No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Manager of Investor Relations of Northland Power Income Fund Management Inc. (the "Manager"), at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario, M4V 3A1, telephone (416) 962-6262 ext. 156 and fax (416) 962-6266 and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the secretary of the Manager at the above-mentioned address and telephone and fax numbers and is also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue March 16, 2006

NORTHLAND POWER INCOME FUND

$175,134,000

11,560,000 Subscription Receipts, each representing the right to receive one Trust Unit

This short form prospectus ("Prospectus") qualifies the distribution of 11,560,000 subscription receipts (the "Subscription Receipts") of Northland Power Income Fund (the "Fund"). The gross proceeds from the sale of the Subscription Receipts (the "Escrowed Funds") will be delivered on behalf of the Fund to and held by Computershare Trust Company of Canada, as subscription receipt and escrow agent, and invested in certain short-term interest bearing or discount debt obligations, until required for the completion of the indirect purchase of the 50% of the electricity and steam generating facility and all ancillary assets located near Kingston, Ontario (the "Kingston Facility") that it does not currently own. The acquisition will be accomplished by the purchase of all the issued and outstanding shares of AES Kingston ULC ("AES Kingston"). AES Kingston owns the 50% partnership interest in the owner of the Kingston Facility, Kingston CoGen Limited Partnership ("KCLP"), that the Fund does not currently own and is the operator and manager of the Kingston Facility. The closing of the purchase (the "Transaction Closing") is expected to take place on or before March 31, 2006. See "The Transaction".

Price: $15.15 per Subscription Receipt

	Price to the Public	Underwriters' Fee(1)	Net Proceeds to the Fund(2)
Per Trust Unit	$15.15	$0.7575	$14.3925
Total Offering(3)	$175,134,000	$8,756,700	$166,377,300

Notes:

(1) One-half of the Underwriters' fee is payable on closing of the offering. The other half of the Underwriters' fee is payable only if the Transaction Closing has occurred prior to the Termination Date. See "Plan of Distribution".

(2) Before deduction of the expenses of this offering, estimated at $300,000, which, together with the Underwriter's fee, will be paid by the Fund out of its general funds.

(3) The Fund has granted to the Underwriters (as defined below) an option (the "Over-Allotment Option"), exercisable in whole or in part at any time at the sole discretion of the Underwriters within 30 days of the closing of the offering, to purchase up to an additional 15% of the Subscription Receipts issued at closing at the same price set forth above. If the Over-Allotment Option is exercised in full, the total price to the public, the total Underwriters' fee and the total net proceeds to the Fund would be $201,404,100, $10,070,205 and $191,333,895, respectively. This Prospectus qualifies the distribution of Subscription Receipts issuable upon the exercise of the Over-Allotment Option. See "Plan of Distribution".

Each Subscription Receipt evidences the right of the holder to receive, without the payment of any additional consideration, a unit of the Fund, each unit representing an equal undivided beneficial interest in the Fund (a "Trust Unit") for each Subscription Receipt held at the close of business on the date of the Transaction Closing. If the Transaction Closing occurs on or before April 30, 2006 (the "Termination Date"), Trust Units will be issued to holders of record of Subscription Receipts as at the close of business on the date of the Transaction Closing. Upon the exchange of Subscription Receipts for Trust Units, holders thereof will be entitled to receive an amount in cash equivalent to any distributions paid to holders of the Trust Units with respect to a record date for any such distribution that is after the closing of the offering of Subscription Receipts and prior to the exchange of the Subscription Receipts for Trust Units. If the Transaction Closing does not occur on or before the Termination Date or if the share purchase agreement is terminated at any earlier time, subscriptions evidenced by all the Subscription Receipts will automatically terminate and holders of Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor, plus an amount equal to their proportion of the interest actually earned on the investment of the Escrowed Funds between the date at which the Subscription Receipts are issued and the Termination Date or the earlier date of termination, as the case may be, net of any applicable withholding taxes. See "Details of the Offering".

(continued on next page)

(continued from cover)

There is currently no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this Prospectus.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Subscription Receipts and the Trust Units issuable upon the exchange thereof, subject to the fulfillment of certain requirements on or before June 7, 2006. The Fund's outstanding Trust Units are listed on the TSX under the symbol NPI.UN. The closing price of the Trust Units on the TSX on March 15, 2006 was $15.10.

Investment in the Subscription Receipts and the Trust Units is subject to certain risks that should be considered by prospective purchasers. See "Risk Factors".

At the Fund's request, Standard & Poor's, a division of The McGraw-Hill Companies ("S&P") affirmed, as of March 8, 2006, the Fund's SR-2 stability rating and revised its outlook to stable. At the same time, S&P revised its distribution profile assessment of the Fund to moderately conservative from moderately aggressive. Dominion Bond Rating Service Limited ("DBRS") issued an unsolicited report on June 29, 2004 and attributed a stability rating of STA-2 (low) under its stability rating system. This rating was confirmed on September 14, 2004.

CIBC World Markets Inc. ("CIBC World Markets"), Scotia Capital Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., Canaccord Capital Corporation and FirstEnergy Capital Corp. (collectively, the "Underwriters"), as principals, conditionally offer the Subscription Receipts, subject to prior sale, if, as and when issued and sold by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of the Fund by Borden Ladner Gervais LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. The terms of this offering were established through negotiation between the Manager on behalf of the Fund and CIBC World Markets on behalf of the Underwriters. **In certain circumstances, the Underwriters may decrease and further change the price at which the Subscription Receipts are sold to investors. Each of CIBC World Markets, Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. is a wholly owned subsidiary of a Canadian chartered bank which has provided certain credit facilities to the Fund. Accordingly, the Fund may be considered a connected issuer of CIBC World Markets, Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. for purposes of the securities legislation of certain Canadian provinces. See "Plan of Distribution".**

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. See "Plan of Distribution". The closing of this offering is expected to occur on or about March 23, 2006 or such later date as the Manager, the Fund and the Underwriters may agree, but in any event not later than April 28, 2006. At closing, a book entry only certificate representing the Subscription Receipts will be issued in registered form to The Canadian Depository for Securities Limited ("CDS"), or its nominee, and will be delivered to CDS on closing of this offering. Except as noted herein, physical certificates will not be issued to purchasers of Subscription Receipts and the Trust Units issuable on exchange of the Subscription Receipts and purchasers of Subscription Receipts will only receive a confirmation of purchase from the Underwriter or other registered dealer from or through whom Subscription Receipts are purchased.

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ELIGIBILITY FOR INVESTMENT

Based upon the limitations and assumptions contained in "Certain Income Tax Considerations — Status of the Fund", in the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and McCarthy Tétrault, LLP, counsel to the Underwriters, as of the date hereof, provided that the Fund qualifies as a mutual fund trust or is a registered investment within the meaning of the Tax Act, Subscription Receipts and Trust Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (collectively, the "Plans"), subject to the specific provisions of any particular Plan, and in the case of the Subscription Receipts, provided that each person who is an annuitant, a beneficiary, an employer or a subscriber under the particular Plan deals at arm's length with the Fund. If the Fund ceases to qualify as a mutual fund trust or be registered as a registered investment, the Subscription Receipts and the Trust Units will cease to be qualified investments for the Plans.

NPIF Commercial Trust Notes received as a result of a redemption of Trust Units will not be a qualified investment for a Plan, and this could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Trust Units should consult their own tax advisors before deciding to exercise the redemption rights attached to Trust Units.

FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference contain certain forward-looking statements with respect to the Fund, and entities and assets which it owns or has an interest in, directly or indirectly, based on assumptions that Northland Power Income Fund Management Inc., a wholly owned subsidiary of Northland Power Inc., considered reasonable at the time they were prepared. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under the heading "Risk Factors" in the Annual Information Form, under the heading "Risks and Uncertainties" in the MD&A and set out herein under the heading "Risk Factors".

SUMMARY

The following is a summary only and is qualified by the more detailed information appearing elsewhere in this Prospectus. Reference is made to the Glossary for definitions of certain terms used in this Prospectus.

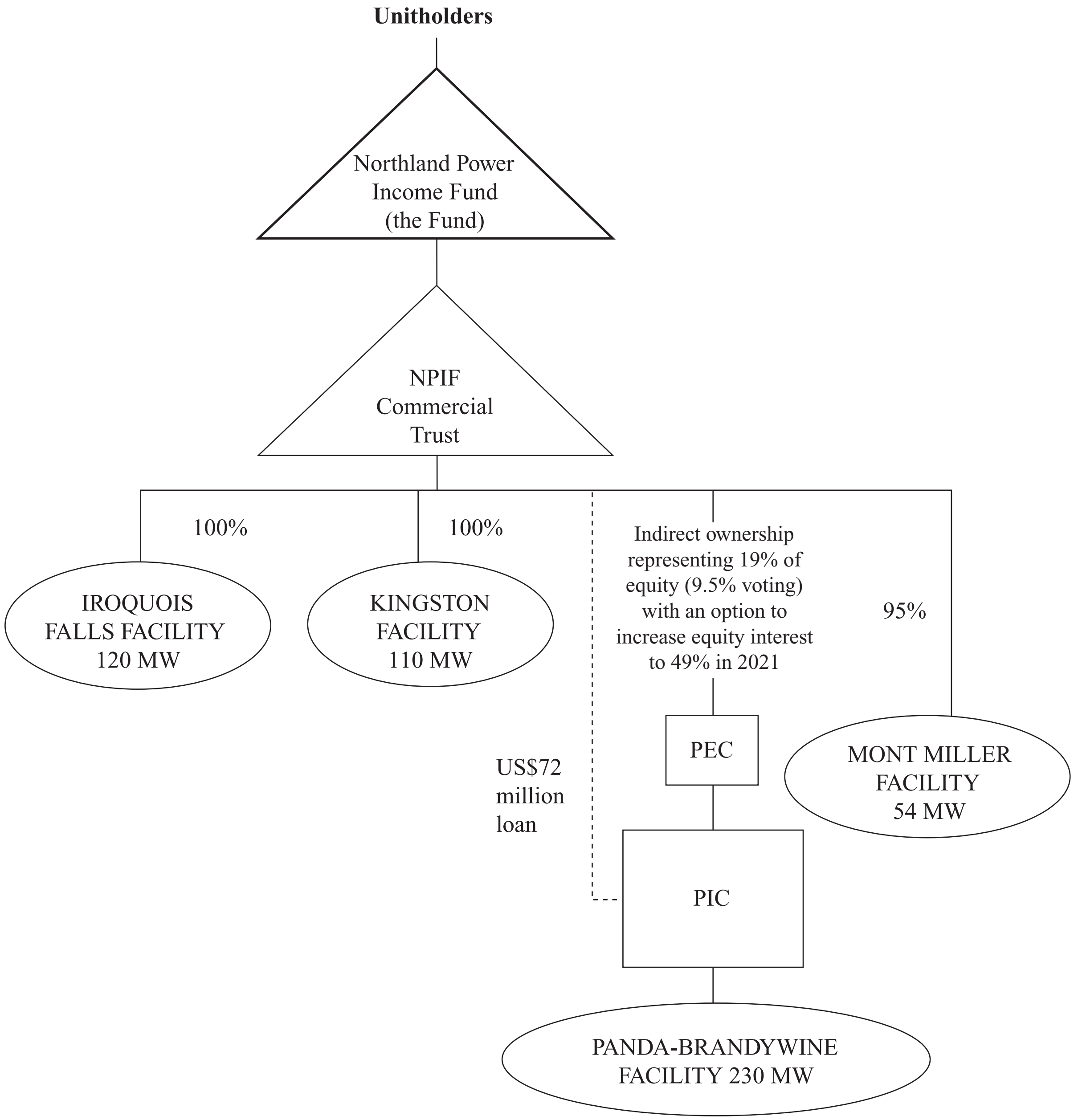
Northland Power Income Fund

Issuer: The Fund is an unincorporated open-ended trust established under the laws of Ontario. The Fund owns, indirectly: a 120 MW natural-gas-fired combined-cycle cogeneration facility located in Iroquois Falls, Ontario; a 50% interest in a 110 MW natural-gas-fired combined-cycle cogeneration facility near Kingston, Ontario; a 95% interest in a 54 MW wind power facility located near Murdochville, Québec; and an investment in a combined-cycle cogeneration facility located in Brandywine, Maryland, U.S.A. with total capacity of 230 MW.

Transaction: NPIF Commercial Trust, a wholly owned subsidiary of the Fund, has entered into a share purchase agreement with the Vendor, for the purchase of all of the issued and outstanding shares of AES Kingston, the owner of a 49.5% general partner interest and a 0.5% limited partnership interest in KCLP and the operator and manager of the Kingston Facility. Prior to the Transaction Closing, NPIF Commercial Trust will assign its rights and obligations under the Share Purchase Agreement to NPIF Kingston Holdings Corp., an indirect, wholly owned subsidiary of the Fund.

Kingston Facility: The Kingston Facility is a 110 MW natural-gas-fired combined-cycle cogeneration plant located west of Kingston, Ontario. Commercial operation commenced on February 1, 1997. Electricity generated by the Kingston Facility is sold to OEFC pursuant to a long-term Power Purchase Agreement through to January 31, 2017. The Kingston Power Purchase Agreement can be extended for a further five years with the consent of both parties at rates to be agreed upon at that time. Steam is sold to an adjacent facility under an energy services agreement that expires on January 31, 2017. Natural gas is provided under a long-term agreement with EnCana Corporation to January 31, 2017, and natural gas is transported under separate long-term firm transportation agreements with TransCanada PipeLines Limited and Union Gas Limited.

Following the Transaction Closing, the simplified organizational structure of the Fund would be as follows:



Investment Objective of Fund:	The Fund's investment objective is to produce stable and sustainable levels of cash available for distribution to Unitholders from assets, businesses, acquisitions and investments related to the generation, production, conversion, transmission, distribution, purchase and sale of electricity and other forms of energy, energy-related projects and fuels.
Transaction Rationale:	The Fund believes that the principal benefits of the Transaction are as follows:

- **Stable and Sustainable Source of Cash Flow:** Predictable cash-flow results from the long-term power purchase agreement between KCLP and OEFC. The employees of AES Kingston currently responsible for the management and operations of the Kingston Facility will continue to be responsible for the management and operations of the Kingston Facility, increasing the likelihood that the history of successful operations of this facility will continue.

- **Diversification:** The Transaction will improve the diversification of the Fund. The Transaction is expected to decrease the contribution to distributable cash from its largest single investment, the Iroquois Falls Facility, from approximately 51% to approximately 43%.
- **Impact on Distributions:** The Transaction represents an opportunity to increase the size of the Fund's assets, and is reasonably expected to enable the Fund to increase its long-term distributable cash flow per Trust Unit. The Manager has advised the NPIF Commercial Trust Trustees that it expects the Transaction to be accretive to cash distributions by approximately 3%, although there can be no assurance that such increase will be realized. See "Forward-Looking Statements".
- **Improved Liquidity:** The issuance of additional Trust Units to finance the Transaction is expected to increase the volume and trading in the Fund's Trust Units.
- **Reduction in Management Fees:** As a result of changes to the management fee structure, KCLP would have had a net savings in fees of approximately $1.7 million in 2005 had the Transaction occurred at the beginning of 2005. The Manager expects these annual savings to increase over time.

The Transaction has been recommended by the Manager and reviewed and unanimously approved by the NPIF Commercial Trust Trustees. The Manager and the NPIF Commercial Trust Trustees have concluded that the Transaction conforms to the Fund's acquisition and investment guidelines.

The Offering

Offering:	11,560,000 Subscription Receipts, each representing the right to receive on the Transaction Closing, for no additional consideration, one Trust Unit of the Fund.
Amount:	$175,134,000.
Over-Allotment Option:	The Fund has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part at the sole discretion of the Underwriters within 30 days of the closing of the offering, to purchase up to an additional 15% of the Subscription Receipts issued at closing at the offering price. See "Plan of Distribution".
Subscription Price:	$15.15 per Subscription Receipt.
Subscription Receipts:	Each Subscription Receipt evidences the right of the holder to receive, without the payment of any additional consideration, a Trust Unit for each Subscription Receipt held at the close of business on the date of the Transaction Closing. If the Transaction Closing occurs on or before April 30, 2006, Trust Units will be issued to holders of record of Subscription Receipts as at the close of business on the date of the Transaction Closing. In addition, each holder of a Subscription Receipt will be entitled to receive upon exchange an amount in cash equivalent to any distributions paid to holders of Trust Units with respect to a record date for any such distribution that is after the closing of the Subscription Receipt offering and prior to the exchange of the Subscription Receipts for Trust Units. If the Transaction Closing does not occur on or before the Termination Date or if the Share Purchase Agreement is terminated at any earlier time, subscriptions evidenced by all the Subscription Receipts will automatically terminate and holders of Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor, plus an amount equal to their proportion of the interest actually earned on the investment of the Escrowed Funds between the Closing Date and the Termination Date or the earlier date of termination, as the case may be, net of any applicable withholding taxes.
Attributes of Trust Units:	Each Trust Unit represents an equal, undivided beneficial interest in the distributions and the net assets of the Fund. Each Trust Unit is transferable and entitles the holder thereof to participate equally in distributions of the Fund and to one vote at meetings of Unitholders. Trust Units are not subject to future calls or assessments.
Use of Proceeds:	The Fund will use approximately US$110 million (approximately $127 million) of the net proceeds from this offering to fund the Transaction. Approximately $33 million of the balance of the net proceeds from this offering will be used to retire the debt owed to OEFC, pursuant to the levelization mechanism in the Kingston Power Purchase Agreement. The balance of the net proceeds from this offering will be used by the Fund for acquisitions or for other general purposes of the Fund. See "Use of Proceeds".
Ratings:	At the Fund's request, S&P has affirmed, as of March 8, 2006, that, after giving effect to the Transaction Closing, the stability rating on the outstanding Trust Units, including the Trust Units issued upon exchange of the Subscription Receipts offered hereunder, will remain "SR-2", but has revised its outlook to stable from negative, under the income fund stability and sustainability rating scale established by S&P. At the same time, S&P revised its distribution profile assessment to moderately conservative from moderately aggressive. S&P assigns a single stability rating ranging from SR-1 through SR-7, with SR-1 (least variable and most sustainable) being the highest rating and SR-7 (most variable and least sustainable) being the lowest. The distribution profile assessment considers an income fund's distribution policy in

	context of its cash flow dynamics with implications for the likelihood of a prospective change in distributions. On June 29, 2004, Dominion Bond Rating Service Limited issued an unsolicited report on the Fund and attributed to the Fund a stability rating of "STA-2 (low)" under its stability rating system. This rating was confirmed on September 14, 2004. The stability ratings assess both the variability and sustainability of the cash distribution stream payable on the securities of an income trust in relation to other Canadian rated income trusts over the medium to long-term. Such ratings are not a recommendation to buy, sell or hold Trust Units and they are subject to revision, suspension or withdrawal at any time by S&P and DBRS, as applicable. See "Stability Ratings of the Trust Units".
Risk Factors:	Investment in the Subscription Receipts and the Trust Units is subject to a number of risks, including those set out in the Annual Information Form and MD&A incorporated by reference herein and risks related to: (i) increased exposure to risks relating to the Kingston Facility; (ii) failure to realize anticipated benefits of the Transaction; (iii) transition risk; (iv) failure to complete the Transaction; (v) enforcement of rights under the Share Purchase Agreement; and (vi) market for the Subscription Receipts. See "Risk Factors".
Canadian Tax Considerations:	No gain or loss will be realized by a holder on the exchange of Subscription Receipts for Trust Units. The cost of a Trust Unit issued to a holder of a Subscription Receipt acquired pursuant to the offering will be equal to the cost of the Subscription Receipt to the holder, less any amount paid to the holder by the Fund as a reduction in the purchase price of the Trust Unit. The adjusted cost base to the holder of the Trust Units so acquired will be determined by averaging the cost of such Trust Units with the adjusted cost base of all other Trust Units owned at that time by the holder as capital property. A Unitholder will generally be required to include, in computing the Unitholder's income for the year, the amount of net income, and the taxable portion of the net realized capital gains of the Fund, that is paid or payable to the Unitholder in the year whether in cash or in Trust Units. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will not result in an inclusion in income but will reduce the adjusted cost base of the Unitholder's Trust Units. To the extent that the adjusted cost base of a Trust Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to the negative amount. A Unitholder who disposes of Trust Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of such Trust Units and any reasonable costs of disposition. Prospective purchasers of Subscription Receipts and Unitholders should consult their tax advisors regarding the tax implications of an investment in Subscription Receipts and Trust Units. See "Certain Income Tax Considerations".
Taxation on Distributions:	The fiscal 2005 distributions of $1.05 per Trust Unit were treated as a 42% return of capital, which reduced the adjusted cost base of the Trust Units, and 58% taxable as ordinary income.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Manager of Investor Relations of Northland Power Income Fund Management Inc. (the "Manager"), at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario, M4V 3A1, telephone (416) 962-6262 ext 156 and fax (416) 962-6266. For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the secretary of the Manager at the above-mentioned address and telephone and fax numbers.

The following documents of Northland Power Income Fund (the "Fund"), filed with the provincial securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference and form part of this short form prospectus ("Prospectus"):

(a) annual information form (the "Annual Information Form") dated March 7, 2006;

(b) comparative consolidated financial statements of the Fund as at and for the years ended December 31, 2005 and 2004, together with the auditors' report thereon;

(c) management's discussion and analysis ("MD&A") as at and for the year ended December 31, 2005; and

(d) material change report filed March 9, 2006.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis in respect of the periods covered by interim or annual financial statements, information circulars, annual information forms and business acquisition reports filed by the Fund with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this Prospectus.

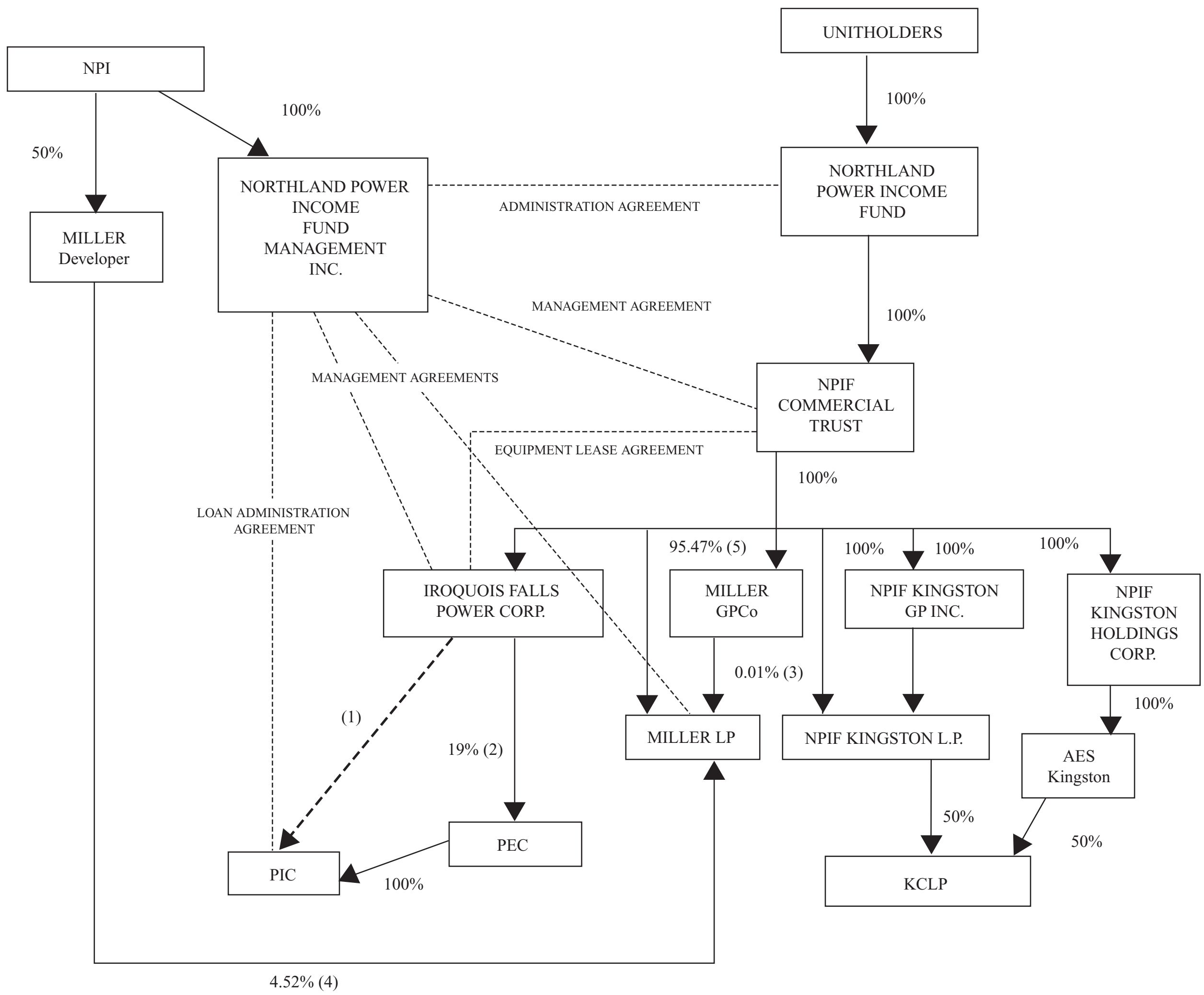
Any statement in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is or was required to be stated or that is or was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

NORTHLAND POWER INCOME FUND

Northland Power Income Fund is an unincorporated open-ended trust established under the laws of Ontario which owns interests in two combined-cycle cogeneration facilities in Ontario, a combined-cycle cogeneration facility in Maryland and a wind power generation facility in Quebec. The principal office of the Fund is located at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario M4V 3A1.

Organization

The following chart illustrates the primary structure of the Fund after giving effect to the Transaction (as described under "The Transaction").



Notes:

(1) The Fund, indirectly, funded a senior loan to PIC in the original amount of US$93 million (currently approximately US$72 million). The senior loan currently bears interest at the rate of 10.9% and will mature on November 20, 2021. The Fund does not own any shares in PIC.

(2) The Fund, indirectly, has a 19% equity interest in PEC, 9.5% of which is voting. The Fund has an option to increase its equity interest in PEC to 49% in 2021.

(3) Miller GPCo owns one general unit of Miller LP, which entitles Miller GPCo to one vote at meetings of the partners of Miller LP, or 0.01% of votes.

(4) The Miller Developer owns 1,000 Class B Units of Miller LP which entitle the Miller Developer to 1,000 votes at meetings of the partners of Miller LP or 4.52% of votes. NPI owns 50% of the Miller Developer, giving it, indirectly, 2.26% of votes at meetings of the partners of Miller LP.

(5) NPIF Commercial Trust owns 21,120 Class A units of Miller LP, which entitle NPIF Commercial Trust to 21,120 votes at meetings of the partners of Miller LP or 95.47% of votes.

SUMMARY DESCRIPTION OF THE BUSINESS

The Fund owns interests in four electricity generation facilities.

The Fund owns, through NPIF Commercial Trust and Iroquois Falls Power Corporation ("IFPC"), a 120 MW natural-gas-fired combined-cycle cogeneration power plant located in Iroquois Falls, Ontario (the "Iroquois Falls Facility"). The Iroquois Falls Facility supplies electricity to Ontario Electricity Financial Corporation ("OEFC") and steam to the neighbouring Abitibi-Consolidated mill. The electricity and steam are sold, and natural gas is purchased, under long-term contracts that reduce the Fund's exposure to unexpected price and volume fluctuations and provide predictable cash flow.

The Fund also owns, through NPIF Commercial Trust and NPIF Kingston L.P., a 50% interest, as a general partner, in Kingston CoGen Limited Partnership ("KCLP"), which owns a 110 MW natural-gas-fired combined-cycle cogeneration plant, near Kingston, Ontario (the "Kingston Facility"). KCLP supplies electricity to OEFC and sells steam to a neighbouring facility, and natural gas is purchased, in accordance with the terms of long-term contracts which provide predictable cash flow. Operation and maintenance of the Kingston Facility is presently the principal responsibility of AES Kingston ULC ("AES Kingston") under long-term management and operations and maintenance agreements. Following the Transaction Closing, the Fund will indirectly own AES Kingston and all of KCLP and the Manager will assume responsibility for the operations and management of the Kingston Facility.

The Fund also owns, through NPIF Commercial Trust and IFPC, a 19% equity interest (9.5% voting), together with an option to increase its equity participation to 49% in 2021, in Panda Energy Corporation ("PEC"). The Fund, through NPIF Commercial Trust and IFPC, also funded a senior loan to Panda Interfunding Company LLC ("PIC"), a wholly-owned subsidiary of PEC, with an original principal amount of US$93 million (now approximately US$72 million). The Senior Loan bears interest at the rate of 10.9% and will mature on November 20, 2021. IFPC receives quarterly payments of blended principal and interest in accordance with a schedule of payments, which commenced on February 20, 2004. Taken together, the loan to PIC and the equity interest in PEC give the Fund an interest in a 230 MW combined-cycle cogeneration facility (the "Panda-Brandywine Facility") located in Brandywine, Maryland, just outside Washington, D.C., which sells electrical capacity and energy pursuant to a long-term power purchase agreement with Potomac Electric Power Company. The Panda-Brandywine Facility is certified as a qualifying facility under U.S. federal energy legislation.

The Fund also owns, through NPIF Commercial Trust and Mont Miller Wind Energy Limited Partnership ("Miller LP"), a 95% interest in the Mont Miller Facility, a 54 MW wind power facility, located near Murdochville, Québec. The Mont Miller Facility supplies electricity to Hydro-Québec under a power purchase agreement that expires in 2026.

The Fund is administered, and the Iroquois Falls Facility, the Mont Miller Facility and NPIF Commercial Trust are managed by, Northland Power Income Fund Management Inc. (the "Manager"), a wholly owned subsidiary of Northland Power Inc. ("NPI"), a leading Canadian independent power company with extensive experience in all aspects of private power development and operational management.

The Fund distributes all of its available cash to Unitholders subject to providing reasonable reserves for working capital and capital expenditures.

Investment Objective of the Fund

The investment objective of the Fund, as set out in the trust indenture as amended and restated as of July 1, 2003, (the "Trust Indenture") is "to produce stable and sustainable levels of cash available for distribution to Unitholders from assets, businesses, acquisitions and investments related to the generation, production, conversion, transmission, distribution, purchase and sale of electricity and other forms of energy, energy-related projects and fuels."

Acquisition and Investment Guidelines

Pursuant to the Trust Indenture, the Fund may make acquisitions and investments, subject to the acquisition and investment guidelines set out in the Trust Indenture. Pursuant to the Trust Indenture, an acquisition or investment by the Fund must conform with the following acquisition and investment guidelines:

(a) An acquisition or investment must conform to the Fund's investment objective, be recommended by the Manager and be reviewed and approved by the trustees of NPIF Commercial Trust (the "NPIF Commercial Trust Trustees").

(b) An acquisition or investment must reasonably be expected to result in an increase in distributable cash flow per Trust Unit or to otherwise provide value to Unitholders. If the acquisition or investment involves construction, rehabilitation or development, the increase in distributable cash flow per Trust Unit or in value to Unitholders may be deferred until completion of the construction, rehabilitation or development.

(c) An acquisition or investment will not result in the Fund losing its status as either a "unit trust" or a "mutual fund trust" or holding excess "foreign property" under the *Income Tax Act* (Canada) (the "Tax Act").

The Transaction has been recommended by the Manager and reviewed and unanimously approved by the NPIF Commercial Trust Trustees. The Manager and the NPIF Commercial Trust Trustees have concluded that the Transaction conforms to the Fund's acquisition and investment guidelines. See "The Transaction".

The Manager actively seeks investment and acquisition opportunities for the Fund that comply with its acquisition and investment guidelines. Any such investment or acquisition made by the Fund requires the approval of the NPIF Commercial Trust Trustees. Among the potential investments being investigated by the Manager are two small wind farms in western Europe. NPI, the parent of the Manager, is expecting to seek the approval of the independent NPIF Commercial Trust Trustees later in 2006 for the Fund to invest in the, 150 MW Jardin d'Éole wind farm in the Gaspésie region of Québec which NPI is developing for commercial operation late in 2007.

USE OF PROCEEDS

The net proceeds to the Fund from the sale of Subscription Receipts of the Fund (the "Subscription Receipts") are estimated to be approximately \$166 million (or \$191 million, assuming the exercise of the Over-Allotment Option) after deducting the fees payable to the Underwriters and the expenses of the offering. Out of the net proceeds from this offering approximately US\$110 million (approximately \$127 million) will be used to fund the Transaction. Approximately \$33 million of the balance of the net proceeds from this offering will be used to retire the debt owed to OEFC, pursuant to the levelization mechanism in the Kingston Power Purchase Agreement. See "Kingston Facility — Power Purchase Agreement". The balance of the net proceeds from this offering will be used by the Fund to finance acquisitions or for other general purposes of the Fund.

The gross proceeds from the sale of the Subscription Receipts will be held in escrow pending the closing of the Transaction between the Fund and the Vendor (the "Transaction Closing"). See "Details of the Offering". The Underwriters' fees and the expenses of this offering will be paid by the Fund out of its general funds.

THE TRANSACTION

Overview

On March 7, 2006, NPIF Commercial Trust entered into a share purchase agreement with the Vendor which provides for the purchase by NPIF Commercial Trust of all of the issued and outstanding shares of AES Kingston for US\$110 million, subject to adjustments (the "Transaction"). AES Kingston owns a 49.5% general partner interest and a 0.5% limited partnership interest in KCLP, in which the Fund presently holds a 50% general partner interest. KCLP owns the electricity and steam generating facility and all ancillary assets of the Kingston Facility. The closing of the purchase of the shares of AES Kingston is expected to take place on or before March 31, 2006. Prior to the Transaction Closing, NPIF Commercial Trust will assign its rights and obligations under the Share Purchase Agreement to NPIF Kingston Holdings Corp., an indirect, wholly owned subsidiary of the Fund.

The Vendor is not an informed person, associate or affiliate of the Fund (as these terms are defined for the purposes of National Instrument 51-102.)

Following the Transaction Closing, most or all of the employees of AES Kingston responsible for the management, operations and maintenance of the Kingston Facility will continue to carry out these functions at the Kingston Facility under the direction of the Manager, and the Manager will assume responsibility for the operations and management of the Kingston Facility.

The Transaction constitutes a "step-by-step" acquisition of KCLP. Accordingly, in reliance on section 8.11 of National Instrument 51-102, the Fund is exempt from providing audited financial statements of AES Kingston in this prospectus. A pro forma income statement and a pro forma balance sheet of the Fund showing the effect of the Transaction are set out under "Pro Forma Financial Statements".

The date of the acquisition that will be used for accounting purposes will be the date of the Transaction Closing.

The Fund intends to finance the Transaction from the gross proceeds of this offering.

Rationale of Transaction

The Fund believes that the principal benefits of the Transaction are as follows:

- **Stable and Sustainable Source of Cash-Flow:** Predictable cash-flow results from the long-term power purchase agreement between KCLP and OEFC. The employees of AES Kingston responsible for the management and operations of the Kingston Facility will continue to be responsible for such management and operations, increasing the likelihood that the history of successful operations of this facility will continue.

- **Diversification:** The Transaction will improve the diversification of the Fund. The Transaction is expected to decrease the contribution to distributable cash from its largest single investment, the Iroquois Falls Facility, from approximately 51% to approximately 43%.

- **Impact on Distributions:** The Transaction represents an opportunity to increase the size of the Fund's assets, and is reasonably expected to enable the Fund to increase its long-term distributable cash flow per Trust Unit. The Manager has advised the NPIF Commercial Trust Trustees that it expects the Transaction to be accretive to cash distributions by approximately 3%, although there can be no assurance that such increase will be realized. See "Forward-Looking Statements".

- **Improved Liquidity:** The issuance of additional units of the Fund, each unit representing an equal undivided beneficial interest in the Fund (the "Trust Units") to finance the Transaction is expected to increase the volume and trading in the Fund's Trust Units.

- **Reduction in Management Fees:** As a result of changes to the management fee structure, KCLP would have had a net savings in fees of approximately $1.7 million in 2005 had the Transaction occurred at the beginning of 2005. The Manager expects these annual savings to increase over time.

The Transaction has been recommended by the Manager and reviewed and unanimously approved by the NPIF Commercial Trust Trustees. The Manager and the NPIF Commercial Trust Trustees have concluded that the Transaction conforms to the Fund's acquisition and investment guidelines.

Share Purchase Agreement

Under the terms of the Share Purchase Agreement, NPIF Commercial Trust has agreed to purchase all of the issued and outstanding shares of AES Kingston from the Vendor. Prior to the Transaction Closing, the Share Purchase Agreement will be assigned by NPIF Commercial Trust to NPIF Kingston Holdings Corp., a wholly-owned subsidiary (the "Purchaser") which will acquire the shares of AES Kingston. The completion of the

Transaction is expected to occur on or before March 31, 2006 and is subject to a number of conditions. The material terms of the Share Purchase Agreement are outlined below.

Purchase Price

NPIF Commercial Trust will purchase all of the issued and outstanding shares of AES Kingston for US$110 million (the "Purchase Price"), subject to adjustment for net working capital at the Transaction Closing.

Representations and Warranties

The Share Purchase Agreement includes representations and warranties customary in a transaction of this nature, including incorporation and existence of the Vendor and AES Kingston, valid issuance of the shares of AES Kingston, ownership of the purchased shares, employee matters and environmental and other matters relating to AES Kingston. However, as the Fund has an existing investment in the Kingston Facility and is familiar with the Kingston Facility, the only representation and warranty relating to KCLP is that AES Kingston is not aware of specific claims or defaults or non-compliance under environmental laws. The representations and warranties made by the Vendor will generally survive for a period of 18 months following the Transaction Closing, with longer survival periods for representations and warranties relating to taxes (which will survive until 90 days following the end of the applicable tax reassessment periods) and certain representations and warranties relating to title and ownership of the shares of AES Kingston (which will survive indefinitely).

Covenants

The Vendor and NPIF Commercial Trust have made customary covenants in the Share Purchase Agreement relating to the Transaction Closing and related matters. In particular, the Vendor has agreed that, until closing, the business of AES Kingston will be conducted in the normal and ordinary course, and commercially reasonable efforts will be made to satisfy the closing conditions.

Indemnities

The Vendor's liability to the Purchaser with respect to losses related to any inaccuracy or breach of any representation or warranty is subject to certain limitations. Except for tax claims, the Vendor is not required to pay any amount until the aggregate of claims exceeds US$500,000, but then the Vendor shall be liable for all such claims which exceed an aggregate one-time deductible amount of US$250,000. There are no thresholds or deductibles for tax claims.

The Vendor's liability for most breaches of representations and warranties is generally limited to US$22,000,000. The aggregate of all claims for breaches of representations and warranties cannot exceed 100% of the Purchase Price.

Guarantee

The AES Corporation has guaranteed the financial obligations of the Vendor.

Closing Conditions

The obligations of the Vendor and NPIF Commercial Trust to complete the Transaction are subject to receipt of (a) receipt of an Advance Ruling Certificate under the *Competition Act* (Canada) stating that the Commissioner of Competition is satisfied that there are not sufficient grounds to initiate proceedings under such Act with respect to the Transaction or, following the filing of notice thereunder or waiver of the notice requirement, the relevant waiting period expires, terminates or is waived and the Commissioner advises that there are not sufficient grounds to initiate proceedings under such Act with respect to the Transaction, and (b) the consents of KCLP's lenders. Both of the foregoing conditions precedent have been satisfied.

The obligation of the Purchaser to complete the Transaction is subject to additional conditions, including there being no material adverse change to the business of AES Kingston up to the Transaction Closing and the accuracy in all material respects of all representations and warranties made by the Vendor in the Share Purchase Agreement.

THE KINGSTON FACILITY

The descriptions of the Kingston Facility contained in the Prospectus are based on information obtained by the Manager through its current ownership of 50% of KCLP and its investigations in connection with the Transaction. Although the Manager believes these descriptions to be accurate in all material respects, there can be no assurance that this is the case.

KINGSTON FACILITY

General Background

KCLP owns a 110 MW natural-gas-fired combined-cycle cogeneration plant located west of Kingston, Ontario in Loyalist Township. The Kingston Facility is situated on approximately 11 acres of land near Lake Ontario. The plant started commercial operations on February 1, 1997. It was designed to provide electricity to Ontario Hydro (now OEFC) under a long-term power purchase agreement and steam to an adjacent industrial complex through a long-term energy services agreement. The natural gas required to fuel the Kingston plant is obtained through a series of long-term agreements and contracts for the supply and transportation of natural gas. The project has a similar contractual structure to the Fund's Iroquois Falls project and is also designed around General Electric equipment.

The Fund acquired a 25% general partnership interest in KCLP on December 31, 2002. The Fund acquired an additional 25% general partner interest in KCLP on December 15, 2004.

Plant Design and Equipment

The 110 MW Kingston Facility uses a General Electric ("GE") 6FA high-efficiency industrial gas turbine. The plant incorporates a Babcock & Wilcox heat recovery steam generator, which is capable of producing up to 150,000 lbs/hr of steam for sale, and is designed for natural gas supplementary firing to augment output. Steam is delivered to a GE double admission/single auto extraction/condensing steam turbine with a 6A3 generator rated at 45.2 MW. Extraction steam from the steam turbine is used to supply process steam through a heat exchanger for sale. The GE 6FA gas turbine utilizes GE's dry low NO_x combustion technology to achieve NO_x emissions below 25 parts-per-million.

Since the Fund's initial investment in December 2002, KCLP entered into a multi-year agreement with GE for the long-term supply of parts and specified repair services for the GE 6FA gas turbine. Late in 2004, KCLP entered into a new agreement under which GE took on additional responsibilities and risks associated with scheduled and unscheduled maintenance on the gas turbine in return for a monthly fee and periodic payments. The total commitment over the life of the contract is approximately US$13 million. This agreement expires after 68,000 hours of operations (estimated to be in 2016).

Power Purchase Agreement

KCLP is a party to the long-term Kingston Power Purchase Agreement with OEFC for the sale and delivery of monthly quantities of 93 MW to 109 MW of electricity (approximately 100 MW on average) through to January 31, 2017. The Kingston Power Purchase Agreement can be extended for a further five years with the consent of both parties at rates agreed upon at that time.

Revenue under the Kingston Power Purchase Agreement is earned according to a number of tariff rates that escalate according to different criteria. Escalation of certain of these tariffs is tied specifically to increases in tariff rates under the contracts with TransCanada PipeLines Limited and Union Gas Limited for natural gas transportation capacity and commodity rates with the result that natural gas transportation cost increases are directly reflected in higher revenues under the Kingston Power Purchase Agreement. Similarly, certain tariffs escalate using the same formula that applies to natural gas purchased under the contract with EnCana Corporation, so that gas-supply cost increases are directly reflected in higher revenue under the Kingston Power Purchase Agreement. Certain tariffs are related to the Consumer Price Index (as defined in the Kingston Power Purchase Agreement) to provide an offset to higher operations and maintenance costs resulting from general inflation. One of the tariff categories has its rate pre-determined for each year of the term of the Kingston Power Purchase Agreement to provide revenue to match debt service costs and equity returns. The revenue is heavily weighted towards on-peak hours, which provides a significant incentive to maximizing production of electricity during on-peak hours.

The Kingston Power Purchase Agreement incorporates a levelization mechanism that was common in certain Ontario Hydro contracts, whereby Ontario Hydro advanced cash to the project in the early years (positive levelization payments) and the project was obligated to repay Ontario Hydro (now OEFC) in the later years (negative levelization payments) according to a defined schedule of amounts per kWh of on-peak production that is intended to fully repay OEFC by the end of the Kingston Power Purchase Agreement term. The balance owed to OEFC at any time represents the levelization account balance on which interest is accrued monthly at the current rate of 7.8%. The Fund intends to cause KCLP to repay the outstanding levelization account balance of approximately $33 million with a portion of the proceeds from this offering.

The Kingston Power Purchase Agreement provides certain rights to OEFC to curtail output during the summer. OEFC has generally not availed itself of those rights. The Kingston Power Purchase Agreement also provides for a penalty if the Kingston Facility's off-peak winter electricity production falls below certain thresholds. Such penalties have never been incurred.

Energy Services Agreement and Water-Related Contracts

KCLP provides steam to an adjacent facility owned by INVISTA (Canada) Company (''INVISTA''), formerly known as KoSa, under an energy services agreement that expires on January 31, 2017. INVISTA, with global headquarters in Houston, Texas, is one of the world's largest producers of polyester and is a wholly-owned subsidiary of Koch Industries Inc. of Wichita, Kansas. INVISTA's Kingston factory produces polyethylene terephthalate resin (commonly known as PET) for use in plastic drink bottles and other applications. INVISTA's Kingston operation was the largest production line of its type in the world when it was built in 1997. The escalator for prices under the energy services agreement is largely tied to Union Gas Limited tariff rates. Revenue under the energy services agreement is equivalent to approximately 4% of electricity sales.

KCLP has a long-term contract with INVISTA for the supply of water from Lake Ontario through INVISTA's pumphouse and for the treatment and disposal of process wastewater.

Natural Gas Supply

KCLP has entered into a natural gas purchase agreement with EnCana Corporation for the supply of natural gas to the Kingston Facility to January 31, 2017. The natural gas cost escalates with transportation costs on the NOVA system and a predetermined amount over the Consumer Price Index (as defined in the natural gas purchase agreement). TransCanada PipeLines Limited and Union Gas Limited transport gas under separate long-term firm transportation agreements.

EnCana is responsible for the management of all aspects of the gas supply under a fuel management agreement with KCLP. During 2004, KCLP entered into an amended natural gas administration agreement with EnCana that extends the term of the agreement to January 31, 2017 and made certain adjustments to the profit sharing formula.

Operations and Maintenance

Operations and maintenance of the Kingston Facility have been the responsibility of AES Kingston, under long-term management, operations and maintenance agreements. Following the Transaction Closing, most or all of the employees of AES Kingston responsible for the management, operations and maintenance of the Kingston Facility will continue to carry out these functions at the Kingston Facility under the direction of the Manager, and the Manager will assume responsibility for the operations and management of the Kingston Facility.

Environmental Matters and Permits

The Kingston Facility holds all necessary permits and approvals required for operations and has an environmental monitoring and reporting system in place. All current generating equipment at the Kingston

Facility is designed to produce NO_x emissions below the levels set out in its permits and because its NO_x emissions are low, the Manager understands that KCLP has NO_x allowances for sale.

Capital Structure of KCLP

KCLP has in place long-term non-recourse project financing with a syndicate of banks. The interest rate has been fixed through interest-rate hedges on the outstanding loan balance. The bank financing is fully amortized over the term of the Kingston Power Purchase Agreement. Security under the credit agreement is limited to the assets of KCLP and an assignment of the partners' ownership interests in KCLP.

KCLP Partnership Agreement

Under the partnership agreement, as the Managing General Partner, AES Kingston has been required to manage and control KCLP's affairs and business including the scheduling of inputs and electricity generation under the Kingston Power Purchase Agreement and steam production under the energy services agreement. AES Kingston has also been responsible for all financial reporting aspects of the Kingston Facility. Upon completion of the Transaction, the Manager will assume these responsibilities. EnCana Corporation continues to be responsible for the management of all aspects of the natural gas supply under a fuel management agreement with KCLP.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Fund as at the dates indicated:

	Authorized	December 31, 2005	Activity in the period	Outstanding as at March 1, 2006 before giving effect to this offering	Outstanding as at March 1, 2006 after giving effect to this offering and the Transaction(5)(6)
KCLP non-recourse term debt	(1)	$ 50,148,000		$ 50,148,000	$100,295,000
KCLP levelization balance	(2)	$ 16,600,000	$ 89,000	$ 16,689,000	—
Mont Miller non-recourse term debt	(3)	$ 40,000,000		$ 40,000,000	$ 40,000,000
Convertible Debentures	(4)	$ 46,058,000	$(5,558,000)	$ 40,500,000	$ 40,500,000
Trust Units	unlimited	$487,583,000 (49,431,303 units)	$ 5,558,000 (444,640 units)	$493,141,000 (49,875,943 units)	$659,218,000 (61,435,943 units)

(1) KCLP entered into a credit agreement with a group of lenders to repay construction financing on the Kingston Facility. The term debt is secured by the assets of KCLP and the partnership interests and there is no recourse to the assets of the Fund or the other partners in KCLP. The term debt is expected to be fully repaid over the term of the Kingston Power Purchase Agreement and the interest cost has effectively been fixed through interest rate swap agreements for the full term of the debt. The amount shown represents the Fund's 50% proportionate interest as consolidated for accounting purposes and the assumption of the remaining 50% as part of the Transaction.

(2) KCLP received advances from Ontario Hydro and OEFC according to a pre-defined formula under the terms of the Kingston Power Purchase Agreement which also stipulates that the advances will be repaid starting in January 2004. The levelization account balance is to be repaid prior to the expiration of the Kingston Power Purchase Agreement. The levelization account is without recourse to the Fund and other partners in KCLP. The amount shown represents the Fund's 50% proportionate interest as consolidated for accounting purposes and the full repayment of the levelization account from proceeds of the Transaction.

(3) Miller LP entered into a credit agreement with a group of lenders to finance the construction of the Mont Miller Facility. The construction loan converted to a term loan on September 20, 2005. The term debt is secured by the assets of Miller LP and the partnership interests and there is no recourse to the assets of the Fund or the other partners in Miller LP. The term debt is to be fully repaid by December 31, 2025 through a series of scheduled quarterly payments.

(4) The Fund issued 65,000 of $1,000 denominated 6.50% convertible unsecured subordinated debentures due June 30, 2011. Interest is paid semi-annually. The convertible debentures are converted into fully paid units of the Fund at the option of the holder at a conversion price of $12.50 per unit and are redeemable by the Fund after June 30, 2007 on certain terms. The payment of convertible unsecured subordinated debenture principal and interest is subordinated in right of payment to the prior payment of all senior indebtedness of the Fund. The amount shown represents the outstanding balance after conversions to March 1, 2006.

(5) Assuming the Over-Allotment Option is not exercised.

(6) See pro forma consolidated financial statements of the Fund.

STABILITY RATINGS OF THE TRUST UNITS

Standard & Poor's, a division of The McGraw-Hill Companies ("S&P"), has developed a rating scale to assist investors in understanding the risk profile of an investment in an income trust. The ratings in this scale are referred to as stability ratings. Through its rating scale, S&P characterizes the stability of the cash distribution stream among various income trusts. The stability ratings assess both the variability and sustainability of the cash distribution stream payable on the securities of an income trust in relation to other Canadian rated income trusts over the medium to long-term. S&P assigns a single stability rating ranging from SR-1 through SR-7, with SR-1 (least variable and most sustainable) being the highest rating and SR-7 (most variable and least sustainable) being the lowest. S&P does not publish a stability rating for all income trusts.

At the Fund's request, S&P has affirmed, as of March 8, 2006, that, after giving effect to the Transaction Closing, the rating on the outstanding Trust Units, including the Trust Units issued upon exchange of the Subscription Receipts offered hereunder, will remain "SR-2" but has revised its outlook to stable from negative under the income fund stability and sustainability rating system established by S&P, which denotes a very high level of stability in the distributions of the Fund. At the same time, S&P revised its distribution profile assessment to moderately conservative from moderately aggressive. The distribution profile assessment considers an income fund's distribution policy in context of its cash flow dynamics with implications for the likelihood of a prospective change in distributions.

DBRS issued an unsolicited report on June 29, 2004 and attributed a stability rating of STA-2 (low) under its stability rating system. This rating was confirmed on September 14, 2004 after DBRS conducted a full review of the Fund's investment in the Mont Miller Project. The DBRS rating categories range from STA-1 to STA-7, with STA-1 being the highest. DBRS further separates the ratings into "high", "middle" and "low" subcategories to indicate where they fall in the rating category. The DBRS rating provides an indication of both the stability and sustainability of an income fund's distributable cash.

A stability rating is not a recommendation to buy, sell or hold securities and is subject to revision, suspension or withdrawal at any time.

DETAILS OF THE OFFERING

The following is a summary of the material attributes of the Subscription Receipts. The summary does not purport to be complete and is subject to, and qualified in its entirety, by reference to the terms of the subscription receipt agreement between the Fund and Computershare Trust Company of Canada (the "Subscription Receipt Agent") governing the terms of the Subscription Receipts (the "Subscription Receipt Agreement").

Subscription Receipts

Subscription Receipts will be issued at the date on which this offering will be completed (the "Closing Date") pursuant to the Subscription Receipt Agreement between the Fund, CIBC World Markets Inc. ("CIBC World Markets") and the Subscription Receipt Agent. Pursuant to the Subscription Receipt Agreement, the gross proceeds from the sale of the Subscription Receipts (the "Escrowed Funds") will be delivered on behalf of the Fund to and held by the Subscription Receipt Agent and invested in short-term interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a province (and other approved investments), until required for the completion of the Transaction, in accordance with the terms of the Transaction Agreements.

Each Subscription Receipt evidences the right of the holder to receive, without the payment of any additional consideration, a Trust Unit for each Subscription Receipt held at the close of business on the date of the Transaction Closing. If the Transaction Closing occurs on or before April 30, 2006 (the "Termination Date"), Trust Units will be issued to holders of record of Subscription Receipts as at the close of business on the date of the Transaction Closing.

If the Transaction Closing does not occur on or before the Termination Date or if the Share Purchase Agreement is terminated at any earlier time, subscriptions evidenced by all the Subscription Receipts will automatically terminate and holders of Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor, plus an amount equal to their proportion of the interest actually earned on the investment of the Escrowed Funds between the Closing Date and the Termination Date or the earlier date of termination, as the case may be, net of any applicable withholding taxes. The Subscription Receipt Agent will return such funds to holders of Subscription Receipts within 3 business days.

The Subscription Receipt Agent will release the Escrowed Funds and interest earned thereon to the Fund at the Transaction Closing against a notice from the Fund to the Subscription Receipt Agent, confirming that the conditions precedent to advancing the purchase price, as set out in the Share Purchase Agreement, have been satisfied or waived. The Subscription Receipts will not be transferable following the close of business on the Transaction Closing. The Fund shall, as soon as practicable, issue a press release setting out the date of the Transaction Closing.

The Subscription Receipt Agreement contains provisions that will entitle the holders of Subscription Receipts, upon the later of the exchange thereof and the payment date for such distributions, to receive an amount in cash equivalent to any distributions made to holders of Trust Units with respect to a record date for any such distribution that is after the closing of the offering of the Subscription Receipts and prior to the exchange of Subscription Receipts for Trust Units, and the Fund will pay such amounts to holders as a reduction in the purchase price of the holder's Trust Units. All or a portion of this amount may be satisfied by payments, by the Subscription Receipt Agent, to holders of Subscription Receipts out of interest earned on the Escrowed Funds. To the extent that such amount is not satisfied out of interest earned on the Escrowed Funds, the balance of any amount payable to a holder of a Subscription Receipt in respect of such a distribution will be paid by the Fund from other sources.

Therefore, if the closing of this offering and the Transaction Closing both occur on or before March 31, 2006, a subscriber for Subscription Receipts will be a Unitholder of record on March 31, 2006 (assuming that he or she does not dispose of the Subscription Receipts or Trust Units before that date) and accordingly will in those circumstances be entitled to receive a distribution as a Unitholder in respect of March 2006 payable on or about April 14, 2006. If the Transaction Closing occurs after March 31, 2006, a holder of a Subscription Receipt is entitled upon the later of the exchange thereof and the payment date for such distributions, to receive an amount in cash equivalent to such distributions, and the Fund will pay such amounts to holders as a reduction in the purchase price of the holder's Trust Units.

The Subscription Receipt Agreement contains customary provisions designed to protect the holders of Subscription Receipts against dilution upon the occurrence of certain events.

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Fund Trust Indenture provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of Trust Units then outstanding. The Subscription Receipt Agreement contains provisions that if the Manager or the Trustee or the Subscription Receipt Agent becomes aware that the beneficial owners of 49% of the Trust Units then outstanding are, or upon conversion or exercise of their rights to acquire Trust Units may be, non-residents or that such a situation is imminent, the Fund may make a public announcement and direct the Subscription Receipt Agent not to register a transfer of Subscription Receipts to a person unless the person provides a declaration in form and content satisfactory to the Fund that the person is not a non-resident. If the Fund determines that a majority of the Trust Units are beneficially held by non-residents, or such would be the case upon the issuance of the underlying Trust Units to holders of the Subscription Receipts, the Fund may send a notice to non-resident beneficial holders of Subscription Receipts, chosen in inverse order to the order of acquisition or registration or in such other manner as the Fund may consider equitable and practicable, requiring them to sell their Subscription Receipts or a portion thereof (or the underlying Trust Units or a portion thereof after the issue date) within a specified period of not less than thirty (30) days.

If the Transaction occurs prior to or concurrently with the closing of this offering, purchasers of Subscription Receipts will receive Trust Units on the date of closing instead of Subscription Receipts. The Prospectus qualifies such Trust Units.

Under the Subscription Receipt Agreement, purchasers of Subscription Receipts will have a contractual right of rescission following the issuance of Trust Units to such purchaser upon surrender of the Subscription Receipts where this Prospectus and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of the closing of the offering.

The Subscription Receipt Agreement provides that the Fund, CIBC World Markets and the Subscription Receipt Agent may make supplemental agreements to the Subscription Receipt Agreement to amend or modify the Subscription Receipt Agreement in certain circumstances.

Book Entry

Registration of interests in and transfers of the Subscriptions Receipts or Trust Units will be made only through the book-based system administered by The Canadian Depository for Securities Limited ("CDS"). One or more certificates representing all of the Subscription Receipts offered hereby will be issued to CDS, or its nominee, on the closing of this offering. Any purchase or sale of a Subscription Receipt must be made through a participant in the CDS depository service (a "CDS Participant"), which includes security brokers and dealers, banks and trust companies. All rights of an owner of Subscription Receipts must be exercised through CDS and the CDS Participant through which the owner owns such Subscription Receipts. All distributions on Subscription Receipts will be made by the Fund to CDS. Distributions to CDS are forwarded by CDS to CDS Participants and then by CDS Participants to the beneficial owners of the Subscription Receipts in accordance with industry practice. Each purchaser of a Subscription Receipt will receive a customer confirmation of purchase from the registered dealer from whom such Subscription Receipt is purchased in accordance with the practices and procedures of that registered dealer.

Holders of Subscription Receipt do not have any voting or pre-emptive rights or any other rights as Unitholders. Reference is made to the Subscription Receipt Agreement for a full description of the attributes of the Subscription Receipts.

The ability of a beneficial owner of Subscription Receipts to pledge the Subscription Receipts or otherwise take action with respect to such owner's interest therein (other than through a CDS Participant) may be limited due to the lack of physical certificates representing Subscription Receipts.

If CDS, or its nominee, notifies the Fund that it is unwilling or unable to continue as depository, or if at any time CDS, or its nominee, ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Fund is unable to locate a qualified successor, or if the Fund elects to terminate the book-entry system, beneficial owners of Subscription Receipts will receive definitive Subscription Receipt certificates.

INTEREST OF INSIDERS IN MATERIAL TRANSACTION

The Manager: (a) provides administrative services to the Fund, pursuant to an administration agreement; (b) provides operating and management services to IFPC and to Miller LP pursuant to management agreements; and (c) provides administrative services to and manages the investments of NPIF Commercial Trust pursuant to a management agreement. The latter agreement contemplates that additional fees will be paid to the Manager to manage additional investments, subject to the approval of the NPIF Commercial Trust Trustees. The independent NPIF Commercial Trust Trustees have approved the payment to the Manager of a fee of $2,040,000 in connection with the Transaction. The Manager will assume responsibility for the management of KCLP and the operations and maintenance of the Kingston Facility. In 2005, KCLP paid net fees of approximately $2.0 million to AES Kingston for these services. After the Transaction Closing, the Manager will receive $400,000 per annum (subject to increase in accordance with the Consumer Price Index) for these same services. This will replace the annual fee of $100,000 that the Manager currently receives in connection with the Fund's 50% investment in KCLP. As a result, the Fund would have realized a net savings in fees of approximately $1.7 million in 2005 if the Transaction had occurred at the beginning of 2005. See "The Transaction — Overview".

James C. Temerty, one of the NPIF Commercial Trust Trustees and the Chairman and Chief Executive Officer of NPIF Commercial Trust, is, indirectly, the sole shareholder of NPI, the parent company of the Manager, and the sole director and Chairman of the Manager.

PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS

The outstanding Trust Units are traded on the TSX under the trading symbol "NPI.UN". The following table sets forth the reporting high and low trading prices and trading volumes of the Trust Units as reported by the TSX since September 2004:

Period	High	Low	Volume
2004			
September	$11.90	$11.25	1,382,618
October	$13.17	$11.65	1,428,398
November	$13.23	$12.60	1,247,692
December	$14.28	$12.73	1,240,536
2005			
January	$14.13	$13.82	1,319,500
February	$14.75	$14.00	3,811,200
March	$14.10	$12.40	1,826,400
April	$13.58	$12.90	974,400
May	$14.50	$13.09	1,118,100
June	$14.70	$14.28	1,005,000
July	$14.94	$13.85	1,533,800
August	$15.04	$13.61	1,343,900
September	$15.30	$13.15	1,992,200
October	$14.30	$11.83	1,718,200
November	$15.07	$12.00	2,358,900
December	$15.56	$14.79	2,330,500
2006			
January	$15.65	$14.98	1,415,700
February	$16.60	$14.61	2,909,500
March (1 to 15)	$16.87	$14.74	838,496

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated March 9, 2006 between the Fund, the Manager and the Underwriters, the Fund has agreed to issue and sell and the Underwriters have severally agreed to purchase 11,560,000 Subscription Receipts offered hereby at a price of $15.15 per Subscription Receipt, payable in cash to the Fund, for aggregate consideration of $175,134,000 to the Fund, against delivery. The Fund has agreed to pay the Underwriters a fee of $0.7575 per Subscription Receipt purchased by the Underwriters for their services in connection with the offering. One-half of the Underwriters' fee is payable on the Closing Date. The other half of the Underwriters' fee is payable only if the Transaction Closing has occurred prior to the Termination Date (as such may be extended by the holders of Subscription Receipts).

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are obligated to take up and pay for all Subscription Receipts agreed to be purchased under the Underwriting Agreement. Each of the Fund and the Manager has agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or will contribute to payments the Underwriters may be required to make in respect thereof.

The Fund has granted the Underwriters the Over-Allotment Option to purchase at the offering price that number of Subscription Receipts (or, if the Transaction Closing has occurred, Trust Units) up to an additional 15% of the number of Subscription Receipts issued at closing. The underwriting fee is payable with respect to any Subscription Receipts issued upon the exercise of the Over-Allotment Option. The Prospectus qualifies the distribution of the Subscription Receipts (or the Trust Units) acquired by the Underwriters upon the exercise of the Over-Allotment Option.

The Fund has agreed that it will not, without the prior consent of CIBC World Markets, on behalf of the Underwriters pursuant to the Underwriting Agreement, which consent may not be unreasonably withheld or delayed, authorize, issue or sell (except pursuant to the Fund's distribution reinvestment plan and the exercise of outstanding convertible debentures of the Fund) any Subscription Receipts or Trust Units or any securities giving the right to acquire Trust Units or any securities convertible or exchangeable into Trust Units or agree or announce the intention to do so, at any time prior to the date that is 90 days following the Closing Date.

The Underwriters propose to offer the Subscription Receipts initially at the public offering price on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all the Subscription Receipts offered by this short form prospectus at the price specified herein, the offering price may be decreased, and further changed from time to time to an amount not greater than the offering price specified herein and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Subscription Receipts is less than the gross proceeds paid by the Underwriters to the Fund.

Pursuant to Rule 48-501 of the Ontario Securities Commission and Regulation Q-26 of the Autorité des marchés financiers, the Underwriters may not, beginning two days prior to the date that the price per Subscription Receipt was determined and throughout the period of distribution under this short form prospectus (the "Restricted Period"), bid for or purchase Subscription Receipts or Units. The foregoing restrictions are subject to certain exceptions including a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc. relating to market stabilization and passive market-making activities, bids or purchases made for and on behalf of a customer where the order was not solicited during the period of distribution, and, in the case of Rule 48-501 of the Ontario Securities Commission, if the Units have traded during a 60-day period ending not earlier than 10 days prior to the commencement of the Restricted Period (i) an average of 100 times per trading day and (ii) with an exchange trading value of at least $1,000,000 per trading day. In connection with this Offering and pursuant to the above mentioned exceptions, the Underwriters may effect transactions which stabilize or maintain the market price of the Subscription Receipts or Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The closing of this offering is expected to take place on or about March 23, 2006 but in any event not later than April 28, 2006.

Each of CIBC World Markets, Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. is a wholly owned subsidiary of a Canadian chartered bank (collectively, the "Banks") which has provided certain credit facilities to the Fund. Accordingly, the Fund may be considered a connected issuer of CIBC World Markets, Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. for purposes of the securities legislation of certain Canadian provinces. As at the date hereof, no amount was outstanding under the credit facilities.

Amounts drawn under the credit facilities 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 by IFPC and the Fund as well as a pledge by the Fund of its current and future interests in the capital stock of IFPC, notes payable and all other securities issued by IFPC to the Fund. The Fund and IFPC are in compliance with the terms of the credit facility. The financial position of the Fund and the value of the security have not materially changed since the credit facility was entered into.

The decision to distribute Subscription Receipts hereunder and the determination of the terms of the offering were made through negotiations between the Manager of the Fund and the Underwriters. The Banks did not have any involvement in such decision or determination.

Neither the Subscription Receipts nor the underlying Trust Units into which such Subscription Receipts may be exchanged have been, nor will they be, registered under the U.S. Securities Act and, subject to certain exemptions, may not be offered or sold within the United States. The Underwriting Agreement permits the Underwriters to offer and sell the Subscription Receipts to qualified institutional buyers in the United States, in transactions that are exempt from registration under the United States federal securities laws pursuant to Rule 144A under the U.S. Securities Act, and under state securities laws. The Subscription receipts, and the underlying Trust Units, sold in such offers and sales made in accordance with such exemptions under the U.S. Securities Act will be restricted securities within the meaning of Rule 144(a)(3) under the U.S. Securities Act. In addition, until 40 days after the Closing Date, an offer or sale of additional Subscription Receipts within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than pursuant to an exemption from registration under the U.S. Securities Act.

The Underwriters have also agreed that they will not knowingly sell Subscription Receipts to The AES Corporation or any of its controlled affiliates.

CERTAIN INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, Canadian counsel to the Fund and McCarthy Tétrault LLP, Canadian counsel to the Underwriters, the following is, as of the date of this Prospectus, a summary of the principal Canadian federal income tax considerations generally applicable to a prospective holder of Subscription Receipts who acquires Subscription Receipts pursuant to this offering (a "Receiptholder") or a prospective Unitholder who acquires Trust Units on the automatic exchange of Subscription Receipts and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Subscription Receipts and Trust Units as capital property. Generally, Subscription Receipts and Trust Units will be considered to be capital property to a Receiptholder and Unitholder, respectively, provided that the holder does not hold Subscription Receipts or Trust Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Receiptholders and Unitholders who might not otherwise be considered to hold their Subscription Receipts and Trust Units, respectively, as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Receiptholder or a Unitholder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a specified financial institution or a Receiptholder or a Unitholder an interest in which is a tax shelter investment (all as defined in the Tax Act), or a Receiptholder or a Unitholder in respect of which AES Kingston or any of its subsidiaries is a foreign affiliate for the purposes of the Tax Act.

This summary is of a general nature only and is based upon the facts set out in the Prospectus, certificates of the Fund and the Underwriters as to certain factual matters, the provisions of the Tax Act in force at the date of this Prospectus, counsel's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency ("CRA") and all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance prior to the date of this Prospectus. There can be no assurance that any tax proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this Prospectus. There can be no assurances that the CRA will not change its administrative practices and assessing policies.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Subscription Receipts or Trust Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Subscription Receipts and Trust Units will vary depending on the Receiptholder's or Unitholder's particular circumstances, including the province or territory or provinces or territories in which the Receiptholder or Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Subscription Receipts or Trust Units. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Subscription Receipts or Trust Units based on their particular circumstances.

Exchange of Subscription Receipts

No gain or loss will be realized by a Receiptholder on the exchange of Subscription Receipts for Trust Units. This opinion is based upon the interpretation of counsel that a Subscription Receipt is an agreement to acquire a Trust Unit on the satisfaction of certain conditions. No advance income tax rulings from CRA in respect of this offering have been sought, and counsel is not aware of any judicial consideration of this interpretation.

The cost of a Trust Unit issued to a Receiptholder acquired pursuant to this offering will be equal to the cost of the Subscription Receipt to the holder less any amount paid to the holder by the Fund as a reduction in the purchase price of the Trust Unit. The adjusted cost base to the holder of the Trust Units so acquired will be determined by averaging the cost of such Trust Units with the adjusted cost base of all other Trust Units owned at that time by the holder as capital property.

Other Dispositions of Subscription Receipts

A disposition or deemed disposition by a Receiptholder, other than on the exchange thereof for a Trust Unit or the repayment of the issue price, will generally result in the Receiptholder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Receiptholder's adjusted cost base thereof and any reasonable costs of disposition. A Receiptholder's cost of a Subscription Receipt will generally be the amount paid therefor plus any reasonable costs of acquisition. A Receiptholder's adjusted cost base of a Subscription Receipt will reflect the average cost of the Receiptholder's Subscription Receipts.

One half of any capital gain ("taxable capital gain") generally must be included in the Receiptholder's income for the taxation year of the disposition, and one half of any capital loss realized in a taxation year is deducted from taxable capital gains realized in the year of disposition, and may be deducted from taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to detailed rules contained in the Tax Act in this regard. A capital gain realized by a Receiptholder who is an individual may give rise to a liability for alternative minimum tax. If a Receiptholder is a "Canadian-controlled private corporation", as defined in the Tax Act, the Receiptholder may be liable to pay an additional refundable tax of 6⅔% on some types of income, including interest and taxable capital gains.

Amounts Received by Receiptholders

Once the Subscription Receipts are exchanged for Trust Units, the former Receiptholders will be entitled as Unitholders to receive distributions from the Fund, commencing with the first distribution to be paid to Unitholders of record on or after the date of the exchange. The tax treatment of such distributions will be as described below under "Taxation of Unitholders — Fund Distributions". Receiptholders, upon the exchange, will be entitled to receive an amount in cash equivalent to any distributions made to Unitholders with respect to a record date for any such distribution that is after the closing of the offering of the Subscription Receipts and prior to the exchange of Subscription Receipts for Trust Units. The Fund will pay such amounts to former Receiptholders as a reduction in the purchase price of the Trust Units. A Receiptholder will not be required to include the amount of the purchase price reduction in income; however, any such amount will reduce his or her cost to of the Trust Units acquired on the exchange. See "Details of the Offering — Subscription Receipts".

Repayment of Issue Price and Interest

If the Transaction does not close on or before the Termination Date, a Receiptholder will receive the issue price paid for the Subscription Receipt and the Receiptholder's share of interest earned on the Escrowed Funds. The Receiptholder will not generally realize any income, gain or loss on the repayment to the Receiptholder of the issue price.

A Receiptholder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing income for a taxation year any interest accrued or deemed to have accrued to the Receiptholder on the Escrowed Funds to the end of the Receiptholder's taxation year, or that is receivable or received by the Receiptholder before the end of that taxation year, except to the extent that such interest was included in computing the Receiptholder's income for a preceding taxation year. Any other Receiptholder will be required to include in income for a taxation year any interest on the Escrowed Funds as is received or receivable by the Receiptholder in that taxation year, depending on the method regularly followed by the Receiptholder in computing income, to the extent that such interest was not included in computing the Receiptholder's income for a preceding taxation year.

Status of the Fund

Mutual Fund Trust

The Fund is a mutual fund trust under the provisions of the Tax Act and is registered as a "registered investment" under the Tax Act. The balance of the summary assumes that the Fund will continue to so qualify and be so registered and that such registration has not been revoked. If the Fund were not to so qualify as a mutual fund trust or were not to be so registered, the income tax considerations would in some respects be materially different from those described below.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year, including all accrued interest on the NPIF Commercial Trust Notes, such amount of NPIF Commercial Trust's income as becomes paid or payable in the year to the Fund and net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund (whether in cash, additional Trust Units or otherwise) or if the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. During a taxation year of the Fund and the succeeding five taxation years, the Fund may also deduct from its income (in accordance with the applicable detailed rules in the Tax Act) a portion of the reasonable expenses incurred by the Fund to issue Trust Units in connection with this offering, in accordance with the applicable detailed rules in the Tax Act.

The Fund has advised counsel that it does not believe that the proposed draft legislative amendments and draft interpretation bulletin regarding the deductibility of interest and other expenses related to a source, released on October 31, 2003 by the Department of Finance (the "Draft Proposals") will have a material effect on its tax position. See "Taxation of IFPC".

Under the Trust Indenture, an amount equal to all of the income (including the taxable portion of any net capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gain realized by the Fund, (but excluding income or capital gains arising on an in specie distribution of Fund property which are designated by the Fund to redeeming Unitholders and capital gains, the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund), will be payable in the year to the Unitholders by way of cash distributions, subject to the exceptions described below. Income of the Fund which is applied to fund redemption of Trust Units for cash or is otherwise unavailable for cash distributions will be distributed to Unitholders in the form of additional Trust Units. Income of the Fund payable to Unitholders, whether in cash, additional Trust Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

If the Fund is otherwise liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of Trust Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising as a result of the distribution of property on the redemption of Trust Units. The Trust Indenture provides that income or the taxable portion of any capital gain realized by the Fund as a result of a redemption of Trust Units may, at the discretion of the NPIF Commercial Trust Trustees, be treated as income paid to, and designated as income or a taxable capital gain of, the redeeming Unitholders. Any amount so designated must be included in the income of the redeeming Unitholders and will be deductible by the Fund. In addition, certain accrued interest on notes of the NPIF

Commercial Trust distributed to a redeeming Unitholder will be treated as an amount paid to that Unitholder and will be deductible by the Fund.

Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in such year for income tax under Part I of the Tax Act.

Taxation of NPIF Commercial Trust

The taxation year of NPIF Commercial Trust is the calendar year. NPIF Commercial Trust will be required to include in its income for each taxation year all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, on the IFPC Loan or otherwise, except to the extent that such interest was included in computing its income for a preceding taxation year. Interest and principal payments and all other amounts relevant for the purposes of the Tax Act will generally be determined in Canadian dollars at the exchange rate prevailing at the time of the payment. Accordingly, NPIF Commercial Trust's income for a taxation year may be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

NPIF Commercial Trust will be taxable on its income determined under the Tax Act for each taxation year, and will generally be entitled to deduct its expenses incurred to earn such income provided such expenses are reasonable. All of the income of NPIF Commercial Trust for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any capital gains realized by NPIF Commercial Trust in the year will generally be paid or payable in the year to the Fund and will generally be deductible by NPIF Commercial Trust in computing its taxable income. Accordingly, NPIF Commercial Trust should not be liable for any tax under Part I of the Tax Act.

NPIF Commercial Trust has advised counsel that it does not believe that the Draft Proposals will have a material effect on its tax position. See "Taxation of IFPC".

Taxation of IFPC

IFPC will be required to include in its income for each taxation year all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, on the Senior Loan or otherwise, except to the extent that such interest was included in computing its income for a preceding taxation year. Interest and principal payments on the Senior Loan and all other amounts relevant for the purposes of the Tax Act will generally be determined in Canadian dollars at the exchange rate prevailing at the time of the payment.

IFPC will be entitled to deduct the interest paid by it on its indebtedness to NPIF Commercial Trust in respect of the IFPC Loan in computing its income to the extent such interest is reasonable in the circumstances.

The Draft Proposals, applicable to taxation years that begin after 2004, will only allow a taxpayer to recognize a loss for a taxation year from a source which is a business or property if it is reasonable to assume that the taxpayer will realize cumulative profit from the business or property:

(a) in the case of a business, during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business; and

(b) in the case of a property, during the time that the taxpayer has held, or can reasonably be expected to hold, the property.

IPFC has advised counsel that it does not believe that the Draft Proposals will have a material effect, as it expects to realize a cumulative profit from its business and properties. IFPC will continue to monitor the Draft Proposals in order to determine whether any changes to the capital structure of its business or properties are required.

There can be no assurance that the Draft Proposals will be implemented in their current form. There can be no assurance that IFPC will satisfy the Draft Proposals at all relevant times throughout the term of the IFPC Loan.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Trust Units or otherwise.

Provided that appropriate designations are made by the Fund, such portions of its taxable dividends received from taxable Canadian corporations, foreign source income and net taxable capital gains as is paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from a taxable Canadian corporation, the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction in computing taxable income will be available to Unitholders that are corporations.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year. However, where an amount (other than in respect of the non-taxable portion of any net realized capital gains of the Fund for the year, the taxable portion of which was designated to the Unitholder) is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Trust Units), the Unitholder will be required to reduce the adjusted cost base of Trust Units by that amount.

To the extent that the adjusted cost base of a Trust Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Trust Unit and will be added to the adjusted cost base of the Trust Unit so that the adjusted cost base will be zero.

The cost to a Unitholder of additional Trust Units received in lieu of a cash distribution of income will be the amount of income (including net taxable capital gains) distributed by the issue of those Trust Units (and the applicable non-taxable portion of the Fund's net capital gains). For the purpose of determining the adjusted cost base to a Unitholder of Trust Units, when a Trust Unit is acquired, the cost of the newly-acquired Trust Unit will be averaged with the adjusted cost base of all of Trust Units owned by Unitholder as capital property immediately before that acquisition.

Acquisition of Trust Units

Unrealized capital gains and undistributed income of the Fund at the time that the Subscription Receipts are issued may be included in distributions to a Unitholder after the exchange of Subscription Receipts for Trust Units. A Unitholder will be required to include the amount of such distributions in income, in the manner described above, notwithstanding that a portion of such distributions may reflect amounts included in determining the purchase price of the Subscription Receipts.

Investors who propose to borrow to finance all or a portion of their investments in Subscription Receipts or Trust Units should consult their own tax advisors for advice with respect to the Draft Proposals.

Dispositions of Trust Units

On the disposition or deemed disposition of a Trust Unit whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Trust Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Fund as a result of a redemption which has been designated by the Fund to the redeeming Unitholder.

Where Trust Units are redeemed by the distribution of property of the Fund to the redeeming Unitholder, the proceeds of disposition to the Unitholder of Trust Units will be equal to the fair market value of such property so distributed less any income or capital gain realized by the Fund as a result of the redemption of those Trust Units (which income or capital gain will be designated by the Fund as payable to the Unitholder) and, in the case of any NPIF Commercial Trust Notes, any accrued interest on those notes to the time of distribution. Where income or a capital gain realized by the Fund as a result of the distribution of such property on the redemption of Trust Units has been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the income or the taxable portion of the capital gain so designated. Interest accrued on NPIF Commercial Trust Notes in the taxation year of the Fund in which the redemption occurs but which has not been paid at the time of redemption will be treated as an amount of income paid to the Unitholder and therefore will be included in the Unitholder's income in the year the Trust Unit is redeemed. The cost of any property distributed by the Fund to a Unitholder upon a redemption of Trust Units will be equal to the fair market value of that property at the time of the distribution less, in the case of NPIF Commercial Trust Notes, any accrued interest on the NPIF Commercial Trust Notes.

Capital Gains and Capital Losses

One-half of any capital gains realized by a Unitholder and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain. One-half of any capital loss realized by a Unitholder may generally be deducted only from taxable capital gains in accordance with the provisions of the Tax Act.

Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Trust Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Trust Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Trust Units.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual that is designated as taxable dividends or as net realized capital gains and capital gains realized on the disposition of Trust Units may increase the Unitholder's liability for alternative minimum tax.

RISK FACTORS

The following are certain risk factors relating to an investment in Subscription Receipts and Trust Units which prospective investors should carefully consider before deciding whether to purchase Trust Units which are in addition to those described under the heading "Risk Factors" in the Annual Information Form and the MD&A as at and for the year ended December 31, 2005. The following information is a summary only of such additional 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 Prospectus, including in documents incorporated by reference herein.

Increased Exposure to Risks Relating to Kingston Facility

There are a number of risks relating to the Kingston Facility that are set out under the heading "Risk Factors" in the Fund's annual information form. By increasing the Fund's interest in the Kingston Facility, the Fund will increase its exposure to these risks.

Failure to Realize Anticipated Benefits of Transaction

As described in "The Transaction — Rationale of Transaction", the Fund believes that the Transaction will provide certain benefits to the Fund. However, there is a risk that some or all of the expected benefits of the Transaction may fail to materialize, or may not occur within the time periods anticipated by the Fund. The realization of such benefits may be affected by a number of factors including those disclosed in the Prospectus, many of which are beyond the control of the Manager or the Fund.

Transition Risk

There can be no assurance that the transition of management responsibilities from AES Kingston to the Manager will not adversely affect the financial or operational performance of KCLP.

Failure to Complete the Transaction

The gross proceeds of the offering are being held in escrow pending the Transaction Closing. There can be no assurance that the Transaction will close. If the Transaction does not close, holders of the Subscription Receipts will be entitled to receive an amount equal to their subscription price plus an amount equal to their proportion of the interest actually earned on the investment of the Escrowed Funds, which may be less than the yield that would be payable on the Trust Units.

Enforcement of Rights under the Share Purchase Agreement

It is possible that the representations and warranties of the Vendor given in the Share Purchase Agreement may be incorrect. If so, NPIF Commercial Trust may not be fully indemnified. To the extent that it is indemnified or otherwise would have remedies for breach of contract, it may be difficult to enforce the indemnification or remedies as the Vendor and AES Corporation are foreign corporations that may have insufficient assets in Canada to satisfy any claim.

Market for Subscription Receipts

There is currently no market through which the Subscription Receipts may be sold. There can be no assurance that an active trading market will develop for the Subscription Receipts after this offering, or if developed, that such a market will be sustained at the price level of this offering.

LEGAL MATTERS

The matters referred to under "Eligibility for Investment" and "Certain Income Tax Considerations" and certain other legal matters relating to the issuance of the Subscription Receipts and the issuance of the Trust Units upon the exchange thereof will be passed upon at the date of closing on behalf of the Fund by Borden Ladner Gervais LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

As of the date hereof, the partners and associates of each of Borden Ladner Gervais LLP and McCarthy Tétrault LLP beneficially own, directly or indirectly, as a group less than 1% of all Trust Units of the Fund outstanding at such date.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHT OF RESCISSION

Purchasers of Subscription Receipts pursuant to this Prospectus will have a contractual right of rescission following the issuance of Trust Units to such purchaser upon surrender of the Subscription Receipts where this Prospectus and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of the closing of the offering.

GLOSSARY OF TERMS

In this Prospectus, the following terms have the meanings set forth below unless otherwise indicated:

"**$**" means Canadian dollars, unless otherwise specified.

"**AES Kingston**" means AES Kingston ULC.

"**Annual Information Form**" means the annual information form dated March 7, 2006 of the Fund.

"**Capital Gains Refund**" means the amount determined under the Tax Act based on the redemption of Trust Units in a taxation year that reduces (or that the Fund may receive a refund in respect of) the tax for which the Fund would otherwise be liable for in respect of its net taxable capital gains for that same taxation year.

"**CDS**" means The Canadian Depository for Securities Limited.

"**CDS Participant**" means a participant in CDS.

"**CIBC World Markets**" means CIBC World Markets Inc.

"**Closing Date**" means the date at which Subscription Receipts are issued pursuant to the closing of the offering under this Prospectus.

"**CRA**" means the Canada Revenue Agency.

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

"**Draft Proposals**" means the proposed draft legislative amendments and draft Interpretation Bulletin regarding the deductibility of interest and other expenses related to a source, released by the Department of Finance on October 31, 2003.

"**Escrowed Funds**" means the gross proceeds from the sale of Subscription Receipts.

"**Fund**" means Northland Power Income Fund.

"**GE**" means the General Electric Company.

"**IFPC**" means Iroquois Falls Power Corp., a wholly owned subsidiary of NPIF Commercial Trust, continued under the laws of Ontario.

"**IFPC Loan**" means the loan made by NPIF Commercial Trust to IFPC in connection with the equity investment in PEC and the making of the Senior Loan, bearing interest at the rate of 10.25% and amortized on the same basis as the Senior Loan.

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

"**Iroquois Falls Facility**" means the 120 MW electricity and steam generating facility located in Iroquois Falls, Ontario, Canada and all ancillary assets.

"**KCLP**" means Kingston CoGen Limited Partnership.

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

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

"**Manager**" means Northland Power Income Fund Management Inc., a wholly owned subsidiary of NPI.

"**kWh**" means kilowatt hours, which is 1,000 watt hours of electrical energy.

"**MD&A**" means the management's discussion and analysis of the Fund as at and for the year ended December 31, 2005.

"**Megawatt**" or "**MW**" means a megawatt, which is 1,000 kilowatts or 1,000,000 watts of electrical energy.

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

"**Mont Miller Facility**" means the 54 MW wind power facility, located near Murdochville, Quebec.

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

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

"**NPIF Commercial Trust**" means the trust established pursuant to all of the units of which are owned by the Fund.

"**NPIF Commercial Trust Indenture**" means the trust indenture constituting NPIF Commercial Trust as of December 20, 2002 between the trustee thereof and the settler thereof, as supplements, amended and restated by the supplemental and restated trust indenture dated as of July 1, 2003, as further amended, supplemented, or restated from time to time.

"**NPIF Commercial Trust Notes**" means notes of any series of NPIF Commercial Trust issued from time to time under the Trust Indenture.

"**NPIF Commercial Trust Units**" means a trust unit issued by NPIF Commercial Trust.

"**NPIF Commercial Trust Trustees**" means the trustees of NPIF Commercial Trust.

"**OEFC**" means Ontario Electricity Financial Corporation, the successor to Ontario Hydro as continued by the *Electricity Act, 1998* (Ontario).

"**Over-Allotment Option**" means the option in favour of the Underwriters described under "Plan of Distribution".

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

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

"**PEPCO**" means Potomac Electric Power Company, a corporation existing under the laws of the District of Columbia and Virginia.

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

"**Plans**" means registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

"**Prospectus**" means this short form prospectus.

"**Receiptholder**" means a prospective holder of Subscription Receipts pursuant to this offering.

"**Redemption Price**" means the price per Trust Unit paid on redemption.

"**S&P**" means Standard & Poor's, a division of The McGraw-Hill Companies.

"**SEC**" means the United States Securities and Exchange Commission.

"**Senior Loan**" means the unsecured senior loan from IFPC to PIC, in the original amount of US$93 million.

"**Share Purchase Agreement**" means the share purchase agreement dated March 7, 2006 between the Vendor and NPIF Commercial Trust to be assigned to NPIF Kingston Holdings Corp. prior to the Transaction Closing.

"**Subscription Receipt Agent**" means Computershare Trust Company of Canada, as subscription receipt and escrow agent.

"**Subscription Receipt Agreement**" means the subscription receipt agreement between the Fund and the Subscription Receipt Agent governing the terms of the Subscription Receipts.

"**Subscription Receipts**" means the subscription receipts of the Fund.

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

"**Termination Date**" means April 30, 2006.

"**Transaction**" means the purchase by NPIF Commercial Trust through a wholly owned subsidiary of all the issued and outstanding shares of AES Kingston.

"**Transaction Closing**" means the closing of the Transaction between the Fund and the Vendor.

"**Trust Indenture**" means the trust indenture dated February 17, 1997, as amended and restated as of July 1, 2003 between NPI, as settler of the Fund, and the Trustee.

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

"**Trustee**" means Computershare Trust Company of Canada, or its successor as trustee of the Fund.

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

"**Underwriters**" means CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., Canaccord Capital Corporation and FirstEnergy Capital Corp.

"**Underwriting Agreement**" means an agreement dated March 9, 2006 between the Fund, the Manager and the Underwriters.

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

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**US$**" means United States dollars.

"**Vendor**" means AES Kingston Holdings BV.

AUDITORS' CONSENT

We have read the short form prospectus of Northland Power Income Fund (the "Fund") dated March 16, 2006 relating to the qualification and distribution of subscription receipts of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the Unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2005 and 2004, and the consolidated statements of income and deficit and cash flows for the years then ended. Our report is dated February 15, 2006.

Toronto, Canada,
March 16, 2006

(Signed) ERNST & YOUNG LLP
Chartered Accountants

COMPILATION REPORT ON
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Trustees of NPIF Commercial Trust

We have read the accompanying unaudited pro forma consolidated balance sheet of Northland Power Income Fund (the "Fund") as at December 31, 2005 and unaudited pro forma consolidated income statement for the year then ended and have performed the following procedures.

1. Compared the figures in the columns captioned "Northland Power Income Fund" to the audited consolidated financial statements of the Fund as at and for the year ended December 31, 2005 and found them to be in agreement.

2. Made enquiries of certain officials of the Fund who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and

   (b) whether the pro forma consolidated financial statements comply as to form in all material respects with Canadian securities legislation.

   The officials:

   (a) described to us the basis for determination of the pro forma adjustments, and

   (b) stated that the pro forma consolidated financial statements comply as to form in all material respects with Canadian securities legislation.

3. Read the notes to the pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

4. Recalculated the application of the pro forma adjustments to the amounts in the columns captioned "Northland Power Income Fund" as at and for the year ended December 31, 2005 and found the amounts in the columns captioned "Northland (Pro Forma)" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Toronto, Canada
March 9, 2006

(Signed) ERNST & YOUNG LLP
Chartered Accountants

NORTHLAND POWER INCOME FUND

PRO FORMA CONSOLIDATED BALANCE SHEET

(Unaudited — See Compilation Report)

As at December 31, 2005

(thousands of Canadian dollars)

		Pro Forma Adjustments		
	Northland Power Income Fund	50% KCLP [Note 2b]	Other [Note 2]	Northland (Pro Forma)
ASSETS				
Current assets				
Cash and cash equivalents	$ 14,482	$ 4,264	$ 166,077 a (127,156)b (2,040)c (33,199)d	$ 22,428
Cash reserves	413	413		826
Accounts receivable & other receivables	23,090	5,700		28,790
Inventories	2,334	—		2,334
Prepaid expenses	1,854	822		2,676
Current portion of senior loan receivable	2,797	—		2,797
Total current assets	$ 44,970	$11,199	$ 3,682	$ 59,851
Deferred charges	5,420	—		5,420
Goodwill	—	—	31,222 b	31,222
Property, plant and equipment, net	407,659	56,616	123,000 b	587,275
Investment in Panda Energy Corporation	7,946	—		7,946
Senior loan receivable	81,454	—		81,454
Future income tax asset	1,401	—		1,401
Total assets	$ 548,850	$67,815	$ 157,904	$ 774,569
LIABILITIES AND UNITHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	8,239	1,729		9,968
Current portion of KCLP debt	4,488	4,488		8,976
Current portion of term loan	808	—		808
Distributions payable to Unitholders	5,685	—		5,685
Total current liabilities	$ 19,220	$ 6,217	$ —	$ 25,437
KCLP debt	62,260	62,260	(33,199)d	91,321
Other long-term liabilities	331	331	9,469 b	10,131
Asset retirement obligation	2,687	—		2,687
Future tax liability	—	—	16,604 b	16,604
Mont Miller term loan	39,192	—		39,192
Convertible debentures	46,058	—		46,058
Total liabilities	$ 169,748	$68,808	$ (7,126)	$ 231,430
UNITHOLDERS' EQUITY				
Trust units	487,583	—	166,077 a	653,660
Deficit	(108,481)	(993)	993 b (2,040)c	(110,521)
Total unitholders' equity	379,102	(993)	165,030	543,139
Total liabilities and unitholders' equity	$ 548,850	$67,815	$ 157,904	$ 774,569

See accompanying notes to pro forma consolidated financial statements

NORTHLAND POWER INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF INCOME

(Unaudited — See Compilation Report)

Year Ended December 31, 2005

(thousands of Canadian dollars, except per unit amounts)

	Northland Power Income Fund	Pro Forma Adjustments 50% KCLP [Note 2b]	Pro Forma Adjustments Other [Note 2]	Northland (Pro Forma)
Revenues				
Electricity	$101,889	$31,740		$133,629
Steam	7,280	1,138		8,418
Natural gas	17,903	10,278		28,181
Other income	1,106	182		1,288
	$128,178	$43,338	$ —	$171,516
Cost of sales	51,040	19,301		70,341
Gross profit	$ 77,138	$24,037	$ —	$101,175
Expenses				
Plant operating costs	10,906	3,454	(2,857)g 846 h	12,349
Amortization	18,217	4,001	10,250 f	32,468
Management and administration costs	4,863	446	2,040 c 300 g 50 h	7,699
Accretion expense	79	—		79
	$ 34,065	$ 7,901	$ 10,629	$ 52,595
Investment income	15,047	—		15,047
Income from operations	$ 58,120	$16,136	$(10,629)	$ 63,627
Foreign exchange	2,185	—		2,185
Amortization of deferred charges	1,284	—		1,284
Interest income	(478)	(181)		(659)
Interest expense and bank fees	10,458	6,159	(2,342)e	14,275
Income (loss) before income taxes	$ 44,671	$10,158	$ (8,287)	$ 46,542
Provison for income taxes				
Current	611	—		611
Future	(261)	—		(261)
	350	—	—	350
Net income (loss) for the period	$ 44,321	$10,158	$ (8,287)	$ 46,192
Basic income per unit	0.91		i	0.77
Diluted income per unit	0.87		i	0.74

See accompanying notes to pro forma consolidated financial statements

NORTHLAND POWER INCOME FUND

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited — See Compilation Report)

(all amounts in 000's)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements of Northland Power Income Fund (the "Fund") have been prepared in accordance with Canadian generally accepted accounting principles for inclusion of the following events (collectively, the "Transactions"):

i. The issuance of 11,560,000 subscription receipts for net proceeds of $166,077 (after deduction of offering expenses of $300, fees to the Underwriters of $8,758 and assuming no exercise of the Over-Allotment Option);

ii. The automatic exchange of the subscription receipts for 11,560,000 trust units of the Fund for no additional consideration;

iii. The proposed indirect acquisition by the Fund of the remaining 50% interest in Kinston Cogen Limited Partnership's ("KCLP's") by way of an acquisition of all of the outstanding shares of AES Kingston ULC ("AES Kingston"), which owns a 49.5% general and 0.5% limited partnership interest in KCLP. The Fund currently owns a 50% general partnership interest in KCLP; and

iv. The repayment of KCLP's amount owing to Ontario Electricity Financial Corporation ("OEFC") through its levelization account.

The accompanying unaudited pro forma consolidated financial statements have been derived from and should be read in conjunction with the audited consolidated financial statements of the Fund incorporated by reference in the prospectus.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position or results of operations that would have resulted had the proposed transactions taken place at the respective dates referred to above, and therefore may not be indicative of the financial position or the operating results of future periods.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated balance sheet of the Fund assumes that the Transactions occurred as at December 31, 2005 and the unaudited pro forma consolidated statement of operations for the year ended December 31, 2005 assumes that the Transactions occurred as at January 1, 2005.

The adjustments made in the preparation of the pro forma consolidated financial statements are as follows:

a) To record the public offering of 11,560,000 subscription receipts of the Fund at a price of $15.15 per unit for gross proceeds of $175,134 and net proceeds of $166,077 and the subsequent automatic conversion of each subscription receipt for one trust unit of the Fund on the date of closing of the acquisition of AES Kingston.

b) To record the proposed acquisition by the Fund's wholly owned subsidiary, NPIF Kingston Corp., of 100% of the outstanding shares of AES Kingston and its 49.5% general and 0.5% limited partnership interest in KCLP for cash consideration of US $110,000. The proposed step acquisition of the remaining 50% interest in KCLP has been accounted for using the purchase method and the consideration has been allocated, based on management's preliminary estimate to the net assets acquired as follows:

(all amounts in 000's)

Working capital	4,982
Property, plant and equipment	56,616
Contracts	123,000
Goodwill	31,222
Other long-term liabilities	(9,800)
Future tax liability	(16,604)
Long term debt (excluding current portion)	(62,260)
Total purchase price paid	127,156
Less: cash acquired in KCLP	(4,264)
Total cash purchase price paid	122,892

The actual calculation and allocation of the purchase price for the acquisition of AES Kingston will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date to support the allocation of the purchase price to the respective acquired assets. Accordingly, the amounts for each of the assets will vary from the pro forma amounts and the variation may be material.

c) To record the acquisition fee owing to Northland Power Income Fund Management Inc. upon the successful completion of the acquisition of AES Kingston of $2,040.

d) To record the repayment of KCLP's levelization account. KCLP's levelization account represents certain cash advances from OEFC that was to be repaid over the duration of the power purchase agreement. There are no penalties for repaying the advances early.

e) To eliminate interest expense related to the levelization account of $2,342 for the year ended December 31, 2005.

f) To record amortization on the fair market value increments with respect to KCLP's power purchase agreement, the natural gas supply contract and the steam agreement acquired from KCLP through AES Kingston over their estimated remaining useful lives of 12 years.

g) To eliminate management and other fees paid to AES Kingston ULC in connection with agreements with KCLP of $2,857 and to record the revised Northland Power Income Fund Management Inc.'s incremental management fee of $300.

h) To record benefit costs relating to the employees of AES Kingston currently responsible for the management and operations of the KCLP facility of $846 and $50, respectively.

i) The basic and diluted income per trust unit calculations are based on the assumption that 11,560,000 trust units were issued and outstanding for the period presented. The weighted average number of pro forma basic and diluted trust units was 60,111,292 and 64,997,999, respectively.

CERTIFICATE OF THE FUND

Dated: March 16, 2006

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

NORTHLAND POWER INCOME FUND
By: NORTHLAND POWER INCOME FUND MANAGEMENT INC., AS ADMINISTRATOR

By: (Signed) JOHN W. BRACE
President and Chief Executive Officer

By: (Signed) ANTHONY F. ANDERSON
Chief Financial Officer

CERTIFICATE OF THE UNDERWRITERS

Dated: March 16, 2006

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented together with documents incorporated herein by reference and by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CIBC WORLD MARKETS INC.

By: (Signed) DAVID H. WILLIAMS

SCOTIA CAPITAL INC.

By: (Signed) THOMAS I. KURFURST

NATIONAL BANK FINANCIAL INC.

By: (Signed) WILLIAM M. CROSSLAND

BMO NESBITT BURNS INC.

By: (Signed) JAMES A. TOWER

RBC DOMINION SECURITIES INC.

By: (Signed) ROBERT NICHOLSON

CANACCORD CAPITAL CORPORATION

By: (Signed) RONALD A. RIMER

FIRSTENERGY CAPITAL CORP.

By: (Signed) HUGH R. SANDERSON

NORTHLAND POWER
INCOME FUND

QUEBECOR MERRILL
CANADA INC
Printed In Canada