

Quarterly Report

Northland Power Income Fund

Quarterly Report for the period ended September 30, 2009

This report covers the operations of the Northland Power Income Fund (the "Fund") for the quarter and the 9 months ended September 30, 2009

FINANCIAL AND OPERATING RESULTS

	3 months ended Sept. 30		9 months ended Sept. 30	
	2009	2008	2009	2008
FINANCIAL (thousands, except per unit amounts)				
Sales	\$45,233	\$44,258	\$142,796	\$141,579
Income from Operations	\$12,213	\$20,975	\$48,215	\$58,958
Net Income (Loss)	(\$4,640)	\$14,662	\$9,176	\$41,624
Standardized Distributable Cash	(\$101,677)	\$25,541	(\$60,137)	\$82,155
Distributable Cash	\$10,348	\$20,842	\$49,976	\$63,635
Cash Distributions Declared to Unitholders	\$17,459	\$16,836	\$51,130	\$50,506
Per Trust Unit				
Standardized Distributable Cash	(\$1.5822)	\$0.4096	(\$0.9546)	\$1.3176
Distributable Cash	\$0.1610	\$0.3343	\$0.7933	\$1.0206
Cash Distributions Declared to Unitholders	\$0.2700	\$0.2700	\$0.8100	\$0.8100
OPERATIONS				
Electricity Production (megawatthours)	390,354	275,791	1,128,196	961,574
Steam Production (thousands of pounds)	156,614	278,983	760,216	931,904
Fuel Consumption (thousands of gigajoules)	3,187	2,314	9,018	7,927



MANAGEMENT'S DISCUSSION & ANALYSIS

This report is the first made by Northland Power Income Fund (the “**Fund**”) since its merger with Northland Power Inc. (“**NPI**”) on July 16, 2009.

Third Quarter Overview

Income from operations and distributable cash for the Fund this quarter were down from the same quarter last year which included \$8.7 million of one-time investment income associated with transactions entered into by Panda-Brandywine, L.P., including replacement of the PPA at the Panda-Brandywine facility. Net income (loss) was further negatively affected by \$10.5 million of non-cash mark-to-mark adjustments related to foreign exchange and changes in the fair value of interest rate swaps.

The Fund’s facilities operated well during the quarter. Consolidated sales were \$45.2 million while income from operations was \$12.2 million.

Costs associated with the current high level of development activities had an adverse effect on management and administration costs this quarter. The NPI merger will start to have a beneficial impact on financial results in 2010 with the startup of the Jardin d’Éole wind farm in mid-November 2009 and the Thorold facility in the first quarter of 2010 – both projects remain well within both budget and schedule.

Distributable cash as determined by the Fund was \$10.3 million during the third quarter; \$10.5 lower than last year largely because of the one-time income from Panda-Brandywine in 2008. Readers should refer to the schedule of Cash Distributions to Unitholders and Distributable Cash for the calculation of distributable cash (a non-GAAP financial measure).

Cash distributions to Unitholders declared for the quarter totalled \$0.27 per unit.

A number of trust units and exchangeable and convertible securities were issued this quarter in association with the NPI merger. For purposes of calculating net income per unit a number of the exchangeable units are included whereas for purposes of calculating distributable cash per unit they are not as the exchangeable and convertible securities are not eligible to receive cash distributions until January 2012 (refer to Note 10 of the financial statements.)

Spy Hill Project

During the quarter, the Fund announced that it has entered into a 25-year Power Purchase Agreement (“PPA”) with the Saskatchewan Power Corporation (“**SaskPower**”) to provide peaking power to the Saskatchewan energy system. A PPA for an 86 MW natural-gas-fired peaking plant was awarded to NPI following a successful bid into SaskPower’s Request for Proposals. Under the PPA, the project will receive monthly payments that are designed to cover all fixed costs and investment returns. The PPA also provides protection against changes in the market price of natural gas, as fuel costs are passed through to SaskPower. The Fund will be responsible for operating the plant to achieve specified efficiency and reliability levels. The contractual structure of the project is designed to ensure predictable, stable and sustainable cash flows over the entire 25-year term of the PPA. The plant, to be built near Spy Hill, Saskatchewan, is expected to cost approximately \$145 million and come into commercial operation late in 2011.

Merger with Northland Power Inc.

On July 16th the Fund merged with NPI by acquiring all of the issued and outstanding shares of NPI. The merger was paid for largely with securities that are exchangeable into trust units of the Fund on or after January 16, 2012, and do not receive cash distributions until that date. Certain securities are

subject to reduction if the Fund reduces its current distribution of \$0.09 per unit a month before that date. The conversion of some of those securities is contingent on the Fund recognizing value for the development portfolio NPI brought to the merger. The merger with NPI was approved by the requisite majorities of the Fund's Unitholders on July 16, 2009. The merger with NPI and all related transactions are described in detail in the Notice of Annual and Special Meeting and Management Information Circular dated May 1, 2009 and the Supplement to the Management Information Circular dated July 10, 2009, both of which have been posted on SEDAR, at www.sedar.com, and on the Fund's website, www.npifund.com.

With the merger, the Fund now has ownership or economic interests in 10 power projects totaling over 1,100 megawatts ("MWs") (net 872 MWs) that include clean natural-gas-fired plants as well as renewable wind and biomass projects. The merger has internalized management and created significant positive alignment through management's ownership of approximately 36% of the Fund, potentially increasing to as much as 46% if all exchangeable and convertible securities are converted to trust units. The Fund's average PPA duration has been extended to 14 years. The merger has provided the Fund with an additional \$600 million of tax deduction pools which, combined with cash flow from NPI's four projects, will provide cash available for distribution to help maintain the Fund's distribution of \$1.08 per unit even after the Fund becomes taxable in 2011. In addition, the merger provides the Fund with the ability to grow organically by generating its own development opportunities, as well as bringing in a pipeline of high-quality development prospects.

The Fund's assets now include ownership of the 265 MW cogeneration facility being constructed in Thorold, Ontario and an ownership interest in the 127.5 MW Jardin d'Éole wind farm being constructed near Matane, Quebec. It also has an economic interest in natural-gas- and biomass-fired generation facilities in Kirkland Lake and Cochrane, Ontario that it manages on behalf of third-party owners, and receives management, gas purchase and performance incentive fees as a result of providing these services, as well as a small wood chipping facility located on Vancouver Island and an engineering services business. The Fund's assets also include a sizable portfolio of development prospects, of which the Spy Hill project is the first to proceed to PPA signing.

Revenue from wood chipping, engineering services and management and operation services are included in the revenue section of the consolidated statement of income and deficit as "other".

As a result of the merger, certain previously reported amounts are now eliminated on consolidation as they represent inter-company transactions. These amounts include the loan receivable from Thorold CoGen Limited Partnership ("**Thorold LP**"), fees and interest earned on the loans and loan commitments to Thorold LP and Saint-Ulric Saint-Léandre Wind LP ("**Jardin LP**") and management fees formerly paid to a subsidiary of NPI.

Public Offerings

On October 15, 2009 the Fund raised \$161.4 million through issuing 6.7 million trust units and \$92 million of 6.25% debentures convertible into trust units at \$12.42 per unit until December 31, 2014 and redeemable by the Fund under certain circumstances. The Fund intends to use the proceeds of the offerings to finance the equity requirements for the Spy Hill project, to fund its commitments with respect to the Jardin d'Éole project and the Thorold project, and to repay existing indebtedness as well as for general business purposes of the Fund.

The funds raised strengthen the Fund's financial standing and position it to move forward with its growth strategy, with the Spy Hill RFP win being the first of a number of beneficial transactions that management believes will be realized by the Fund as a result of the merger with NPI.

THERMAL FACILITIES

Following is a discussion of the results of operations of the Fund's thermal facilities for the quarter and the nine months ended September 30, 2009.

Iroquois Falls Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2009	2008	2009	2008
Sales Volume				
Electricity (MWh)	159,784	149,363	520,182	505,428
Steam (000 lb.)	156,614	228,661	670,882	736,174
Fuel Consumption (000 GJs)	1,460	1,437	4,799	4,762
Sales				
Electricity	14,445	14,703	50,320	50,185
Steam	1,244	1,689	5,117	5,248
Natural gas	1,448	3,065	2,342	6,168
Emission allowances and credits	-	-	80	116
	17,137	19,457	57,859	61,717
Cost of sales				
Gas consumed	6,280	7,209	23,706	23,365
Gas re-sold	1,444	3,004	2,431	6,138
	7,724	10,213	26,137	29,503
Gross profit				
	9,413	9,244	31,722	32,214
Plant operating costs				
	1,713	1,770	5,240	5,011
Capital expenditures				
	17	3	67	49

For the third quarter of 2009, electricity sales volume under the PPA was up compared to the same quarter of last year as this year's scheduled annual maintenance outage was completed in the second quarter compared to the third quarter of 2008. Electricity revenue was down from the same quarter last year when the Fund received a one-time retroactive payment of \$0.8 million from Ontario Electricity Financial Corporation ("OEFC") related to sharing of incremental profits on non-contracted electricity sales in prior years. Steam revenues were down from the same period last year due to five weeks of unplanned shutdowns at the AbitibiBowater plant. Sales of natural gas were down \$1.6 million as excess capacity under the plant's gas transportation agreement was sold directly rather than mitigated through the purchase and resale of natural gas.

Although production increased by 7% this quarter, gas consumption was only slightly higher than the same period last year related to the lower steam sales volume. The cost of natural gas consumed during the quarter was down as low market prices made it economic to reduce contract gas purchases, within the limits of the agreement, and purchase market gas for consumption. Commensurate with lower natural gas resale volumes, the cost of gas resold was down from last year. Since the merger with NPI, incentive fees are no longer an expense item included in the cost of sales at Iroquois Falls, reducing expenditures this quarter by \$0.2 million. Plant operating costs were relatively consistent with the previous year as higher contracted services payments to General Electric Canada, Inc. ("GE"), which are tied to production, off-set higher maintenance costs in 2008.

As at September 30, 2009, the Fund had approximately \$1.1 million of receivables owing from AbitibiBowater that are subject to the Companies' Creditors Arrangement Act ("CCAA") proceedings. At this time, all subsequent receivables have been collected. Management and the Fund's legal counsel will continue to monitor the situation and the collectability of the amounts owing; at this time,

management of the Fund does not believe an allowance is required.

For the nine-month period ended September 30th, electricity sales volume under the PPA was up compared to last year as low natural gas market prices made it economic to purchase natural gas to fuel additional off-peak production. Electricity revenue was higher due to increased production, partially offset by a retroactive revenue adjustment (reduction) in 2009 of \$0.2 million related to the 2008 DCR calculation (the Iroquois Falls facility's pricing escalator for its PPA) and the \$0.8 million retroactive payment received in 2008 from OEFC, discussed above. Steam revenues were consistent with last year as lower demand was offset by a higher average selling price. Sales of natural gas were down primarily because higher electricity production in the first quarter of 2009 left little excess capacity available for resale under the plant's gas transportation agreement and, in the second and third quarters of 2009, excess gas transportation capacity was sold rather than mitigated through the purchase and resale of natural gas. Plant operating costs were up largely due to an increase in gas turbine maintenance fees which are tied to production.

Kingston Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2009	2008	2009	2008
Sales Volume				
Electricity (MWh)	198,092	89,046	478,695	324,155
Steam (000 lb.)	-	50,322	89,334	195,730
Fuel consumption (000 GJs)	1,727	877	4,219	3,165
			-	-
Sales				
Electricity	20,547	13,602	57,929	48,005
Steam	-	328	776	1,264
Natural gas	3,338	8,021	14,623	20,257
	23,885	21,951	73,328	69,526
Cost of sales				
Gas consumed	9,683	7,455	26,686	23,266
Gas re-sold	1,768	3,428	7,470	8,461
	11,451	10,883	34,156	31,727
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Gross profit	12,434	11,068	39,172	37,799
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Plant operating costs	1,670	1,926	4,603	4,562
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Capital expenditures	101	-	213	-

For the third quarter of 2009, electricity sales volume at the Kingston facility was up considerably compared to the same period last year. Low natural gas prices resulted in fewer voluntary curtailments for natural gas re-sales, which led to more off-peak production. Electricity production was also positively affected by the 2009 scheduled annual maintenance outage which lasted three days versus two weeks in 2008. There was no steam revenue during the quarter due to the closure of Kingston facility's steam host. Revenue from the resale of natural gas was also lower than the previous year due to the lower market prices for natural gas.

The cost of natural gas consumed was higher in the third quarter of 2009 compared to the same period in 2008 commensurate with the increased off-peak production as mentioned above. The cost of gas resold was lower in 2009, consistent with the lower gas sale volumes. Plant operating costs were lower as there was less scheduled maintenance required in 2009.

As reported previously, INVISTA (Canada) Company (“**INVISTA**”) notified Kingston LP that it would permanently close its Millhaven facility in October 2009. The INVISTA agreements provide Kingston LP with 'step-in rights' to operate and maintain certain INVISTA infrastructure, with Kingston LP manpower and at Kingston LP's cost. At present, Kingston LP is operating INVISTA's pump house for the supply of its process water and is trucking process waste water to the local municipal treatment facility. Process waste water will eventually be discharged through INVISTA's existing outfall once governmental approvals are received.

For the nine-month period ending September 30, 2009, electricity sales were up from the year before as a result of fewer voluntary curtailments for gas resales during off-peak periods as well as the shorter scheduled outage in 2009. Year-to-date steam revenue was lower as INVISTA ceased operations in the second quarter. Natural gas resale revenue decreased from the previous year as a result of lower natural gas volumes and prices.

The cost of natural gas consumed was higher in the first nine months of 2009 commensurate with the increase in electricity production. The cost of gas resold was lower due mostly to decreased natural gas resale volumes. Plant operating costs were relatively consistent with the previous year as higher contracted services payments to GE, which are tied to production, off-set higher scheduled maintenance costs in 2008.

WIND FACILITIES

Following is a discussion of the results of operations of the Fund's wind facilities for the quarter and the nine months ended September 30, 2009.

Mont Miller Wind Farm

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2009	2008	2009	2008
Sales Volume				
Electricity (MWh)	27,164	31,253	109,012	106,036
Sales				
Electricity	1,750	1,986	6,955	6,679
	1,750	1,986	6,955	6,679
Gross profit	1,750	1,986	6,955	6,679
Plant operating costs	495	446	1,455	1,401
Capital expenditures	-	-	1	-

Mont Miller's third quarter electricity production fell short of the prior year due to light winds in July and a 5-day forced outage in August for Hydro-Québec TransEnergie to complete transmission line repairs. Year-to-date production surpassed the prior year. The capacity factor was 24% for the quarter and 31% year-to-date.

The turbines achieved overall equipment reliability of 98% during the quarter and 98% year-to-date. There was minimal downtime during the quarter for Vestas to repair two turbine blades damaged by lightning in July.

German Wind Farms

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2009	2008	2009	2008
Sales Volume				
Electricity (MWh)	5,314	6,129	20,307	25,955
Sales				
Electricity	748	864	2,941	3,657
	748	864	2,941	3,657
Gross profit	748	864	2,941	3,657
Plant operating costs	239	223	743	730
Capital expenditures	-	-	-	-

During the third quarter of 2009, electricity production at the German wind farms was lower than the prior year and long-term expectations due to light winds at Eckolstädt in August. Year-to-date production was down due to unusually strong winds during the first quarter of 2008 and lighter than expected winds at Eckolstädt in 2009. The German wind farms achieved a capacity factor of 11% for the quarter and 16% year-to-date.

The turbines had minimal downtime for the operator to complete scheduled maintenance at Eckolstädt. Combined turbine reliability was 98% during the quarter and year-to-date.

Management and Administration, Development and Other Services

<i>(in thousands of dollars)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2009	2008	2009	2008
Sales, Other	1,713	-	1,713	-
Cost of sales, Other	538	-	538	-
Gross Profit	1,175	-	1,175	-
Management and administration :				
-Operations	2,357	1,110	5,518	3,495
-Development	1,325	-	1,325	-
Total Management and administration	3,682	1,110	6,843	3,495
Panda Energy Corporation ("PEC"):				
Dividends	23	7,654	336	7,995
Interest income	1,885	1,990	5,956	5,695
	1,908	9,644	6,292	13,690
Thorold LP interest and fees	-	388	1,230	845
Jardin LP fees	-	174	348	249
Total investment income	1,908	10,206	7,870	14,784

Sales, Other, represents revenue earned from NPI's wood chipping facility combined with fees earned from management and engineering services provided to Cochrane Power Corp. and Kirkland Lake Power Corp. which NPI manages on behalf of third party investors. Cost of sales is related to wood waste costs at the chipping facility which are turned into saleable wood chips and hog fuel for use in the production of pulp and paper. Management and administration costs are \$2.6 million higher than the same quarter last year due to management and development costs incurred at NPI, which are high due to

the current high level of development activity, and one-time legal expenditures to renegotiate the Fund's and IFPC's credit facility after the merger. Management and administration costs consist of salaries, consulting, legal and accounting fees, rent and associated office costs and travel costs. The Fund expenses management and administration costs related to development, including costs related to determining the feasibility of prospective development projects. The Fund defers non-management and administration costs related to specific development projects once the Fund has determined that the project has a clear path to obtaining a long-term PPA and a reasonable chance of doing so through a defined process, and that the project, if successfully developed, will be an economically attractive investment for the Fund in relation to the project's risks. If development on a project is discontinued, all costs that have been deferred related to that particular project will be expensed. During the third quarter, NPI's submission to the Ontario Power Authority's ("OPA") request for proposal for a natural gas fuel peaking facility related to the southwest GTA area (greater Toronto) was unsuccessful and the development costs associated with this project have been written off.

Income of \$1.9 million was generated this quarter from the Fund's investment in PEC which was down \$7.7 million from the same period last year, through a combination of lower dividends (US\$22,000; 2008-US\$7,213,000) and interest payments (US\$1,744,000; 2008 - US\$1,820,000). Included in the \$7.7 million of dividends received in 2008 was a special dividend payment of US\$8.1 million (US\$6.9 million after withholding taxes) associated with transactions entered into by Panda-Brandywine, L.P., including replacement of the existing PPA at the facility.

Financial and operating results at the Panda-Brandywine facility for the quarter were higher than last year as weak market prices for natural gas resulted in enhanced sale opportunities. During the quarter, the Panda-Brandywine facility produced 253,000 MWh of electricity, approximately 99,000 MWh more than last year.

As a result of the merger with NPI, the Fund is no longer recognizing interest and fees on the loans and loan commitments to Thorold LP and Jardin LP in the consolidated statements. This has no impact on the Fund's distributable cash as fees and interest earned from Thorold LP and Jardin LP were excluded from distributable cash through the construction period.

Consolidated Results

The following discussion of the consolidated financial condition and results of operations of the Fund should be read in conjunction with the unaudited interim consolidated financial statements for the periods ended September 30, 2009 and the Fund's 2008 Annual Report.

Third Quarter

Sales in the third quarter of 2009 were up by \$1.0 million due to additional sales revenue from NPI's management services and the chipping facility partially offset by variances at the plant level, as previously described. The cost of sales was down \$1.4 million even with the inclusion of costs at the chipping facility for the reasons cited under the description of each facility's results. Total plant operating costs were slightly higher than the same period last year and include plant operating costs from the newly acquired chipping facility. Management and administration expenditures related to operations were up \$1.2 million compared to 2008 largely due to the inclusion of general and administration costs from the acquired entities and one-time legal expenditures to renegotiate the Fund's credit facility after the merger. As discussed previously, management and administration expenditures associated with development totaled \$1.3 million and represent costs associated with project development including the costs of determining the feasibility of prospective projects. Amortization of property, plant and equipment was slightly higher than the 2008 expense, again, largely due to the inclusion of the acquired entities.

As discussed previously, investment income of \$1.9 million was \$8.3 million lower than in 2008.

During the quarter, the Fund recorded the following non-cash adjustments: (i) a \$4.1 million loss on the change in fair value of Kingston LP's and Thorold LP's interest rate swaps, (ii) a \$0.5 million foreign exchange loss on the Fund's U.S. and euro foreign exchange contracts not designated as part of a hedging relationship, and a foreign exchange loss of \$5.9 million on the translation of the PEC senior loan balance to the quarter-end Canadian dollar/U.S. dollar exchange rate. The non-cash foreign exchange losses mentioned above were due to the strengthening of the Canadian dollar during the quarter. Amortization of deferred charges was in line with the prior year, while amortization of contracts increased during the quarter as a result of the contracts acquired in the merger with NPI. Interest income was down this quarter due to lower interest rates and cash balances, while interest expense and bank fees increased by \$0.8 million due to interest on the outstanding balance on the Fund's line of credit and a one-time fee to renegotiate the Fund's credit facility after the merger.

The factors described above and the provision of \$0.7 million of current income taxes combined with the recovery of \$2.6 million of future taxes resulted in a net loss of \$4.6 million.

Year to Date

Sales were higher in the first nine months of 2009 while the cost of sales was down compared to a year earlier for the reasons previously described. Total plant operating costs were up \$0.6 million largely due to higher costs at the Iroquois Falls and Kingston facilities as cited previously and the inclusion of the costs from NPI's chipping facility in the third quarter.

Management and administration costs were up \$3.3 million due to the inclusion of NPI's costs in the third quarter, including \$1.3 million of development-related costs, plus higher legal fees and additional professional consulting fees associated with the CEO/CFO certification process and conversion work with respect to International Financial Reporting Standards ("IFRS"). Because Kingston LP received the shut down notification from INVISTA in the first quarter, the Fund recorded a \$1.5 million write down of its capital assets that are associated with the transportation of steam and condensate to and from INVISTA.

Investment income at \$7.9 million was down \$6.9 million from 2008 largely due to the one time dividend and fees earned in 2008 related to transactions entered into by Panda-Brandywine L.P., as previously discussed. The Fund recorded a \$9.5 million non-cash foreign exchange loss on the restatement of the PEC senior loan balance to the quarter-end Canadian dollar/U.S. dollar exchange rate which was partially offset by a \$0.3 million non-cash foreign exchange gain on the Fund's U.S. and euro foreign exchange contracts not designated as part of a hedging relationship and a \$0.1 million non-cash loss related to the fair value of Kingston LP's and Thorold LP's interest rate swaps. Interest and bank charges were \$1.3 million higher than 2008 largely due to the renewal and amendment of the Fund's credit facility combined with interest on the outstanding line of credit, as discussed previously.

After the recovery of \$0.5 million of current income taxes and the \$7.8 million provision for future income taxes (readers should refer to "Tax Treatment of Distributions" for additional information), the above factors resulted in net income of \$9.2 million.

Liquidity and Capital Resources

Cash and cash equivalents of \$30.7 million at September 30th decreased by \$14.8 million from December 31, 2008 as the \$48.1 million of cash generated by operations was more than offset by \$46.5 million of investing activities and \$16.3 million of financing activities.

Of the \$48.1 million cash provided by operating activities for the nine-month period ended September 30, 2009, \$56.7 million related to operations, partially offset by a \$8.5 million change in working capital primarily associated with payment of the Fund's insurance premiums, fees and costs associated with the merger and settlement of NPI's acquired payables. Cash used for investing activities included \$108.3

million for the purchase of property, plant and equipment, representing the continued construction of the Thorold and Jardin d'Éole projects, \$1.2 million of deferred development costs and \$3.1 million loaned to Thorold LP prior to the merger. Partially offsetting these uses of cash were advances of \$58.2 million from cash reserves, mainly to fund the construction of the projects, \$5.0 million related to the cash acquired as part of the NPI merger and receipt of a \$2.4 million principal repayment on the PEC senior loan.

Cash used for financing activities of \$16.3 million represented distributions to Unitholders of \$53.4 million and long-term debt repayments of \$44.4 million partially offset by receipt of \$41.7 million of Thorold financing and \$39.9 million drawn on the Fund's line of credit to fund its loan commitments to Jardin LP and to repay a third party loan of NPI. The Fund's credit facility was repaid in full subsequent to quarter end.

Accounts receivable increased significantly from year end due to receivables acquired as part of the NPI merger, which mainly consist of input tax credits owing from the federal and provincial governments as a result of the construction activity at Thorold LP and Jardin LP. The loan receivable from Thorold LP is now reported as \$nil as it eliminates on consolidation, post merger. The merger with NPI also resulted in significant increases in contract and property, plant and equipment balances.

Accounts payable and accrued liabilities increased by \$51.2 million from December 2008, largely due to construction-related amounts owing at Thorold LP and Jardin LP. Cash to fund these payables was made available after quarter end through their respective credit facilities.

Other long term liabilities decreased from year end, as Kingston LP paid its first milestone payment during the quarter, related to its maintenance agreement with GE. The milestone payments are made to GE over the length of the contract at various times and for different amounts. The service contract is accounted for on the balance sheet and when milestone payments are made, they are removed from other long-term liabilities. The next large milestone payment of US\$2.6 million is expected in 2013. Derivative financial instruments increased by \$24.4 million from year end mainly due to the acquired interest rate swap agreements at Thorold LP.

In association with the merger with NPI, the Fund acquired a 33.5% non-controlling interest in Jardin LP. The remaining 66.5% ownership of Jardin LP is held by two companies (the "Jardin Vendors") that are indirectly owned by James C. Temerty, Chairman of the Fund. In conjunction with the acquisition by the Fund, the Jardin Vendors have entered into an agreement to sell their interests in Jardin LP to a subsidiary of the Fund for an aggregate of \$21.5 million payable in cash on January 31, 2010, subject to certain conditions being met.

In association with the merger with NPI, the Fund has recognized an increase to equity, comprised of an additional \$24.4 million of Fund units and \$236.3 million of Replacement Rights and Exchangeable Units. Readers should refer to Note 7 "Merger with NPI" for additional details.

During the quarter, cash and cash equivalents decreased by \$10.9 million as cash from operations of \$6.4 million and cash provided by financing activities of \$24.7 million were offset by \$42.0 million of investing activities. The cash provided by operating activities was lower than last year, mainly due to the one time payments related to the Panda-Brandywine transactions last year and a \$2.0 million milestone payment at Kingston LP related to its maintenance agreement with GE, as previously discussed. The change in working capital of \$5.9 million is associated with the payment of the Fund's insurance premiums, fees and costs associated with the merger and the settlement of NPI's payables on acquisition. The \$24.7 million provided by financing activities was largely due to the Fund accessing its credit facility during the quarter and Thorold LP continuing to receive senior and subordinated financing to complete its construction. Partially offsetting these were \$17.3 million of distributions and \$39.5 million of debt repayments. The \$42.0 million of cash used in investing activities mainly was the result

of construction activities at the Thorold and Jardin d'Éole sites, partially offset by the utilization of cash reserves, which represent amounts funded through senior and subordinated construction loans that can be accessed only for project construction costs upon the approval of the lenders.

Cash Distributions to Unitholders and Distributable Cash

The following calculation of standardized distributable cash and distributable cash is based on the unaudited consolidated financial statements of the Fund:

<i>(unaudited, stated in thousands except per unit amounts)</i>	3 Months ended Sept. 30		9 Months ended Sept. 30	
	2009	2008	2009	2008
Cash provided by operating activities	\$ 6,433	\$ 25,544	\$ 48,136	\$ 82,204
Capital expenditures	(108,110)	(3)	(108,273)	(49)
Standardized distributable cash	\$ (101,677)	\$ 25,541	\$ (60,137)	\$ 82,155
Northland Power Income Fund adjustments:				
Net change in non-cash working capital balances related to operations	5,880	(2,324)	8,548	(12,103)
Expansionary capital expenditures	107,992	-	107,992	-
Scheduled receipts of principal on Panda senior loan	796	731	2,387	2,179
PEC restructuring fee	-	1,362	-	1,362
Scheduled repayment of Mont Miller term loan	-	(277)	(637)	(831)
Funds set aside for quarterly scheduled debt repayment	(319)	-	(319)	-
Scheduled repayment of KCLP term loans	(4,835)	(4,245)	(9,082)	(8,538)
KCLP cash reserve funding	2,533	78	1,290	(511)
Funds set aside for future maintenance	(22)	(24)	(66)	(78)
Distributable cash	\$ 10,348	\$ 20,842	\$ 49,976	\$ 63,635
Cash Distributions paid to Unitholders	\$ 17,252	\$ 16,836	\$ 53,417	\$ 50,506
Standardized distributable cash payout ratio	(17%)	66%	(89%)	61%
Distributable cash payout ratio	167%	81%	107%	79%
Cumulative - since inception				
Standardized distributable cash			\$ 401,828	\$ 441,466
Distributable cash			\$ 613,383	\$ 542,209
Cash distributions paid to Unitholders			\$ 554,739	\$ 484,487
Standardized distributable cash payout ratio			138%	110%
Distributable cash payout ratio			90%	89%
Average number of trust units - basic (thousands of units) ⁽¹⁾	64,263	62,353	62,997	62,353
Average number of trust units - fully diluted (thousands of units) ⁽¹⁾	64,263	64,876	62,997	64,916
Per trust unit (\$/unit)				
Standardized distributable cash - basic	\$ (1.5822)	\$ 0.4096	\$ (0.9546)	\$ 1.3176
Standardized distributable cash - fully diluted	\$ (1.5822)	\$ 0.3937	\$ (0.9546)	\$ 1.2656
Distributable cash - basic	\$ 0.1610	\$ 0.3343	\$ 0.7933	\$ 1.0206
Distributable cash - fully diluted	\$ 0.1610	\$ 0.3213	\$ 0.7933	\$ 0.9803

⁽¹⁾ The number of Trust Units and the related per unit numbers are based solely on Trust Units of the Fund and do not include any Class A Exchangeable Units or Replacement Rights as they are not entitled to any cash distributions until January 2012.

Cash from operations at \$6.4 million for the quarter was lower than the same period of 2008 by \$19.1 million primarily due to a one-time payment received in 2008 from the Panda- Brandywine facility combined with an increase of \$8.2 million in working capital, largely associated with the merger with NPI, as previously explained.

Standardized distributable cash for the quarter was \$127.2 million lower than the same period of 2008 largely due to expansionary capital expenditures associated with constructing the Thorold and Jardin d'Éole facilities. As a result, standardized distributable cash for the quarter was \$118.9 million lower than cash distributions paid to Unitholders.

The table shows entity-specific “Northland Power Income Fund adjustments” to standardized distributable cash to arrive at “Distributable Cash”, the cash generated from the business that management believes is representative of the amount that is available to be distributed to Unitholders while preserving the long-term value of the business and the Fund. “Distributable Cash” as calculated above is consistent with the Fund’s calculation of distributable cash in past quarters and years. Readers should refer to the Fund’s 2008 Annual Report for additional information on the entity-specific adjustments to standardized distributable cash.

Distributable cash as determined by the Fund for the three months ended September 30th was \$10.3 million, \$10.5 million lower than the same period in 2008 largely due to the one-time investment income received from Panda-Brandywine, L.P. in 2008 with a minor contribution from additional costs related to NPI as previously discussed.

Standardized distributable cash and distributable cash payout ratios for the nine months ended in September were also adversely affected by the \$0.04 per unit special distribution declared by the Fund in December 2008 and paid in January 2009.

The cumulative standardized distributable cash payout ratio since inception of the Fund is greater than 100% largely because standardized distributable cash does not provide adjustments for expansionary capital expenditures; the Fund had significant expansionary capital expenditures this quarter and between 2002 and 2005 related to the gas turbine upgrade at Iroquois Falls and the building of the Mont Miller wind farm, both of which were funded through the issuance of trust units and/or convertible debentures. The Fund’s distributable cash calculation takes account of these expenditures. The payout ratio, based on the Fund’s calculation of distributable cash from inception to September 30, 2009 is 90%.

The Fund’s cash distributions have been, and are expected to be, funded from the operations of the Fund’s facilities and principal and interest payments on the Fund’s loan receivable. For the third quarter of 2009, distributions in excess of distributable cash were funded from existing cash on hand.

Debt Covenants

The Fund conducts its businesses indirectly through separate legal entities (subsidiaries and affiliates), and is dependent on receipt of cash from those entities to defray its corporate expenses and to make cash distributions to Unitholders. Certain of those entities have outstanding debt which was incurred to help fund the entities’ original investments. Under the credit agreements for such debt, it is conventional for distributions of cash to the Fund to be prohibited if the loan is in default (notably for non-payment of principal or interest); or if the entity fails to achieve a benchmark “debt service coverage ratio” (“**DSCR**”), which is the ratio of earnings before interest, taxes, depreciation and amortization (“**EBITDA**”), for a specified time period to the scheduled loan principal and interest payments for the same time period; or if the debt exceeds a defined multiple of EBITDA. For the period ended September 30, 2009, the Fund and its subsidiaries were in compliance with all debt covenants. A summary of the latest debt covenant calculations, and required ratio ranges for the past 12 months for each of the applicable Fund entities are shown below:

	Latest Calculation		Required Ratio	Previous 4 Quarter Range
	Period	Ratio		
Iroquois Falls - DSCR	12 months to Sept. 30/09	314.80	> 2.25	314.8 to 596.0
Iroquois Falls - Debt to EBITDA	As at Sept. 30/09	2.31	< 3.25	0.00 to 2.31
The Fund - Debt to Capitalization	As at Sept. 30/09	50.1%	< 65%	26.2% to 50.1%
Kingston - DSCR	12 months to June 30/09	2.71	> 1.15	2.57 to 2.75
Miller LP - DSCR	12 months to Sept. 30/09	2.09	> 1.20	2.07 to 2.18
Miller LP - DSCR Proforma	12 months to Sept. 30/10	2.39	> 1.20	2.37 to 2.40
Panda Brandywine - DSCR	12 months to July 31/09	1.50	> 1.20	1.50 to 1.68

Readers should refer to the Fund's 2008 annual report for additional details concerning its debt covenants.

Once Thorold LP and Jardin LP reach commercial operations, they too will be subject to debt covenants.

The Fund and its subsidiary, Iroquois Falls Power Corp., have a credit facility with a syndicate of banks, with Canadian Imperial Bank of Commerce as agent that established a \$95.0 million credit with sub-limits to assist in the funding of expansionary capital expenditures, acquisitions and investments by the Fund, letters of credit and Iroquois Falls Power Corp.'s general corporate purposes. On May 13, 2009 the Fund and Iroquois Falls Power Corp. renewed this credit facility for two years incorporating slightly higher rates than the expiring agreement, reflecting current market conditions.

Concurrent with the merger of the Fund and NPI, the credit agreement for the Fund's credit facility was amended to remove the previous covenants related to the Fund's DSCR and Debt to EBITDA ratios and to establish a new covenant whereby the ratio of the consolidated Debt of the Fund to consolidated Capitalization, which is debt plus equity, must be less than 65% as calculated on a quarterly basis.

Outlook

The benefits of the NPI merger will start to have a material favourable impact on the financial results of the Fund in 2010 with the startup of the Thorold and Jardin d'Éole facilities. The combined \$161 million trust unit and convertible debenture offerings in October 2009 were well received in the market and strengthen the Fund's financial standing and position it to move forward with its growth strategy, with the Spy Hill RFP win being the first of a number of successful transactions that management expects will be realized by the Fund as a result of the merger with NPI.

Operations

Balance of 2009 - The Fund's distributable cash is expected to exceed cash distributions for 2009, although the dilution resulting from the merger and the October unit offering will compress the payout ratio compared to prior years. Due to the one-time payments from the Panda-Brandywine-related transactions in 2008, management expects the Fund's 2009 distributable cash to be lower than last year. Kingston LP has locked in a large portion of its gas resales at attractive prices for the balance of 2009 which will help protect margins against the forecasted continuation of low natural gas market prices. The merger with NPI is expected to have little impact on the Fund's income from operations until mid November 2009 when the Jardin d'Éole wind farm is scheduled to be operational.

2010 - Distributable cash is expected to increase significantly in 2010 due to contributions from the Jardin d'Éole wind farm and from the Thorold cogeneration facility, scheduled to be operational in early 2010. TransCanada PipeLine tariffs are expected to increase significantly in 2010; increases in effect as at January 1, 2010 would be directly recovered at Kingston through the terms of the PPA. Some mitigation is expected at Iroquois Falls through anticipated higher selling prices under its PPA, which are indirectly related to the wholesale cost of electricity in Ontario, which will be subject to upward pressure due to the entry into commercial operation of new power plants and wind farms contracted by

the OPA as well as Ontario Power Generation's ("OPG") success in having its administered rates increased.

Construction

Thorold Project - Construction of the 265 MW Thorold facility remains well within budget and schedule, with commercial operations expected to be achieved in March 2010. Construction is progressing well, with the focus now shifting from equipment procurement and installation to commissioning and start-up activities. Key achievements during the quarter included energisation of the main transformers, commissioning of the water supply and treatment systems, and hydrostatic testing of the HRSG and auxiliary boilers. The natural gas pipeline and interconnections are in place, and commissioning of the gas turbine and ancillary equipment is nearly complete. First firing of the auxiliary boilers is expected in mid November and first firing of the gas turbine is expected late in the month.

Once operational, the Thorold facility will supply electricity to the Ontario power grid and steam to the adjacent AbitibiBowater mill. Although AbitibiBowater is in bankruptcy protection, its mill is expected to operate over the long term (whether owned by AbitibiBowater or another party) as it is cost competitive in comparison to similar plants in North America.

Jardin d'Éole Project - Construction of the 127.5 MW Jardin d'Éole wind farm is well within budget and schedule, with the achievement of commercial operations expected in mid November 2009. The project is substantially complete with all the wind turbines having been erected and commissioned. Activities are underway to achieve commercial operation under the terms of the PPA with Hydro-Québec.

Development Prospects

Spy Hill – During the quarter, the Fund announced that NPI had been awarded a PPA by SaskPower for an 86 MW natural-gas-fired peaking plant to be built near Spy Hill, Saskatchewan following a successful bid into SaskPower's Request for Proposals.

Under the PPA, the project will receive monthly payments that are designed to cover all fixed costs and investment returns. The PPA also provides protection against changes in the market price of natural gas, as fuel costs are passed through to SaskPower. The Fund will be responsible for operating the plant to achieve specified efficiency and reliability levels. The contractual structure of the project is designed to ensure predictable, stable and sustainable cash flows over the entire 25-year term of the PPA.

The plant will be situated on land leased from SaskPower under a long-term lease. It will use two General Electric LM 6000 gas turbines; construction is expected to begin in June 2010, and the plant is scheduled to begin commercial operations by December 2011. The total cost of the project is approximately \$145 million. To protect itself against fluctuations in foreign exchange rates on the gas turbines, the Fund entered into a series of forward foreign exchange contracts totaling US\$45 million through to April 2011 at a foreign exchange rate of \$1.096 to US\$1.00.

At signing of the Spy Hill PPA, the Fund posted security of a \$5 million letter of credit and provided a \$10 million limited guaranty against potential liquidated damages that start to accrue if the plant fails to achieve commercial operations by December 1, 2011.

Saskatchewan Baseload Project - During the quarter the Fund submitted a bid to SaskPower's RFP for up to 400 MW of generation for which NPI had pre-qualified. The Fund's bid was for a 261 MW natural-gas-fired efficient combined cycle plant using similar technology to the Thorold project. SaskPower expects to announce the results of the bid by year end.

Southwest GTA Project - NPI's bid to the OPA's RFP for a 900 MW project in an area southwest of Toronto was unsuccessful. Further work has been discontinued.

Ontario Feed-In Tariff - Ontario's feed-in tariff or FIT Program is North America's first comprehensive guaranteed pricing structure for renewable electricity production. It offers stable prices under long-term contracts for energy generated from renewable sources, including biomass, wind, solar photovoltaic (PV) and waterpower.

The FIT Program was enabled by the *Green Energy and Green Economy Act, 2009* which was passed into law on May 14, 2009. The OPA is responsible for implementing the program.

The *Green Energy and Green Economy Act, 2009* will also result in significant amendments to more than 15 other statutes including the *Electricity Act, 1998*, the *Environmental Protection Act* and the *Planning Act*, all designed to facilitate the development and construction of renewable energy products. As a result of this government initiative, the Fund through its merger with NPI, now has numerous projects that are well along the development process which will meet the FIT Program requirements, including several wind (Manitoulin and South Kent), hydro (Kabinakagami) and solar (ground and rooftop mount) projects. The Fund is preparing a number of projects that management anticipates submitting into the OPA's initial FIT program launch phase that ends November 30, 2009. The OPA has indicated that it expects to enter into 20-year PPAs with qualified projects at pre-determined prices early in 2010.

Combined Heat and Power – The Ontario Government directed the OPA to procure 1,000 MW of power from combined heat and power (cogeneration) projects in 2006. Approximately 442 MW has been contracted by the OPA, including notably the Fund's 265 MW Thorold project. The Fund is working with several potential industrial hosts to develop cogeneration facilities in locations that would provide the host with an economic steam supply while injecting electricity into the grid in advantageous locations. The OPA has indicated that it is reviewing its procurement processes with respect to combined heat and power projects in order to achieve the remainder of the 1,000 MW procurement directed by the Ontario government. Management expects to be entering into direct discussions with the OPA concerning several of the projects it has proposed.

Hydro Pumped Storage – During the quarter, the Fund continued development on two potential pumped storage projects in Ontario, one in the south and one in the north. These are longer term projects that would meet a need in Ontario to provide backup for intermittent renewable energy resources, such as wind and solar, and essentially act as a large battery.

Hydro-Québec Wind Power Request for Proposals - Hydro-Québec has announced two RFPs to purchase two blocks of 250 MW each of wind power generated in Quebec – one RFP is for projects with aboriginal groups as partners and a second for community projects, in each case with a maximum project size of 25 MW per project. NPI has been acquiring control of sites, measuring wind, and initiating environmental assessments and preliminary engineering work on a number of sites across the province in preparation for submitting bids in response to these RFPs in May 2010. NPI has entered into a joint development agreement with the Pessamit First Nation to develop a wind project on the band's traditional lands, and has begun negotiations with several municipal councils and cooperatives. Management anticipates that it may have a number of 25 MW wind projects which could be submitted to Hydro-Québec's RFP.

Mont Louis Wind Project

The Mont Louis wind project is a 100.5 MW wind farm located near the town of Mont Louis in the Gaspé region of Quebec. NPI was awarded a PPA for this project through an RFP for wind power that Hydro-Québec conducted in 2004. The project is located on public land which has been secured under

option. The project's environmental impact assessment and permitting have been completed, while discussions related to turbine supply are ongoing.

Sustainability of Distributions

The Fund's investment objective is to produce stable and sustainable levels of cash available for distribution to Unitholders from assets, businesses and investments related to the production, conversion, transmission, distribution, purchase and sale of electricity and other forms of energy, energy-related projects and fuels.

The merger has provided the Fund with an additional \$600 million of tax deduction pools which, combined with cash flow from NPI's projects, will increase the cash available for distribution to help maintain the Fund's distribution of \$1.08 per unit even after the Fund becomes taxable in 2011. In addition, the merger provides the Fund with the ability to grow organically by generating its own development opportunities, as well as bringing in a pipeline of high-quality development prospects.

An essential element of the Fund's business strategy to assure the predictability of distributions is to have the majority of the Fund's revenue and costs determined under long-term contracts with creditworthy counterparties. The major terms of the long-term power purchase agreements and fuel-supply contracts are aligned for each project such that revenue and cost escalation are linked, providing assurance of long-term profitability for the project.

Non-GAAP Financial Measures

Included in this Management's Discussion & Analysis are references to the Fund's distributable cash and EBITDA, which are not measures included in Canadian generally accepted accounting principles ("GAAP"). Distributable cash and EBITDA, as presented, may not be comparable to similar measures presented by other income funds. Management believes, however, that these measures are widely accepted financial indicators used by investors to assess the performance of an income trust and its ability to generate cash through operations.

Historical Consolidated Quarterly Results

<i>\$ millions, except</i>	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>Per unit information</i>	2009	2009	2009	2008	2008	2008	2008	2007
Total sales	45.2	44.7	52.9	50.6	44.3	45.0	52.4	48.6
Net income (loss)	(4.6)	(3.1)	16.9	22.9	14.7	11.2	15.7	31.2
Standardized distributable cash	(101.7)	18.9	22.6	20.5	25.5	35.0	21.6	33.8
Distributable cash	10.3	17.1	22.5	21.2	20.8	19.5	23.3	29.9
Cash distributions declared	17.5	16.8	16.8	19.3	16.8	16.8	16.8	16.8
<i>Per unit statistics</i>								
Net income (loss) - basic	(0.058)	(0.050)	0.271	0.368	0.235	0.180	0.252	0.502
Net income (loss) - diluted	(0.058)	(0.050)	0.266	0.359	0.234	0.180	0.250	0.476
<i>Per trust unit statistics ⁽¹⁾</i>								
Standardized distributable cash	(1.582)	0.304	0.363	0.328	0.410	0.561	0.347	0.542
Distributable cash	0.161	0.275	0.361	0.341	0.334	0.313	0.373	0.480
Cash distributions declared	0.270	0.270	0.270	0.310	0.270	0.270	0.270	0.270

⁽¹⁾ The number of Trust Units and the related per unit numbers are based solely on Trust Units of the Fund and do not include any Class A Exchangeable Units or Replacement Rights as they are not entitled to any cash distributions until Jan. 2012.

The Fund's financial results, particularly revenue and distributable cash, are affected by seasonal factors, which result in quarterly variations. At Iroquois Falls, OEFC has contracted for more electricity (and pays a higher price) in winter than in summer, resulting in more revenue in winter months. In addition, steam sales tend to be higher in winter than summer. Financial results from the Fund's wind farms, including Jardin d'Éole once it reaches commercial operations, follow a similar seasonal pattern

to Iroquois Falls, as it tends to be windier in the winter months compared to the summer months. Seasonality at the consolidated level is dampened somewhat as the financial results for the Kingston facility (and eventually Thorold) are less seasonal than at the Iroquois Falls facility, and interest on the PEC senior loan and the dividends received from the Fund's 19% equity interest in PEC are not affected by seasonal factors.

The Fund's quarterly net income also varies due to any non-cash foreign exchange adjustments required to translate the US dollar and euro denominated balances of the Fund's PEC loan and investment in the German wind farms, respectively, to the appropriate quarter-end Canadian dollar equivalent, and by fair value movements of the interest rate swap contracts entered into by Kingston LP and Thorold LP.

Trust Unit and Convertible Unsecured Subordinated Debenture Information

As at September 30, 2009, the Fund had 64,665,510 trust units outstanding (December 31, 2008 – 62,353,143). In association with the merger with NPI, the Fund issued an additional 2,312,367 trust units. There were no conversions of unsecured subordinated debentures into trust units during the quarter.

On October 15, 2009 the Fund raised \$69.4 million including full exercise of a 15% over-allotment option, by issuing 6,704,500 trust units at \$10.35 each for net proceeds after underwriters' fees of \$65.9 million. Concurrently with the unit offering, the Fund closed an offering of \$92.0 million of 6.25% convertible unsecured subordinate debentures ("convertible debentures") due December 31, 2014 at a price of \$1,000 per convertible debenture, for net proceeds of \$88.3 million after underwriters' fees. The convertible debentures are convertible into fully paid units of the Fund at the option of the holder at a conversion price of \$12.42 per unit and are redeemable by the Fund on or following January 1, 2013, provided that the trading price of the Fund's units reaches certain levels. The Fund may at its option satisfy its obligation to pay the redemption price of the convertible debentures in trust units of the Fund. The Fund determined that the fair value of the embedded holder option at the time of issue was nominal and as a result the entire amount of the convertible debentures will be classified as a long-term liability.

Proceeds from the offerings were used to repay amounts owing under the Fund's credit facility and will be used to finance the Fund's investment in its 86 MW Spy Hill peaking facility, to finance the Fund's remaining commitments related to the Jardin d'Éole and Thorold projects, now nearing completion, and for other business purposes.

As a result of the October 15th offering the total number of outstanding units has increased to 71,370,010 as at November 12, 2009.

Merger with NPI

As mentioned previously, on July 16, 2009, the Fund acquired all of the issued and outstanding shares of NPI for total consideration of \$233.0 million, including acquisition costs of \$3.4 million.

The principal terms of the merger were as follows:

- Issuance of 25,645,598 Class A Exchangeable Units of NPIF Holdings LP ("**Holdings LP**"), a subsidiary of the Fund;
- Issuance of 8,067,723 Class B Convertible Units of Holdings LP which can be converted to Class A Exchangeable Units based on the Fund's development profits in excess of \$100 million from qualifying NPI development projects;
- Issuance of 8,496,078 Class C Convertible Units of Holdings LP, which can be converted to Class A Exchangeable Units based on the Fund's development profits up to \$100 million from qualifying NPI development projects;
- Issuance of 6,032,191 Replacement Rights as settlement of NPI's obligations under its long term incentive plan.

Coincident with the merger with NPI, the Fund:

- Issued 2,312,367 Fund units to settle a \$24.5 million loan payable by NPI to related based on the closing date unit price; and
- Repaid a loan payable by NPI to a related party in the amount of \$34.7 million.

For more information please refer to Note 7 of the consolidated financial statements “Merger with NPI”.

Exchangeable Units

Class A Exchangeable Units will become exchangeable on a one-for-one basis into Units on January 16, 2012 (the “**Conversion Date**”). Class A Exchangeable Units are not transferable and do not participate in cash distributions prior to the Conversion Date. Of the 25,645,598 Class A Exchangeable Units issued, 6,763,062 are subject to reduction if cash distributions declared by the Fund fall short of \$1.08 per Unit per annum and have therefore been initially assigned a nil value for accounting purposes. If cash distributions declared by the Fund exceed \$1.08 per Unit per annum the Class A Exchangeable Units will receive a cash payment on the Conversion Date equal to the amount of such excess. Since the acquisition an additional 597,924 Class A Exchangeable Units were recognized based on the distributions declared by the Fund since July 17, 2009. As at September 30, 2009 Holdings LP had recognized 19,480,460 Class A Exchangeable Units as outstanding with a value of \$191.9 million.

Convertible Units

As part of the purchase consideration the Fund issued 8,067,723 Class B Convertible Units and 8,496,078 Class C Convertible Units. The Class B Convertible Units and Class C Convertible Units are eligible to be converted to Class A Exchangeable Units based upon the Fund’s development profits from qualifying development projects owned by NPI at the date of the merger. The Class B Convertible Units and Class C Convertible Units carry no voting rights, no rights to distributions and are transferable. Refer to note 7 of the financial statements for details concerning conversion conditions.

For accounting purposes the Class B Convertible Units and the Class C Convertible Units are treated as contingent consideration and thus no value has been ascribed to such Units. When the eligibility conditions of the qualifying NPI development projects have been met and the Class B Convertible Units and the Class C Convertible Units have been converted to Class A Exchangeable Units, additional consideration will be recognized for accounting purposes.

Special Voting Units

Coincident with the merger, Special Voting Units of the Fund were issued pursuant to the Trust Indenture. 25,645,598 Special Voting Units were issued to holders of Class A Exchangeable Units and 8,496,078 to holders of Class C Convertible Units. Each Special Voting Unit entitles the holder of record thereof to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders. Special Voting Units will be automatically redeemed and cancelled by the Fund at the time of issuance of Trust Units in exchange for their Class A Exchangeable Units and Class C Convertible Units.

Replacement Rights

The Fund issued 6,032,191 Replacement Rights as settlement of NPI’s obligation under its long term incentive plan. Replacement Rights are exchangeable for Trust Units on a one-for-one basis on the Conversion Date. Replacement Rights carry no voting rights nor rights to receive distributions until they are exercised and are not transferable. No value was initially ascribed to 1,892,859 of the Replacement Rights which are treated as contingent consideration based on future performance largely in proportion to the conversion of the Class C Convertible Units, and will be valued at such time as they have been earned. Since the merger, an additional 34,386 Replacement Rights were recognized by the

Fund based on the distributions declared by the Fund since July 17, 2009 and as a result, as at September 30, 2009 the Fund has recognized for accounting purposes 4,173,718 Replacement Rights with a value of \$44.3 million.

Changes to the Fund's Governance Structure

In association with the merger, on July 16, 2009 Unitholders approved changes to the Fund's governance structure whereby the trustees of NPIF Commercial Trust became trustees of the Fund itself replacing Computershare. In addition, provision was made to increase the size of the Board of Trustees from five to up to seven individuals, with six trustees serving at this time. These trustees are James C. Temerty, The Right Honourable John N. Turner, Dr. Marie Bountrogianni, Pierre Gloutney, A. Warren Moysey and F. David Rounthwaite.

Tax Treatment of Distributions

The Fund previously disclosed that it had been in discussions with the federal Department of Finance and the Canada Revenue Agency ("CRA") concerning the application of the specified energy property rules in the Canadian Income Tax Act in 2005, 2006 and 2007 that might have required the Fund to file amended trust income tax returns and T-3 forms for those years. During the second quarter, CRA informed the Fund that the Fund will not be required to refile its trust income tax returns and T-3s; as a result, the Fund reversed the \$9.1 million future tax recovery recorded in the fourth quarter of 2008, which had been based on the likelihood that a re-filing would be required.

Risks and Uncertainties

For information concerning the Fund's risks and uncertainties, please refer to the Fund's 2008 Annual Report, its Annual Information Form dated March 13, 2009, its Management Information Circular, dated May 1, 2009, the Supplement to the Management Information Circular dated July 10, 2009, and the Short Form Prospectus dated October 7, 2009 all of which are filed electronically at www.sedar.com and the Fund's website www.npifund.com.

Commitments/Contractual Obligations

As a result of the merger with NPI on July 16, 2009, the Fund has added the following commitments and contractual obligations:

<i>(In thousands of dollars)</i>	2009	2010	2011	2012	2013	Thereafter
Maintenance agreements	413	4,316	4,338	946	965	18,684
Land/property leases	273	673	638	633	630	7,583
	686	4,989	4,976	1,579	1,595	26,267

The amounts in the above table are based on the assumptions of a 2.0% annual consumer price index increase and a Canadian dollar/U.S. dollar exchange rate of \$1.04. The table does not include variable contractual obligations related to Thorold LP's maintenance agreement; only the fixed portion which is payable whether the Thorold facility runs or not.

Accounting Changes

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs." New Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. These changes are effective for fiscal years beginning on or after October 1, 2008.

This new standard had no impact on the Fund's consolidated financial results on the date of adoption.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian GAAP with IFRS for all Canadian Publicly Accountable Enterprises. The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for the Fund and will be replaced by IFRS. Following this timeline, the Fund will be required to prepare its first set of interim financial statements prepared in accordance with IFRS for the three months ended March 31, 2011. These financial statements will include comparative results for the period commencing January 1, 2010.

Management of the Fund has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: IFRS diagnostic assessment, implementation and education, and completion of any system changes if required. The Project is progressing as planned. Management has finalized phase one, IFRS diagnostic assessment and is in the process of finalizing phase 2, IFRS implementation and education. Management of the Fund has held and attended a number of IFRS educational sessions and has determined the accounting policy choices it will adopt under IFRS 1. In the next phase management of the Fund will determine the impact on the financial results of the Fund and implement the new policies into the Fund's accounting system.

Based on the work completed to date, management of the Fund has so far identified the following impact of the Fund's conversion to IFRS:

Transaction costs

On January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants' ("CICA") handbook section 3855, "Financial Instruments – Recognition and Measurement", which permitted transaction costs on financial assets and financial liabilities classified as other than held-for-trading to be expensed as incurred. On implementation of handbook section 3855, the Fund chose to expense such costs. Previously, the Fund's transaction costs related to the issuance of the PEC senior loan and the convertible subordinated debentures were deferred and amortized using the straight-line method over the terms of the loans. Unamortized amounts were separately included in deferred charges on the consolidated balance sheet. As a result of implementing this new policy, \$2.7 million of deferred charges were charged to opening retained earnings on January 1, 2007.

Under IFRS, expensing of these transaction costs is not permitted. Therefore, the cumulative unamortized balance at January 1, 2010 of these costs will be reinstated onto the Fund's consolidated balance sheet on January 1, 2010 for the purposes of IFRS reporting. These costs will be included with/netted against the carrying values of the convertible subordinated debentures and the PEC senior loan.

Hedging

In accordance with CICA handbook section 3865, "Hedges", the Fund is currently using hedge accounting for its euro forward contracts hedging its net investment in its German operations. As a result, gains and losses arising from changes in the fair values of the euro forward contracts are recorded in other comprehensive income to the extent that they are determined to be an effective hedge.

There is a difference in the definition of what constitutes the "net investment" in a foreign operation under IFRS compared to Canadian GAAP. As a result, exchange gains and losses on the hedging derivatives as well as those on the long-term inter-entity balances related to the acquisition or financing of the foreign operations not considered part of the net investment under IFRS will both be recognized in net income as opposed to other comprehensive income. The Fund expects to discontinue the use of hedge accounting for its net investment in its German operations upon the adoption of IFRS on January 1, 2010.

Property, plant and equipment

The Fund is expecting that its property, plant and equipment balances will increase upon conversion to IFRS compared to the book value prepared in accordance with Canadian GAAP as certain major maintenance and outage activities of certain gas and steam turbines that had previously been expensed

are required to be capitalized and amortized in a systematic fashion under IFRS. Opening retained earnings at January 1, 2010 will be adjusted accordingly for the unamortized balance of the previously expensed major maintenance activities.

Transition to IFRS

Adoption of IFRS requires the application of “First Time Adoption of International Financial Reporting Standards” (“IFRS 1”), which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS policies effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 provides for certain mandatory exceptions and limited optional exemptions from this general requirement. The following are the optional exemptions available under IFRS 1 significant to the Fund that the Fund expects to apply in preparing its first financial statements under IFRS.

Business Combinations

IFRS 1 allows for the guidance under IFRS 3R “Business Combinations” to be applied either retrospectively or prospectively. Retrospective application would require the Fund to restate all business combinations occurring before the date of transition to IFRS which is January 1, 2010. Management anticipates adopting IFRS 3R prospectively. Accordingly, all business combinations on or after January 1, 2010 would be accounted for in accordance with IFRS 3R and all previous business combinations would not be restated.

Cumulative Translation Differences

International Accounting Standard 21, “The Effects of Changes in Foreign Exchange Rates” (“IAS 21”) requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed “\$nil” at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition of IFRS. The Fund’s current expectation is to deem all cumulative translation differences to be nil on transition to IFRS.

IFRS 2 allows for certain other optional exemptions; however the Fund does not expect such exemptions to be significant to the Fund’s adoption of IFRS.

Future Income Taxes

In addition to the previously identified differences between Canadian GAAP and IFRS, any changes to the Fund’s accounting values as a result of the transition to IFRS would likely cause a corresponding tax asset or liability to be established based on the resultant differences between the carried values for accounting purposes and their associated tax bases.

Management, through the IFRS implementation committee, continues to identify and evaluate accounting policies necessary for the Fund to change over to IFRS; additional disclosures on the impact, if any, on the transition to IFRS will be provided.

Based on the work completed to date, management is expecting the transition to have minimal impact on information technology and internal controls over financial reporting for the Fund and its subsidiaries.

The International Accounting Standards Board (“IASB”) currently has activities underway which may change IFRS and such changes may impact the Fund. Management will assess any such changes as they are announced by the IASB.

Management’s Responsibility for Financial Information

A rigorous and comprehensive financial governance framework is in place at the Fund and its

subsidiaries. The Fund's 2008 Annual Report contains a statement signed by the Fund's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) outlining management's responsibility for financial information contained in the report. The Fund filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators in March 2009 in association with the filing of the 2008 Annual Report and other annual disclosure documents. In those filings, the Fund's CEO and CFO certified, as required in Canada by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the appropriateness of the financial disclosures in the Fund's annual filings and the effectiveness of the Fund's disclosure controls and procedures. The CEO and CFO have certified the appropriateness of the financial disclosures in the Fund's interim filings for the periods ended September 30, 2009 with securities regulators, including this MD&A and the accompanying unaudited interim consolidated financial statements and that they are responsible for the design of disclosure controls and procedures and internal controls over financial reporting.

There have been no changes in internal controls over financial reporting during the quarter ended September 30, 2009 that have materially affected or are reasonably likely to materially affect the Fund's internal controls over financial reporting.

As discussed previously, on July 16, 2009, the Fund merged with NPI, which was not required to comply with National Instrument 52-109 at that time. Management has not formally documented and evaluated the acquired entities' internal controls over financial reporting; however, prior to the acquisition the Fund was administered by Northland Power Income Fund Management Inc. ("**NPIFMI**"), a wholly owned subsidiary of NPI and both NPIFMI and NPI are managed by many of the same employees using the same technology, and following similar processes and internal controls. Thus management believes appropriate internal controls over financial reporting are in place at NPI and its subsidiaries. Management expects to complete its formal documentation and evaluation of both the design and operating effectiveness of internal controls over financial reporting for the Fund including the accounts of NPI and its subsidiaries in early 2010.

The Fund's audit committee reviewed this MD&A, and the attached unaudited interim consolidated financial statements, and its Board of Trustees approved these documents prior to their release.

(Signed) "John W. Brace"

John W. Brace
President and CEO
November 12, 2009

FORWARD- LOOKING STATEMENTS

Certain statements in this quarterly report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Fund's and its subsidiaries' current expectations. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Fund's and its subsidiaries' for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties, including those set out in the management's discussion and analysis section of the Fund's 2008 annual report, the Fund's Annual Information Form dated March 13, 2009, the Fund's Management Information Circular dated May 1, 2009, and the Supplement to the Management Information Circular dated July 10, 2009 certain of which are beyond management's control. The Fund's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or what benefits, including the amount of distributions, the Fund and Unitholders will derive therefrom.

The forward-looking statements contained in this quarterly report are made as of the date hereof for the purpose of providing readers with the Fund's expectations for the coming year. The forward-looking statements may not be appropriate for other purposes. Other than as specifically required by law, the Fund undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

NORTHLAND POWER INCOME FUND

Consolidated Balance Sheets
(unaudited, stated in thousands)

ASSETS

	Sept. 30, 2009	Dec. 31, 2008
Current		
Cash and cash equivalents	\$ 30,680	\$ 45,512
Cash reserves (Note 7)	7,798	3,727
Accounts and other receivables (Notes 6 and 7)	29,461	18,186
Inventories	4,824	4,697
Prepaid expenses	2,695	2,119
Current portion of Panda senior loan	2,611	3,509
Total current assets	78,069	77,750
Deferred charges	1,749	1,827
Deferred development costs (Note 2)	1,150	-
Investment in Panda Energy Corporation	6,050	6,050
Panda senior loan	63,680	74,610
Loan receivable from Thorold LP (Note 2)	-	16,510
Goodwill (Note 7)	87,658	-
Contracts (Note 7)	312,475	114,925
Property, plant and equipment (Notes 7 and 8)	1,005,641	382,735
	\$ 1,556,472	\$ 674,407

LIABILITIES AND UNITHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 7)	\$ 63,920	\$ 12,683
Current portion of Kingston LP term loans	10,556	9,082
Current portion of Miller LP term loan	1,270	1,276
Distribution payable to Unitholders	5,820	8,106
Total current liabilities	81,566	31,147
Bank credit facility (Note 9)	39,900	-
Kingston LP term loans	56,857	67,413
Miller LP term loan	35,226	35,857
Thorold LP debt (Note 10)	347,121	-
Jardin LP debt (Note 11)	134,352	-
Other long term liabilities	1,395	3,435
Asset retirement obligation	2,550	2,438
Derivative financial instruments (Note 12)	46,631	22,229
Non-controlling interests (Note 13)	22,008	-
Convertible debentures (Note 14)	29,035	29,035
Future income tax liability (Notes 7 and 15)	126,464	61,901
	923,105	253,455
Trust Units (Note 14)	694,839	670,431
Replacement rights (Note 7)	44,321	-
Exchangeable units (Note 7)	191,943	-
Accumulated other comprehensive income (Note 4)	1,424	1,086
Deficit	(299,160)	(250,565)
Total Unitholders' equity	633,367	420,952
	\$ 1,556,472	\$ 674,407

NORTHLAND POWER INCOME FUND
Consolidated Statements of Income (Loss) and Deficit
(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Sept. 30</i>		<i>9 Months Ended Sept. 30</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Sales				
Electricity	\$ 37,490	\$ 31,155	\$ 118,145	\$ 108,526
Steam	1,244	2,017	5,893	6,512
Natural gas	4,786	11,086	16,965	26,425
Other (Note 1)	1,713	-	1,793	116
Total sales	45,233	44,258	142,796	141,579
Cost of sales	19,713	21,096	60,831	61,230
Gross profit	25,520	23,162	81,965	80,349
Expenses				
Plant operating costs	4,408	4,365	12,332	11,704
Amortization of property, plant and equipment	7,086	6,882	20,816	20,866
Write down of property, plant and equipment (Note 6)	-	-	1,512	-
Management and administration costs - operations	2,357	1,110	5,518	3,495
Management and administration costs - development	1,325	-	1,325	-
Accretion expense	39	37	117	110
	15,215	12,394	41,620	36,175
Investment income	1,908	10,207	7,870	14,784
Income from operations	12,213	20,975	48,215	58,958
Foreign exchange	6,388	(3,039)	9,227	(4,322)
Amortization of deferred charges	26	27	78	79
Amortization of contracts	4,209	3,475	11,159	10,426
Change in fair value of interest rate swaps	4,132	334	141	626
Write down in PEC investment to fair value	-	1,896	-	1,896
Interest income	(10)	(319)	(127)	(956)
Interest expense and bank fees	4,093	3,334	11,199	9,874
Income (loss) before income taxes	(6,625)	15,267	16,538	41,335
Provision for (recovery of) income taxes (Note 15)				
Current	661	1,127	(466)	253
Future	(2,646)	(522)	7,828	(542)
	(1,985)	605	7,362	(289)
Net income (loss) for the period	\$ (4,640)	\$ 14,662	9,176	41,624
Deficit, beginning of period	(270,420)	(251,995)	(250,565)	(245,287)
Cash distributions declared to Unitholders	(17,459)	(16,836)	(51,130)	(50,506)
Distributions in kind (Notes 7 and 14)	(6,641)	-	(6,641)	-
Deficit, end of period	\$ (299,160)	\$ (254,169)	\$ (299,160)	\$ (254,169)
Average number of units outstanding - basic	<i>80,058</i>	<i>62,353</i>	<i>68,320</i>	<i>62,353</i>
Average number of units outstanding - diluted	<i>80,058</i>	<i>64,876</i>	<i>68,320</i>	<i>64,916</i>
Net income (loss) per unit- basic	\$ (0.0580)	\$ 0.2352	\$ 0.1343	\$ 0.6676
Net income (loss) per unit - diluted	\$ (0.0580)	\$ 0.2337	\$ 0.1343	\$ 0.6641

NORTHLAND POWER INCOME FUND
Consolidated Statement of Comprehensive Income (Loss)
(unaudited, stated in thousands)

	<i>3 Months Ended Sept. 30</i>		<i>9 Months Ended Sept. 30</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Net income (loss) for the period	\$ (4,640)	\$ 14,662	\$ 9,176	\$ 41,624
Other comprehensive income(loss):				
Change in translation of net investment in foreign operations	50	(1,225)	(465)	678
Change in fair value of hedged foreign currency forward contracts	703	904	912	(275)
Income tax effect of above	(122)	(218)	(109)	69
Total other comprehensive income (loss)	631	(539)	338	472
Total comprehensive income (loss)	\$ (4,009)	14,123	\$ 9,514	\$ 42,096

NORTHLAND POWER INCOME FUND

Consolidated Statements of Cash Flows

(unaudited, stated in thousands except per unit amounts)

	3 Months Ended Sept. 30		9 Months Ended Sept. 30	
	2009	2008	2009	2008
Operating activities				
Net income (loss) for the period	\$ (4,640)	\$ 14,662	\$ 9,176	\$ 41,624
Items not involving cash:				
Amortization of property, plant and equipment	7,086	6,882	20,816	20,866
Amortization of contracts	4,209	3,475	11,159	10,426
Write down of property, plant and equipment (Note 6)	-	-	1,512	-
Change in fair value of interest rate swaps	4,132	334	141	626
Write down in PEC investment to fair value	-	1,896	-	1,896
Foreign exchange	6,388	(3,039)	9,227	(4,322)
Accretion expense	39	37	117	110
Other long term liabilities	(2,255)	39	(1,714)	441
Future income taxes (Note 15)	(2,646)	(522)	7,828	(542)
Other	-	(544)	(1,578)	(1,024)
	12,313	23,220	56,684	70,101
Net change in non-cash working capital balances related to operations	(5,880)	2,324	(8,548)	12,103
Cash provided by operating activities	6,433	25,544	48,136	82,204
Investing activities				
Cash reserves utilization (funding)	59,435	78	58,192	(511)
Loan to Thorold LP	-	(2,868)	(3,145)	(8,521)
Restructuring fee	-	1,362	-	1,362
Deferred development costs	(1,151)	-	(1,151)	-
Net change in working capital related to investing activities	494	-	494	-
Receipts of principal on Panda senior loan	796	731	2,387	2,179
Acquisition of Northland Power Inc, including cash acquired (Note 7)	6,511	-	5,014	-
Purchase of property, plant and equipment	(108,110)	(3)	(108,273)	(49)
Cash used in investing activities	(42,025)	(700)	(46,482)	(5,540)
Financing activities				
Repayment of Miller LP term loan	-	(277)	(637)	(831)
Repayment of Kingston LP term loans	(4,835)	(4,245)	(9,082)	(8,538)
Bank credit facility (Note 9)	39,900	-	39,900	-
Thorold senior financing (Note 10)	38,600	-	38,600	-
Thorold subordinated financing (Note 10)	3,123	-	3,123	-
Repayment of NP Holdings Inc loan, net (Note 7)	(34,658)	-	(34,658)	-
Cost of Unit issuance (Notes 7 and 14)	(150)	-	(150)	-
Distributions to Unitholders	(17,251)	(16,836)	(53,416)	(50,506)
Cash provided by (used in) financing activities	24,729	(21,358)	(16,320)	(59,875)
Effect of exchange rate differences on cash and cash equivalents	(60)	(195)	(166)	62
Net change in cash and cash equivalents	(10,923)	3,291	(14,832)	16,851
Cash and cash equivalents, beginning of the period	41,603	41,871	45,512	28,311
Cash and cash equivalents, end of period	\$ 30,680	\$ 45,162	\$ 30,680	\$ 45,162
PER TRUST UNIT				
Cash distributions declared to Unitholders	\$ 0.2700	\$ 0.2700	\$ 0.8100	\$ 0.8100

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all figures in notes are stated in thousands of dollars, except as indicated)

1. Description of Business

Northland Power Income Fund (the “**Fund**”) is a Canadian income trust that owns or has economic interests in 10 power projects totaling over 1,100 megawatts (“**MWs**”) (net 872 **MWs**). The Fund’s assets comprise natural-gas-fired plants which efficiently and cleanly produce electricity and steam, as well as facilities generating renewable energy from wind and biomass. Sales are made almost entirely under long-term contracts with a current average remaining duration of 14 years. Two gas-fired plants are located in Ontario: the 120 MW Iroquois Falls cogeneration facility, which has been wholly owned by the Fund since its inception in 1997, and the 110 MW Kingston facility, which has been wholly owned by the Fund since 2006. Through its 19% equity interest in Panda Energy Corp. (“**PEC**”) and loan to a PEC subsidiary (“**PIC**”), the Fund has an interest in the 230 MW Panda-Brandywine combined-cycle plant located outside Washington, D.C. that has been accounted for on a cost basis. Sales of electricity produced from the gas-fired plants are made under long-term power purchase agreements (PPAs) with creditworthy customers to ensure revenue stability; where appropriate, long-term contracts assure the supply and price of natural gas, which is the Fund’s largest cost. The 54 MW Mont Miller wind farm located in the Gaspésie region of Quebec supplies electricity to Hydro-Québec. The Fund also owns two wind farms in Germany with a total capacity of 21.5 MW, where the electricity is sold to local power utilities under the “feed in tariff” provisions of German renewable energy legislation.

As a result of the merger with Northland Power Inc. (“**NPI**”) on July 16, 2009 (see Note 7), the Fund owns a 265 MW cogeneration facility being constructed in Thorold, Ontario, and has an ownership interest in the 127.5 MW Jardin d’Éole wind farm being constructed near Matane, Quebec. It also has an economic interest in natural-gas- and biomass-fired generation facilities in Kirkland Lake and Cochrane, Ontario that it manages on behalf of third-party owners, and receives management, gas purchase and performance incentive fees as a result of providing these services, as well as a small wood chipping facility located on Vancouver Island and an engineering services business. Revenue from emission allowances and credits, wood chipping, engineering services and management and operation services are included in the revenue section of the consolidated statement of income (loss) and deficit as “other”. The Fund’s assets also include a sizable portfolio of development prospects including an 86 MW natural-gas-fired peaking project to be built near Spy Hill, Saskatchewan for which a long-term PPA was signed in September 2009.

2. Accounting Policies

These consolidated financial statements include the accounts of the Fund and all its subsidiaries. All inter-company transactions have been eliminated. As a result of the acquisition of NPI on July 16, 2009 (see note 7), certain previously reported inter-company amounts between NPI and the Fund are now eliminated on consolidation. These amounts include the loan receivable from Thorold CoGen Limited Partnership (“**Thorold LP**”), fees and interest earned on the loans and loan commitments to Thorold LP and Saint-Ulric Saint-Léandre Wind LP (“**Jardin LP**”) and management fees formerly paid to a subsidiary of NPI that was the Manager of the Fund prior to July 16, 2009.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“**GAAP**”) applicable to interim financial reporting and thus do not contain all the disclosures required by GAAP applicable to annual financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the Fund’s annual consolidated financial statements included in the 2008 Annual Report. These unaudited interim consolidated financial statements follow the same accounting principles and methods of application as the annual consolidated financial statements as at December 31, 2008, except for the following new policies adopted as a result of the acquisition of NPI:

Deferred Development Costs

Project development costs include pre-construction costs related to new projects. These costs are deferred up to the closing of project financing and the start of construction at which time they are reclassified to

the cost of property, plant, and equipment or recorded as intangible assets, as appropriate. Should the Fund determine that development of a given project will be discontinued; the deferred costs will be expensed in the period the determination is made.

Revenue Recognition

The Fund recognizes fees earned related to the administration of natural gas purchases on behalf of the facilities it manages upon settlement of the purchase. The Fund also recognizes management fees and operation-related incentive fees as earned based on the terms of the respective facility agreements.

Revenue for wood chips and hog fuel is recognized when a barge of wood chips or hog fuel has departed the Northland Power Chips Limited Partnership's ("Chips LP") wharf and the quantity of goods sold has been measured by an independent scaler.

Revenue related to engineering and management services is recognized as work is performed.

Exchangeable Units

As part of the consideration for the acquisition of NPI by the Fund, 25,645,598 Class A Exchangeable Units were issued from a subsidiary of the Fund. The recognized Class A Exchangeable Units are classified in equity in the consolidated financial statements of the Fund as they are considered economically equivalent to units of the Fund and the holders of the Class A Exchangeable Units must exchange them for units of the Fund prior to their disposal. The recognized Class A Exchangeable Units are considered to be the equivalent of units of the Fund for purposes of calculating basic earnings per unit.

3. Adoption of New Accounting Standards

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs." New Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. These changes are effective for fiscal years beginning on or after October 1, 2008.

This new standard had no impact on the Fund's consolidated financial results on the date of adoption.

4. Continuity of Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following:

<i>(stated in thousands of dollars)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2009	2008	2009	2008
Accumulated Other Comprehensive Income-net change in translation of net investment in self sustaining foreign operations:				
Balance beginning of period	2,383	1,993	2,898	90
Realization of loss on reduction in net investment	-	-	(112)	(86)
Unrealized gain (loss) on translation of net investment	50	(1,225)	(353)	764
Balance end of period	2,433	768	2,433	768
Accumulated Other Comprehensive Income-net change in fair value of foreign currency forward contracts hedging net investment of foreign operations:				
Balance beginning of period	(1,590)	(831)	(1,812)	61
Realization of gain on reduction in net investment of foreign operations	-	-	88	52
Change in fair value of hedged foreign currency forward contracts	703	904	824	(327)
Income taxes	(122)	(218)	(109)	69
Balance end of period	(1,009)	(145)	(1,009)	(145)
Total accumulated other comprehensive income	1,424	623	1,424	623

5. Financial Instruments and Financial Risk

As described in the Fund's 2008 annual financial statements, the Fund's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance. The Fund's lenders may impose an obligation on the Fund to minimize exposure to financial risks, particularly under non-recourse project financing arrangements. The Fund uses derivative financial instruments to mitigate certain risk exposures. The Fund does not purchase any derivative financial instruments for speculative purposes.

The fair values for the Fund's interest rate swap contracts and foreign exchange forward contracts are provided by the counterparties to these contracts and are reviewed by management for reasonableness based on actual foreign exchange and interest rate movements during the quarter and are then adjusted to take into consideration the Fund's own credit risk and counterparty credit risk.

Categories of financial assets and liabilities

Under GAAP, financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The Fund has also designated certain of its derivatives as effective hedges for accounting purposes. The carrying values of the Fund's financial instruments are classified into the following categories:

(in thousands of dollars)

As at:	Sept. 30, 2009	Dec. 31, 2008
Financial assets held for trading ¹	38,478	49,239
Loans and receivables ²	95,752	112,815
Investment in PEC	6,050	6,050
Financial liabilities held for trading ³	116,397	43,018
Other financial liabilities ⁴	654,317	142,663

(1) Cash and cash equivalents and cash reserves.

(2) Accounts receivable, Panda senior loan and prior to the acquisition of NPI, loan receivable from Thorold LP.

(3) Accounts payable and accrued liabilities, distributions payable and derivative financial instruments.

(4) Loans and convertible subordinated debentures.

The carrying value of the Fund's financial instruments held for trading approximate fair value except where indicated.

Financial risk factors

The Fund's overall risk management program seeks to mitigate the financial risks to which it is exposed to maintain stable and sustainable levels of cash for distribution to Unitholders. The Fund does not seek to mitigate fair-value risk.

The risks associated with the Fund's financial instruments and management's policies for minimizing these risks are as follows:

MARKET RISK

Market risk is the risk that the fair value or future cash flows of the Fund's financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Fund is exposed are discussed below:

(i) interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The objective of the Fund's interest rate management activities is to minimize the volatility on the Fund's cash flows. In order to manage this risk, the Fund enters into fixed-rate, amortizing debt or, alternatively, enters into interest rate swap agreements to convert the interest expense and net payments from a floating rate to a fixed rate.

Kingston CoGen Limited Partnership's ("**Kingston LP**'s") amortizing term loan of \$67.4 million as at September 30, 2009, bears variable interest rates that give rise to interest rate risk. Kingston LP has entered into interest rate swap contracts to effectively fix its interest rates.

Thorold LP entered into interest rate swap agreements that effectively fix the interest rate of the senior bank loan credit facility for advances made during construction from August 2007 to March 2010 and repayments made subsequent to commencement of commercial operations from March 2010 to March 2030.

Changes in the fair value of all interest rate swap contracts are recorded in the Fund's consolidated statements of income and deficit.

All the Fund's other long-term borrowings have a fixed interest rate for the term of the debt.

As at September 30, 2009, if interest rates had been 100 basis points higher or lower with all other variables held constant, income before taxes, which includes the change in fair value of the interest rate swaps, would have been \$21.5 million lower or higher, respectively.

(ii) foreign currency risk

It is the Fund's objective to hedge net foreign currency cash flows to the extent practical in order to protect the Fund from foreign exchange risk and therefore cash flow fluctuations. The Fund's foreign currency exposure includes U.S. dollar investment income and principal repayments from PEC and PIC, partially offset by U.S. dollar expenditures at Iroquois Falls Power Corp. ("**Iroquois Falls Corp.**") and Kingston LP, as well as euro income from the German wind farms, and exposure on future U.S. dollar expenditures related to the construction of the Thorold facility.

As at September 30, 2009, the Fund had the following U.S. dollar foreign exchange contracts outstanding related to its investment in and senior loan receivable from PEC and its subsidiary:

- US\$1.25 million per quarter to November 2009 which will be converted at \$1.1120;
- US\$1.25 million at February 2010 which will be converted at \$1.0759; and
- US\$1.50 million per quarter from May 2010 to November 2012 which will be converted at \$1.1333.

In 2007, Thorold LP entered into foreign exchange forward contracts terminating in February 2015, that effectively fix the exchange rate on future payments related to the purchase of gas turbine spares and payment of gas turbine maintenance costs under the Contractual Services Agreement with General Electric Canada, Inc. ("**GE**"). As at September 30, 2009, Thorold LP had an outstanding foreign exchange contract to buy an aggregate of US\$20.0 million with purchase amounts specified at various dates between October 2009 and February 2015 at \$1.0434 per US\$1.0.

Jardin LP has contracted to purchase wind turbines from GE with a portion of the price tied to changes in the U.S. dollar against the Canadian dollar. This exposure is effectively hedged under the power purchase agreement with Hydro-Québec, whereby the initial tariff will change with the U.S. dollar exchange rate to effectively mitigate Jardin LP's foreign exchange exposure related to the construction of the Jardin d'Éole wind farm.

Spy Hill Power LP ("**Spy Hill LP**") is scheduled to commence construction of an 86 MW natural-gas-fired peaking project near Spy Hill, Saskatchewan in June 2010, and is in the process of finalizing the contract for the purchase in U.S. dollars of gas turbines from GE. To mitigate adverse changes in the U.S. dollar exchange rate, in September 2009 the Fund entered into a series of forward foreign exchange contracts totaling US\$45.4 million through to April 2011 at \$1.096 per US\$1.0.

At September 30, 2009, if the Canadian dollar had been 5% higher or lower against the U.S. dollar with all other variables held constant, income before taxes would have been \$7.0 million higher or lower, respectively as a result of the non-cash foreign exchange gains or losses on the senior loan receivable from PEC's subsidiary and the fair value change in the associated U.S. dollar foreign exchange contracts.

With respect to the German wind farms, the Fund expects to receive approximately € million a year (€ million semi-annually) until at least 2020. At September 30, 2009, Fund currently has foreign exchange forward contracts of € million per year to May 2012 at \$1.4334 per € with a lump-sum amount of € million in October 2012 at \$1.4535 per €.

At September 30, 2009, if the Canadian dollar had been 5% higher or lower against the euro with all other variables held constant, income before taxes would have been \$0.2 million higher or lower, respectively and other comprehensive income would have been \$0.5 million lower or higher.

CREDIT RISK

Credit risk arises from cash and cash equivalents held with banks and financial institutions, counter-party exposure arising from derivative financial instruments, loan advances, receivables due from customers and loan commitments from financial institutions for the construction of the Thorold and Jardin d'Éole projects. The maximum exposure to credit risk, other than for the loan commitments, is equal to the carrying value of the financial assets.

As at September 30, 2009, approximately 45% of the Fund's consolidated accounts receivables were associated with electricity sales to government-related entities. While this excludes the German wind farm receivables, as the counterparties are local power distribution companies, the electricity power rates are legislated. In addition, due to the current construction activities at the Thorold and Jardin d'Éole projects, approximately 46% of the Fund's consolidated accounts receivable were associated with input tax credits owing from provincial and the federal governments. The Fund and its subsidiaries have not provided allowance accounts and do not hold collateral from their counterparties. All reported accounts receivable amounts at September 30, 2009 are current, except for approximately \$1.1 million of receivables owing from AbitibiBowater (see note 6 for additional information).

LIQUIDITY RISK

Liquidity risk arises through an excess of financial obligations over available financial assets due at any point in time. Liquidity risk includes the risk that, as a result of the Fund's operational liquidity requirements:

- the Fund may not have sufficient funds to settle a transaction on the due date;
- the Fund may be forced to sell financial assets at a value less than what they are worth in other market conditions; or
- the Fund may be unable to settle or recover a financial asset at all.

The Fund's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Fund achieves this with a policy of paying out less than 100% of its distributable cash in distributions to Unitholders and through the availability of funding from committed credit facilities. As at September 30, 2009, the Fund and its subsidiaries were holding cash and cash equivalents of \$30.7 million and had undrawn lines of credit available of \$16.5 million.

As a result of the Fund acquiring NPI and its subsidiaries on July 16, 2009, and the foreign exchange contracts for Spy Hill LP, the Fund has added the following commitments as at September 30, 2009 related to its financial liabilities:

<i>(in thousands)</i>	Currency	2009	2010	2011	2012	2013	>2013
USD foreign exchange contracts	CA\$	-	3,130	4,174	4,174	4,174	5,217
Amortizing loans, including interest rate swaps	CA\$	9,197	48,983	58,031	56,442	57,547	900,610

6. Steam Off-takers

Kingston LP has been providing steam to an adjacent facility owned by INVISTA (Canada) Company (“**INVISTA**”) in Millhaven, Ontario under an energy services agreement that expires in 2017. Kingston LP also has long-term contracts with INVISTA until 2018 for INVISTA to supply Kingston LP with water from Lake Ontario through its pumphouse and for INVISTA to treat and dispose of Kingston LP’s process waste water and sanitary waste water.

On April 9, 2009, INVISTA notified Kingston LP that it would be permanently closing its Millhaven facility. INVISTA’s notice provided for the continuation of services for a period of six months. As a result of receiving this notification, the Fund has recorded a \$1.5 million write down of its property, plant and equipment related to the assets associated with the transportation of steam and condensate to and from INVISTA.

Iroquois Falls Corp. has been and Thorold LP will be providing steam to adjacent facilities owned by subsidiaries of AbitibiBowater Inc. (“**AbitibiBowater**”). On April 16th and 17th, 2009, respectively AbitibiBowater and its subsidiaries, filed for court protection in the United States and Canada, to implement restructuring for the long term and to allow AbitibiBowater to continue normal business operations. AbitibiBowater’s subsidiary continues to take steam from the Fund’s Iroquois Falls facility. The Fund has approximately \$1.1 million of receivables owing from AbitibiBowater relating to steam sales by the Iroquois Falls facility that are subject to the Companies' Creditors Arrangement Act proceedings in Canada. At this time, all subsequent receivables have been collected. Management and the Fund’s legal counsel will continue to monitor the situation and the collectability of the amounts owing; at this time management does not believe a bad debt allowance is required.

7. Merger with NPI

On July 16, 2009, the Fund acquired all of the issued and outstanding shares of NPI for total consideration valued for accounting purposes at \$233.0 million, including acquisition costs of \$3.4 million.

The principal terms of the acquisition were as follows:

- Issuance of 25,645,598 Class A Exchangeable Units of NPIF Holdings LP (“**Holdings LP**”), a subsidiary of the Fund;
- Issuance of 8,067,723 Class B Convertible Units of Holdings LP which can be converted to Class A Exchangeable Units based on the Fund’s development profits in excess of \$100 million from qualified NPI development projects;
- Issuance of 8,496,078 Class C Convertible Units of Holdings LP, which can be converted to Class A Exchangeable Units based on the Fund’s development profits up to \$100 million from qualified NPI development projects; and
- Issuance of 6,032,191 Replacement Rights as settlement of NPI’s obligation under its long term incentive plan.

The consideration paid by the Fund has been allocated on a preliminary basis to net assets acquired as follows:

(in thousands of dollars)

As at:	July 16, 2009
Working capital, including cash	(38,357)
Cash reserves	62,263
Future tax assets	15,043
Property, plant and equipment	538,901
Contracts	208,709
Goodwill	87,658
Senior and subordinated debt	(461,537)
Derivative financial instruments	(26,424)
Due to related parties	(59,557)
Future tax liabilities	(71,669)
Non-controlling interests	(22,008)
Total purchase price	233,022
Less: cash acquired	(8,413)
Net purchase price	224,609

The purchase price allocation may change upon final determination of the fair value of assets acquired and liabilities assumed.

The cash reserves acquired represent cash collateral for stand-by letters of credit and amounts funded through senior and subordinated construction loans that can be applied only to payment of project construction costs upon the approval of the lenders. The future tax assets represent non-capital losses available for carryforward, which are available to reduce future year taxable income, and undepreciated cost of capital assets in excess of book value. The contract value of \$208.7 million comprises the fair value of the PPAs, energy services agreement and management and operations agreements acquired. Included in the \$461.5 million fair value of senior and subordinated debt acquired are amounts owing to the Fund, which eliminate upon consolidation after the acquisition. Future tax liabilities relate primarily to the differences between the tax and accounting values of the contracts and debt acquired.

The total purchase price of \$233.0 million consists of:

<i>(in thousands of dollars)</i>	
Value of Class A Exchangeable Units issued	185,663
Value of Replacement Rights issued	43,960
Cost of acquisition	3,399
	233,022

The value of the Class A Exchangeable Units and the Replacement Rights takes account of a post-closing purchase price adjustment that reduced the number of Class A Exchangeable Units by 269,052 and the number of Replacement Rights by 58,980.

Coincident with the merger with NPI, the Fund:

- Issued 2,312,367 Fund Units to settle a \$24.5 million loan payable by NPI to related parties based on the closing date Unit price; and
- Repaid a loan payable by NPI to a related party; Northland Power Holdings Inc. (“**NPHI**”) in the net amount of \$34.7 million.

For the period July 17, 2009 to September 30, 2009, NPI contributed revenue of \$1.7 million to the Fund’s operations, and reduced net income by \$6.2 million.

Exchangeable Units

Class A Exchangeable Units will become exchangeable on a one-for-one basis into Units on January 16, 2012 (the “**Conversion Date**”). Class A Exchangeable Units are not transferable and do not participate in cash distributions prior to the Conversion Date. Of the 25,645,598 Class A Exchangeable Units issued, 6,763,062 are subject to reduction if cash distributions declared by the Fund fall short of \$1.08 per Unit per annum and have therefore been initially assigned a nil value for accounting purposes. If cash distributions declared by the Fund exceed \$1.08 per Unit per annum the Class A Exchangeable Units will receive a cash payment on the Conversion Date equal to the amount of such excess. Since the acquisition, a post-closing purchase price adjustment reduced the number of Class A Exchangeable Units by 269,052 and an additional 597,924 Class A Exchangeable Units were recognized based on the distributions declared by the Fund since July 17, 2009. As at September 30, 2009 Holdings LP had recognized 19,480,460 Class A Exchangeable Units as outstanding with a value of \$191.9 million. The value attributed to the Class A Exchangeable Units subject to adjustment based on future distributions will be based on the Fund unit price at each of the distribution declaration dates, while the value attributed to the remaining Class A Exchangeable Units is based on a Fund Unit price of \$9.83 per Unit representing the average price +/- 2 days of the closing price on July 10, 2009 when the final terms of the NPI merger were announced (“**Announcement Date Closing Price**”).

<i>(stated in thousands of dollars, except for units)</i>	Units Issued	Recognized for Accounting Purposes	
		Number	Amount
Issuance of Class A Exchangeable Units - July 16, 2009	25,914,650	19,151,588	188,308
Purchase price adjustment	(269,052)	(269,052)	(2,645)
Q3 recognition of Class A Exchangeable Units		597,924	6,280
Outstanding as of September 30, 2009	25,645,598	19,480,460	191,943

Convertible Units

As part of the purchase consideration the Fund issued 8,067,723 Class B Convertible Units and 8,496,078 Class C Convertible Units. The Class B Convertible Units and Class C Convertible Units are eligible to be converted to Class A Exchangeable Units based upon the Fund’s development profits from qualifying development projects owned by NPI at the date of the merger. The Class B Convertible Units and Class C Convertible Units carry no voting rights, no rights to distributions and are transferable.

The “development profit” is the difference between the fair market value of a particular NPI qualifying development project and the cost of that project measured at the commercial operations date (the “**Valuation Date**”) as determined by an independent third party appointed by the Fund’s trustees. To “qualify”, the NPI qualifying development project must meet specified conditions, notably having reached agreement to execute a PPA within 60 days of July 16, 2015 in the case of Class B Convertible Units, and July 16, 2014 in the case of Class C Convertible Units.

The first \$100 million of development profit from qualifying NPI development projects will be allocated to Class C Convertible Units. Class C Convertible Units will be converted into Class A Exchangeable Units based on (i) the development profit (up to \$100 million in aggregate) from qualifying NPI development projects and (ii) the greater of the Announcement Date Market Price and the volume weighted average trading price of the Fund Units for the 20 trading days immediately prior to the date of the announcement of the PPA for the relevant qualifying NPI development project. Once every qualifying NPI development project has either achieved commercial operations or has had its PPA terminated in accordance with its terms for failure to have reached its COD then any remaining Class C Convertible Units will be cancelled.

Development profits on qualifying NPI development projects in excess of \$100 million in aggregate will be allocated to the Class B Convertible Units. The allocation of development profits from qualifying NPI development projects for purposes of the conversion of Class B Convertible Units will be based upon the order and time periods in which the PPA for each project is attained. Based on the order in which PPAs were attained, the last qualifying NPI development project that results in the realization of an aggregate \$100 million of development profit is the “**Threshold Project**”. For all qualifying NPI development projects (including that portion of the Threshold Project, if any, beyond \$100 million) whose PPAs were

attained within twelve months after the PPA for the Threshold Project was attained, then 40% of their development profits shall be used to determine the number of Class B Convertible Units which are converted. For projects whose PPA's were attained after this twelve month period, then 20% of their development profit shall be used to determine the number of Class B Convertible Units which are converted. To the extent that the projects do not achieve COD in the order in which their respective PPA's were attained, adjustments shall be made to ensure the proper allocation of development profits. Class B Convertible Units will be converted into Class A Exchangeable Units based on (i) the relevant portion of development profit (40% or 20% as applicable) and (ii) the greater of the Announcement Date Market Price and the volume weighted average trading price of the Fund Units for the 20 trading days immediately prior to the date of the announcement of the PPA for the relevant qualifying NPI development project. No Class B Convertible Units may be converted (i) until all Class C Convertible Units have been converted into Class A Exchangeable Units, or (ii) if any Class C Convertible Units have been cancelled. The Fund Trustees have the right to suspend conversion of Class B Convertible Units if the Fund is not able to maintain distributions to Unitholders of \$1.08 per annum.

For accounting purposes, the Class B Convertible Units and Class C Convertible Units are treated as contingent consideration and thus no value for accounting purposes has been ascribed

Special Voting Units

Coincident with the merger, Special Voting Units of the Fund were issued pursuant to the Trust Indenture. 25,645,598 Special Voting Units were issued to holders of Class A Exchangeable Units and 8,496,078 to holders of Class C Convertible Units. Each Special Voting Unit entitles the holder of record thereof to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders. Special Voting Units will be automatically redeemed and cancelled by the Fund at the time of issuance of Trust Units in exchange for their related Class A Exchangeable Units or Class C Convertible Units. If the Class C Convertible Units are cancelled the related Special Voting Units are also cancelled.

Replacement Rights

Coincident with the merger, the Fund also issued 6,032,191 Replacement Rights, net of a post-closing adjustment, in settlement of NPI's obligations under a long term incentive plan. Replacement Rights are exchangeable for Trust Units on a one-for-one basis on the Conversion Date. Replacement Rights carry no voting or rights to receive distributions until they are exercised and are not transferable. No value was initially ascribed to 1,892,859 of the Replacement Rights which are treated as contingent consideration based on future performance largely in proportion to the conversion of the Class C Convertible Units, and will be valued at such time as they have been earned. The remaining 4,139,332 Replacement Rights have been valued at \$44.0 million, based on the Fund's Unit price on the merger date. During the period July 17, 2009 to September 30, 2009 34,386 units with a value of \$0.4 million were recognized for accounting purposes based on distributions declared

<i>(stated in thousands of dollars, except for units)</i>	Units Issued	Recognized for	
		Accounting Purposes	
		Number	Amount
Issuance of Replacment Rights - July 16, 2009	6,091,171	4,198,312	44,586
Purchase price adjustment	(58,980)	(58,980)	(626)
Q3 recognition of Replacement Rights		34,386	361
Outstanding as of September 30, 2009	6,032,191	4,173,718	44,321

8. Property, Plant and Equipment

Property, plant and equipment consist of the following:

<i>(in thousands of dollars)</i>	September 30, 2009		December 31, 2008	
	Accumulated		Accumulated	
	Cost	Amortization	Cost	Amortization
Land	1,067	-	616	-
Buildings and foundations	135,407	56,749	130,393	48,995
Plant and equipment	496,515	211,407	494,955	194,258
Vehicles	903	873	34	29
Office equipment	771	776	111	105
Computers and computer software	1,555	1,292	176	163
Construction in progress	640,520	-	-	-
	1,276,738	271,097	626,285	243,550
Net book value		1,005,641		382,735

Upon commencement of commercial operations of the Thorold and the Jardin d'Éole projects, the assets included in construction in progress will be allocated to appropriate classes of property, plant and equipment and will be amortized over their estimated lives.

9. Bank Credit Facility

The Fund and its subsidiary, Iroquois Falls Corp., have a credit facility with a syndicate of banks with Canadian Imperial Bank of Commerce as agent that establishes a \$95.0 million line of credit with sub-limits to assist in the funding of expansionary capital expenditures, acquisitions and investments by the Fund; letters of credit; and Iroquois Falls Corp.'s general corporate purposes. On May 13, 2009 the Fund and Iroquois Falls Corp. renewed their credit facility to May 20, 2011.

As at September 30, 2009, the variable interest per annum under each of the components of the credit facility is charged at 4.0%, 2.5% or 4.0% depending on the underlying reference rate. Standby fees of 0.6% per annum are charged on each of the undrawn credit facilities.

As at September 30, 2009, letters of credit totaling \$38.6 million (December 31, 2008 - \$52.3 million), and drawings of \$39.9 million (December 31, 2008 - \$nil) were outstanding under the Fund's credit facility.

Amounts drawn under the credit facility are principally collateralized by a debenture security and by general security agreements that constitute a first-priority lien on all of the real property of Iroquois Falls Corp. and all of the present and future property and assets of Iroquois Falls Corp. and the Fund.

10. Thorold LP Debt

As a result of the acquisition of NPI, the Fund has consolidated the following Thorold LP debt:

Senior debt

On August 15, 2007, Thorold LP entered into a credit agreement with a syndicate of banks and institutional lenders with Bank of Montreal and The Manufacturers Life Insurance Company as co-agents for a \$415 million senior, secured construction and term loan ("**Thorold Senior Debt**"), a \$36.5 million letter of credit facility during construction and an additional \$8.0 million working capital facility following term conversion. The Thorold Senior Debt is funded 50% by bank lenders and 50% by other institutional lenders. The credit agreement provides for funding during the construction period and then conversion to a term loan following the commencement of commercial operations.

The institutional portion of the Thorold Senior Debt is funded under a fixed advance schedule through

construction and bears interest, paid monthly, at a rate of 6.32%. Post completion the institutional tranche requires blended payments of principal and interest until maturity on March 31, 2030 with the principal amounts being made in accordance with a schedule designed to fully amortize the loan over its term.

The bank's portion of the Thorold Senior Debt is funded under a variable advance schedule and bears interest, paid monthly, at either the prevailing prime rate plus an applicable bank loan credit spread or at the prevailing bankers' acceptance rate plus an applicable bank loan credit spread. The contracted interest rate at September 30, 2009 was 6.2%. Post completion the bank tranche requires blended payments of principal and interest over a 20-year amortization period to March 31, 2030 with maturity five years from term conversion.

During construction the Thorold Senior Debt requires the monthly payment of commitment fees, calculated at 0.375% of the unutilized loan balance.

The Thorold Senior Loan is without recourse to the Fund and is collateralized by a first security interest in the assets and undertakings of Thorold LP.

As at September 30, 2009, Thorold LP had \$344.9 million of Thorold Senior Debt outstanding and had utilized \$26.6 million of its letter of credit facility. For accounting purposes, an \$29.9 million fair value adjustment was made to Thorold LP's senior debt as part of the merger with NPI. A total of \$4.3 million in interest and \$0.1 million in commitment fees were incurred since the merger which have been capitalized and included in construction-in-progress.

Subordinated debt

On August 15, 2007, Thorold LP entered into a subordinated loan agreement with a syndicate of lenders, including a subsidiary of the Fund, with The Manufacturers Life Insurance Company as agent for a \$70.0 million subordinated construction and term loan facility ("**Subordinated Debt**"). The Subordinated Debt is split into two tranches: a senior Tranche A of \$55 million, which comprises \$46.4 million in cash advances and \$8.6 million in accrued interest to term conversion at a rate of 12.0% per annum, and a junior Tranche B of \$15 million, which comprises \$12.4 million in cash advances and \$2.6 million in accrued interest to term conversion at a rate of 13.5% per annum. The agreement provides for funding during the construction period according to a fixed advance schedule with interest accruing and then conversion to a term loan subsequent to the commencement of commercial operations. Following term conversion, quarterly payments of interest and principal will be made according to a 20-year amortization schedule. The loan matures five years after term conversion. Upon the merger with NPI, the Fund's portion of the subordinated debt is eliminated on consolidation.

The loan is without recourse to the Fund and is collateralized by a security interest in the assets and undertakings of Thorold LP subordinated to the Thorold Senior Debt.

At September 30, 2009, Thorold LP had \$32.1 million of Subordinated Debt outstanding. A total of \$0.8 million in interest was accrued since the Fund's acquisition and has been capitalized and included in construction-in-progress.

11. Jardin LP Debt

As a result of the acquisition of NPI, the Fund has consolidated the following Jardin LP senior debt:

Senior debt

On May 2, 2008, Jardin LP entered into a credit agreement with a syndicate of institutional lenders with The Manufacturers Life Insurance Company as agent for a \$153.0 million senior, secured construction and term loan ("**Jardin Senior Debt**"), a \$41.0 million Hydro-Québec bridge loan ("**Bridge Loan**") and a \$7.5 million letter of credit guarantee facility ("**Guarantee Facility**"). The Jardin Senior Debt is split into two tranches: Tranche A of \$145.3 million and Tranche B of up to \$7.7 million.

The credit agreement provides for funding of the Jardin Senior Debt during the construction period and

then conversion to a term loan following the commencement of commercial operations. The Jardin Senior Debt will be repaid through blended payments of principal and interest until maturity on November 30, 2029 with the principal payments fully amortizing the loan over its term. The Bridge Loan will be used to help fund the cost of the substation and electrical collection system pending receipt of a cost reimbursement payment from Hydro-Québec Distribution, and is expected to be fully repaid by June 30, 2010.

Jardin Senior Debt Tranche A was funded at closing while Tranche B is funded under a variable advance schedule; each tranche bears interest, paid monthly, at a rate of 5.963%. The Bridge Loan is funded under a variable advance schedule and bears interest, paid monthly, at a rate equal to the Canadian Schedule I Bankers' Acceptance rate plus 1.35%. The Guarantee Facility incurs a fee, paid quarterly in arrears, of 1.50% of the outstanding balance. The credit facilities provide for commitment fees, calculated at 0.40% of the unutilized Senior Debt balance and 0.375% of the unutilized Bridge Loan and Guarantee Facility balances.

The credit facilities are collateralized by the assets and undertakings of Jardin LP.

As at September 30, 2009, Jardin LP had \$145.3 million of Jardin Senior Debt outstanding, no Bridge Loan outstanding and had utilized \$7.2 million of the Guarantee Facility. \$0.2 million of the Jardin Senior Debt outstanding is held in trust (cash reserves) by a third party and is available to Jardin LP to pay project construction costs upon the approval of the lenders. For accounting purposes, a \$10.9 million fair value adjustment was made to the Jardin LP senior debt as part of the Merger with NPI. A total of \$1.8 million in interest was incurred since the Fund's acquisition and has been capitalized and included in construction-in-progress.

12. Derivative Financial Instruments

Derivative financial instruments consist of the following:

<i>(in thousands of dollars)</i>	Sept. 30, 2009	Dec. 30, 2008
Unrealized loss on interest rate swaps (Note 5)	45,237	17,474
Unrealized loss (gain) on US\$ foreign exchange contracts (Note 5)	(382)	1,750
Unrealized loss on euro foreign exchange contracts (Note 5)	1,776	3,005
	46,631	22,229

13. Non-controlling Interests

In association with the acquisition of NPI, the Fund acquired a 33.5% non-controlling interest in Jardin LP. The remaining 66.5% ownership of Jardin LP is held by two companies (the “**Jardin Vendors**”) that are indirectly owned by the Chair of the Board of Trustees of the Fund. In conjunction with the acquisition by the Fund, the Jardin Vendors have entered into an agreement to sell their interests in Jardin LP to a wholly-owned subsidiary of the Fund for an aggregate of \$21.5 million payable in cash on January 31, 2010, subject to certain conditions being met.

14. Equity and Convertible Unsecured Subordinated Debentures

The Fund has the following Trust Units outstanding as at September 30, 2009:

<i>(stated in thousands of dollars, except for units)</i>	Number of Units	Amount
Outstanding as of December 31, 2008	62,353,143	670,431
Q3 issuance of Fund Units ⁽¹⁾	2,312,367	24,557
Cost of issuance		(150)
Outstanding as of September 30, 2009	64,665,510	694,838

(1) In association with the acquisition of NPI on July 16, 2009, the Fund issued 2,312,367 Fund Units to settle a \$24.5 million NPI loan payable to related parties based on the closing date unit price of \$10.62 per Unit. See note 7 for additional information.

Since January 1, 2009, no convertible unsecured debentures have been converted into Fund Trust Units.

Holdings LP (a subsidiary of the Fund) has the following Class A Exchangeable Units outstanding as at September 30, 2009:

<i>(stated in thousands of dollars, except for units)</i>	Number of Units	Amount
Issuance of Class A Exchangeable Units - July 16, 2009 ⁽¹⁾	25,645,598	185,663
Q3 recognition of Class A Exchangeable Units ⁽²⁾		6,280
Outstanding as of September 30, 2009	25,645,598	191,943

(1) In association with the merger with NPI on July 16, 2009, the Holdings LP issued 25,645,598 Class A Exchangeable Units to a company that is indirectly owned by James C. Temerty, Chairman of the Fund, after providing for a post-closing adjustment. At the date of acquisition, 6,763,602 of the Class A Exchangeable Units were given a \$nil value for accounting purposes. See note 7 for additional information.

(2) Of the 6,763,602 Class A Exchangeable Units with a \$nil value, 597,924 were recognized for accounting purposes during the quarter due to distributions being declared by the Fund. See note 7 for additional information.

As at September 30, 2009, Holdings LP had respectively 8,067,723 and 8,496,078 Class B and Class C Convertible Units outstanding. For accounting purposes, these units are treated as contingent consideration and thus no value has been ascribed.

The Fund has the following Replacement Rights outstanding as at September 30, 2009:

<i>(stated in thousands of dollars, except for units)</i>	Number of Units	Amount
Issuance of Replacement Rights - July 16, 2009 ⁽¹⁾	6,032,191	43,960
Q3 recognition of Replacement Rights ⁽²⁾		361
Outstanding as of September 30, 2009	6,032,191	44,321

(1) In association with the merger, the Fund issued 6,032,191 Replacement Rights as settlement of the NPI long-term incentive plan liability, after providing for a post-closing adjustment. Replacement Rights are exchangeable for Trust Units on a one-for-one basis on the Conversion Date. No value was ascribed to 1,892,859 of the Replacement Rights which are treated as contingent consideration based on future performance. See note 7 for additional information.

(2) Of the 1,892,859 Replacement Rights without value, 34,386 were recognized for accounting purposes during the quarter due to distributions being declared by the Fund. See note 7 for additional information.

The dilutive effect for the three months ending September 30th is as follows:

	2009	2008
Weighted average number of Trust Units outstanding, basic	64,263,359	62,353,143
Weighted average number of Class A Exchangeable Units recognized, basic	15,794,620	-
Total average number of Units outstanding, basic	80,057,979	62,353,143
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	-	2,523,179
Replacement Rights	-	-
Weighted average number of units outstanding, diluted	80,057,979	64,876,322

The dilutive effect the nine months ending September 30th is as follows:

	2009	2008
Weighted average number of Trust Units outstanding, basic	62,996,879	62,353,061
Weighted average number of Class A Exchangeable Units recognized, basic	5,322,729	-
Total average number of Units outstanding, basic	68,319,608	62,353,061
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	-	2,563,105
Replacement Rights	-	-
Weighted average number of units outstanding, diluted	68,319,608	64,916,166

The conversion of the convertible unsecured debentures and inclusion of the Replacement Rights is anti-dilutive for the three and nine months ending September 30, 2009 which have therefore been excluded from the calculation of the weighted average number of units, diluted.

The calculation of basic net income per unit is based on the consolidated net income for the period divided by the sum of the weighted average number of trust units outstanding and the weighted average number of Class A Exchangeable Units recognized for accounting purposes. Diluted net income per unit is calculated by dividing consolidated net income, plus expenses related to the debt that is being converted by the weighted average number of units used in the basic net income per unit calculation plus the number of units that would be issued assuming conversion of the convertible unsecured subordinated debentures into trust units of the Fund and the weighted average number of Replacement Rights recognized for accounting purposes.

The per unit calculation for distributions, standardized distributable cash and distributable cash are based solely on the weighted average number of trust units outstanding and do not include any Class A Exchangeable Units or Replacement Rights as they are not entitled to any distributions until January 2012.

On October 15, 2009 the Fund raised \$65.9 million, net of underwriters' fees and including the overallotment option, by issuing 6,704,500 trust units at \$10.35 each.

Concurrently with the October unit offering, the Fund closed an offering of 6.25% convertible unsecured subordinate debentures ("**convertible debentures**") due December 31, 2014 at a price of \$1,000 per convertible debenture, for gross proceeds of \$92.0 million (\$88.3 million net of underwriters' fees). The convertible debentures are convertible into fully paid units of the Fund at the option of the holder at a conversion price of \$12.42 per units and are redeemable by the Fund on or following January 1, 2013, provided that the trading price of the Fund's units reaches certain levels. The Fund may at its option satisfy its obligation to pay the redemption price of the convertible debentures in trust units of the Fund. The Fund determined that the fair value of the embedded holder option at the time of issue was nominal only and as a result the entire amount of the convertible debentures will be classified as a long-term liability.

15. Income and Other Taxes

The Fund had been in discussions with the federal Department of Finance and the Canada Revenue Agency ("**CRA**") concerning the application of the specified energy property rules in the Income Tax Act in 2005, 2006 and 2007 that might have required the Fund to file amended trust income tax returns and T-3 forms for those years. During the second quarter, CRA informed the Fund that the Fund will not be required to refile its trust income tax returns and T-3s. As a result, the Fund reversed the \$9.1 million future tax recovery recorded in the fourth quarter of 2008 which had been based on the likelihood that a re-filing would be required.

16. Commitments

As a result of the acquisition of NPI, the following commitments were acquired by the Fund in addition to those described in the Fund's December 31, 2008 consolidated financial statements:

[a] The aggregate future minimum annual payments under operating leases for premises, land and

equipment to 2013 and thereafter are as follows:

	<u>(\$000s)</u>
2009	273
2010	673
2011	638
2012	633
2013 and thereafter	8,212

- [b] In accordance with a put agreement dated October 1, 1990 between NPI and Cochrane Power Corporation (“**Cochrane Corp.**”), Cochrane Corp. may require NPI to purchase for \$3.0 million all of the assets used in the production and sale of electricity at the Cochrane facility. Cochrane Corp. may exercise its option on 90 days' written notice to NPI, no later than November 30, 2010. If Cochrane Corp. exercises its option, the \$3.0 million payment and the assumption of certain liabilities are due February 28, 2011, irrespective of when the option is exercised.

In accordance with a put agreement dated November 28, 1991 between NPI and Kirkland Lake Power Corp. (“**Kirkland Lake Corp.**”), Kirkland Lake Corp. may require NPI to purchase all of the assets used in the production and sale of electricity at the Kirkland Lake facility for \$10.0 million plus the assumption of certain liabilities. Kirkland Lake Corp. may exercise its option on 90 days' written notice to NPI, no later than November 30, 2010. If Kirkland Lake Corp. exercises its option, the \$10.0 million payment and the assumption of certain liabilities are due February 28, 2011, irrespective of when the option is exercised.

NPI manages the operations, day-to-day accounting, budgeting and financial reporting of Cochrane Corp. and Kirkland Lake Corp. on behalf of third-party investors.

- [c] Chips LP has entered into various agreements for the transportation and supply of wood debris and sale of wood chips and hog fuel that expire between 2008 and 2013. There are no penalties for failure to purchase wood debris under these agreements; however, failure to take the wood debris could result in the termination of the agreements.

- [d] Thorold LP has entered into the following commitments:

Engineering, procurement and construction contract

Construction of the facility is being completed substantially under the terms of an Engineering, Procurement and Construction Contract entered into with V.K. Mason Construction Co. on August 3, 2007.

Sales agreements

On October 16, 2006, Thorold LP entered into a 20-year Combined Heat and Power Contract with the Ontario Power Authority for the sale of electricity commencing on the date commercial operations is achieved.

On August 1, 2006, Thorold LP entered into a 20-year Energy Supply Agreement with AbitibiBowater, its adjacent steam host, for the sale of steam commencing on the date commercial operations is achieved.

Supply agreements

Thorold LP has entered into certain agreements for the provision of fixed transportation, storage and balancing services related to the supply of natural gas to its facility.

Contractual service agreement

On December 31, 2008, Thorold LP entered into a maintenance agreement with GE, terminating 25 years from the date commercial operations are achieved. The agreement was entered into in the normal course of business to provide ongoing maintenance and service on Thorold LP's gas turbine and related equipment for a quarterly fee comprising fixed and variable portions, escalated annually based on changes in certain labour and material cost indices. The total fixed

commitment over the life of the contract is approximately US\$21.3 million. The agreement term is 25 years but Thorold LP has an option to terminate 20 years after the start of commercial operations. If Thorold LP were to terminate the agreement before that date, the termination payment would be US\$16.3 million.

[e] Jardin LP has entered into the following commitments:

Wind turbine supply

On February 24, 2005, Jardin LP entered into a Wind Turbine Sales and Warranty Agreement with GE for the supply of 85 GE 1.5MW sle wind turbines.

Engineering, procurement and construction contract

On April 18, 2008, Jardin LP entered into an Engineering, Procurement and Construction Contract with Borea Construction ULC for construction of roads, turbine foundations, electrical collection system and turbine installation and commissioning.

Sales agreements

On February 25, 2005 Jardin LP entered into a 20-year Electricity Supply Contract with Hydro-Québec Distribution for the sale of electricity commencing from the date of commercial operations.

Operations and maintenance agreement

On February 25, 2005, Jardin LP entered into an operations and maintenance agreement with GE terminating two years from the commencement of commercial operations. The agreement provides ongoing maintenance and service on Jardin LP's wind turbines and related equipment for a quarterly fee payable in advance, comprising fixed and variable portions, escalated annually based on the changes in certain labour and material cost indices. The fixed obligation under the contract is approximately \$7.5 million.

Land Leases

Jardin LP entered into land leases with private landowners and public municipalities to secure access roads and turbine sites, with the leases expiring 25 years from the date of signing.

[f] As at September, 2009, the Fund and its subsidiaries had outstanding letters of credit totaling \$74.5 million of which \$2.1 million were cash collateralized.

As a result of the award of a PPA to Spy Hill LP by Saskatchewan Power Corporation in September 2009, the Fund was required to post security of \$15 million against potential liquidated damages that might arise for failure to achieve commercial operations by December 1, 2011. This security is represented by a letter of credit for \$5 million and an unconditional guarantee by the Fund for \$10 million.

17. Segmented Information

As at September 30, 2009, the Fund has identified the following operating segments: i) Thermal, ii) Wind and iii) Other; the last of which includes management and operations services, wood chipping and engineering services as well as the administration of the Fund. These have been identified based upon the nature of operations and technology used in the generation of electricity. The Fund analyzes the performance of its operating segments based on their operating income, which is defined as revenue less operating expenses.

Significant information for each segment is as follows:

(stated in thousands of dollars)

For the 3 months ended,					
September 30, 2009:	Thermal	Wind	Other⁽¹⁾	Eliminations	Total
External Revenue	41,022	2,498	1,713	-	45,233
Inter-segmented revenue	-	-	1,050	(1,050)	-
Total revenue	41,022	2,498	2,763	(1,050)	45,233
Amortization	5,078	1,763	245	-	7,086
Operating income	12,742	(208)	(321)	-	12,213
Interest expense, net	1,926	600	1,557	-	4,083
September 30, 2008:					
External Revenue	41,408	2,850	-	-	44,258
Inter-segmented revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
Amortization	5,123	1,759	-	-	6,882
Operating income	11,014	180	9,781	-	20,975
Interest expense, net	1,913	593	509	-	3,015

(stated in thousands of dollars)

For the 9 months ended,					
September 30, 2009:	Thermal	Wind	Other⁽¹⁾	Eliminations	Total
External Revenue	131,187	9,896	1,713	-	142,796
Inter-segmented revenue	-	-	1,050	(1,050)	-
Total revenue	131,187	9,896	2,763	(1,050)	142,796
Amortization	15,248	5,323	245	-	20,816
Operating income	42,536	1,653	4,026	-	48,215
Interest expense, net	5,598	1,791	3,683	-	11,072
September 30, 2008:					
External Revenue	131,243	10,336	-	-	141,579
Inter-segmented revenue	-	-	-	-	-
Total revenue	131,243	10,336	-	-	141,579
Amortization	15,606	5,260	-	-	20,866
Operating income	43,512	2,183	13,263	-	58,958
Interest expense, net	5,582	1,796	1,540	-	8,918

(stated in thousands of dollars)

As at September 30, 2009:	Thermal	Renewables	Other⁽¹⁾	Eliminations	Total
Capital assets, net	274,047	85,715	645,879	-	1,005,641
Contracts, net	99,042	5,457	207,975	-	312,475
Senior loan and investment in PEC	-	-	72,341	-	72,341
Loan to Thorold LP	-	-	-	-	-
Total Assets	407,101	98,496	1,050,874	-	1,556,472
As at December 31, 2008:					
Capital assets, net	290,527	92,208	-	-	382,735
Contracts, net	109,170	5,755	-	-	114,925
Senior loan and investment in PEC	-	-	84,169	-	84,169
Loan to Thorold LP	-	-	16,510	-	16,510
Total Assets	466,914	105,315	102,178	-	674,407

(1) Included in "Other" are revenues and operating income from NPI's wood chipping facility, management fees from operating third-party facilities, investment income from PEC and PIC and management and administration expenditures. Also included are Thorold LP and Jardin LP; both entities will be transferred to Thermal and Wind, respectively, upon reaching commercial operations.

Information on operations by geographic area is as follows:

(stated in thousands of dollars)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2009	2008	2009	2008
Sales				
Canada	44,485	43,394	139,855	137,922
Germany	748	864	2,941	3,657
	45,233	44,258	142,796	141,579
	As at September 30, 2009		As at December 31, 2008	
Property, Plant & Equipment				
Canada		993,479		367,233
Germany		12,162		15,502
		1,005,641		382,735

As at September 30, 2009 all of the Fund's assets and sales were located in Canada and Germany with the exception of the investments in, and income from, PEC and its subsidiary, which relate to entities in the United States.

NORTHLAND POWER INCOME FUND

TRUSTEES

Mr. James C. Temerty
The Right Honourable John N. Turner
Dr. Marie Bountrogianni
Mr. Pierre Gloutney
Mr. A. Warren Moysey
Mr. F. David Rounthwaite

OFFICERS

Mr. John W. Brace, President and Chief Executive Officer
Mr. Salvatore Mantenuto, Chief Operating Officer
Mr. Anthony F. Anderson, Chief Financial Officer
Ms. Linda L. Bertoldi, Secretary

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario M5J 2Y1
Attention: Equity Services

TRUST UNITS AND DEBENTURES

The trust units and convertible debentures are listed on the Toronto Stock Exchange and trade under the symbols NPI.UN, NPI.DB and NPI.DB.A, respectively.

BANK

Canadian Imperial Bank of Commerce
Commerce Court West
Toronto, Ontario M5L 1A2

For Further Information Contact:

Telephone (416) 962-6262

Barbara Bokla, ext. 156
Boris Balan, ext. 116

Facsimile (416) 962-6266
E-Mail info@NPIFund.com
Web-site www.NPIFund.com

30 St. Clair Avenue West,
17th Floor,
Toronto, Ontario M4V 3A1