



Northland Power Income Fund owns a 110-megawatt cogeneration power plant located in Iroquois Falls, Ontario. The plant supplies electricity to Ontario Hydro and steam to a neighbouring paper mill.



**NORTHLAND POWER
INCOME FUND**

Northland Power Income Fund's total 1998 return (distributions plus unit price increase), on a fully paid basis, compares favourably to other income funds, partnerships, and royalty trusts.

Data courtesy of CIBC Wood Gundy and Nesbitt Burns



Glossary of Terms

Facility	Plant located in Iroquois Falls, Ontario
Fund	Northland Power Income Fund
GJ	Gigajoules
IFPC	Iroquois Falls Power Corp.
kWh	Kilowatt hours
M	Million
MW	Megawatts
MWh	Megawatt hours
Manager	Iroquois Falls Power Management Inc.

Financial Highlights

Year ended December 31, 1998

	Actual	Prospectus Forecast
Production		
Electricity (MWh)	732,000	723,600
Steam (million pounds)	780	1,195
Financial (in thousands of dollars)		
Sales	55,429	54,725
Net Income	15,297	17,950
Cash Available for Distribution	27,300	28,782
Distributions declared to unitholders (in thousands of dollars)	27,125	28,782
Distributions per unit (in dollars)	\$0.88	\$0.934

- Distributions at \$0.88 per unit (100% tax-deferred) were below the target of \$0.934 due to two unexpected events: a five-month strike at Abitibi-Consolidated Inc. and a two-week steam turbine outage.
- Sales of electricity to Ontario Hydro in excess of the volumes in the power purchase agreement provided some relief against the impact of the unexpected events.
- The first collective agreement for the Iroquois Falls plant employees was under negotiation at year-end with the International Union of Operating Engineers.
- The plant's exemplary safety record continued: no time has been lost due to injuries since the plant commenced operations.
- The plant met all Ministry of Environment requirements and has enjoyed good relations with nearby residents and the community.

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The Manager's Statement

Letter to Unitholders

Distributions to unitholders at \$0.88 per unit fell short of the \$0.934 per unit that was forecast in the prospectus for the initial public offering of units. Two factors largely accounted for this: a five-month strike at Abitibi-Consolidated Inc. that temporarily stopped sales under the steam sales agreement and an electrical fault in the plant's steam turbine generator that reduced electricity production for approximately two weeks. On the positive side, the Manager was able to partially offset the impact of these two unexpected events by selling electricity to Ontario Hydro in excess of the volumes in the power purchase agreement.

Notwithstanding the stock market turbulence in August 1998, the price of the Fund's units has generally held its own. Unitholders at the beginning of the year who held their units through year-end received a return of about 10% in 1998 (on a fully paid basis, including distributions and unrecognized gains), which compares favourably to most other income funds, partnerships, and royalty trusts.

Industry Deregulation

Since last year, a great deal of progress has been made by the Government of Ontario in moving toward deregulating the Ontario electricity market and restructuring Ontario Hydro. The impact that these developments may have on the Fund is discussed in the Industry Developments section of this annual report. With respect to the existing long-term power purchase agreement with Ontario Hydro, both Ontario Hydro and the Minister of Energy, Science and Technology have stated unequivocally that Ontario Hydro will continue to honour the terms of the power purchase agreement unless both parties agree voluntarily to a replacement arrangement.

Ontario Hydro has initiated a process to seek proposals to voluntarily renegotiate existing power purchase agreements. The Fund has participated by submitting non-binding expressions of interest that, if accepted by Ontario Hydro, would benefit unitholders in the year 2000 and beyond without significantly altering the risk profile of the Fund; however, Ontario Hydro is not required to accept any of the expressions of interest. The existing power purchase agreement will continue to remain in force unless a beneficial replacement arrangement is negotiated.

Flexibility Needed

At the annual general meeting on June 8, 1999, the Manager of the Fund will be presenting several proposals to unitholders to provide the Manager with greater flexibility to undertake and finance acquisitions or plant expansions if they are of net economic benefit to the Fund and don't significantly alter the risk profile of the Fund. The details of the proposals are provided in the Management Information Circular mailed to unitholders with this annual report.

For 1999, distributions of approximately \$0.93 per unit are forecast, of which 95% is expected to be tax-deferred and 5% taxable to unitholders. The pattern of distributions by quarter should largely mirror past years.

Again this year I would like to thank the Iroquois Falls Facility's operations and maintenance team who continue to fine-tune the operation of the plant and whose hard work helped to minimize the impact of the unexpected events previously mentioned on distributions to unitholders.

On behalf of the administrator of the Fund and the Manager of the Facility,



James C. Temerty, President
Iroquois Falls Power Management Inc.
March 31, 1999

Best-of-industry reliability



The plant incorporates state-of-the-art proven equipment from such leading suppliers as General Electric and Babcock & Wilcox. The plant's operating life is expected to extend well beyond the 25-year term of the power purchase agreement.

Experienced, motivated management

The Manager's parent, Northland Power Inc., is a leading independent power company with extensive experience in developing, engineering, operating, and maintaining private power projects. Northland Power has earned a reputation for reliability, flexibility, responsiveness, and innovation through the success of its power projects.

Environmentally friendly, efficient



Cogeneration can more than double the overall efficiency of electricity generation. Burning less fuel not only lowers costs, it helps the environment by reducing greenhouse gas production, and using natural gas instead of other fossil fuels virtually eliminates sulphur dioxide emissions.

Industry Developments

Electricity Market Deregulation and Ontario Hydro Restructuring

Last year's annual report commented on the initial steps that had been taken by the Government of Ontario toward deregulating the Ontario electricity market and restructuring Ontario Hydro. Since then a great deal of progress has been made. This section of the annual report considers the impact that these developments may have on the Fund.

The Manager believes that these developments have the potential to create significant opportunities for the Fund. If those opportunities cannot be realized, the existing long-term power purchase agreement will continue to remain in force.

Existing Power Purchase Agreement

When Northland Power Income Fund came to market in April 1997, a major consideration for investors was that approximately 90% of the revenue was assured by the long-term power purchase agreement with Ontario Hydro, an entity whose obligations were and continue to be guaranteed by the province of Ontario.

As part of the move to introduce a competitive electricity market, Ontario Hydro will be reorganized into several new entities.

A number of concerned unitholders have asked what impact the Ontario Hydro restructuring will have on the Fund and, in particular, the power purchase agreement. The independent power industry has been assured by Ontario Hydro and the Government of Ontario that Ontario Hydro's existing power purchase agreements will continue to be honoured unless both parties to the agreements voluntarily agree to a replacement arrangement. The Minister of Energy, Science, and Technology confirmed this in a letter dated November 9, 1998, to the President of the Independent Power Producers' Society of Ontario.

While Ontario Hydro's position and that of the Minister should allay the concerns of unitholders, there are a number of unresolved issues concerning the existing power purchase agreement.

Will the province of Ontario continue to guarantee the credit worthiness of the successor entity which will take over Ontario Hydro's obligations under the power purchase agreement?

The Manager understands that, effective April 1, 1999, Ontario Electricity Financial Corporation (OEFC) is legal successor to Ontario Hydro's liabilities under the power purchase agreement. The OEFC is a crown agent responsible for the servicing and retiring of the former Ontario Hydro's provincially guaranteed debt and other liabilities.

What impact will the Ontario Hydro restructuring have on future pricing under the power purchase agreement?

Price changes under the power purchase agreement are tied to changes in Ontario Hydro's average customer rate or its wholesale price (the "Direct Customer Rate"). These indices have not changed in five years and Ontario Hydro's prices are frozen until the year 2000 in accordance with government policy; the freeze was anticipated when the Fund purchased the Iroquois Falls Facility. The restructuring of Ontario Hydro will eliminate Ontario Hydro's average customer rate and Direct Customer Rate indices.

Many of the power purchase agreements signed by Ontario Hydro and many of the gas supply contracts for Ontario power projects use the Direct Customer Rate as a price escalator. As a result, finding a replacement for the Direct Customer Rate is an industry-wide issue. The Manager has commenced discussions with Ontario Hydro to identify replacement indices, a process that is likely to take a number of months. Until a satisfactory conclusion has

Dependable electricity revenue



Electricity sales, representing approximately 90% of total revenue, are underpinned by a 25-year power purchase agreement with Ontario Hydro that obligates Ontario Hydro to purchase specified minimum quantities of electricity at selling prices indexed to electricity rates.

Industry Developments

been reached, future price changes under the power purchase agreement are likely to be limited to the minimum increases provided to help compensate for increased fuel costs.

Are there any opportunities for the Fund and IFPC in the restructuring process?

Ontario Hydro has initiated a process to seek proposals to voluntarily restructure existing power purchase agreements in order to:

- i) increase competition by reducing Ontario Hydro's control over the electricity supply produced by independent power producers;
- ii) reduce the future above-market obligations associated with existing power purchase agreements by contract amendments that might result in value enhancement for both Ontario Hydro and independent power producers;
- iii) reduce or eliminate the uncertainties associated with determining the amount of Ontario Hydro's obligations under power purchase agreements to which it is a party; and
- iv) provide new and innovative approaches to the structure, management, and operation of the power purchase agreements.

Unitholders might benefit from renegotiating the power purchase agreement if the Fund and IFPC could achieve market access to sell additional electricity (potentially involving a plant expansion) while continuing to be assured that a high proportion of revenue and distributions are backed by long-term arrangements with electricity purchasers whose creditworthiness is equivalent to Ontario Hydro's. Revenues and distributions to unitholders might also be increased by accepting a shorter remaining

term for a replacement agreement (e.g., by moving up the expiration date from 2021 to 2015 to align it with other power funds/partnerships) in return for a higher electricity selling price to Ontario Hydro.

The Manager, with the support of IFPC's Board, submitted two non-binding expressions of interest to Ontario Hydro on March 1, 1999, in response to Hydro's request for power purchase agreement restructuring proposals. IFPC's non-binding expressions of interest would, if accepted, benefit unitholders in the year 2000 and beyond; however, Ontario Hydro is not required to accept any of the expressions of interest and, even if it does, negotiations are likely to take a number of months. Under the rules of Ontario Hydro's request for proposals, any new arrangement that replaces the existing power purchase agreement will not become effective until July 1, 2000, at the earliest. Any fundamental restructuring of the power purchase agreement requires the approval of the IFPC Board of Directors, and would only be agreed to if it provides a net economic benefit to unitholders without significantly altering the risk profile of the Fund.

Failure to reach agreement on a replacement to the power purchase agreement that benefits unitholders means that the existing long-term power purchase agreement will continue to remain in force.

Will the Fund and IFPC be permitted to sell extra electricity to parties other than Ontario Hydro, given that there is to be a competitive market?

Ontario Hydro takes the position that the existing power purchase agreement obligates IFPC to sell electricity exclusively to Ontario Hydro. A voluntary renegotiation of the agreement would include Ontario Hydro's explicit acknowledgement of IFPC's right to participate in the competitive marketplace.

Secure steam revenue



Steam sales to Abitibi-Consolidated's cornerstone paper mill at Iroquois Falls under a 20-year contract account for approximately 10% of revenue. The contract includes minimum purchase obligations for six years.

Report on Operations

Distributions

For comparison purposes, the 1998 results are related to the forecast contained in the prospectus dated April 3, 1997, for the initial public offering of units (the "Forecast") because 1997's results are not directly comparable.

For the fiscal year ended December 31, 1998, the Fund distributed \$0.88 per unit to unitholders, which was 100% tax-deferred. This was down from \$0.934 per unit in the Forecast as a result of two unexpected events: a five-month strike at Abitibi-Consolidated Inc.'s Iroquois Falls pulp and paper mill that cut off steam demand from mid-June to November, and a two-week outage of the Facility's steam turbine in June caused by an electrical fault in the generator.

Incremental Electricity Sales Help Offset Shortfalls

Total sales revenue of \$55,429 thousand in 1998 exceeded the Forecast by 1%. Electricity sales to Ontario Hydro of \$49,588 thousand were approximately 1% above the Forecast because incremental electricity sales to Ontario Hydro in excess of the volume in the power purchase agreement more than offset the production lost by the steam turbine outage. Steam sales, which normally represent about 10% of revenue, at \$3,713 thousand, were 31% below the Forecast because of the Abitibi-Consolidated strike. Other sales of \$2,128 thousand represent natural gas resold to mitigate fixed gas transportation costs.

The cost of sales at \$22,048 thousand was higher than the Forecast of \$19,633 thousand largely because \$1,867 thousand of gas was purchased for resale. The volume of gas consumed at the Facility was approximately 1% above the Forecast because of the higher electricity production, while the gas price exceeded the Forecast by about 2% largely because of limited purchases of gas outside the long-term contracts. Total plant and other costs excluding taxes were in line with the Forecast except for

interest on the instalment receipt loan, which exceeded the Forecast because of a higher-than-expected interest rate.

On April 15, 1998, the Fund received the proceeds of the second instalment of \$4 per unit, and the instalment receipt loan in the amount of \$123.3 million, including interest, was repaid. At the end of the year, the Fund was debt-free.

Collective Agreement

During the year, the employees at the Facility voted to join the International Union of Operating Engineers. The first collective agreement for the Iroquois Falls plant employees was under negotiation at year-end. Union certification is not expected to have a material impact on the operations at the Facility or the distributions to unitholders.

Power Purchase Agreement Restructuring

As described in the Industry Developments section of the annual report, the Manager has submitted non-binding expressions of interest to Ontario Hydro to restructure the long-term power purchase agreement; however, Ontario Hydro is not required to accept any of the expressions of interest. Any renegotiation must provide a net economic benefit to unitholders without significantly altering the risk profile of the Fund. The existing power purchase agreement will continue to remain in force unless a beneficial replacement arrangement is negotiated.

1999 Forecast

The restructuring of Abitibi-Consolidated's Iroquois Falls operations that was announced in March 1999, is not anticipated to have a material affect on the Fund's revenue. Distributions for 1999 are forecast at approximately \$0.93 per unit, of which 95% is expected to be tax-deferred and 5% taxable. The pattern of distributions by quarter should largely mirror past years.

Responsible, stable fuel supply



Natural gas is purchased under 20-year contracts with PanCanadian Petroleum, Shell Canada, and Encal Energy that provide secure supply and predictable costs. Gas transportation is assured by 20-year contracts with TransCanada Pipelines and Union Gas.

Governance, The Board, Distribution and Funding Policy

Governance: The Roles of the Trustee, the IFPC Board and the Manager

As Trustee, Montreal Trust Company of Canada has responsibility for the administration of the Fund. The Trustee has delegated administrative responsibility for the Fund to Iroquois Falls Power Management Inc. (the "Manager") under an administration agreement.

The Board of Directors of IFPC has responsibility for the management of the Facility, the administration of the contracts, and the

operation of the business of selling electricity and steam. In addition, the Board advises the Manager in regard to certain functions of the Manager in relation to the Fund.

The Board consists of five directors, four of whom are independent of the Manager. The Board has delegated the day-to-day management responsibilities to the Manager under a management agreement expiring in 2021.

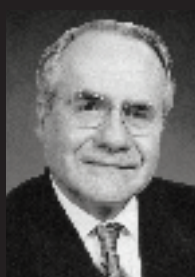
James C. Temerty



Anthony F. Anderson



Linda L. Bertoldi



Pierre R. Gloutney



A. Warren Moysey



F. David Rounthwaite



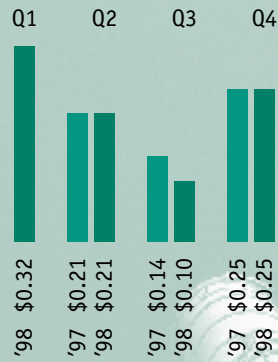
The Right Honourable
John N. Turner, Q.C.

Distribution and Funding Policy

It is the Fund's policy to distribute 100% of estimated cash flow to unitholders after providing for required capital expenditures and any increases in working capital, which are not expected to be material. It is anticipated that material capital expenditures that enhance cash flow and distributions to unitholders will be financed using the operating

line of credit, which will then be repaid from incremental cash flow; acquisitions and plant expansions, if any are undertaken, would be funded by a combination of borrowings and the issuance of additional trust units.

Distributions higher in winter



Ontario Hydro has contracted for more electricity and pays a higher price in winter than summer. Steam sales are also higher in winter. As a result, distributions to unitholders are higher in winter than in summer.

In 1998 Q3 distributions were reduced by the Abitibi-Consolidated strike and the steam turbine outage.

Management's Discussion and Analysis

Northland Power Income Fund (the "Fund") is a trust that was established in April 1997 to acquire the Iroquois Falls cogeneration facility (the "Facility"). Business activities are conducted through the Fund's wholly owned subsidiary, Iroquois Falls Power Corp., which sells electricity to Ontario Hydro, and steam to a neighbouring pulp and paper mill owned by Abitibi-Consolidated Inc. under long-term contracts.

This Management's Discussion and Analysis compares the Fund's 1998 financial results to the April 3, 1997, prospectus forecast ("Forecast") for the same period. The 1997 Management's Discussion and Analysis also provided a comparison to the Forecast as there were no prior period results available. A detailed comparison of the Fund's 1998 financial results to the prior year has not been provided as the 1997 results included only nine months of operations which, for seasonality reasons, could not readily be prorated for a full-year comparison.

The Fund's 1998 distributions to unitholders of \$27,125 thousand, or \$0.88 per unit, were down from the Forecast of \$0.934 per unit as a result of two unexpected events. The first event was the five-month Abitibi-Consolidated strike, which temporarily cut off the need for steam from the Facility. The second event was an electrical fault in the steam turbine generator that required a two-week steam turbine outage. Electricity sales to Ontario Hydro outside of the long-term power purchase agreement helped partially offset the impact of these events resulting in a net distribution shortfall of \$0.05 per unit – \$0.03 for the Abitibi-Consolidated strike, and \$0.02 for the steam turbine outage.

Revenue and Cost of Sales	Actual	Forecast
In thousands of dollars except as indicated otherwise	1998	1998
Electricity		
Production (MWh)	732,034	723,614
Average price (\$/kWh)	0.0677	0.0682
Sales	49,588	49,356
Steam		
Production (000 lbs.)	779,609	1,195,057
Average price (\$/000 lbs)	4.76	4.49
Sales	3,713	5,369
Natural Gas		
	2,128	—
Total Sales	55,429	54,725
Cost of Electricity and Steam Sales: Natural Gas		
Volume consumed (000 GJ)	6,713	6,624
Average price of gas consumed (\$/GJ)	3.01	2.96
Cost of gas consumed	20,181	19,633
Cost of Natural Gas Sales	1,867	—
Total Cost of Sales	22,048	19,633

Facility electricity production and sales revenue exceeded the Forecast by approximately 1%. The Fund's higher electricity revenue resulted from sales made outside of the long-term power purchase agreement to the market (the "Ontario Interim Market") established by Ontario Hydro to allow electricity generators to bid for short-term sales. Sales to the Ontario Interim Market totalling 20,184 MWh more than compensated for reduced production caused by the steam turbine outage. The average price for electricity was down 0.7% from the Forecast as the additional Ontario Interim Market sales were made at lower prices than those in the long-term power purchase agreement.

Management's Discussion and Analysis

Revenue		Actual 1998	Forecast 1998
In thousands of dollars except as indicated otherwise			
Electricity sales	49,588	■ 89.5%	49,356 ■ 90.2%
Steam sales	3,713	■ 6.7%	5,369 ■ 9.8%
Natural gas sales	2,128	■ 3.8%	— ■ 0.0%
Totals	55,429		54,725

Steam production and revenue, which generally account for approximately 10% of the Fund's total sales, fell short of expectations because of the five-month Abitibi-Consolidated strike. The average steam sales price was up 6.0% from the Forecast because the steam price is partly determined by the price of natural gas, which increased, and because, during the strike, Abitibi-Consolidated continued to pay the portion of steam revenue that is independent of the quantity of steam sold.

Other sales of \$2,128 thousand represent revenue earned from natural gas that was resold to mitigate the cost of unused capacity under the transportation contract with TransCanada Pipelines Limited ("TCPL") during lower-production summer months and outage periods.

Natural gas consumption was 1.3% higher than expected because of increased electricity sales, and larger-than-expected variations in steam demand in the first half of the year, which caused the plant to operate less efficiently than anticipated. Partially offsetting these increases were gas consumption savings resulting from lower steam production associated with the Abitibi-Consolidated strike in the latter half of the year. The price of gas consumed was up from the Forecast largely because opportunities to achieve gas cost savings on the spot market did not materialize as expected. Gas purchased for resale to mitigate the fixed cost associated with unused TCPL pipeline capacity totalled \$1,867 thousand. In addition to enabling the recovery of fixed transportation costs, the resale of gas generated a gross profit of \$261 thousand.

Expenses Including Interest	Actual 1998	Forecast 1998
In thousands of dollars		
Plant operating costs	5,890	4,855
Amortization	9,250	10,236
Management & administration costs, including capital tax	1,470	920
Instalment loan interest and bank fees	1,863	1,327
Other interest (income)/expenses	(371)	12
Total expenses including interest	18,102	17,350

Plant operating costs of \$5,890 thousand exceeded the Forecast by \$1,035 thousand, while amortization was below the Forecast by \$986 thousand. These offsetting variances arose because the actual 1998 results included \$1,092 thousand of deferred maintenance fee amortization expense in plant operating costs, whereas the Forecast included this in amortization expense. Unexpected expenses incurred as a result of the June steam turbine generator electrical fault were offset by savings in other operating costs. Higher-than-expected management and administration costs were largely offset by increased interest income.

Interest expense for the instalment receipt loan, which was fully repaid in April 1998, was higher than the Forecast because of a higher-than-expected interest rate. The interest cost overrun did not affect distributions to unitholders as the April 1997 purchase price for the Facility was reduced to fully offset the instalment loan interest expense.

Management's Discussion and Analysis

Distributions to Unitholders	Actual	Forecast
In thousands of dollars except as indicated otherwise	1998	1998
Cash provided by operating activities	27,421	28,963
Less net capital expenditures	(41)	(101)
Less funds set aside for future maintenance costs	(80)	(80)
Cash available for distribution	27,300	28,782
Distributions declared to unitholders	27,125	28,782
Number of trust units (000s of units)	30,823	30,823
Per unit (\$/unit)		
Cash available for distribution	\$0.89	\$0.93
Distributions declared to unitholders	\$0.88	\$0.93

The Fund's available cash for distribution of \$27,300 thousand resulted in distributions to unitholders for 1998 totalling \$27,125 thousand or \$0.88 per unit.

Tax Treatment of Distributions

Fund distributions to unitholders were 100% tax-deferred in both 1997 and 1998 and are expected to be partially tax-deferred for future years. The tax deferral arises as the Fund's capital cost allowance and expenses significantly reduce the Fund's income that would otherwise be taxable. The tax-deferred portion of distributions represents return of capital for income tax purposes, and will reduce the adjusted cost base of the trust units.

Generally, a trust unit is considered to be capital property. The actual or deemed disposition of a unit will give rise to a capital gain (or loss) equal to the amount by which the proceeds of disposition of a unit are greater (or less) than the adjusted cost base of the unit and any associated selling expenses.

Distributions in 1999 are expected to be approximately 95% tax-deferred and 5% taxable to the unitholders.

Liquidity and Capital Resources

The proceeds from the Fund's second instalment were received on April 15, 1998, and were used to fully repay the instalment receipt loan of \$123,294 thousand, including interest.

The Fund had no long-term debt at December 31, 1998. The Fund's subsidiary, Iroquois Falls Power Corp. ("IFPC"), has a line of credit of \$12.5 million consisting of a \$7.5 million revolving letter of credit facility and a \$5 million revolving operating line of credit to be used for general corporate purposes. As of December 31, 1998, a letter of credit for \$5.9 million relating to natural gas transportation was outstanding, and there were no borrowings under the operating line of credit.

Management's Discussion and Analysis

Uses of Cash		Actual 1998	Forecast 1998	
In thousands of dollars except as indicated otherwise				
Distributions to unitholders	27,125	48.9%	28,782	52.6%
Management and administration*	1,458	2.6%	1,455	2.6%
Plant expenses	4,798	8.7%	4,855	8.9%
Natural gas	22,048	39.8%	19,633	35.9%
* includes interest, taxes, capital expenditures and other				
Totals	55,429		54,725	

Distribution and Funding Policy

It is the Fund's policy to distribute 100% of estimated cash flow to unitholders after providing for required capital expenditures and any increases in working capital, which are not expected to be material. It is anticipated that material capital expenditures that enhance cash flow and distributions to unitholders will be financed using the operating line of credit, which will then be repaid from incremental cash flow; acquisitions and plant expansions, if any are undertaken, would be funded by a combination of borrowings and the issuance of additional trust units. It is proposed that the Fund's trust indenture be amended at the annual meeting of unitholders scheduled for June 8, 1999, to permit the Fund to make acquisitions and capital expenditures, and to finance such activities through borrowing funds and/or issuing additional trust units, without the need for specific unitholder approval if such acquisitions and capital expenditures are of net economic benefit to the Fund and don't significantly alter the risk profile of the Fund.

Commitments

The Facility generates electricity and sells it to Ontario Hydro under a power purchase agreement expiring in 2021. The power purchase agreement obligates Ontario Hydro to purchase 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). Both the Ontario government and Ontario Hydro have stated that the Facility's long-term power purchase agreement with Ontario Hydro will continue to be honoured once the competitive market emerges in 2000, as discussed earlier in the Industry Developments section of this annual report.

Steam is supplied by the Facility to the neighbouring Abitibi-Consolidated pulp and paper mill under a steam sales agreement that expires in 2016. The contract obligates Abitibi-Consolidated to pay for a minimum quantity of steam for a six-year period under a take-or-pay clause that provides Abitibi-Consolidated with relief for a six-month period should a *force majeure* event occur, such as the 1998 strike.

The Facility is fueled by natural gas provided by PanCanadian Petroleum Limited, Shell Canada Limited, and Encal Energy Ltd. pursuant to gas supply contracts that end at various times between 2015 and 2017. The gas is transported through pipelines owned by TCPL and Union Gas Limited from western Canada to the plant site under firm service agreements that run to 2016.

The maintenance of the two LM 6000 gas turbines is contracted to General Electric Canada Inc. ("GE") under a maintenance agreement that expires in 2002 and is renewable at IFPC's option under similar terms.

In March 1998, the employees at the Facility voted to join the International Union of Operating Engineers. The first collective agreement for the Iroquois Falls plant employees was under negotiation at year-end. Union certification is not expected to have a material impact on the operations at the Facility or the distributions to unitholders.

The Facility is operated by Iroquois Falls Power Management Inc. (the "Manager"), a wholly owned subsidiary of Northland Power Inc., under a management agreement expiring in 2021. The Administrator of the Fund is

Management's Discussion and Analysis

Iroquois Falls Power Management Inc. under the administration agreement. In 1998, the Board of Directors of IFPC approved an amendment to the management agreement to make a minor correction to the calculation of adjusters used in determining one of the Manager's performance measures. The Board obtained independent technical, legal, and financial advice before approving the amendment to ensure that it will not result in any material adverse effect to the interests of unitholders.

Risks and Uncertainties

The amount distributed by the Fund to unitholders is highly dependent upon the parties to the Fund's long-term contracts continuing to fulfill their contractual obligations. In particular, as electricity sales represent approximately 90% of the Fund's revenues, failure of Ontario Hydro to meet its contractual obligations would have an adverse effect on distributions.

Approximately 77% of the Fund's revenue from electricity sales to Ontario Hydro varies with changes in Ontario Hydro's rates to its customers. The remaining 23% of the Fund's electricity revenue and its gas commodity costs escalate with Ontario Hydro's customer rates, subject to specified minimum escalation rates. Ontario Hydro's customer rates have remained essentially unchanged since 1993 and it is the policy of the Government of Ontario that rates remain frozen until 2000. Ontario Hydro and the government have confirmed that the Facility's long-term power purchase agreement with Ontario Hydro will continue to be honoured after market deregulation in 2000. The impact of the restructuring of Ontario Hydro on the electricity price under the power purchase agreement cannot yet be determined.

Abitibi-Consolidated's demand for steam is determined by operations at its pulp and paper mill, including the level of its own steam production. The Facility is obliged to respond to fluctuations in Abitibi-Consolidated's steam needs. Demand for steam has an impact on gas consumption, and unexpectedly large short-term fluctuations in steam demand increase gas consumption without a proportionate increase in steam revenue.

Contracted gas prices generally escalate with electricity prices. The gas contracts provide for price adjustments (subject to predefined ceilings) approximately every five years, of which 50% of the resulting incremental costs are borne by Ontario Hydro. Alternatively, the periodic gas price adjusters could decrease contracted gas prices relative to electricity prices; Ontario Hydro shares in approximately 40% of any such savings. Failure by the Facility's natural gas suppliers to provide gas under the long-term contracts could result in higher gas prices.

Any failure by TCPL or Union Gas Limited to deliver natural gas to the Facility will have an adverse impact on cash distributions.

The Fund is subject to operational risks that could have an adverse impact on cash distributions. These risks are partially mitigated by the proven nature of the technology and design of the Facility, the availability of critical spares on-site, the gas turbine maintenance agreement with GE, and participation in the GE gas turbine lease pool, which guarantees the availability of replacement gas turbines on short notice. The Fund has business interruption insurance to help mitigate the impact on profits of other adverse occurrences that are insured.

The Facility operations are subject to numerous environmental laws and regulations. The Facility has an environmental monitoring and reporting system in place. Changes in environmental laws and regulations could possibly result in additional expenses, capital expenditures, and restrictions in the Facility's activities, the extent of which cannot be predicted.

The Fund is reliant upon the Manager for the administration and management of all matters relating to the Facility.

Management's Discussion and Analysis

Year 2000 Issue

Certain computer programs and microprocessors use two digits to represent a four-digit year, as they assume that one and nine are always the first two digits. Such programs may produce erroneous results when required to process dates whose first two digits are not one and nine, such as those for the year 2000 ("Y2K") and subsequent years. This is commonly referred to as the "Y2K issue."

The Manager has a Y2K program that involves a systematic approach to identify and deal with the expected effects of the Y2K issue on the Facility and the Manager's operations. A detailed inventory and risk assessment of the impact of Y2K compliance on all Facility-related computers, process controllers, and embedded-chip technology based equipment was completed in 1998. To date, the majority of the Facility's critical equipment, including the plant control system, has been tested and, if necessary, updated to deal with the Y2K issue. It is expected that all testing will have been completed by the end of the first quarter of 1999, and any outstanding remedial action will be executed by the end of the second quarter. The costs of Y2K modifications and replacements are not expected to be material.

The Manager has approached key suppliers and customers to determine the extent to which they are addressing their own Y2K-compliance issues. The Manager has worked closely with Ontario Hydro and performed interface testing of the Facility and its Ontario Hydro interconnection to ensure Y2K compliance. The North American Electric Reliability Council ("NERC") has been reviewing Ontario Hydro's Y2K readiness since mid-1998 and will be reviewing Ontario Hydro's contingency plans and operating procedures starting in mid-1999.

In the event that, notwithstanding the Manager's efforts, problems are encountered on January 1, 2000, special plant shutdown/restart procedures and contingency plans will be in place as a precautionary measure. No major Y2K-compliance issues have presented themselves to date and none are anticipated.

Outlook

In March 1999, Abitibi-Consolidated announced a restructuring of its Iroquois Falls operation including the permanent shutdown of one of the smaller of its three paper machines. Although the shutdown of this paper machine in itself would result in a decrease in distributions of approximately \$0.02 per unit, other anticipated changes in mill operations are expected to offset this shortfall.

At this time, 1999 distributions to unitholders are expected to be similar to the Forecast for 1998 of approximately \$0.93 per unit.

The Fund expects to submit bids for additional electricity sales to the Ontario Interim Market in 1999; however, the impact of any successful bids on unitholder distributions is not expected to be significant.

Beyond 1999, once the competitive electricity marketplace has emerged, opportunities may arise for increased distributions as a result of voluntary restructuring of the power purchase agreement described in the Industry Developments section of this annual report. Any fundamental restructuring of the power purchase agreement requires the approval of the IFPC Board of Directors and would only be agreed to if it provides a net economic benefit to unitholders without significantly altering the risk profile of the Fund.

Consolidated Financial Statements

Auditor's Report

To the Unitholders of Northland Power Income Fund

We have audited the consolidated balance sheets of Northland Power Income Fund as at December 31, 1998 and 1997 and the consolidated statements of income and deficit and changes in financial position for the year ended December 31, 1998 and the period from inception on February 17, 1997 to December 31, 1997.

These financial statements are the responsibility of the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the year ended December 31, 1998 and the period from inception on February 17, 1997 to December 31, 1997 in accordance with generally accepted accounting principles.

Toronto, Canada

March 5, 1999

Ernst + Young LLP

Chartered Accountants

Consolidated Balance Sheets

As at December 31

In thousands of dollars

Assets (note 7)	1998	1997
Current		
Cash and short-term investments	7,440	7,185
Restricted cash (note 1)	451	682
Accounts receivable (note 3)	6,004	6,200
Instalment receivable (note 4)	—	123,294
Inventories (note 5)	1,606	1,401
Prepaid expenses	597	679
Total current assets	16,098	139,441
Deferred maintenance fee, net	4,089	5,181
Capital assets, net (note 6)	257,673	266,720
	277,860	411,342
Liabilities and Unitholders' Equity		
Current		
Accounts payable and accrued liabilities	3,248	3,197
Income taxes payable	—	98
Instalment loan payable, including interest (note 7)	—	121,522
Distribution payable to unitholders	7,706	7,706
Total current liabilities	10,954	132,523
Deferred income taxes	—	85
Total liabilities	10,954	132,608
Commitments and contingencies (notes 7, 12 and 13)		
Unitholders' equity		
Unit capital (note 8)	290,152	290,152
Deficit	(23,246)	(11,418)
Total unitholders' equity	266,906	278,734
	277,860	411,342

See accompanying notes

Approved on behalf of Northland Power Income Fund
by Iroquois Falls Power Management Inc.



James C. Temerty
President

Consolidated Statements of Income and Deficit

Year ended December 31, 1998; and for the period from inception on February 17, 1997, to December 31, 1997

In thousands of dollars, except per unit information

	1998	1997
Sales	55,429	38,691
Cost of sales	22,048	15,090
Gross profit	33,381	23,601
Expenses		
Plant operating costs	5,890	4,076
Amortization	9,250	6,922
Management and administration costs (note 10)	1,470	924
Instalment loan, interest expense and bank fees	1,863	4,629
Other interest income	(371)	(209)
	18,102	16,342
Income before income taxes	15,279	7,259
Provision for (recovery of) income taxes (note 11)		
Current	67	98
Deferred	(85)	85
	(18)	183
Net income for the period	15,297	7,076
Deficit, beginning of period	(11,418)	—
Distributions to unitholders	(27,125)	(18,494)
Deficit, end of period	(23,246)	(11,418)
Net income per Trust Unit (note 2)	\$0.50	\$0.23

See accompanying notes

Consolidated Statements of Changes in Financial Position

Year ended December 31, 1998; and for the period from inception on February 17, 1997, to December 31, 1997

In thousands of dollars

Operating Activities	1998	1997
Net income for the period	15,297	7,076
Add (deduct) items not involving a current outlay of cash		
Amortization	9,250	6,922
Deferred maintenance fee amortization	1,092	819
Instalment loan, interest expense accrued and bank fees amortization	1,863	4,629
Deferred income taxes	(85)	85
Loss on sale of capital assets	3	—
Funds from operations before changes in working capital	27,420	19,531
Net change in non-cash working capital balances related to operations	1	(1,558)
Cash provided by operating activities	27,421	17,973
Investing Activities		
Purchase of Iroquois Falls Facility (including restricted cash of \$1,938) (note 1)	—	(283,660)
Capital expenditure, net of restricted cash drawdown	(45)	—
Proceeds from sale of capital assets	4	—
Cash used in investing activities	(41)	(283,660)
Financing Activities		
First instalment proceeds on issuance of Trust Units	—	166,858
Second instalment proceeds on issuance of Trust Units	123,294	—
Advances on instalment loan, net of bank fees	—	116,802
Distribution payable to unitholders	—	7,706
Repayment of instalment loan	(123,294)	—
Distributions to unitholders	(27,125)	(18,494)
Cash provided by (used in) financing activities	(27,125)	272,872
Net increase in cash during the period	255	7,185
Cash and short-term investments, beginning of period	7,185	—
Cash and short-term investments, end of period	7,440	7,185

See accompanying notes

Notes to Consolidated Financial Statements

1. Description of Business

Northland Power Income Fund (the "Fund") was established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 17, 1997, as amended April 15, 1997, as an unincorporated open-ended trust. The Fund derives its distributable cash flow from Iroquois Falls Power Corp. ("IFPC"), a special-purpose corporation, wholly owned by the Fund.

Effective April 1, 1997, the Fund and IFPC purchased the Iroquois Falls cogeneration power facility (the "Facility"), located in Iroquois Falls, Ontario, for total cash consideration of \$283,660,000. The acquisition of the Facility has been accounted for using the purchase method and results of operations have been included in these consolidated financial statements from April 1, 1997. Under a prospectus dated April 3, 1997, the Fund qualified the distribution and sale of 30,823,443 Trust Units on an instalment receipt basis. Of the total unit price of \$10 each, the final instalment of \$4 per Unit was received on April 15, 1998. The net proceeds from the sale of the Units was \$290,152,000 after deducting underwriters' fees and other issue costs of \$18,082,000.

The fair values assigned to the identifiable assets acquired were as follows:

In thousands of dollars	1997
Facility equipment, real estate and contracts	272,895
Deferred maintenance fees	6,000
Current assets (including restricted cash of \$1,938)*	7,853
Current liabilities	(3,088)
Net assets acquired	283,660

* At December 31, 1998, the restricted cash balance is \$451,000 (1997 - \$682,000).

The restricted cash used during the period is as follows:

In thousands of dollars	1998	1997
Purchase of capital assets	164	747
Purchase of spares inventory	—	71
Reduction of contractor holdback payable	67	438
Total restricted cash used	231	1,256

The Facility produces electricity for sale to Ontario Hydro under the provisions of a contract expiring in 2021 and steam for sale to Abitibi-Consolidated Inc. under the provisions of a contract expiring in 2016.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements requires that Iroquois Falls Power Management Inc. (the "Manager"), the administrator of the Fund and the manager of the Facility, make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and revenue and expenses during the reporting period. In the opinion of the Manager, these consolidated financial statements have been properly prepared within reasonable limits of materiality.

Principles of consolidation

These consolidated financial statements include the accounts of the Fund and the accounts of IFPC. All inter-entity transactions have been eliminated.

Cash and short-term investments

Cash is invested on a short-term basis with original maturity dates of less than 90 days. The average interest rate on short-term investments held as at December 31, 1998, approximates 4.7% per annum (1997 – 3.9%).

Inventories

Inventories comprise natural gas, spare parts and other inventory. Natural gas is carried at the lower of cost, as determined on a weighted average basis, and net realizable value. Spare parts and other inventory are carried at the lower of cost and net replacement cost.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided at rates designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and foundations	30 years straight-line
Plant and equipment	30 years straight-line
Office equipment, furniture and fixtures	5 years straight-line
Vehicles	5 years straight-line
Computers and computer software	2 years straight-line
Contracts (note 3)	over the term of the agreements

Deferred maintenance fee

The deferred maintenance fee is amortized over the term of an agreement between IFPC and General Electric Canada Inc. for the maintenance of the gas turbines. This agreement expires in 2002 and is renewable upon expiry.

Revenue recognition

Revenue for electricity, steam and gas is recognized upon delivery.

Income taxes

Under the terms of the Income Tax Act (Canada), the Fund is not subject to income taxes to the extent that its taxable income in a year is paid or payable to a unitholder. The Fund's wholly owned subsidiary, IFPC, is subject to corporate income taxes as computed under the Income Tax Act (Canada). The deferred tax allocation method of providing for income taxes has been applied to IFPC.

Net income per Trust Unit

Net income per Trust Unit is based on the consolidated net income for the period over the weighted average number of Trust Units outstanding during the year, which was 30,823,443 (period ended December 1997 – 30,823,443).

Notes to Consolidated Financial Statements

3. Economic Dependence and Concentration of Credit Risk

The Fund is entirely dependent on the facility lease income, interest income and dividends received from IFPC. In 1998, approximately 88% (1997 – 88%) of IFPC's revenue is derived from the sale of electricity to Ontario Hydro pursuant to a contract expiring in 2021. Approximately 7% (1997 – 8%) of IFPC's revenue is derived from the sale of steam to Abitibi-Consolidated Inc. pursuant to a contract expiring in 2016.

Approximately 90% (1997 – 87%) of the year-end accounts receivable balance is due from Ontario Hydro relating to electricity sales.

4. Instalment Receivable

The instalment receivable represents the second instalment due from unitholders to the Fund for the purchase of their Units. The initial instalment of \$6 per Trust Unit was received on April 15, 1997, and the final instalment of \$4 per Trust Unit was received on April 15, 1998. The proceeds from the final instalment were used to pay the instalment receipt loan payable (note 7).

At December 31, 1997, the fair value of the instalment receivable approximated its carrying value.

5. Inventories – In thousands of dollars

	1998	1997
Inventories consist of the following:		
Natural gas	759	678
Spare parts and other inventory	847	723
	1,606	1,401

6. Capital Assets – In thousands of dollars

	1998		1997	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Capital assets consist of the following:				
Land	126	—	126	—
Buildings and foundations	23,159	1,348	23,112	577
Plant and equipment	236,773	13,798	236,627	5,907
Contracts	13,668	957	13,668	410
Vehicles	11	4	19	3
Office equipment, furniture and fixtures	35	12	35	4
Computers and computer software	71	51	55	21
	273,843	16,170	273,642	6,922
Net book value		257,673		266,720

Notes to Consolidated Financial Statements

7. Instalment Loan and Credit Agreement

On April 15, 1997, a credit agreement was entered into with Canadian Imperial Bank of Commerce, as agent for a syndicate of banks. Pursuant to this agreement the Fund borrowed \$116,802,000 (net of bank fees of \$317,000) which bore interest at 5.26% per annum. Interest and principal repayments were made at maturity on April 16, 1998.

The credit agreement, as amended April 16, 1998, and subject to renewal under similar terms on the anniversary date of April 16, 1999, establishes a \$7,500,000 revolving term letter of credit facility to be used in meeting obligations under gas transportation and supply contracts and a \$5,000,000 revolving term operating line of credit for general corporate purposes. Interest is charged per annum under the operating line of credit agreements at prime rate plus 2.0%. Fees of 1.3% per annum on the outstanding amount of the letter of credit is charged. Standby fees of 0.5% are charged on each of the undrawn letter of credit and operating line facilities.

At December 31, 1998, a letter of credit for \$5,900,000 (1997 – \$5,900,000) was outstanding under the letter of credit facility and no amounts have been drawn on the operating line.

Amounts drawn under the credit agreement are principally collateralized by a debenture security and by general security agreements that constitute a first priority lien on all of the real property and all of the present and future property assets of IFPC and the Fund, as well as a pledge by the Fund of its current and future interests in the capital stock of IFPC, the IFPC notes, and all other securities issued by IFPC.

8. Unitholders' Equity

The Trustee may issue an unlimited number of Trust Units subject to unitholder approval. Each Trust Unit represents an equal fractional beneficial interest in the Fund. All Trust Units are transferable and share equally in all distributions from the Fund whether of net income, return of capital, return of principal, interest, dividends or net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding up of the Fund.

In thousands of dollars	1998	1997
Issued and outstanding		
30,823,443 Trust Units	290,152	290,152

The Trust Units are redeemable at any time on demand by the holders at their fair value, determined as the lesser of: (a) 95% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10-trading-day period commencing immediately after the date on which the Trust Units are surrendered for redemption; and, (b) the "closing market price" on the principal market on which the Trust Units are quoted for trading on the date that the Trust Units are surrendered for redemption.

The aggregate redemption price payable by the Fund in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month; provided that the entitlement of unitholders to receive cash upon redemption of their Trust Units is subject to the limitations that (a) the total amount payable by the Fund in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed \$200,000, (b) at the time such Trust Units are tendered for redemption the outstanding Trust Units of the Fund shall be listed for trading on a stock exchange or traded or quoted on any other market that IFPC's Directors consider, in their sole discretion, provides representative fair market value prices for the Trust Units, or (c) the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed on the date that the Trust Units are tendered for redemption or for more than five trading days during the 10-day trading period commencing immediately after the date on which the Trust Units are tendered for redemption.

9. Distribution to Unitholders

Cash provided by operating activities for the year ended December 31, 1998, was \$0.89 per Trust Unit (period ended December 31, 1997 – \$0.58 per Trust Unit), being an aggregate amount of \$27,421,000 (1997 – \$17,973,000).

A distribution of \$0.88 per Trust Unit (1997 – \$0.60), being an aggregate distribution of \$27,125,000 (1997 – \$18,494,000), was determined by the Manager of the Fund for the year ended December 31, 1998. For income tax purposes, the distributions are a return of capital.

Notes to Consolidated Financial Statements

10. Management Fee

Iroquois Falls Power Management Inc., as the Manager, is entitled to receive a fee from the Fund and IFPC for services provided related to the operation, management and administration of the Facility, pursuant to a 25-year management agreement expiring in 2021. The fee is payable on a monthly basis at a rate of 1/12 of \$460,000, adjusted annually with changes to the Consumer Price Index. During the year ended December 31, 1998, the Manager was paid \$462,000 (period ended December 31, 1997 – \$345,000).

The Manager is also entitled to receive a management incentive fee equal to 25% of the amount by which annual distributions to the unitholders exceed \$0.934 per Trust Unit. The Manager is also entitled to other operation-related incentive fees. No such fees were earned or paid in 1998 or 1997.

11. Income and Other Taxes – In thousands of dollars	1998	1997
Income before income taxes	15,279	7,259
Combined federal and provincial income tax at statutory rate of 44.62%	6,817	3,239
Income of trust distributed to unitholders	(7,971)	(3,133)
Effect of tax losses not recorded	1,069	—
Large Corporations Tax and other items	67	77
Provision for income taxes	(18)	183

At December 31, 1998, financing expenses and underwriters' fees of \$11,315,000 are deductible by the Fund for income tax purposes on a straight-line basis over the next three years.

At December 31, 1998, IFPC has non-capital tax losses of approximately \$3,540,000 (1997 – \$164,000), which are available for carry forward to reduce future years' taxable income. These losses expire from 2003 to 2005. The benefit of these losses has not been recognized in the financial statements.

12. Commitments

In the ordinary course of business, IFPC has entered into agreements to ensure an adequate supply of natural gas and transportation thereof to the Iroquois Falls facility, expiring in the years 2015 to 2017.

13. Uncertainty Due to the Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Corporate and Unitholder Information

Principal Office

c/o Iroquois Falls Power Management Inc.
30 St. Clair Avenue West
17th Floor
Toronto, Ontario M4V 3A2

Trustee

Montreal Trust Company of Canada
151 Front Street West
Suite 605
Toronto, Ontario M5J 2N1
Attention: Corporate Services

Directors & Officers of Iroquois Falls Power Corp.

James C. Temerty

President and Director
President, Iroquois Falls Power Management Inc.
and Northland Power Inc.

Anthony F. Anderson

Chief Financial Officer
Vice President, Finance and Administration
Iroquois Falls Power Management Inc.
and Northland Power Inc.

Linda L. Bertoldi

Secretary
Counsel, Borden & Elliot

Pierre R. Gloutney *

Director
President and Chief Executive Officer
Refco Futures (Canada) Ltd.

A. Warren Moysey *

Director
Company Director

F. David Rounthwaite *

Director
Partner, McCarthy Tétrault

The Right Honourable John N. Turner, Q.C.

Director
Partner, Miller Thomson

Legal Counsel

Borden & Elliot
Toronto, Ontario

Auditors

Ernst & Young LLP
Toronto, Ontario

Bank

Canadian Imperial Bank of Commerce
Main Branch, Commerce Court
Toronto, Ontario

Registrar & Transfer Agent

Montreal Trust Company of Canada
151 Front Street West
8th floor
Toronto, Ontario M5J 2N1
Attention: Stock Transfer Services

Trust Units

The trust units are listed on The Toronto Stock Exchange and trade under the symbol NPI.UN.

Annual Meeting Date and Place

The second annual meeting of unitholders of Northland Power Income Fund will be held on Tuesday, June 8th, 1999, at 11:00 a.m. in the Caledon Room of the Crowne Plaza Hotel, 225 Front Street West, Toronto, Ontario.

For investor information, please contact:

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* Member of the Audit Committee

Long-term contracts for electricity and steam sales and natural gas fuel purchases help ensure predictable cash flow to the Fund and stable distributions to unitholders.



**NORTHLAND POWER
INCOME FUND**