energy released a Supply Mix Directive and long-term energy plan (**LTEP**). Key features of the LTEP included eliminating coal-fired generation from the Ontario supply mix by 2014; a date which has been advanced by the Minister to the end of 2013; commitments to refurbish various nuclear facilities along with building new nuclear facilities at Darlington; continuing to grow hydroelectric capacity; commitments towards a Combined Heat and Power (**CHP**) program and setting a target of 10,700 MW of wind, solar and bioenergy by 2018. The Minister issued a number of Directives to the OPA including negotiating new contracts with Non-Utility Generators (prior to the expiry of such contracts with OEFC); procuring CHP projects through a standard offer program for projects less than 20 MW, and individually negotiating CHP Contracts with projects over 20 MW; despite the Minister's directives relating to CHP projects, the OPA has not entered into any CHP Contracts for major projects or under the CHP standard offer program.

Ontario's LTEP and the FIT Program evidence the Province's continuing commitment to renewable energy. The realization of these renewable energy targets has given rise to the need for significant change in the day-to-day operation of the Ontario electricity grid and the administration of the energy market. As a result, the Independent Electricity System Operator ("**IESO**") is facilitating the integration of renewable resources onto the IESO-controlled grid through a series of market rule amendments.

Quebec Industry Overview

The electricity industry in Quebec is structured around two government bodies: Hydro-Québec, one of the largest electric utilities in North America with broad powers to generate, supply and deliver electricity in Quebec under a provincial statute, and the Régie de l'énergie ("**Régie**"), the provincial regulator responsible both for reconciling the public interest, consumer protection and the fair treatment of electricity carriers and distributors, and for approving the supply plan of the distribution arm of Hydro-Québec. The supply plan includes a forecast of the needs of the Quebec market over the next ten year period and recognizes the heritage electricity pool of generation provided by Hydro-Québec Production, the generating a division of Hydro-Québec. To meet demand in excess of the heritage electricity pool, the generating division of Hydro-Québec must enter into supply contracts by conducting public calls for tenders.

In 2005, Hydro-Québec signed contracts with independent power producers for almost 1,000 MW of wind power.

In 2008, Hydro-Québec signed fifteen contracts for a total of 2,004.5 MW of wind power for deliveries commencing between 2011 and 2015, although one of those contracts was subsequently cancelled.

In July 2012, the Quebec government announced its intention to procure 700 MW of wind through a competitive RFP. This procurement process is expected to be initiated during 2013.

Saskatchewan Industry Overview

Most of Saskatchewan's electricity requirements are served by SaskPower, a Crown corporation and vertically-integrated utility which operates under the authority of the *Power Corporation Act* (Saskatchewan).

Coal-fired generation is the primary component in Saskatchewan's supply mix. With an ageing infrastructure and evolving regulation regarding climate change and environmental issues, SaskPower has assessed alternative forms of generation and partnering with independent power producers to move towards meeting its new load requirements and environmental goals. SaskPower's electrical load forecast is growing above long-term averages due to increased economic activity in the province. Since a significant percentage of SaskPower's generation assets will need to be refurbished or replaced starting from 2013, SaskPower is assessing and implementing many future supply options including the private ownership of generation facilities. To that end, in 2009 SaskPower conducted an RFP for between 200 MW and 400 MW of new intermediate to baseload generation and another RFP for up 100 MW of peaking generation.

SaskPower is currently undertaking a number of other projects with independent power developers including wind and hydroelectric projects under its Green Options Plan.

Northland Facilities

Northland's 2012 consolidated financial statements include the results of Northland and its subsidiaries, of which the most significant are:

- Iroquois Falls Corp., which owns the Iroquois Falls Facility;
- Kingston LP, which owns the Kingston Facility;
- Thorold LP, which owns the Thorold Facility;
- Jardin LP, which owns the Jardin d'Éole Facility;

- DK Windpark Kavelstorf GmbH & Co. KG and DK Burgerwindpark Eckolstädt GmbH & Co. KG, which own the German Wind Farms;
- Mont Louis LP, which owns the Mont Louis Wind Farm;
- Spy Hill LP, which owns the Spy Hill Facility;
- North Battleford LP, which owns the North Battleford Facility that is under construction;
- Ground-mounted Solar Entities, which own six ground mounted solar facilities that are under construction; and
- McLean's Mountain LP, which owns the McLean's Mountain Wind Farm that is under construction.

Northland owns a 19% equity interest in PEC, which through its wholly owned subsidiaries owns the 230 MW combined-cycle Panda-Brandywine Facility.

Northland is entitled to receive a fee for services provided relating to the operation and management of the Kirkland Lake Facility pursuant to a management agreement expiring in 2041. Northland also acts as Kirkland Lake Corp.'s agent to facilitate natural gas purchases and sales and receives a fee for such services. Northland also leases the land and existing buildings where the Kirkland Lake Facility is situated to Kirkland Lake Corp. under a lease agreement that expires in 2041. In 2011 Northland became eligible to earn performance incentive fees that represent 75% of the Kirkland Lake Facility's cash flows after all operating and financing expenditures.

Northland is entitled to receive a fee for services provided relating to the operation and management of the Cochrane Facility pursuant to a management agreement expiring in 2016 with automatic annual renewals. Northland also acts as Cochrane Power Corp.'s agent to facilitate natural gas purchases and sales and receives a fee for such services. Northland also leases the land and existing buildings where the Cochrane Facility is situated to Cochrane Power Corp. under a lease agreement that expires in 2016 with automatic annual renewals.

Northland also owns a small wood chipping facility located on Vancouver Island and has a 75% interest in four rooftop solar projects.

The following table summarizes the principal characteristics of each of the operating facilities in which Northland had a direct or indirect interest as at December 31, 2012:

Operating Facilities

Facility	Ownership	Capacity	Net ownership capacity	Power off-taker	PPA expiry	% of 2012 EBITDA[(2)]	% of 2011 EBITDA[(2)]
THERMAL:							
Iroquois Falls	100%	120.0 MW	120.0 MW	OEFC	December 2021	22%	27%
Kingston	100%	110.0 MW	110.0 MW	OEFC	January 2017	24%	27%
Thorold	100%	265.0 MW	265.0 MW	OPA	March 2030	33%	41%
Spy Hill	100%	86.0 MW	86.0 MW	SaskPower	October 2036	9%	2%
WIND:							

Jardin	100%	127.5 MW	127.5 MW	Hydro-Québec	November 2029	9%	10%
Mont Louis	100%	100.5 MW	100.5 MW	Hydro-Québec	September 2031	7%	3%
German Wind Farms	100%	21.5 MW	21.5 MW	N/A[1]	N/A[1]	1%	2%
OTHER:							
Panda-Brandywine	19%	230.0 MW	43.7 MW	JP Morgan	May 2014	0%	0%
Corporate[3]	n/a	n/a	n/a	n/a	n/a	(5%)	(12%)

Except as otherwise noted, all power off-takers are of investment grade as appraised by one or more rating agencies.

2012 Revenue Breakdown by Segment *(in millions of dollars)*

Segment	**Electricity**	**Steam**	**Natural Gas**	**Other**	**Total**
Thermal	281.3	8.3	7.3	0.1	297.0
Wind	44.4	-	-	-	44.4
Other[4]	0.6	-	-	20.3	20.9
Total	**326.3**	**8.3**	**7.3**	**20.4**	**362.3**

2011 Revenue Breakdown by Segment *(in millions of dollars)*

Segment	**Electricity**	**Steam**	**Natural Gas**	**Other**	**Total**
Thermal	296.1	10.9	11.7	0.2	318.9
Wind	31.8	-	-	-	31.8
Other[4]	0.1	-	-	5.4	5.5
Total	**328.0**	**10.9**	**11.7**	**5.6**	**356.2**

Notes:

(1) German electricity production is purchased by local power utilities as required by German legislation at predetermined prices.

(2) Represents the approximate percent of earnings before interest, taxes, depreciation and amortization (EBITDA), a non IFRS measure that was generated by each facility.

(3) Included in Corporate are revenues and operating income from Chips LP and the rooftop solar facilities, management fees from operating the Cochrane Facility and the Kirkland Lake Facility and management, administration and development expenditures.

(4) Included in Other are revenues from Chips LP and the rooftop solar facilities and management fees from operating the Cochrane Facility and the Kirkland Lake Facility.

Projects under Construction

Project	**Ownership**	**Capacity**	**Net ownership interest**	**Power off-taker**	**PPA expiry**
North Battleford	100%	260.0 MW	260.0 MW	SaskPower	20 years from COD
Ground-Mounted Solar Phase 1	100%	60.0 MW	60.0 MW	OPA	20 years from COD
McLean's Mountain Wind Farm	50%	60.0 MW	30.0 MW	OPA	20 years from COD

Advanced Development Projects

Project	Ownership	Capacity	Net ownership interest	Power off-taker	PPA expiry
Kabinakagami Run-of-River Hydro Projects	50%	26.0 MW	13.0 MW	OPA	40 years from COD
Grand Bend Wind Farm	100%	100.0 MW	100.0 MW	OPA	20 years from COD
Ground-Mounted Solar Projects	100%	70.0 MW	70.0 MW	OPA	20 years from COD
Frampton Wind Farm	67%	24.0MW	16.0 MW	Hydro-Québec	20 years from COD

All advanced development projects have signed PPAs.

Except as otherwise noted, all power off-takers are of investment grade as appraised by one or more rating agencies.

Thermal Facilities

Northland owns and/or operates approximately 755 MW of net thermal generation located in Ontario and Saskatchewan. Thermal facilities generate electricity through combustion which creates hot expansive gases that spin gas turbines coupled to electrical generators. By using natural gas to fuel the gas turbines at each of Iroquois Falls, Kingston, Thorold, Spy Hill, Kirkland Lake, Cochrane and Panda-Brandywine, Northland is using a relatively clean burning fossil fuel. Natural-gas combustion results in virtually no atmospheric emissions of sulfur dioxide (“SO_2”) or small particulate matter, and far lower emissions of carbon monoxide (“CO”), nitrogen oxides (“NO_x”), and greenhouse gases such as reactive hydrocarbons and carbon dioxide (“CO_2”), than the combustion of other fossil fuels.

All Northland thermal facilities hold all necessary permits and approvals required for operations and have an environmental monitoring and reporting system in place.

The following describes Northland’s current operating thermal facilities:

Iroquois Falls

The 120 MW Iroquois Falls facility sells electricity to OEFC under the Iroquois Falls Power Purchase Agreement expiring in 2021 and supplies steam to the neighbouring Resolute Iroquois Falls Mill (previously doing business as AbiBow Inc.) under a steam sales agreement that expires in 2016. The PPA obligates the OEFC to purchase certain quantities of electricity ranging from a monthly average of 77 MW in the summer months to 96 MW in the winter (the yearly average is approximately 85 MW).

Iroquois Falls purchases natural gas from Cenovus and Shell Canada Ltd. under supply contracts that end in 2015 and 2016, respectively. The gas is transported through pipelines owned by TransCanada PipeLines Limited (“TransCanada”) and Union Gas Limited from western Canada to the plant site under firm service agreements that run to 2016.

Iroquois Falls operates to deliver the maximum amount of the electricity that OEFC is obligated to purchase under the PPA during on-peak periods, when PPA prices are highest. Iroquois Falls' electricity production capacity exceeds that required to supply 100% of the on-peak and off-peak electricity volume under its PPA. This excess capacity is used to sell electricity and ancillary services to the Ontario wholesale electricity market when market conditions are favourable. However, the quantity of natural gas available under the long-term natural gas supply contracts is inadequate to supply 100% of potential lower-priced, off-peak PPA electricity volumes in the winter. At times of low market gas prices it can be advantageous to purchase natural gas at the market price to augment contracted gas for electricity production during off-peak times. When market gas prices are high it can be advantageous to resell contracted natural gas, subject to resale limitations under the gas contracts, and to reduce off-peak electricity production. During times when Iroquois Falls has unused contracted transportation capacity with TransCanada, natural gas is purchased at market prices in Alberta, then delivered and resold in eastern Canada to mitigate firm costs under the TransCanada contract; this activity recovers some fixed costs but provides little or no profit to Iroquois Falls.

The maintenance of the two GE LM 6000 PD gas turbines is contracted to GE under a maintenance agreement that, based upon the expected usage of the turbines, will continue until 2015, when it may be renewed. The agreement includes provisions for routine maintenance and repairs, as well as upgrades and improvements. Payments to GE are based on the usage of the gas turbines. Iroquois Falls also participates in the GE gas turbine lease pool, which guarantees the availability of replacement gas turbines on short notice, minimizing the impact of extended outages.

KINGSTON

The 110 MW Kingston Facility has the Kingston Power Purchase Agreement with OEFC for the sale and delivery of up to a specified annual quantity of electricity until 2017. The PPA may be extended for a further five years with the consent of both parties at rates agreed upon at that time.

Kingston has a natural gas purchase agreement with Cenovus Energy Inc. for the supply of natural gas until 2017. TransCanada and Union Gas Limited transport the gas under long-term firm transportation agreements that expire in 2017. Cenovus Energy Inc. manages all aspects of Kingston's gas supply under a fuel management agreement expiring in 2017 and receives a portion of profits earned on the resale of contracted natural gas.

Kingston delivers the maximum amount of electricity that OEFC is obligated to purchase under the PPA during higher-priced on-peak periods. At times of high market gas prices it is economical for Kingston to reduce off-peak electricity production and resell contracted natural gas and gas transportation, either on the spot market or under forward contracts up to three years in the future. At times of low market gas prices when Kingston has sold forward a portion of its contract gas, it can be advantageous to purchase and consume spot gas to increase off-peak electricity production.

A significant portion of Kingston's GE 6FA gas turbine maintenance is contracted to GE under an agreement that expires in 2016 and covers all gas turbine parts, part repairs and related costs.

On January 23, 2013, Kingston's project financing was repaid in full.

THOROLD

The 265 MW Thorold Facility commenced commercial operations on April 1, 2010. The facility sells electricity to the OPA under a 20-year CHP Contract and supplies steam and electricity to the adjacent Resolute Thorold Mill under a 20-year energy supply agreement. Thorold is a dispatchable facility that generally produces electricity only when Ontario market conditions are economic, but has a contractual structure designed to insulate it from volume risk and volatility in electricity and natural gas prices. Thorold effectively receives a fixed amount (a revenue requirement) under its PPA that is intended to cover fixed operating costs, debt service and returns on equity. Amounts received from or paid to the OPA to achieve the revenue requirement depend largely upon the difference between actual gross margins earned in the electricity market and margins deemed to have been earned based on market conditions and contract parameters. The revenue requirement structure ensures Thorold's gross profit from the PPA is generally fixed and largely dependent on its ability to operate according to the contract parameters. Thorold can occasionally earn additional gross profit from the Ontario electricity market during certain system or operating conditions.

Thorold is configured around a 170 MW GE 7FA industrial gas turbine and an associated 95 MW steam turbine. Thorold has a 25-year contractual services agreement with GE to cover planned and unplanned maintenance and repairs on the combustion turbine, generator, control systems and auxiliaries supplied by GE.

In accordance with the terms of Thorold's credit agreement, Thorold maintains a cash major maintenance reserve to help smooth the cash flow impact of periodic costs arising from major maintenance inspections and overhauls. The major maintenance reserve can be funded with cash or a letter of credit; cash is currently being retained in a separate interest-bearing account. Thorold is also required under certain conditions to maintain a debt service reserve, which can be funded with cash or a letter of credit. A debt service reserve is not currently required.

SPY HILL

The Spy Hill Facility is an 86 MW natural-gas-fired peaking facility located near Spy Hill, Saskatchewan, on land leased from SaskPower. Spy Hill began commercial operations on October 19, 2011, after being successfully completed on schedule and under budget. It generates electricity and provides grid stability to SaskPower under the terms of its 25-year PPA. Spy Hill's PPA is designed to ensure predictable, stable and sustainable cash flows by providing monthly payments that cover all fixed costs, debt service and investment returns and by passing through fuel costs to SaskPower, thus insulating the project against changes in natural gas market prices. Northland is responsible for operating the plant to achieve specified efficiency and reliability levels.

The facility comprises two GE LM 6000 gas turbines. Spy Hill entered into a gas turbine parts and services agreement with GE for the duration of the PPA. The agreement includes a fixed quarterly payment to cover some annual inspection and monitoring fees and a lump-sum major maintenance payment at approximately 25,000 hours of operation. Any additional parts and services for unplanned events will be procured at agreed-upon rates and discounts from GE.

On January 21, 2013, Spy Hill's debt was repaid in full with the proceeds of a $156.3 million, 4.14% Canadian private placement senior secured amortizing bond. The bond will require blended payments of principal and interest beginning March 31, 2013 and be amortized until maturity on March 31, 2036, six months prior to the expiry of the PPA. The bonds were rated A (stable) by DBRS.

PANDA-BRANDYWINE

The Panda-Brandywine Facility is a natural gas-fired combined-cycle facility located in Brandywine, Maryland, near Washington, D.C., with a total electrical generating capacity of 230 MW. Panda-Brandywine has two General Electric industrial gas turbines with heat recovery steam generators and a steam turbine. The Panda-Brandywine Facility sells electrical capacity and energy to JP Morgan pursuant to a PPA that expires in May 2014. If JP Morgan chooses to not extend the PPA beyond May 2014, it will be required to provide Panda-Brandywine with a written notice no later than June 1, 2013 and to pay US$27.5 million to the Panda-Brandywine owners, no later than May 31, 2014.

Wind Facilities

Northland owns and operates approximately 250 MW of wind generation facilities. Wind turbines harness and convert the kinetic energy of wind into electrical energy. Wind power projects are less technically complex than traditional thermal generation projects, and can be constructed in a much shorter time frame. Wind power projects also have much lower operating expenses as they do not require fuel and generally incur lower equipment maintenance costs.

THE FOLLOWING DESCRIBES NORTHLAND'S CURRENT OPERATING WIND FACILITIES:

JARDIN

The 127.5 MW Jardin Wind Farm is located primarily on leased agricultural land on the south shore of the St. Lawrence River, near Matane in the Gaspésie region of Quebec. Construction of the wind farm began in May 2008, and commercial operations were achieved on November 20, 2009.

The Jardin Wind Farm comprises 85 GE 1.5sle wind turbines with a capacity of 1.5 MW each. Jardin entered into a new 7-year operations support agreement with GE in June 2012, which provides ongoing maintenance and service on the wind turbines and related equipment.

As a result of the merger with NPI, Northland acquired 33.5% of Jardin on July 16, 2009. Northland completed the purchase of Jardin on January 29, 2010, when it acquired the remaining 66.5% ownership interest.

Jardin has a 20-year PPA with Hydro-Québec to supply up to 150 MW of electricity and receives an incentive payment from the federal government for a period of 10 years under the ecoENERGY for Renewable Power program. Under the terms of its PPA, Jardin shares 75% of the ecoENERGY incentive with Hydro-Québec.

The project's long-term production forecast is based on a wind resource assessment completed by an internationally recognized wind energy consulting firm. The wind resource assessment predicted an average annual capacity factor of 32% over a 10-year period. Capacity factor is an industry standard term that reflects the ratio of a wind farm's actual or expected output to its theoretical maximum output over a given time period. The capacity factor of Northland's wind farms is expected to be higher in the winter months than in the summer.

MONT LOUIS

The 100.5 MW Mont Louis wind farm is located near the town of Saint-Maxime-du-Mont-Louis in the Gaspésie region of Quebec on public land leased from the Quebec Ministry of Natural Resources. Construction began in July 2010, and the facility achieved commercial operations on September 17, 2011 ahead of schedule and under budget.

Mont Louis comprises 67 GE 1.5sle wind turbines with a capacity of 1.5 MW each. Mont Louis has an 8-year operations support agreement with GE that provides ongoing maintenance and service on the wind turbines and related equipment.

Mont Louis has a 20-year PPA with Hydro-Québec to supply up to 100.5 MW of electricity. For a period of 10 years it will also receive an incentive payment from the federal government under the ecoENERGY for Renewable Power program. Under the terms of the PPA, 75% of this incentive is shared with Hydro-Québec.

The project's long-term production forecast is based on a wind resource assessment conducted by an internationally recognized wind energy consulting firm. The assessment predicted an average annual capacity factor of 35% over a 10-year period.

GERMAN WIND FARMS

In April 2006, Northland acquired two operating wind farms in Germany with a total installed capacity of 21.5 MW.

The 7.2 MW Kavelstorf wind farm comprises four Nordex N60 1.3 MW turbines and two Nordex N54 1.0 MW turbines. The Kavelstorf wind farm is located in northern Germany near Rostock and has been operational since April 2001. The 14.3 MW Eckolstädt wind farm includes 11 Bonus Energy A/S (a member of the Siemens AG group) turbines rated at 1.3 MW each. The Eckolstädt wind farm is located near Jena in central Germany and has been operational since January 2000.

All electricity generated by the German Wind Farms is supplied to local power utilities under the terms of German federal government renewable energy legislation. Turbine maintenance contracts are in place with an affiliate of the turbine manufacturer at Kavelstorf and an experienced service provider at Eckolstädt. EDF EN Deutschland GmbH (formerly enXco GmbH), an entity with considerable wind power experience, manages the daily operations of the wind farms, and Northland provides general oversight. At the time of acquisition, a specialized wind consulting firm prepared a long-term production assessment, which projected an average annual capacity factor of 18%.

Solar Facilities

Northland's solar facilities use proven PV technologies to convert sunlight from into electricity. Solar power projects have much lower operating expenses as they do not require fuel and generally incur lower equipment maintenance costs.

THE FOLLOWING DESCRIBES NORTHLAND'S CURRENT OPERATING SOLAR FACILITIES:

LOBLAW ROOFTOP SOLAR PROJECTS

Northland operates and owns in partnership with Loblaw, four rooftop solar facilities that total approximately 1 MW. The Loblaw rooftop solar projects are in various municipalities in Ontario and achieved commercial operations throughout 2011. The facilities have 20-year guaranteed-price PPAs under the OPA's FIT Program.

Projects under Construction

NORTH BATTLEFORD

In February 2010, Northland executed a PPA with SaskPower for a 260 MW natural-gas-fired combined-cycle baseload plant to be built near North Battleford, Saskatchewan. When it achieves commercial operations, the North Battleford facility will receive monthly payments under its PPA that are designed to cover all fixed costs, debt service and investment returns. The PPA also provides protection against changes in the market price of natural gas because fuel costs are passed through to SaskPower. Other variable costs of operations are also recovered as the plant is dispatched. Northland will be responsible for operating the plant to achieve specified efficiency and reliability levels. The contractual structure of the project is designed to ensure predictable, stable and sustainable cash flows over the entire 20-year term of the PPA.

The North Battleford facility will use a GE 7FA gas turbine with an associated heat recovery steam generator and a steam turbine to generate electricity. The $677 million North Battleford facility is being constructed by Kiewit Power Partners under an engineering, procurement and construction (**EPC**) contract that fixes the price and completion date and, with GE, guarantees the plant's output and efficiency. The project is on schedule for commercial operations before the end of the second quarter of 2013 following completion of construction, commissioning and synchronization with the SaskPower grid. North Battleford has entered into a 25-year agreement with GE to cover planned and unplanned maintenance and repairs on the combustion turbine, generator, control systems and auxiliaries supplied by GE.

GROUND-MOUNTED SOLAR PHASE 1 PROJECTS

Northland's Ground-mounted Solar Phase I Projects are comprised of six individual 10 MW projects totalling 60 MW. Each project has a 20-year PPA with the OPA's FIT Program.

The Ground-mounted Solar Phase I Projects use PV modules provided by MEMC Group of Companies that are being constructed by Miwel Construction, a wholly-owned subsidiary of

Aecon Group Inc., under contracts that fix the price and completion date. The sites are located near Smiths Falls and Belleville in eastern Ontario, and Huntsville in central Ontario. The projects are expected to achieve commercial operations sequentially from early to mid 2013. These six projects have an anticipated aggregate capital cost of $285 million.

MCLEAN'S MOUNTAIN WIND FARM - ONTARIO

McLean's Mountain Wind Farm is a 60 MW wind project located on Manitoulin Island. The project is being developed through a 50/50 partnership with the United Chiefs and Councils of Mnidoo First Nations. The project has a 20-year PPA with the OPA under Ontario's renewable energy FIT Program.

The wind farm will comprise 24, 2.5 MW wind turbines supplied by GE and will be constructed by White Construction under a fixed price balance-of-plant contract.

The McLean's Mountain Wind Farm completed its environmental permitting with the receipt of its renewable energy approval (**REA**) on October 31, 2012. In December 2012, 24 wind turbines were ordered and site clearing commenced with major construction activities planned for early spring 2013. Commercial operation is scheduled for early 2014. The project is estimated to cost approximately $190 million.

PROJECTS IN ADVANCED DEVELOPMENT

Northland has 220 MW in advanced development projects with executed PPAs. These comprise 196 MW in Ontario under the OPA's FIT Program, including 100 MW of wind, 70 MW of solar and 26 MW of hydro, and 24 MW in Quebec through a PPA awarded by Hydro-Québec. The following is a discussion of the status of each project.

Advanced Development	Gross Project	Northland's Ownership Interest			Power	PPA
Projects	Capacity	%	Capacity	Region	Off-Taker	Term(1)
Grand Bend Wind	100 MW	100%	100 MW	Ontario	OPA	20 years
Ground-mounted Solar (later phases)	70 MW	100%	70 MW	Ontario	OPA	20 years
Kabinakagami Hydro	26 MW	50%	13 MW	Ontario	OPA	40 years
Frampton Wind	24 MW	67%	16 MW	Quebec	Hydro Québec	20 years

(1) from commercial operations date

GRAND BEND WIND FARM – ONTARIO

Northland is developing a 100 MW wind project to be located in Grand Bend, Ontario. Detailed discussions have advanced with several First Nations groups for their equity participation in the project. Environmental work for the project is well underway, and construction is currently targeted to begin in late 2013 or early 2014 following successful completion of environmental permitting. The capital cost for the project is anticipated to be approximately $385 million, and commercial operation is targeted for late 2014.

GROUND-MOUNTED SOLAR PROJECTS – ONTARIO – FUTURE PHASES

Northland continues to develop two additional phases totaling 70 MW of ground-mounted solar comprised of seven projects situated at various locations throughout Ontario. Commercial operations are currently targeted to be staggered through the end of 2014. The total capital cost for the seven projects is estimated to be $325 million.

KABINAKAGAMI HYDRO PROJECTS - ONTARIO

Northland has secured PPAs for 26 MW to be provided from four run-of-river projects on the Kabinakagami River near Hearst, Ontario. The projects are being developed in 50/50 partnership with Constance Lake First Nation. Pre-construction site engineering and geotechnical work are underway, and equipment suppliers have been shortlisted. Permitting work to obtain the projects' Environmental Assessment (**EA**) approval from the Ministry of Environment is nearing completion. The $180 million capital cost estimate for this hydro portfolio continues to be under review as construction logistics, timing, and the result of force majeure claims are assessed. Commercial operations of the projects are currently forecast for the latter half of 2015.

FRAMPTON WIND FARM - QUEBEC

This 24 MW wind project will be located on the south shore of the St. Lawrence River near Frampton, Quebec, and will be 33% owned by the municipality of Frampton. The PPA with Hydro-Québec calls for a commercial operations date in late 2015. The project is expected to use Enercon wind turbines supplied from a Quebec manufacturing facility, and the project is forecast to have a capital cost of $75 million.

DEVELOPMENT PROSPECTS

Northland actively pursues new power development opportunities that encompass a range of clean technologies, including natural gas, wind, solar, and hydro, to provide a sustainable source of energy in various geographic regions and political jurisdictions. Northland believes this diversified strategy will mitigate the risk of adverse changes to local demographics or governmental policies.

Northland continues to execute on its strategy of expanding its earlier stage development pipeline in its targeted market areas. Examples of new initiatives includes a working arrangement with a First Nations group in Quebec, and the acquisition of rights to develop two gas-fired peaking plants in Illinois. Additional progress has been made on wind power projects in both Quebec and British Columbia, and on additional hydroelectric power projects in British Columbia. Northland continues to seek opportunities for new natural gas-fired power projects and renewable energy projects in the U.S. Northland continues to consider its Ontario developments, particularly the Oshawa and Queen's Quay cogeneration projects, the Marmora pumped storage project, and other projects to be excellent prospects in the medium to longer-term, despite the difficult political climate in Ontario. Northland's approach continues to be one of ensuring the balance between progressing development opportunities which meet its investment criteria, while prudently managing the cost exposure to earlier stage projects.

INTEREST-BEARING LOANS AND BORROWINGS

Northland generally finances projects through secured credit arrangements at the subsidiary level that are non-recourse to Northland. Northland's subsidiaries interest-bearing loans and borrowings include the following:

	Note	Maturity	Rate[1]	**As at December 31, 2012**	As at December 31, 2011	As at December 31, 2010
Kingston	(a)	2013, 2016	10.1%	**32,431**	45,121	56,857
Thorold	(b)	2015, 2030	6.5%	**361,527**	373,205	382,382
Spy Hill	(c)	2017, 2036	8.0%	**110,452**	101,800	47,300
North Battleford	(d)	2020, 2033	7.1%	**366,200**	216,900	–
Jardin	(e)	2029	6.0%	**126,804**	146,854	147,833
Mont Louis	(f)	2031, 2032	6.6%	**116,516**	131,349	106,000
Ground-mounted Solar Phase 1	(g)	2030	5.2/5.3%	**151,200**	–	–
Total				**1,265,130**	1,015,229	740,372

(1) The weighted average interest rates of the subsidiary borrowings.

(a) On January 23, 2013, Kingston repaid its term loan and senior secured note in their entirety and settled their outstanding interest rate swaps. At December 31, 2012, the Kingston loan facilities included a term loan for $7.4 million and a senior secured note for $25 million. Payments on the term loan were payable semi-annually, and payments on the senior secured note were payable semi-annually beginning September 30, 2013, and ending September 30, 2016. Both the term loan and senior secured note bore interest, paid quarterly, at the prevailing rates plus the applicable credit spread. Kingston had entered into interest rate swap agreements with two commercial banks that effectively fixed the interest rate of the loans under the Kingston credit agreement over their lives.

(b) The Thorold senior loan was funded 50% by bank lenders and 50% by institutional lenders. The institutional tranche of the Thorold senior loan, representing $201 million at the outset, called for the first blended quarterly payment of principal and interest at 6.32% on December 31, 2010, in accordance with a schedule designed to fully amortize the loan over its term until maturity on March 31, 2030. The bank tranche of the Thorold senior loan, representing $199.1 million at the outset, was converted on November 30, 2010 to a term loan with payments of principal and interest at the prevailing rate plus an applicable spread over a 20-year amortization period to March 31, 2030, with maturity in September 2015. As required under provisions of the Thorold senior loan, Thorold entered into interest rate swap agreements that effectively fixed the interest rate of the bank tranche to March 2030. For accounting purposes, as part of the merger with NPI, a fair value adjustment was made to Thorold's total debt in the table above for $25.0 million, $26.9 million and $29.3 million for December 31, 2012, December 31, 2011, and December 31, 2010, respectively.

(c) On January 21, 2013, Spy Hill's term loan was repaid in full with the proceeds of a \$156.3 million, 4.14% Canadian private placement senior secured amortizing bond. The bond will require blended payments of principal and interest beginning March 31, 2013 and be amortized until maturity on March 31, 2036, 6 months prior to the expiry of the PPA. The bonds were rated A (stable) by DBRS. Previously, Spy Hill had entered into a non-recourse credit facility with a syndicate of banks for a \$111 million senior secured construction and term loan and a \$15 million letter of credit facility. The loan required blended payments of principal and interest based on a 25-year amortization period, with maturity in February 2017. As required under the loan provisions, Spy Hill had entered into interest rate swap agreements to effectively fix the variable interest rate of the non-recourse debt (which is based primarily on 90-day banker's acceptance rates) plus the applicable credit spread to September 30, 2036.

(d) On August 30, 2010, North Battleford entered into a non-recourse credit facility with a syndicate of banks for a \$542 million senior secured construction and term loan and a \$38 million letter of credit facility. The loan is being funded during construction under a variable advance schedule. Once term conversion is achieved subsequent to the commencement of commercial operations, the loan requires blended payments of principal and interest over a 20-year amortization period, with maturity seven years from term conversion. As required under the loan provisions, North Battleford entered into interest rate swap agreements to effectively fix the variable interest rate of the non-recourse debt (which is based primarily on 90-day banker's acceptance rates) plus the applicable credit spread, with a term to June 30, 2033, to cover both loan advances during construction and debt repayments during the commercial operations period. All interest paid during the construction period has been capitalized.

(e)) On May 2, 2008, Jardin entered into a non-recourse credit facility with a syndicate of institutional lenders for a \$153.0 million senior secured term loan **("Jardin Senior Loan")** and a \$41.0 million bridge loan **("Jardin Bridge Loan").** Conversion to a term loan occurred on May 31, 2012. The Jardin Senior Loan will be repaid through quarterly blended payments of principal and interest at 6.0% until maturity on November 30, 2029, with the principal payments fully amortizing the loan over its term. The Jardin Bridge Loan was provided to help fund the cost of the substation pending receipt of a cost reimbursement payment from Hydro-Québec Distribution. The Jardin Bridge Loan was repaid in April, 2012. As part of the merger with NPI, an accounting fair value adjustment similar to the one made at Thorold was made to Jardin's debt for \$8.3 million, \$9.0 million and \$9.7 million on December 31, 2012, December 31, 2011, and December 31, 2010, respectively.

(f) On November 17, 2010, Mont Louis entered into a non-recourse credit facility with a syndicate of institutional lenders for a \$106 million senior secured term loan ("**Mont Louis Senior Loan**") and a \$30 million bridge loan ("**Mont Louis Bridge Loan**"). Conversion to a term loan occurred on January 31, 2012. The Mont Louis Senior Loan will be repaid through quarterly blended payments of principal and interest at 6.6% until maturity on September 16, 2031, with the principal payments fully amortizing the loan over its term. Investissement Québec, a provincial government investment agency has also lent \$13.9 million to Mont Louis, with a final \$1.1 million expected in 2013; repayment of the loan is guaranteed by Northland. The Investissement Québec loan is interest free until April 2015, at which time interest will be charged at the annual rate of

5% until April 2017. After 2017 and until the loan's maturity in March 2032, interest will be charged at the annual rate of 5.5%. The principal balance outstanding is due upon maturity of the loan in March 2032. The Mont Louis Bridge Loan was provided to help fund the cost of the substation and collection system pending receipt of a cost reimbursement payment from Hydro-Québec Distribution, and was repaid in June 2012.

(g) On July 16, 2012, Northland completed $227 million of non-recourse project financing for the Ground-mounted Solar Phase 1 Projects totalling 60 MW. The non-recourse credit facility is provided by a syndicate of banks with $115 million allocated to three projects ("**Cluster 1**") and $112 million allocated to the remaining three projects ("**Cluster 2**"). Once term conversion is achieved, the loans will require blended payments of principal and interest based on an 18-year amortization period. As required under the loan provisions, the projects entered into interest rate swap agreements to effectively fix the variable interest rate of the non-recourse debt. The loans and interest rate swaps have a term to December 31, 2030, to cover both loan advances during construction and debt repayments during the commercial operations period.

DEBT COVENANTS

As indicated above, Northland primarily conducts its business indirectly through separate subsidiary legal entities and raises financing through the project finance approach whereby projects are constructed using a combination of equity provided by the parent company (Northland) and non-recourse project finance debt sourced by the subsidiary entity. Under the credit agreements for such debt, distributions of cash to Northland are typically prohibited if the loan is in default. See below for the different covenant restrictions:

Northland and its subsidiary Iroquois Falls have a credit facility with sub-limits totalling $250 million (increased from $130 million on May 31, 2011) to assist with Northland's expansion funding, letters of credit and Iroquois Falls' general corporate purposes. Amounts drawn under the credit facility are principally collateralized by general security and charge agreements that constitute a first-priority lien on all of the real property and all of the present and future property and assets of Iroquois Falls and Northland. As at December 31, 2012, letters of credit totalling $112 million were outstanding under this facility, and Iroquois Falls had $1.1 million of borrowings outstanding under its operating facility. As long as there are advances to Iroquois Falls under the operating line or to Northland under the acquisition line, certain debt service coverage ratios (**DSCRs**) must be met by Iroquois Falls. Northland is subject to the covenant that the ratio of the consolidated debt of Northland, including outstanding letters of credit, to consolidated capitalization, which is debt plus equity, may not exceed 70% as calculated on a quarterly basis. If these covenants are not met, transfers from Iroquois Falls to Northland and dividends to shareholders may be restricted until the financial ratios are met.

The credit agreement that was governing the term debt of Kingston until its repayment on January 23, 2103, required that a DSCR of at least 1.15 be achieved for the 12-month period ending on the immediately preceding distribution date for each quarterly distribution. Failure to achieve that benchmark required the retention of any excess cash by Kingston until the next distribution date when the benchmark is achieved.

The Thorold credit agreement requires that Thorold achieve a DSCR of at least 1.15 for the 12-month period prior to each quarterly distribution. Thorold may also be required to fund certain reserve accounts, primarily a debt service reserve equal to six months of scheduled principal and interest payments, if the DSCR is between 1.15 and 1.40.

As described previously, on January 21, 2013, Spy Hill's debt was repaid in full with the proceeds of a $156.3 million, 4.14% Canadian private placement senior secured amortizing bond. The bond will require blended payments of principal and interest beginning March 31, 2013 and be amortized until maturity on March 31, 2036, 6 months prior to the expiry of the PPA. The bond requires funding of certain reserve accounts, notably a six-month debt service reserve, unplanned maintenance reserve and major maintenance reserve. The trust indenture governing the bond requires that a DSCR of at least 1.20 be achieved for the 12-month period ending on the immediately preceding distribution date for each quarterly distribution.

The Jardin credit agreement governing the term debt of Jardin requires that a DSCR of at least 1.15 be achieved for the 12-month period ending on the immediately preceding distribution date for each quarterly distribution. Failure to achieve that benchmark requires the retention of any excess cash by Jardin until the next distribution date when the benchmark is achieved.

The Mont Louis credit agreement governing the term debt of Mont Louis requires that a DSCR of at least 1.20 be achieved for the 12-month period ending on the immediately preceding distribution date for each quarterly distribution. Failure to achieve that benchmark requires the retention of any excess cash by Mont Louis until the next distribution date when the benchmark is achieved. There are no debt covenants associated with the Investissement Québec loan.

Once North Battleford and the Ground-mounted Solar Phase 1 projects reach term conversion under the provisions of their credit facilities, they will be subject to similar debt covenants.

THIRD-PARTY MANAGERS

Management of the Panda-Brandywine Facility

Panda Global Services Inc., an affiliate of Panda Energy International, Inc., provides operation and maintenance services for the Panda-Brandywine Facility pursuant to operation and maintenance agreements. Panda Global Services Inc. manages Panda-Brandywine and is responsible for the management of PEC including financial statement preparation, reporting and cash management.

Management of the German Wind Farms

Management and day-to-day operations of the German Wind Farms are provided by EDF EN Deutschland GmbH (formerly enXco GmbH), a German entity with considerable wind power experience. The organization is affiliated with Électricité de France, one of the largest power utilities in the world. Oversight of the German Wind Farms is provided by Northland management.

DIVIDENDS AND DISTRIBUTIONS

Sustainability of Dividends

Northland's board and management are committed to maintaining the current annual dividend of $1.08 per Common Share, payable monthly. Northland's management and board have anticipated the impact of growth on the payment of dividends and are confident that Northland has adequate access to funds to meet its dividend commitment from operating cash flows, cash and cash equivalents on hand and, as necessary, its line of credit or external capital.

On October 29, 2012, Standard & Poor's reaffirmed Northland's debt rating of BBB- with a positive outlook. Standard & Poor's report credited Northland's stable cash flows from long-term power purchase agreements with provincial agencies and government-owned utilities, and consistent financial strategy, along with continued diversification as the basis for reaffirming Northland's rating and outlook.

Northland has established a dividend reinvestment plan whereby Common shareholders and the Class A shareholder may elect to reinvest their dividends in Common Shares of Northland to be issued from treasury at up to a 5% discount to the market price. While the future uptake on Northland's revised Dividend Reinvestment Plan (**DRIP**) is uncertain (average uptake since inception has been 27%), based on a review of comparable companies with similar DRIP programs, management expects that the net result will be a material reinvestment of cash dividends into Northland, improving the efficiency and reducing the cost of raising equity for future projects.

The Corporation distributed a total of $1.08 in cash or Common Shares per Common Share to Shareholders for the year ended December 31, 2012 (2011 – $1.08 per Share; 2010 – $1.08 per Unit). For Canadian tax purposes, the fiscal 2010 distributions of $1.08 per Unit are treated as 100% taxable.

History of Dividends and Distributions

The following table shows per Common Share/Unit cash and Common Share dividends/distributions declared monthly for the past 3 years.

	Dividends / Distributions Declared per Share / Unit ($)		
Month	**2012**	**2011**	**2010**
January	0.0900	0.0900	0.0900
February	0.0900	0.0900	0.0900
March	0.0900	0.0900	0.0900
April	0.0900	0.0900	0.0900
May	0.0900	0.0900	0.0900
June	0.0900	0.0900	0.0900
July	0.0900	0.0900	0.0900
August	0.0900	0.0900	0.0900
September	0.0900	0.0900	0.0900
October	0.0900	0.0900	0.0900
November	0.0900	0.0900	0.0900
December	0.0900	0.0900	0.0900
	1.0800	1.0800	1.0800

The following table shows per Series 1 Preferred Share dividends declared quarterly for the past 3 years.

	Dividends Declared per Series 1 Preferred Share ($)		
Month	**2012**	**2011**	**2010**
March	0.3281	0.3281	0.0000
June	0.3281	0.3281	0.0000
September	0.3281	0.3281	0.2301
December	0.3281	0.3281	0.3281
	1.3124	1.3124	0.5582

The following table shows per Series 3 Preferred Share dividends declared quarterly for the past 3 years.

	Dividends Declared per Series 3 Preferred Share ($)		
Month	**2012**	**2011**	**2010**
March	0.0000	0.0000	0.0000
June	0.1267	0.0000	0.0000
September	0.3125	0.0000	0.0000
December	0.3125	0.0000	0.0000
	0.7517	0.0000	0.0000

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the information under the heading "Management's Discussion and Analysis" of Northland's 2012 Annual Report, which is incorporated herein by reference. The 2012 Annual Report is posted on SEDAR, at www.sedar.com under Northland's profile, and on Northland's website, www.northlandpower.ca.

CAPITAL STRUCTURE

Pursuant to the Arrangement, on January 1, 2011, the Fund's Units were exchanged for Common Shares of Northland on a one-for-one basis, and the Series 1 Preferred Shares of Prefco became Series 1 Preferred Shares of Northland. The Class A Units, Class B Units and Class C Units of Holdings LP were exchanged for Class A Shares, Class B Convertible Shares and Class C Convertible Shares of Northland, which provide the holders with materially the same rights as they had as holders of the units in Holdings LP.

Northland is authorized under its Articles to issue the following classes of shares in the capital of Northland:

- an unlimited number of Common Shares;
- 42,478,451 Class A Shares;
- 8,067,723 Class B Convertible Shares;
- 8,496,078 Class C Convertible Shares; and
- an unlimited number of Preferred Shares, issuable in series, of which:
  - 6,000,000 have been designated as Series 1 Shares;
  - 6,000,000 have been designated as Series 2 Shares;
  - 4,800,000 have been designated as Series 3 Shares; and
  - 4,800,000 have been designated as Series 4 Shares.

As at December 31, 2012, Northland had outstanding 86,041,930 Common Shares (2011 - 78,027,019 Common Shares), 6,000,000 Series 1 Preferred Shares, 4,800,000 Series 3 Preferred Shares, 29,851,868 Class A Shares, 8,067,723 Class B Convertible Shares and 4,289,808 Class C Convertible Shares. There were also 759,355 Replacement Rights outstanding, each of which entitled the holder to receive one Common Share, subject to terms and conditions. During the year, a total of $10.5 million of the 2014 Debentures were converted into 844,737 Common Shares. There were also 55,357 Common Shares issued as part of Northland's LTIP. Finally, an additional 1,847,445 Common Shares were issued under the dividend reinvestment plan.

The following is a summary of rights, privileges, restrictions and conditions attached to the Common Shares, Class A Shares, Class B Convertible Shares, Class C Convertible Shares, Series 1 & 2 preferred shares and the Series 3 & 4 preferred shares.

Description of the Common Shares

Holders of Common Shares are entitled to one vote in respect of each Common Share held at any meeting of the shareholders of Northland except meetings at which only the holders of a specified class or series of shares of Northland are entitled to vote. Subject to the rights of holders of Preferred Shares or any series thereof, and other shares of Northland ranking in priority to the Common Shares, the holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors in its discretion from time to time. In addition, subject to the prior rights of holders of Preferred Shares or any series thereof, and other shares of Northland ranking in priority to the Common Shares, the holders of the Common Shares are entitled to that portion of the balance of the assets of Northland equal to the ratio that the outstanding number of Common Shares is to the aggregate of the number of Common Shares outstanding and the product of the number of Class A Shares outstanding and the Class A Conversion Rate (as defined in the Corporation's articles) upon the liquidation, dissolution or winding-up of Northland or other distribution of assets of Northland among its shareholders.

Description of the Class A Shares

As of January 16, 2012 (the "**Conversion Date**"), the Class A Shares became convertible into Common Shares of Northland on a one-for-one basis and participate equally share for share with the Common Shares in dividends. The Class A Shares are entitled to one vote per share and carry specified appointment rights for directors of Northland as described below under "Capital Structure – Appointment Rights of Class A Shares and Class C Convertible Shares". The Class A Shares, all of which are held by NPHI, are non-transferable, except on a reorganization of NPHI. On liquidation, subject to the rights of the Preferred Shares, the Class B Convertible Shares, the Class C Convertible Shares and the Common Shares, the holders of the Class A Shares share in the distribution of the balance of the assets of Northland.

Description of the Class B Convertible Shares

The Class B Convertible Shares are convertible into Class A Shares on a one-for-one basis based on development profits (as defined in the Corporation's articles) generated by qualifying projects of Northland only after all Class C Convertible Shares have been converted as described under "Capital Structure – Conversion of Class C Shares and Replacement Rights". The Class B Convertible Shares are non-voting and are not entitled to dividends. Each Class B Convertible Share has the right to receive $0.001 per share on liquidation. The Class B Convertible Shares, all of which are held by NPHI, are not transferable, except on a reorganization of NPHI.

Description of the Class C Convertible Shares

The Class C Convertible Shares are convertible into Class A Shares on a one-for-one basis based on the first $100 million of development profits (as defined in the Corporation's Articles) generated by qualifying projects of Northland as described under "Capital Structure – Conversion of Class C Shares and Replacement Rights". The Class C Convertible Shares are entitled to one vote per share and carry specified appointment rights for directors of Northland as described below under "Capital Structure – Appointment Rights of Class A Shares and Class C Convertible Shares". The Class C Convertible Shares are not entitled to dividends but have the right to receive $0.001 per share on liquidation. The Class C Convertible Shares, all of which are held by NPHI, are not transferable, except on a reorganization of NPHI.

Appointment Rights of Class A Shares and Class C Convertible Shares

NPHI, as the only holder of the Class A Shares and Class C Convertible Shares, can exercise special appointment rights for directors as long as it holds Class A Shares and the thresholds described in the Articles are met. If NPHI converts all of the Class A Shares and Class C Convertible Shares that it holds into Common Shares, it will no longer have special director appointment rights.

So long as NPHI is controlled directly or indirectly by James C. Temerty and the aggregate number of votes attributed to the Class A Shares and the Class C Convertible Shares and the NPHI Held Common Shares represents at least 15% of the votes attributed to the Voting Shares outstanding, holders of the Class A Shares and the Class C Convertible Shares will have the right to elect 49% of the directors of the Corporation and if such NPHI ownership threshold is less than 15% but at least 10% of the Voting Shares, then NPHI's right to elect directors of the Corporation is reduced to 40% of the directors.

If NPHI is controlled directly or indirectly by a Temerty Entity, (and not Mr. Temerty), and the aggregate number of votes attributed to the Class A Shares and the Class C Convertible Shares and Temerty Entity Held Common Shares represents at least 20% of the votes attributed to the Voting Shares outstanding, then holders of the Class A Shares and the Class C Convertible Shares will have the right to elect up to 49% of the directors of the Corporation, or 40% of the directors of the Corporation if the ownership threshold is less than 20% but at least 15%.

NPHI can decide whether to exercise the special director election rights for any particular director election. If NPHI exercises the special director election rights for a particular election, then the holders of the Common Shares are entitled to elect the balance of the directors. If NPHI does not elect to exercise, the holders of the Class A Shares and the Class C Convertible Shares vote with the holders of the Common Shares for all directors.

Replacement Rights

In connection with the Merger, the Fund issued 6,032,191 Replacement Rights (subsequently assumed by the Corporation) in settlement of NPI's obligations under the NPI LTIP and entered into a Rights Exchange Agreement with each NPI LTIP Participant. Pursuant to the Rights Exchange Agreements, each NPI LTIP Participant relinquished his LTIP Rights in exchange for Replacement Rights which subsequent to the Arrangement represent rights to acquire Common Shares on a one-for-one basis for no additional consideration on or after the Conversion Date. Replacement Rights carry no voting rights or rights to receive distributions or dividends until they are exercised and are not transferable.

On the conversion date, 4,528,269 Replacement Rights held by senior management of Northland became exercisable and were subsequently exchanged for Shares.

Conversion of Class B Shares, Class C Shares and Replacement Rights

The terms of Northland's Class B Convertible Shares and Class C Convertible Shares provide that these securities may be converted into Class A Shares or exchanged for Common Shares based on the development profits attributable to certain of Northland's electricity generation projects as they achieve commercial operations. In addition, the contingent Replacement Rights become exchangeable for Shares in proportion to the remaining Class C Shares that convert to Class A Shares.

In January 2012, as a result of the first Determination Process, 4,206,270 Class C Convertible Shares were converted into Class A Shares on a one-for-one basis and 744,567 contingent Replacement Rights were converted into Common Shares.

Subsequent to the first Determination Process, 4,289,808 Class C Convertible Shares and 8,067,723 Class B Convertible Shares remain outstanding and may be converted into Class A Shares in further Determination Processes. In addition, up to an additional 759,355 contingent Replacement Rights may be convertible into Common Shares in proportion to the remaining Class C Convertible Shares that become eligible for conversion into Class A Shares.

Description of the Preferred Shares as a Class

Issuance in Series

The Board of Directors may from time to time issue preferred shares in one or more series, each series to consist of such number of shares as will before issuance thereof be fixed by the Board of Directors who will at the same time determine the designation, rights, privileges, restrictions and conditions attaching to that series of preferred shares.

Voting

Subject to applicable corporate law, the preferred shares of each series shall be non-voting and not entitled to receive notice of any meeting of shareholders, provided that the designation, rights, privileges, restrictions and conditions may provide that if Northland shall fail, for a specified period, which is at least two years, to pay dividends at the prescribed rate on any series of the preferred shares, thereupon, and so long as any such dividends shall remain in arrears, the holders of that series of preferred shares shall be entitled to receive notice of, to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class or series of shares are entitled to attend.

Dividends

Payments of dividends and other amounts in respect of the preferred shares will be made by Northland to CDS, or its nominee, as the case may be, as registered holder of the preferred shares. As long as CDS, or its nominee, is the registered holder of the preferred shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the preferred shares for the purposes of receiving payment on the preferred shares.

Tax Election

Northland will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of preferred shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

Series 1 & 2 Preferred Shares

On July 28, 2010, Northland issued 6.0 million Series 1 Preferred Shares at a price of $25.00 per share, for gross proceeds of $150 million. The holders of Series 1 Preferred Shares are entitled to receive fixed cumulative preferential cash dividends at an annual rate of $1.3125 per share, payable quarterly, as and when declared by Northland's board of directors. The Series 1 Preferred Shares yield 5.25% annually for the initial five-year period ending September 30, 2015, with the first dividend payment having occurred on September 30, 2010. The dividend rate will reset on September 30, 2015, and every five years thereafter at a rate equal to the then five-year Government of Canada bond yield plus 2.80%. The Series 1 Preferred Shares are redeemable on September 30, 2015, and on September 30 of every fifth year thereafter.

The holders of Series 1 Preferred Shares have the right, at their option, to convert their shares into Series 2 Preferred Shares, subject to certain conditions, on September 30, 2015, and on September 30 of every fifth year thereafter. The Series 2 Preferred Shares carry the same features as the Series 1 Preferred Shares, except that holders will be entitled to receive quarterly floating-rate cumulative dividends, as and when declared by the board of directors, at a rate equal to the then three-month Government of Canada treasury bill yield plus 2.80%. The holders of Series 2 Preferred Shares will have the right to convert their shares back into Series 1 Preferred Shares on September 30, 2020, and on September 30 of every fifth year thereafter.

Readers should refer to the Short Form Prospectus dated July 19, 2010 for additional details with respect to the Series 1 and 2 Preferred Shares.

Series 3 & 4 Preferred Shares

On May 24, 2012, Northland issued 4.8 million Series 3 Preferred Shares at a price of $25.00 per share, for gross proceeds of $120 million. The holders of the Series 3 Preferred Shares are entitled to fixed cumulative dividends at an annual rate of $1.25 per share, payable quarterly, as and when declared by the Board of Directors of Northland. The Series 3 Preferred Shares yield 5% annually at the issue price for the initial five-year period ending December 31, 2017. The dividend rate will reset on December 31, 2017 and every five years thereafter at a rate equal to the then five-year Government of Canada Bond yield plus 3.46%. The Series 3 Preferred Shares are redeemable on December 31, 2017 and on December 31 of every fifth year thereafter.

The holders of the Series 3 Preferred Shares have the right, at their option, to convert their shares into Series 4 Preferred Shares, subject to certain conditions, on December 31, 2017 and on December 31 of every fifth year thereafter. The Series 4 Preferred Shares carry the same features as the Series 3 Preferred Shares, except that holders will be entitled to receive quarterly floating rate cumulative dividends, as and when declared by the Board of Directors at a rate equal to the then 90-day Government of Canada Treasury Bill yield plus 3.46%. The holders of the Series 4 Preferred Shares have the right to convert their shares into Series 3 Preferred Shares on December 31, 2022 and on December 31 of every fifth year thereafter.

Readers should refer to the Prospectus Supplement dated May 15, 2012 for additional details with respect to the Series 3 and 4 Preferred Shares.

CONVERTIBLE DEBENTURES

On August 26, 2004, Northland closed an offering of 65,000 6.5% convertible unsecured subordinated debentures due June 30, 2011 (the "**2011 Debentures**") at a price of $1,000 per convertible debenture, for gross proceeds of $65 million and net proceeds of approximately $61.8 million. Interest was paid semi-annually in arrears on June 30 and December 31 in each year.

The 2011 Debentures matured on June 30, 2011, which resulted in a payment of $1.2 million to the convertible unsecured subordinated debenture holders.

In 2009, Northland issued 6.25% convertible unsecured subordinated debentures due December 31, 2014 (the "**2014 Debentures**") at a price of $1,000 per convertible debenture, for gross proceeds of $92.0 million ($88.1 million net of underwriters' fees and costs). The 2014 Debentures are convertible into fully paid Common Shares of Northland at the option of the holder at a conversion price of $12.42 per Common Share and are redeemable by Northland on or following January 1, 2013, provided that the trading price of Northland's Common Shares reaches certain levels. Northland may at its option satisfy its obligation to pay the redemption price of the 2014 Debentures in Common Shares of Northland at maturity. Northland determined that the fair value of the embedded holder option at the time of issue was nominal, and as a result the entire amount of the 2014 Debentures was classified as a long-term liability. As at December 31, 2012, 2,268,841 of the 2014 Debentures remain outstanding, with a market value of $28.2 million.

The payment of principal and interest on the 2014 Debentures is subordinated in right of payment to the prior payment of all senior indebtedness of Northland.

Readers should refer to the Short Form Prospectus dated October 7, 2009 for additional details with respect to the 2014 Debentures.

MATERIAL CONTRACTS

Northland or its affiliates entered into a number of material contracts in 2012 or prior to 2012 which are still in effect. These contracts are as follows:

(a) the CD Indenture;

(b) the Pre-emptive Rights, Tendering and Voting Agreement dated the 8th day of December, 2010 between a predecessor of the Corporation and NPHI, described below.

The CD Indenture

The CD Indenture was entered into between the Fund and Computershare, as trustee, (the "**Debenture Trustee**") as of August 26, 2004. It was amended and restated as of October 14, 2009, supplemented by the first supplemental indenture dated October 15, 2009 (to provide for the issuance of the 2014 Debentures) and by the second supplemental indenture dated January 1, 2011 (to reflect the change in the issuer from the Fund to Northland).

The CD Indenture permits the issuance of debentures ("**Debentures**") without limitation as to the aggregate principal amount. The only Debentures that are currently outstanding are the 2014 Debentures (see "Capital Structure-2014 Debentures").

The Debentures are direct obligations of Northland and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to all Senior Indebtedness of Northland as described below. The Debentures rank *pari passu* with every other series of Debentures that have been issued, or may hereafter be issued, under the CD Indenture.

Subordination

The payment of the principal of, and interest on, Debentures is subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the CD Indenture, to the prior payment in full of all Senior Indebtedness of Northland. "Senior Indebtedness" of Northland is defined in the CD Indenture as all indebtedness of Northland (whether outstanding as at the date of the CD Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. The CD Indenture does not limit the ability of Northland to incur additional indebtedness, including additional Senior Indebtedness, at any time or from time to time or other indebtedness or otherwise mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing.

The CD Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Northland, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of Northland, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Northland, all creditors under any Senior Indebtedness will receive payment in full before the Debentureholders will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

In addition to the foregoing, pursuant to the terms of the CD Indenture, neither the Debenture Trustee nor the Debentureholders shall be entitled to demand or otherwise attempt to enforce in any manner, institute proceedings for the collection of, or institute any proceedings against Northland including, without limitation, by way of any bankruptcy, insolvency or similar proceedings or any proceeding for the appointment of a receiver, liquidator, trustee or other similar official (it being understood and agreed that the Debenture Trustee and/or the Debentureholders shall be permitted to take any steps necessary to preserve the claims of the Debentureholders in any such proceeding and any steps necessary to prevent the extinguishment or other termination of a claim or potential claim as a result of the expiry of a limitation period), or receive any payment or benefit in any manner whatsoever on account of indebtedness represented by the Debentures at any time when an event of default (howsoever designated) has occurred and is continuing under any Senior Indebtedness and is continuing and, in each case, notice of such event of default has been given by or on behalf of the lender or lenders party to such Senior Indebtedness to Northland (the "**Senior Indebtedness Postponement Provisions**").

Modification

The rights of the holders of the Debentures or of any series of Debentures may be modified in accordance with the terms of the CD Indenture. For that purpose, among others, the CD Indenture contains certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead of or in addition to the foregoing, require assent by the holders of the required percentage of Debentures of each particularly affected series. Under the CD Indenture, the Debenture Trustee will have the right to make certain amendments to the CD Indenture in its discretion, without the consent of the Debentureholders.

Events of Default

The CD Indenture provides that an event of default ("**Event of Default**") in respect of the Debentures will occur if certain events described in the CD Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the maturity date, upon redemption, by acceleration or otherwise; (iii) default in the performance of any material covenant in the CD Indenture that is not cured within 30 days of Northland receiving notice in writing specifying such default and requiring it to be cured; or (iv) certain events of bankruptcy, insolvency or reorganization of Northland under bankruptcy or insolvency laws. Subject to the Senior Indebtedness Postponement Provisions, if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and accrued interest on all outstanding Debentures to be immediately due and payable.

Offers for Debentures

The CD Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by Debentureholders who did not accept the offer on the terms offered by the offeror.

Reports to Holders

Northland must file with the Debenture Trustee, within 15 days after the filing thereof with the Ontario Securities Commission, copies of Northland’s annual report and the information, documents and other reports that Northland is required to file with the Ontario Securities Commission and deliver to security holders. Notwithstanding that Northland may not be required to remain subject to the reporting requirements of the Ontario Securities Commission, Northland shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year, an audited annual financial statement of Northland, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of Northland which shall, at a minimum, contain such information as is required to be provided in financial statements under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not Northland has any of its securities so listed. Each of such reports will be prepared in accordance with applicable Canadian disclosure requirements and generally accepted accounting principles. Northland will provide copies of such information, documents and reports to Debentureholders upon request.

Governing Law

Each of the CD Indenture and the Debentures are governed by, and construed in accordance with, the laws of the Province of Ontario applicable to contracts executed and to be performed entirely in such Province.

Pre-Emptive Rights, Tendering and Voting Agreement

Northland and NPHI have entered into the Pre-emptive Rights, Tendering and Voting Agreement, which provides that for so long as James C. Temerty and/or a Temerty Entity controls NPHI and for so long as NPHI and James C. Temerty and/or the Temerty Entities collectively hold, directly or indirectly, not less than 20% of the issued and outstanding Common Shares, Class A Shares and Class C Convertible Shares, taken together, no Common Shares or securities convertible into or exchangeable for Common Shares will be issued by Northland and no option or other right for the purchase of or subscription for any such securities will be granted unless NPHI is offered the opportunity to purchase such securities in such issuance on a pro rata basis, but only to the extent necessary to maintain its proportional fully diluted interest in Northland. The pre-emptive right of NPHI will not apply to: (i) the issue of any Common Shares outstanding pursuant to any rights to acquire such Common Shares that were outstanding as of January 1, 2011; (ii) any employee or executive compensation arrangement; and (iii) the dividend reinvestment plan of Northland.

If an offeror makes a take-over bid for the Common Shares, including Common Shares issuable upon conversion, exercise or exchange of securities that are convertible into or exchangeable for Common Shares without the payment of additional consideration ("Exchangeable Securities") (other than Common Shares held by the offeror or an affiliate of the offeror), and the offeror within 120 days after the date of the take-over bid acquires pursuant to that offer not less than 90% of the Common Shares outstanding and issuable pursuant to the Exchangeable Securities, taken together (other than Common Shares and Common Shares issuable upon the exchange, conversion or exercise of any outstanding Exchangeable Securities held at the date of the take-over bid by or on behalf of or issuable to the offeror or associates or affiliates of the offeror), NPHI will be required to convert its Class A Shares into Common Shares so that the offeror will have the right to compulsorily acquire such Common Shares.

In addition, if a special resolution of the holders of the Common Shares, Class A Shares and Class C Convertible Shares, voting together, is passed to: (i) amend the articles of Northland if the holders of the Common Shares, Class A Shares and Class C Convertible Shares would be entitled to a class vote solely because the change is (a) to add to the rights or privileges of any class or series of shares having rights or privileges equal or superior to the Common Shares or

Class A Shares or (b) to make any class or series of shares equal to or superior to the Common Shares or Class A Shares; or (ii) to approve an amalgamation or an arrangement which would have such effect, and such change does not affect the Class A Shares in a different manner from the Common Shares, then will cast its votes, or sign a written resolution in connection with such class vote in favour of the amendment to the articles, the amalgamation or arrangement, as the case may be.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSX under the symbol NPI. The table below sets forth the reported high and low trading prices and trading volumes of the Common Shares as reported by the TSX during 2012:

Month 2012	**High**	**Low**	**Volume**
January	$18.08	$16.54	2,665,600
February	17.83	16.82	2,374,600
March	17.89	16.67	2,877,500
April	17.78	16.85	1,993,400
May	18.24	17.32	2,845,500
June	18.39	17.06	2,384,000
July	19.04	17.65	1,919,600
August	19.55	17.83	2,446,100
September	19.07	18.00	3,478,600
October	19.48	18.55	1,987,700
November	19.40	18.01	1,649,300
December	19.04	18.29	1,576,400

The outstanding 2014 Debentures are listed for trading on the TSX under the symbol NPI.DB.A. The table below sets forth the reported high and low trading prices and trading volumes of the 2014 Debentures as reported by the TSX during 2012:

Month 2012	**High**	**Low**	**Volume**
January	145.00	134.18	11,300
February	142.00	135.40	7,600
March	143.25	134.04	7,600
April	142.50	136.25	5,500
May	148.00	140.05	8,600
June	145.50	137.50	9,600
July	152.00	141.63	22,400
August	154.50	147.28	3,600
September	150.00	146.00	400
October	155.00	149.61	1,700
November	153.50	149.50	10,200
December	152.00	147.03	5,300

The outstanding Series 1 Preferred Shares are listed for trading on the TSX under the symbol NPI.PR.A. The table below sets forth the reported high and low trading prices and trading volumes of the Series 1 Preferred Shares as reported by the TSX in 2012:

Month 2012	**High**	**Low**	**Volume**
January	26.53	25.40	47,100
February	25.86	25.35	58,900
March	26.10	25.00	44,700
April	25.75	25.05	90,100
May	25.70	25.13	111,700
June	25.60	25.25	25,000
July	25.96	25.25	65,800
August	26.05	25.51	57,500
September	25.85	25.26	75,300
October	25.95	25.40	51,500
November	25.80	25.50	44,300
December	25.75	25.45	33,548

The outstanding Series 3 Preferred Shares are listed for trading on the TSX under the symbol NPI.PR.C. The table below sets forth the reported high and low trading prices and trading volumes of the Series 1 Preferred Shares as reported by the TSX in 2012 from their issue date of May 24, 2012:

Month 2012	**High**	**Low**	**Volume**
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	25.15	25.00	654,700
June	25.49	25.00	249,900
July	25.80	25.25	183,400
August	25.80	25.30	150,500
September	25.65	25.15	75,700
October	25.97	25.57	114,100
November	25.92	25.44	71,800
December	25.98	25.50	71,400

RISK FACTORS

Northland's overall risk management approach seeks to mitigate risk, when feasible, in order to maintain stable predictable and sustainable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk.

The following are certain risk factors to which the business of Northland is subject. The following information is a summary only of such risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form and the documents referred to herein, including Northland's 2012 Annual Report.

Contracts and Contract Counterparties

Northland's operating facilities earn revenue under long-term PPAs, generally from 20 to 25 years in duration. Northland's two managed plants (Cochrane and Kirkland Lake), for which it earns management and performance incentive fees, will have most of their contracted PPAs expire or require renegotiation in 2015. The expiry of PPAs at Northland's wholly-owned facilities will begin with Kingston in 2017, followed by Iroquois Falls in 2021. These four facilities are contracted with the OEFC and operate largely as baseload facilities.

As Northland's PPAs and/or fuel supply contracts expire, Northland may be able to extend them or enter into new contracts. A change in the required operating mode or the renegotiation of other contract provisions could entail capital investments for plant modifications and may result in reduced facility profitability due to lower sales volumes, different operating modes or reduced margins. Any reduction in plant profitability under new contracts will be partially mitigated by the fact that Northland has financed its facilities using project debt that is scheduled to be fully amortized by the expiry of the associated PPAs. There can be no assurance that Northland will be able to extend the existing PPAs or enter into new contracts.

The amount of cash flow generated by Northland is dependent upon the parties to Northland's long-term contracts continuing to fulfill their contractual obligations. In particular, as electricity sales represent most, if not all, of the revenues of Northland's facilities, failure of OEFC, OPA, Hydro-Québec or SaskPower to meet their contractual obligations would have an adverse effect on cash flow.

The German wind farms receive revenue in accordance with German renewable energy legislation. There is no guarantee that this legislation will not be changed, which may reduce the amount of cash flow received.

Steam sales at Iroquois Falls and Thorold constitute a secondary source of cash flow for Northland. Iroquois Falls and Thorold are obligated to respond to fluctuations in steam requirements. Unexpectedly large short-term fluctuations in steam demand could increase natural gas consumption without a proportionate increase in steam revenue. Decreases in demand for steam could negatively impact steam revenues where take or pay provisions or other contract mitigations do not apply.

Northland and its subsidiaries contract with many third-party suppliers for equipment and services used during the construction of new facilities. The failure of any supplier to meet its obligations could cause Northland to experience construction delays or cost overruns and could, in turn, prevent those projects from meeting obligations under PPAs or financing agreements.

Financial counterparty risk arises primarily from holding cash and cash equivalents at banks and financial institutions, counterparty exposure arising from derivative financial instruments with banks, financial institutions and other derivative providers, unfunded credit commitments from banks and financial institutions, and receivables due from customers. The maximum exposure to counterparty risk, other than for unfunded credit commitments, is equal to the carrying value of the financial assets. The inability of a counterparty to perform under agreements with Northland could have a material impact on Northland's assets and or cash flow.

Electricity Sales and Price

The Iroquois Falls and Kingston PPAs provide higher prices for electricity produced during on-peak periods (the largest component of electricity revenue) if the facilities meet contractually defined monthly on-peak production targets. Iroquois Falls' on-peak premium is reduced if it produces less than 80% of its target; there is no on-peak premium if production is less than 60% of the target. Kingston does not receive an on-peak premium if it delivers less than 80% of its target; however, during events of force majeure the on-peak production target is reduced by the number of on-peak force majeure hours.

The Thorold PPA provides for a monthly revenue requirement that may be reduced if Thorold is unable to operate according to the terms and conditions in the PPA. Thorold does not have a monthly production target, but is required to meet minimum expected availability targets. During periods of force majeure (which are excluded from the availability target calculation), the revenue requirement is reduced based on the proportion of force majeure hours to expected operating hours. The revenue requirement may also be reduced by the difference between gross profit deemed under the PPA and actual gross profit Thorold earned from the Ontario electricity market. Although Thorold has historically operated at or above contractual levels, there is a risk that external market factors or maintenance issues may reduce Thorold's ability to do so in the future.

The Spy Hill PPA provides a capacity payment that may be affected if Spy Hill is unable to operate when requested by SaskPower. If Spy Hill does not meet minimum availability targets it may be subject to a maximum annual penalty of $4 million.

The Jardin and Mont Louis PPAs include financial penalties if the three-year rolling average production for each wind farm is less than 95% of a PPA-defined target. In addition, there is a reduction in the electricity price for production that exceeds 120% of the target. There are no production obligations within German legislation that affect payments to the German wind farms.

Variability of Wind-Based Revenue

The wind resources at Northland's wind farms will vary. Although management believes that the wind survey and historical production data that have been collected demonstrate that the sites are economically viable, weather patterns could change or the historical data and technical predictions could prove not to reflect accurately the strength and consistency of the wind in the future. If there is insufficient wind, the underlying financial projections regarding the amount of electricity to be generated by the wind farms may not be met, and cash flow and the ability to meet debt service obligations could be adversely affected.

Fuel Supply, Transportation and Price

Certain natural-gas-fired facilities and the biomass facilities owned or managed by Northland may be affected by the availability, or lack of availability, of a stable supply of fuel at reasonable or predictable prices. To the extent possible, such facilities attempt to match fuel cost setting mechanisms in supply agreements to PPA energy payment formulas. To the extent that fuel costs are not fully matched to PPA energy payments, increases in fuel costs may adversely affect the profitability of the facilities. To the extent there is insufficient fuel supply, the profitability of the facilities may be adversely affected.

The amount of energy to be generated at certain facilities is highly dependent on suppliers under certain natural gas fuel supply agreements fulfilling their contractual obligations. The loss of significant fuel supply agreements or an inability or failure by any supplier to meet its contractual commitments could have an adverse impact on the facilities' ability to produce electricity and steam, which would, in turn, reduce the expected cash flow. In addition, any failure by the entities that transport the natural gas to the facilities to deliver natural gas to the respective facilities may have an adverse impact on cash flow.

Upon the expiry or termination of existing fuel supply agreements, Northland will be required to either renegotiate these agreements or source fuel from other suppliers. There can be no assurance that Northland will be able to renegotiate these agreements or enter into new agreements on similar terms. Furthermore, there can be no assurance as to availability of the supply or pricing of fuel under new arrangements. In particular, the gas supply contracts at Iroquois Falls expire in 2015 and 2016, five years prior to the expiry of its PPA. While gas prices are currently favourable, there can be no assurance that gas can be procured economically for the final five years of the Iroquois Falls PPA.

Operations and Maintenance

Northland's facilities are subject to operational risks that could have an adverse effect on cash flow, including premature wear or failure of major equipment due to defects in design, material or workmanship.

The risks associated with Northland's thermal facilities are partially mitigated by the proven nature of the technology and design of the facilities, the availability of critical spares on site and the gas turbine maintenance agreements.

The operating risks associated with Northland's wind farms are partially mitigated by maintenance and service agreements with original equipment suppliers and experienced service providers and by the proven nature of the technology and design of the facilities.

Permitting

All of Northland's facilities are required to maintain permits issued by federal and provincial governments and agencies that govern overall facility operations and place limits on the discharge or use of air, noise, water and emissions, among other permits. If Northland is unable to renew existing permits or enter into new permits, then capital expenditures may be required to enable long-term operations, potentially under different operating profiles. For example, Thorold's permit to take cooling water from the Welland Canal expires in 2017. If Northland is unable to extend this permit sufficiently in advance of the expiry date, the credit agreement requires Northland to set aside funds to procure an alternate cooling technology.

Environment, Health and Safety

Northland's facilities are subject to numerous and significant laws, including statutes, regulations, bylaws, guidelines, policies, directives and other requirements governing or relating to, among other things: air emissions; discharges into water, the storage, handling, use, transportation and distribution of dangerous goods and hazardous and residual materials, such as chemicals; the prevention of releases of hazardous materials into the environment; the prevention, presence and remediation of hazardous materials in soil and groundwater, both on- and off-site; land use and zoning matters; and workers' health and safety matters. As such, the operation of the facilities carries an inherent risk of environmental, health and safety liabilities (including potential civil actions, compliance or remediation orders, fines and other penalties) and may result in the facilities being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a materially adverse effect on Northland's business, financial condition and results of operations.

All current generating equipment at Iroquois Falls, Kingston, Thorold and Spy Hill is designed to produce NOx emissions below applicable permit limits. Ontario legislation that came into effect in 2004 introduced a cap and trade system with respect to NOx emissions. Installation of the new gas turbines at the Iroquois Falls facility in 2003 reduced NOx emissions well below the levels specified by the new legislation. NOx emissions from Kingston's and Thorold's existing generating equipment fall well below those levels.

For the last several decades, the greenhouse effect and its influence on climate change has caused environmental concern. Certain jurisdictions have implemented legislation or regulations to regulate greenhouse gas **(GHG)** emissions. As of yet, the federal government of Canada has not introduced any legislation or regulations it plans to use to regulate GHG, nor has it established any firm timelines. In the absence of federal legislation, the Ontario government has investigated setting its own GHG limits, but these efforts are in the preliminary stage and they have not set a firm timeline either. Should any legislation related to GHG regulation impose any costs on Northland, certain of its facilities may not be able to recover some or all of such costs under its

PPAs which could result in significantly reduced cash flow and asset impairments upon implementation.

Although management believes the operation of each of the facilities is currently in material compliance with applicable environmental laws, licenses, permits and other authorizations required for the operation of the facilities and although there are environmental monitoring and reporting systems in place with respect to all facilities, there is no guarantee that more stringent laws or regulations will not be imposed, that there will not be more stringent enforcement of applicable laws or that such systems will not fail, which may result in material expenditures. Failure by the facilities to comply with any environmental, health or safety requirements or increases in the cost of such compliance, which could be a result of unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, could possibly result in additional expense, capital expenditures, restrictions and delays in the facilities' activities, the extent of which cannot be predicted.

Construction

There is a risk that delays and/or material cost overruns will be incurred in the course of the construction of Northland's current and future development projects. There is also a risk that a project under construction could be stopped or cancelled. There is further risk that the projects, once constructed, will not immediately perform as intended. Any significant delays in construction, cost overruns, project cancellations, or project shortfalls as a result of construction activities may have an adverse impact on Northland's operations and financial performance.

Financing

Although Northland expects to finance its current and future projects using cash from operations and non-recourse project financing, there can be no assurance that sufficient capital will be available on acceptable terms to fund acquisitions, investments, refinancing, capital expenditures or expansion projects. In addition, should any particular loan provided to Northland or a subsidiary go into default, this might cause Northland to lose its investment in the project. Most of Northland's facilities and projects have term loan or other financing arrangements in place with various lenders. These financing arrangements are typically secured by all of the project assets and contracts, as well as the equity interests in the project operating entities. The terms of these financing arrangements generally impose many covenants and obligations on the part of the project operating entity and other borrowers and guarantors. In many cases, a default by any party under a project operating agreement (such as a PPA) will also constitute a default under the project's term loan or other financing arrangement. Failure to comply with the terms of these term loans or other financing arrangements, or events of default thereunder, may prevent cash distributions by the project or the project operating entity and may entitle the lenders to demand repayment and enforce their security against project assets. In addition, if an event of default should occur, the lenders are entitled to take possession of the equity interests in project operating entities that have been pledged to such lenders by the owners. The prevention of cash distributions from projects or the loss of project interests could have a material impact on Northland's cash flow.

Interest Rates and Refinancing

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. Northland generally mitigates underlying interest rate risk with respect to its project-related floating-rate bank credit facilities by entering into interest rate swap agreements to effectively fix the underlying interest rate on floating-rate debt. The credit spread portion of floating interest rate loans cannot be hedged and could increase materially at loan maturity, thus reducing a project's cash flow. In other cases, Northland procures fixed-rate debt when financing its projects to minimize interest rate risk. For non-project debt, primarily Northland's revolving line of credit, interest rates remain variable. A significant rise in interest rates may materially increase the cost of Northland's revolving credit facility and also prevent certain development projects from proceeding as the economics may no longer be feasible at higher rates, possibly resulting in termination or asset impairment.

The ability to refinance, renew or extend debt instruments is dependent on the capital markets up to the time of maturity, which may affect the availability, pricing or terms and conditions of replacement financing.

Currency Fluctuations

Northland has payment obligations in U.S. dollars, primarily related to the service agreements for gas turbines. Exchange rate fluctuations between the U.S. and Canadian dollars may affect cash flow.

Northland also receives cash flows in euros from its investment in the German wind farms and U.S. dollars from its investment in PEC. Exchange rate fluctuations between the Euro or the U.S. dollar and the Canadian dollar may affect the cash flow of Northland. To partially mitigate its exposure to major foreign currencies, material exposures are hedged with financial counterparties.

The projects Northland is developing and/or constructing may utilize equipment purchased from foreign suppliers. Fluctuations in exchange rates relative to the Canadian dollar could have a material impact on the cost of this equipment and thus have a negative impact on the feasibility of one or more of the projects.

Liquidity

Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time. Impairments in Northland's asset values or cash flows could result in Northland not having sufficient funds to settle a transaction on a due date; Northland could be forced to sell financial assets at a value that is less than what they are worth; or Northland could be unable to settle or recover a financial asset at all.

Northland is also subject to internal liquidity risk as it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on receipts of cash from those entities to defray its corporate expenses and to make dividend payments to shareholders.

Development Prospects

Prior to a project reaching the advanced stage of development, Northland will incur costs before it can determine that such prospective projects are technically and financially feasible. The nature of some of these expenditures is somewhat speculative. Northland is, in some cases, required to advance funds and post performance bonds in the course of development of these prospects. Some of the factors that could cause a prospective development project to fail and cause Northland to lose its investment in the project include: inability to secure favourable sites; inability to secure PPAs; failure to obtain permits, consents, licences and approvals; increases in interest rates; and inability to acquire suitable equipment and construction services at a favourable price.

Government Regulations and Policy

Northland and its generating facilities are subject to policies, laws and regulations, established by various levels of government and government agencies. These are subject to change by the governments or their agencies or the courts and are administered by agencies that may have discretion in their interpretation. Future legal and regulatory changes or interpretations may have a material effect on Northland, its development prospects and/or its generating facilities.
Insurance

Northland procures insurance from the insurance market to address all material insurable risks, including business interruption insurance, similar to what management believes would be maintained by a prudent manager/owner/operator of similar facilities or projects. Northland's insurance is subject to deductibles, limits and exclusions that are customary or reasonable given the cost of procuring insurance, current operating conditions and insurance market conditions. There can be no assurance that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the facilities, projects or Northland.

Legal Contingencies

Northland and its subsidiaries may be named as a defendant in various claims and legal actions. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management. Management does not expect the outcome of claims or potential claims to have a materially adverse effect on Northland.

Variability of Cash Flow

The actual amount of cash flow to service dividends to Common Shareholders will depend on numerous factors, including the financial performance of Northland's operations, ability to meet debt covenants and obligations, working capital requirements, future capital requirements, participation in the DRIP and tax related matters. The market value of the Common Shares may deteriorate if Northland is unable to maintain its cash dividend levels in the future.

Taxes

There can be no assurance that income tax laws in the jurisdictions in which Northland and its subsidiaries do business will not be changed in a manner that adversely affects Northland and its shareholders.

Northland is also subject to various uncertainties concerning the interpretation and application of Canadian, U.S. and German tax laws that could affect its profitability and cash flows.

Labour Relations

While labour relations at Northland's facilities have been stable to date and there have not been any disruptions in operations as a result of labour disputes with employees, the maintenance of a productive and efficient labour environment cannot be assured. In the event of a labour disruption such as a strike or lockout, the ability of Northland's facilities to generate income may be impaired.

Employees at Iroquois Falls and the managed Kirkland Lake Facility are unionized. The current labour agreement at Iroquois Falls with 11 employees expires June 30, 2013. In the event of a strike or lock-out, the ability of Iroquois Falls and Kirkland Lake Corp., respectively, to operate may be limited and its ability to generate cash available for distribution may be impaired. Employees at Northland's other facilities are not unionized.

Reliance on Third Parties

In the normal course of business, other than as detailed in the "Counterparties" section, Northland routinely relies on third parties with respect to management and construction services.

Northland is reliant on Panda Global Services Inc. with respect to the management of the Panda-Brandywine Facility and EDF EN Deutschland GmbH (formerly, enXco GmbH) with respect to the management of the German Wind Farms. If these counterparties fail to perform pursuant to their agreements, Northland's asset values or cash flow from these assets could be impaired.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of Northland, there are no legal proceedings or regulatory actions, potential or outstanding, involving Northland that will have a material adverse effect on it. See note 24 to the audited consolidated financial statements, entitled "Litigation, Claims and Contingencies" in the Annual Report for additional information.

BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION

The table below shows the names and province and country of residence of the members of Northland's Board of Directors, their principal occupations during the five preceding years and the year they first became Trustees/Directors. Each Director is appointed to serve until the next annual meeting of Shareholders or until his or her successor is elected or appointed.

Name and Province of Residence	Positions held with the Corporation	Year Became Director(1)	Principal Occupation(s) during five-year period ending December 31, 2012
James C. Temerty C.M.(7) Ontario, Canada	Chair and Director	1997	Previously Chair of NPI
The Right Honourable John N. Turner, Q.C.(2)(4)(5) Ontario, Canada	Lead Director	1997	Partner, Miller Thomson LLP (law firm)
Linda L. Bertoldi(8) Ontario, Canada	Director and Secretary	2010	Partner, Borden Ladner Gervais LLP (law firm)
Dr. Marie Bountrogianni(5)(7) Ontario, Canada	Director	2009	Distinguished visiting scholar at Ryerson University; formerly President and Executive Director of the Royal Ontario Museum governors. Previously, a member of the Ontario Legislature from 1999 through 2007
Sean Durfy(5)(7) Alberta, Canada	Director	2011	Corporate director; formerly President and CEO of WestJet Airlines and President of ENMAX Energy Corporation (electricity utility for Calgary, Alberta).
Pierre R. Gloutney(3)(5)(8) Quebec, Canada	Director	1997	Previously Chair, MF Global Canada Co. (investment dealer)and Chair and Chief Executive Officer, MAN Financial Canada Co. (formerly, Refco Canada Co.), previously President, Refco Futures (Canada) Ltd. (investment dealer)
V. Peter Harder(2)(5)(6) Ontario, Canada	Director	2010	Senior Policy Advisor, Fraser Milner Casgrain LLP (law firm)

Notes:

(1) The date shown reflects the date when each Director became a member of the governing body of a public predecessor of the Corporation, from July 16, 2009 to December 31, 2010, a trustee of the Fund, from July 1, 2003 to July 16, 2009, a trustee of CT and from 1997 to June 30, 2003, a director of Iroquois Falls Corp.

(2) Member of the Audit Committee.

(3) Chair of the Audit Committee.

(4) Chair of the Governance and Nominating Committee and Lead Director.

(5) Independent Director

(6) Chair of Compensation Committee.

(7) Member of Compensation Committee.

(8) Member of Governance and Nominating Committee

The table below shows the names and province and country of residence of the executive officers of the Corporation, their positions held with the Corporation and their principal occupations during the five preceding years.

Name and Province of Residence	Positions held with Northland	Principal Occupation(s) during five-year period ending December 31, 2012
John W. Brace Ontario, Canada	President and Chief Executive Officer	President and Chief Executive Officer of Northland since 2009; also President and Chief Operating Officer of CT since 2004 and Chief Executive Officer of CT since 2007; also President and Chief Executive Officer of NPI since 2003; previously also Chief Operating Officer of the Fund
Paul J. Bradley Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Northland since April 2011; Managing Director and Head of Power and Utilities at Macquarie Capital Markets from 2008 to 2011, previously Vice-President Electricity Resources at the Ontario Power Authority
Sam Mantenuto Ontario, Canada	Chief Operating Officer and Chief Development Officer	Chief Development Officer of Northland since 2010; Chief Operating Officer of the Fund since 2009; previously Chief Operating Officer of NPI; previously Vice-President of NPI
Anthony F. Anderson Ontario, Canada	Chief Investment Officer	Chief Financial Officer of Northland from 2009 to 2011; also Chief Financial Officer of CT and NPI since 2003 and 2001, respectively
Gemi (Jim) Cipolla Ontario, Canada	Vice President, Gas and Electricity Marketing	Vice President, Gas and Electricity Marketing since 2003
David Dougall Ontario, Canada	Vice President, Operations	Vice President, Operations since 2010; previously General Manager, Operations; previously General Manager, Engineering
Dino Gliosca Ontario, Canada	Vice President, Engineering	Vice President, Engineering since 2010; previously General Manager, Engineering
Michael D. Shadbolt Ontario, Canada	Vice President and General Counsel	Vice-President and General Counsel since January 2011; Partner, Macleod Dixon LLP (law firm) from 2007 to 2010, previously Partner, Borden Ladner Gervais LLP (law firm)

SHARE OWNERSHIP

As of January 31, 2013, 10,469,920 Common Shares (including 1,190,000 shares sold forward by management in March 2012), representing 12% (2011 – 12%) of the total outstanding Common Shares, were beneficially owned, directly or indirectly, or controlled by the Directors and executive officers of the Corporation. Including Class A Shares and Class C Convertible Shares, 37% (2011 – 37%) of all voting rights of the Corporation were owned, directly or indirectly, or controlled by Directors and executive officers of the Corporation.

AUDIT COMMITTEE

Northland's Board has established an Audit Committee composed of Messrs. Gloutney, Harder and Turner, all of whom are independent, as defined in National Instrument 52-110 *Audit Committees* (the "**Audit Committee Rule**"). The Audit Committee of Northland meets with representatives of management to discuss internal controls, financial reporting issues and auditing matters related to Northland. Northland's Board has adopted an Audit Committee Charter which sets out terms of reference for the Audit Committee consistent with the Audit

Committee Rule. The Audit Committee Charter, as revised following the Arrangement, is attached as Schedule "A" to this Annual Information Form.

All of the members of the Audit Committee are financially literate and Northland's Board has determined that all members of the Audit Committee are independent – in each case as required by the Audit Committee Rule.

The relevant experience of each of the Audit Committee members is as follows:

Pierre Gloutney (Chair) – Mr. Gloutney was previously the Chair and CEO of MF Global Canada Co. and has over 35 years of experience in the securities business. Mr. Gloutney is the former chair of the Derivatives Committee of the Investment Dealers Association. Mr. Gloutney was previously vice-chair, governor and member of the executive committee of the Montreal Exchange and previously a member of the executive committee and governor of the Canadian Derivatives Clearing Corp.

V. Peter Harder – Mr. Harder is a Senior Policy Advisor for Fraser Milner Casgrain LLP. Prior to joining Fraser Milner Casgrain LLP, Mr. Harder was a long serving Deputy Minister in the Government of Canada. Mr. Harder is the former Secretary of the Treasury Board of Canada and Comptroller General of Canada. Mr. Harder was previously a member of the executive committee and board of governors of the Canadian Comprehensive Audit Foundation. Since 2008, Mr. Harder serves as an independent advisor to the Auditor General of Canada.

The Right Honourable John N. Turner – Mr. Turner is a partner at the law firm of Miller Thomson LLP. Prior to joining Miller Thomson LLP, Mr. Turner served in the House of Commons for almost 25 years. Mr. Turner is a former prime minister of Canada and former federal Minister of Finance, among a number of other government positions he has held.

The Audit Committee is required to approve all audit and pre-approve all non-audit services provided to Northland by Northland's external auditor.

Please see below for disclosure regarding fees paid by Northland to its external auditors, Ernst & Young LLP.

A copy of the Audit Committee Charter is included as Schedule "A" to this Annual Information Form and is filed on SEDAR and can be reviewed and obtained from the website, www.sedar.com under Northland's profile.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Annual Information Form, none of the directors or executive officers of Northland, or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Northland's outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Northland.

James C. Temerty, previously a CT Trustee and Fund Trustee and the Chair of CT and the Fund, is indirectly the sole shareholder of NPHI, JCT Management Inc. and the Jardin Vendors. Upon completion of the Merger and post-closing adjustments, NPHI acquired 25,645,598 Class A Units, 8,067,723 Class B Units and 8,496,078 Class C Units of Holdings LP and 35,623,732 Special Voting Units of the Fund in exchange for all of the shares of NPI, which as a result of the Arrangement became 25,645,598 Class A Shares, 8,067,723 Class B Convertible Shares and 8,496,078 Class C Convertible Shares of the Corporation. NPHI was also repaid an amount of $35 million, which was used to repay a loan in an equal amount from CIBC. JCT Management Inc. received Units as consideration for the purchase of a loan of $24.6 million owing by NPI. On January 31, 2010, the Jardin Vendors received $21.5 million in cash for the transfer of 66.5% of Jardin LP to a subsidiary of the Fund.

As of January 31, 2013, NPHI, owns 34,141,676 Class A and Class C Shares, representing a voting interest of 28% of Northland. NPHI also beneficially owns or has control or direction over 5,669,476 Common Shares, representing an additional voting interest of 5%, for a total of 33%.

AUDITORS

Ernst & Young LLP, Chartered Accountants, Ernst & Young Tower, 222 Bay Street, Toronto-Dominion Centre, Toronto, Ontario are the auditors of Northland. Ernst & Young LLP is independent in accordance with the rules of professional conduct of the various provincial institutes of chartered accountants.

Audit and Other Fees

For the years ended December 31, 2012 and 2011, Ernst & Young LLP were paid approximately $1.1 million and $1.1 million respectively, as detailed below, for services to the Corporation and its wholly-owned subsidiaries.

	Year-ended December 31	
	2012	**2011**
Ernst & Young LLP		
Audit fees	$1,053,780	$992,400
Other audit related services	-	-
Non-audit services – tax	-	-
All other fees	85,972	89,116
Total	1,139,752	1,081,516

In 2012 and 2011, “All other fees” include translation services.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares, Convertible Debentures, Series 1 Preferred Shares and Series 3 Preferred Shares of Northland is Computershare, 100 University Avenue, Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information relating to Northland may be found on SEDAR at www.sedar.com under Northland's profile. Additional information, including directors' and officers' remuneration and indebtedness, and principal holders of Common Shares, will be contained in Northland's Management Information Circular to be filed in connection with the Annual Meeting of Common Shareholders to be held on May 23, 2013.

Additional financial information, including the consolidated financial statements of Northland and Management's Discussion and Analysis, is provided in the Annual Report.

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Web Site: northlandpower.ca

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Annual Information Form.

"**2011 Debentures**" means the 6.50% convertible unsecured subordinated debentures of Northland due June 30, 2011.

"**2014 Debentures**" means the 6.25% convertible unsecured subordinated debentures, Series A of Northland due December 31, 2014.

"**AbiBow**" means AbiBow Inc.; now doing business as Resolute Forest Products Inc.

"**Annual MD&A**" means Northland's management, discussion & analysis contained in the Annual Report.

"**Annual Report**" means Northland's annual report for the year ended December 31, 2012.

"**Arrangement**" means the arrangement under the provisions of section 182 of the *Business Corporations Act* (Ontario) pursuant to which the Fund converted from an income trust to a corporation called Northland Power Inc., which owns all of the assets and is subject to all of the liabilities (other than intercompany assets and liabilities) of the Fund, and continues the business of the Fund and its subsidiaries of developing, constructing, financing, owning, managing and operating power projects.

"**Audit Committee Rule**" means National Instrument 52-110 Audit Committees.

"**Board of Directors**" or "**Board**" means the board of directors of Northland.

"**CD Indenture**" means the trust indenture between Northland and Computershare, as trustee, as of August 26, 2004, as amended and supplemented.

"**Cenovus**" means Cenovus Energy Inc., formerly EnCana Corporation.

"**CHP**" means combined heat and power.

"CHP Contract" means the CHP agreement dated October 16, 2006 between Thorold LP and the OPA in connection with the sale of electricity from the Thorold Facility.

"**Class A Units**" means the Class A exchangeable limited partnership units of Holdings LP.

"**Class A Shares**" means the Class A shares in the capital of Northland.

"**Class B Units**" means the Class B convertible limited partnership units of Holdings LP.

"**Class B Convertible Shares**" means the Class B convertible shares in the capital of Northland.

"**Class C Units**" means the Class C convertible limited partnership units of Holdings LP.

"**Class C Convertible Shares**" means the Class C convertible shares in the capital of Northland.

"**Cluster 1**" means the three ground-mounted solar sites within the Ground-mounted Solar Phase 1 Projects; namely, Northland Power Solar Crosby LP, Northland Power Solar McCann LP and Northland Power Solar Rideau Lake LP.

"**Cluster 2**" means the three ground-mounted solar sites within the Ground-mounted Solar Phase 1 Projects; namely, Northland Power Solar Belleville South LP, Northland Power Solar Belleville North LP and Northland Power Solar Burks Falls East LP.

"**CO**" means carbon monoxide.

"**CO_2**" means carbon dioxide.

"**Cochrane Facility**" means the 42 MW biomass and natural gas-fired combined cycle facility owned by Cochrane Power Corp. located in Cochrane, Ontario and all ancillary assets.

"**Cochrane Power Corp.**" means Cochrane Power Corporation.

"**COD**" means the commercial operations date.

"**Cogeneration**" means the simultaneous production of electricity and thermal energy in the form of heat or steam from a single fuel source.

"**Computershare**" means Computershare Trust Company of Canada.

"**Common Shares**" means the common shares in the capital of Northland.

"**Common Shareholders**" means the holders of the Common Shares.

"**Conversion Date**" means January 16, 2012.

"**Corporation" or the "Company**" means Northland Power Inc., the corporation resulting from the amalgamation of the Fund and certain subsidiaries of the Fund, including NPI on January 1, 2011 pursuant to the Arrangement.

"**CT**" or "**Trust**" means NPIF Commercial Trust, a trust established pursuant to the laws of Ontario, all of the units of which were owned by the Fund.

"**DBRS**" means the Dominion Bond Rating Service.

"**Debenture**" means debentures issued pursuant to the CD Indenture.

"**Debentureholder**" means a holder of Debentures.

"**Debenture Trustee**" means Computershare in its capacity as trustee under the CD Indenture.

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization.

"**FIT**" means the Feed-in Tariff established pursuant to the GEA.

"**FIT Program**" means the program established by the OPA with respect to renewable energy generation projects pursuant to the GEA.

"**Frampton Wind Farm**" means the 24 MW wind project to be located on the south shore of the St. Lawrence River near Frampton, Quebec.

"**Fund**" means Northland Power Income Fund, an unincorporated open-ended trust established pursuant to the laws of Ontario.

"**GEA**" means the *Ontario Green Energy and Green Economy Act, 2009*.

"**General Electric**" or "**GE**" means one or more of the General Electric Company and its affiliates.

"**German Wind Farms**" mean the two wind farms located in Eckolstädt and Kavelstorf, Germany with a total installed capacity of 21.5 MW that the Fund acquired on April 25, 2006.

"**GHG**" means greenhouse gas.

"**Grand Bend Wind Farm**" means the 100 MW wind project to be located in Grand Bend, Ontario.

"**Ground-mounted Solar Entities**" means Ground-mounted Solar Phase 1 Projects and consists of Northland Power Solar Crosby LP, Northland Power Solar McCann LP, Northland Power Solar Rideau Lake LP, Northland Power Solar Belleville South LP, Northland Power Solar Belleville North LP and Northland Power Solar Burks Falls East LP.

"**Ground-mounted Solar Phase 1 Projects**" means the six ground-mounted solar projects that began to be constructed in 2012.

"**Holdings LP**" means NPIF Holdings L.P., an Ontario limited partnership.

"**Hydro-Québec**" means Hydro-Québec, a Quebec Crown Corporation.

"**IESO**" means the Independent Electricity System Operator for Ontario.

"**IFRS**" means International Financial Reporting Standards.

"**INVISTA**" means INVISTA (Canada) Company.

"**Iroquois Falls**" means collectively Iroquois Falls Corp and the Iroquois Falls Facility.

"**Iroquois Falls Corp.**" means Iroquois Falls Power Corp., a wholly-owned subsidiary of Northland continued under the laws of Ontario.

"**Iroquois Falls Facility**" means the 120 MW natural-gas fired cogeneration facility located in Iroquois Falls, Ontario, and all ancillary assets.

"**Iroquois Falls Power Purchase Agreement**" means the agreement dated February 11, 1994, as amended, which provides for the sale of electricity by Iroquois Falls Corp. to OEFC.

"**Jardin**" means collectively the Jardin d'Eole Facility and Jardin LP.

"**Jardin d'Éole Facility**" or "**Jardin Wind Farm**" means the 127.5 MW wind farm located near the municipalities of Saint-Ulric, Saint-Léandre and Matane, Quebec.

"**Jardin LP**" means Saint-Ulric Saint-Leandre Wind L.P., a Quebec limited partnership which owns the Jardin d'Éole Facility.

"**JP Morgan**" means JP Morgan Ventures Energy Corporation; a subsidiary of JP Morgan Chase & Co.

"**Kabinakagami Run-of-River Hydro Projects**" mean the four run-of-river projects totalling 26 MW to be located on the Kabinakagami River near Hearst, Ontario.

"**Kingston**" means collectively the Kingston Facility and Kingston LP.

"**Kingston Facility**" means the 110 MW electricity and steam generating facility and all ancillary assets located near Kingston, Ontario and owned by Kingston LP.

"**Kingston LP**" means Kingston CoGen Limited Partnership, a limited partnership established pursuant to the laws of Ontario.

"**Kingston Power Purchase Agreement**" means the agreement dated May 6, 1994, as amended, which provides for the sale of electricity by Kingston LP to OEFC.

"**Kirkland Lake Corp.**" means Kirkland Lake Power Corp.

"**Kirkland Lake Facility**" means the 102 MW baseload power plant that came on line in 1991 and a 30 MW peaking facility built in 2004 near Kirkland Lake, Ontario owned by Kirkland Lake Corp.

"**kilowatts**" or "**kW**" means 1,000 watts of electrical energy.

"**Loblaw**" means Loblaw Companies Limited.

"**LTIP**" means the equity-settled share-based compensation program available to employees when Northland projects achieve certain milestones.

"**LTEP**" means Long-Term Energy Plan.

"**McLean's Mountain Wind Farm**" means the 60 MW wind project to be located on Manitoulin Island, Ontario.

"**Megawatt**" or "**MW**" means 1,000 kilowatts of electrical energy.

"**Merger**" means the indirect acquisition by the Fund, on July 16, 2009, of all of the issued and outstanding shares of NPI from NPHI and the completion of related transactions, on the terms and conditions set forth in the share purchase agreement dated April 23, 2009, as amended.

"**Mont Miller LP**" means Mount Miller Wind Energy Limited Partnership/Énergie Éolienne du Mont Miller Société en commandite, a limited partnership formed pursuant to the *Legal Publicity Act* (Quebec).

"Minister" means the Minister of Energy of Ontario.

"**Mont Louis**" means collectively Mont Louis LP and Mont Louis Wind Farm.

"**Mont Louis LP**" means the limited partnership which owns the Mont Louis Wind Farm.

"**Mont Louis Wind Farm**" means the 100 MW wind farm located near the town of Mont Louis in the Gaspé region of Quebec.

"**MWh**" means 1,000 kilowatt hours of electrical energy.

"**Northland**" means, prior to January 1, 2011, the Fund, and after January 1, 2011, the corporation resulting from the amalgamation of the Fund and certain subsidiaries of the Fund pursuant to the terms of the Arrangement, called Northland Power Inc.

"**North Battleford**" means collectively the North Battleford Facility and North Battleford LP.

"**North Battleford Facility**" means the 260 MW electricity generating facility and all ancillary assets to be constructed and located near North Battleford, Saskatchewan and owned by North Battleford LP.

"**North Battleford LP**" means North Battleford Power L.P., a limited partnership established pursuant to the laws of Ontario.

"**NO_x**" means nitrogen oxides, a by-product of fossil fuel electricity generation.

"**NPHI**" means Northland Power Holdings Inc., an Ontario corporation and parent of NPI until July 15, 2009.

"**NPHI Held Common Shares**" means those Common Shares held by NPHI and/or James C. Temerty for which NPHI has provided to the Board such reasonable evidence as the Board may require regarding the ownership of the Common Shares held by NPHI and James C. Temerty together with an undertaking from the registered holder thereof not to exercise the voting rights attached to such Common Shares in connection with the election of directors (for the purpose of this definition, Common Shares are considered held by a person if that person has beneficial ownership of, or control and direction over, such Common Shares);

"**NPI**" means Northland Power Inc., a corporation amalgamated under the laws of Ontario, a predecessor to Northland.

"**NPI LTIP**" means the long-term incentive plan for senior management of NPI under which participants had the right to acquire shares of NPI in certain circumstances.

"**NPI LTIP Participants**" means John W. Brace, Anthony F. Anderson, Salvatore Mantenuto, Dino Gliosca, Frederick G. Brown, David Dougall and Jim Cipolla.

"**NPI LTIP Rights**" means the 190 stakeholder participation units issued to the NPI LTIP Participants under the NPI LTIP, which in the aggregate entitled the NPI LTIP Participants to approximately an 18% equity interest in NPI as a result of the Merger with the Fund.

"**OEFC**" means Ontario Electricity Financial Corporation, the successor to Ontario Hydro as continued by the *Electricity Act, 1998* (Ontario) that holds all rights, obligations and liabilities related to the Iroquois Falls Power Purchase Agreement and the Kingston Power Purchase Agreement.

"**off-peak**" means times that are not on-peak, and includes the hours between 11:00 p.m. and 7:00 a.m. local time at the Iroquois Falls Facility and the Kingston Facility on non-holiday weekdays and all hours on weekends and public holidays as designated by OEFC.

"**on-peak**" means 7:00 a.m. to 11:00 p.m. local time at the Iroquois Falls Facility and the Kingston Facility on weekdays, excluding public holidays designated by OEFC.

"**OPA**" means the Ontario Power Authority.

"**OPG**" means Ontario Power Generation Inc., a corporation formed under the laws of Ontario.

"**Panda**" means collectively the Panda-Brandywine Facility and Panda-Brandywine LP.

"**Panda-Brandywine Facility**" means the 230 MW natural gas-fired combined-cycle facility, located near Brandywine, Maryland, U.S.A.

"**Panda-Brandywine, L.P.**" means the limited partnership which owns the Panda-Brandywine Facility.

"**PEC**" means Panda Energy Corporation, a corporation existing under the laws of Texas, U.S.A.

"**PIC**" means Panda Interfunding Company LLC, a limited liability company existing under the laws of Delaware, U.S.A.

"**PPA**" means a power purchase agreement.

"**Prefco**" means Northland Power Preferred Equity Inc., a corporation incorporated under the laws of the Province of Ontario, which, as at December 31, 2010, was wholly-owned by Holdings LP.

"**PV**" means solar photovoltaic.

"**REA**" means renewable energy approval.

"**Régie**" means the Régie de l'énergie.

"**Replacement Rights**" means the rights of NPI LTIP Participants to acquire Units (or after January 1, 2011, Common Shares) for no additional payment, on or after the Conversion Date.

"**Resolute**" means Resolute Forest Products Inc.

"**Resolute Iroquois Falls Mill**" means the pulp and paper manufacturing facility owned by Resolute situated approximately 500 metres from the Iroquois Falls Facility in Iroquois Falls, Ontario.

"**Resolute Thorold Mill**" means the recycled newsprint mill owned by Resolute located in Thorold, Ontario 120 kilometres southwest of Toronto near the U.S. border.

"**RFP**" means a Request for Proposals.

"**Rights Exchange Agreements**" means the rights exchange agreements entered into by the Fund, NPI and the NPI LTIP Participants as of April 23, 2009, as amended, pursuant to which the NPI LTIP Participants were granted Replacement Rights.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies (Canada) Corporation.

"**SaskPower**" means Saskatchewan Power Corporation.

"**Sempra**" means Sempra Energy Trading LLC.

"**Series 1 Preferred Shares**" means the Cumulative Rate Reset Preferred Shares, Series 1 in the capital of Northland.

"**Series 2 Preferred Shares**" means the Cumulative Floating Rate Preferred Shares, Series 2 in the capital of Northland.

"**Series 3 Preferred Shares**" means, the Cumulative Rate Reset Preferred Shares, Series 3 in the capital of Northland.

"**Series 4 Preferred Shares**" means, the Cumulative Rate Reset Preferred Shares, Series 4 in the capital of Northland.

"**SO_2**" means sulfur dioxide.

"**Spy Hill**" means collectively the Spy Hill Facility and Spy Hill LP.

"**Spy Hill Facility**" means the 86 MW electricity generating facility and all ancillary assets to be constructed and located near Spy Hill, Saskatchewan and owned by Spy Hill LP.

"**Spy Hill LP**" means Spy Hill Power L.P., a limited partnership established pursuant to the laws of Ontario.

"**Summer**" means April through September inclusive.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder.

"**Temerty Entity**" includes The Temerty Family Foundation, the spouse of James C. Temerty, a child of James C. Temerty or the estate of James C. Temerty;

"**Temerty Entity Held Common Shares**" means those Common Shares held by a Temerty Entity for which NPHI has provided to the Board such reasonable evidence as the Board may require regarding the ownership of the Common Shares held by Temerty Entities together with an undertaking from the registered owners thereof not to exercise the voting rights attached to such Common Shares in connection with the election of directors (for the purpose of this definition, Common Shares are considered held by a person if that person has beneficial ownership of, or control and direction over, such Common Shares);

"**Thorold**" means collectively Thorold LP and the Thorold Facility.

"**Thorold LP**" means Thorold CoGen LP, an Ontario limited partnership which owns the Thorold Facility.

"**Thorold Facility**" means the 265 MW cogeneration facility owned by Thorold LP located in Thorold, Ontario, 120 kilometres southwest of Toronto near the US border.

"**TransCanada**" means TransCanada PipeLines Limited.

"**TSX**" means the Toronto Stock Exchange.

"**Unitholder**" means a unitholder of the Fund.

"**Units**" means the trust units of the Fund, each unit represented an equal undivided beneficial interest in the Fund.

"**Winter**" means October through March inclusive.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

SCHEDULE "A"

NORTHLAND POWER INC.
AUDIT COMMITTEE CHARTER

Purpose of the Audit Committee

The Audit Committee (the "**Committee**") is appointed by the Board of Directors (the "**Board**") to assist the Board in fulfilling its oversight responsibilities for Northland Power Inc. (the "**Corporation**") with respect to the accounting and financial reporting requirements, the system of internal controls and management information system, risks and risk management policies, the external audit process, and monitoring compliance with laws and regulations applicable to the Corporation, any other corporations, trusts, partnerships or other entities which may be owned or controlled by the Corporation (the "**Entities**").

The Audit Committee shall report the results of its activities and associated recommendations to the Board with respect to the financial statements of the Corporation.

Meetings and Procedures

The Audit Committee shall meet at least four times a year or more frequently if necessary.

Meetings of the Audit Committee may be held at the call of the Chair or upon request by two members on two days' prior notice to all members or, by agreement of all members of the Committee, without notice and may be held at the offices of the Corporation or at such other location as the Chair may determine. Meetings may also be held by conference telephone call where all members of the Committee can hear each other. A quorum for all meetings of the Audit Committee shall be two members. The Chair shall be responsible for agendas for the Committee and agendas and briefing materials shall be prepared and circulated in advance of the meeting.

The Audit Committee may determine its own procedures and shall keep minutes of its proceedings and report on its activities at each meeting of the Board.

Audit Committee Responsibilities

(i) *Annual Review of Audit Committee Charter*

The Audit Committee shall maintain this Audit Committee Charter which sets out the Committee's mandate and responsibilities, and review at least annually this Charter to ensure that it conforms to the requirements of National Instrument 52-110 (the **"Audit Committee Rule"**) and the requirements of any other relevant securities regulations.

(ii) *The External Auditor*

Management is responsible for the preparation of the financial statements of the Corporation and, as applicable, the Entities. The external auditor is responsible for auditing those financial statements.

The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report, or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Audit Committee must recommend to the Board:

(A) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation and the Entities; and

(B) the compensation of the external auditor.

The Audit Committee shall require the external auditor to report directly to the Audit Committee and shall monitor the independence and performance of the external auditor of the Corporation. The Audit Committee shall monitor the integrity of the financial statements of the Corporation, the financial reporting processes and systems of internal controls.

The Audit Committee must review and approve the hiring policies, as applicable, of the Corporation and the Entities regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

(iii) *Pre-Approval of All Audit and Non-Audit Services*

The Audit Committee shall approve all audit and pre-approve all non-audit services to be provided to the Corporation and, as applicable, the Entities by the Corporation's external auditor. The Audit Committee may delegate to one or more of its members the authority to pre-approve all non-audit services, provided that: (i) the Audit Committee establishes pre-approval policies that are detailed as to the particular service; and (ii) any such pre-approval of non-audit services by any member to whom such authority has been delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval.

The Audit Committee satisfies the pre-approval requirement if: (i) the aggregate amount of non-audit services that were not pre-approved is reasonably expected to be no more than 5 per cent of total fees paid to the external auditor during the fiscal year in which the services are provided; (ii) the services were not recognized as non-audit services by the Corporation at the time of the engagement; and (iii) the services are immediately brought to the attention of the Audit Committee and approved, prior to the completion of the audit.

(iv) *Financial Statement Review*

The Audit Committee shall review the Corporation's financial statements, management's discussion and analysis, and annual and interim earnings press releases and shall determine whether to recommend approval thereof to the Board before such documents are publicly disclosed on behalf of the Corporation.

The Audit Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must assess the adequacy of such procedures on an annual basis.

(v) *Compliance with Laws and Regulations*

The Audit Committee shall receive regular reports with respect to compliance with laws and regulations having a material impact on the financial statements including tax matters.

(vi) *Complaints and "Whistle Blowers"*

The Audit Committee shall establish procedures for:

(A) the receipt, retention and treatment of complaints received by the Corporation and the Entities regarding accounting, internal accounting controls, or auditing matters; and

(B) the confidential, anonymous submission by employees of the Corporation or of the Entities of concerns regarding questionable financial reporting, accounting or auditing matters.

Composition of the Audit Committee

(i) *Number of Members*

The Audit Committee shall be composed of at least three directors of the Corporation, appointed by the Board from time to time. Each member of the Audit Committee shall continue to be a member until a successor is appointed unless the member resigns, ceases to be qualified to serve or ceases to be a director. The Chair of the Audit Committee shall be appointed by the Board.

(ii) *Financial Literacy*

Every member of the Audit Committee must be financially literate. An Audit Committee member who is not financially literate may be appointed to the Audit Committee, provided that such a member becomes financially literate within a reasonable period of time following his or her appointment.

"Financially literate" means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

(iii) *Independence*

Each member of the Audit Committee must be a director who is independent for the purpose of the Audit Committee Rule, that is a director who has no direct or indirect material relationship with the Corporation or the Entities, as applicable, other than interests and relationships arising from the holding of shares of the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. Appendix I to this Charter describes in greater detail the requirements under the Audit Committee Rule and other applicable securities laws in effect as at the date of this Charter concerning the circumstances in which an individual is considered to have a material relationship with an issuer.

(iv) *Position Description - Audit Committee Chair*

The fundamental responsibility of the Chair of the Audit Committee is to effectively manage the duties of the Audit Committee with respect to the Corporation:

<u>Key Responsibilities of the Chair</u>

- ensures that the Audit Committee is properly organized, functions effectively and meets its obligations and responsibilities
- establishes the frequency of Audit Committee meetings and reviews such frequency from time to time, as considered appropriate, or as requested by the Board or the Audit Committee
- presides at Audit Committee meetings
- establishes the agenda and related matters for committee meetings
- liaises and communicates with the Chair of the Board as necessary to co-ordinate input from the Audit Committee for Board meetings
- liaises and communicates with the Corporation's external auditors as necessary
- on behalf of the Audit Committee, reports to the Board on committee meetings
- serves as a person to whom confidential disclosures may be made under the Corporation's Financial Integrity Policy

Authority and Resources of the Audit Committee

The Audit Committee has the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties. For greater certainty the Audit Committee has the authority to retain, at the Corporation's expense, special legal, accounting or such other advisors, consultants or experts it deems necessary in the performance of its duties;

(b) set and pay the compensation for any advisors employed by the Committee. The Corporation or the Entities shall at all times make adequate provisions for the payment of all fees and other compensation, approved by the Committee, to the external auditor in connection with the issuance of its audit report, or to any consultants or experts employed by the Committee;

(c) communicate directly with the internal and external auditors; and

(d) conduct any investigation which it considers appropriate, and to communicate directly with and have direct access to the internal and external auditor as well as officers and employees of the Corporation and the Entities, as applicable.

Risk Management and Insurance

The Audit Committee shall review at least annually significant risk management strategies for the Corporation and the Entities and exposure in the following areas and such other areas as the Committee may deem appropriate from time to time:

(i) foreign currency, interest rate and commodity hedging strategies; and

(ii) insurance coverage.

Approved by the Board as of January 1, 2011.

APPENDIX I

MEANING OF INDEPENDENCE

Part A: Meaning of Independence

1. An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

2. For the purposes of subsection (1), a **"material relationship"** is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

3. Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

   (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

   (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

   (c) an individual who:

      (i) is a partner of a firm that is the issuer's internal or external auditor,

      (ii) is an employee of that firm, or

      (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

   (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual;

      (i) is a partner of a firm that is the issuer's internal or external auditor,

      (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

      (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

   (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in direct compensation from the issuer during any 12 month period within the last three years.

4. For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

5. For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

6. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

7. For the purpose of Part A, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Part B: Additional Independence Requirements

8. Despite any determination made under Part A, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.

9. For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

10. For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.