

MANAGEMENT'S DISCUSSION & ANALYSIS

Overview

Consolidated sales and net income for the quarter of \$52.9 million and \$16.9 million, respectively, exceeded the first quarter of 2008 largely due to higher electricity sales at the Fund's gas-fired cogeneration facilities and increased natural gas resales at the Kingston facility. Also contributing to higher net income was increased investment income as well as non-cash gains on foreign exchange translation and the fair value of the Kingston's facility's interest rate swap.

First quarter gross profit at the Iroquois Falls plant was down slightly from last year primarily due to a retroactive adjustment to 2008 electricity revenue under the facility's power purchase agreement ("PPA") and a reopener on the price under one natural gas contract, while gross profit from the Kingston facility was up due to increased electricity and natural gas sales. Production at both the Mont Miller and German wind farms was down due to lighter winds than last year.

Distributable cash as determined by the Fund was \$22.5 million during the quarter and exceeded distributions declared to Unitholders by \$5.7 million. Distributable cash per unit for the quarter was \$0.36, compared to \$0.37 in 2008. Readers should refer to the schedule of Distributions to Unitholders and Distributable Cash for the calculation of distributable cash (a non-GAAP financial measure).

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

In April 2009, Kingston CoGen LP ("Kingston LP") was given formal notice that its steam host, INVISTA (Canada) Company ("INVISTA"), will permanently close its Millhaven facility in October 2009. Kingston LP provides steam to the Millhaven facility under an energy services agreement that expires in 2017, and receives several water-related ancillary services under agreements that expire in 2018. The INVISTA agreements provide Kingston LP with 'step-in rights' to operate and maintain the pertinent INVISTA infrastructure, with Kingston LP manpower and at Kingston LP's cost. The Manager expects that, over the long term, the reduction in steam revenue will be largely offset by additional gas resales.

On April 16, 2009, the parent of the Iroquois Falls facility's steam host, AbitibiBowater Inc. ("AbitibiBowater") and its subsidiaries filed for court protection in the United States and on April 17, 2009 filed under the Companies' Creditors Arrangement Act ("CCAA") in Canada to implement restructuring for the long term and to allow AbitibiBowater to continue normal business operations. AbitibiBowater's subsidiary continues to operate its pulp and paper mill in Iroquois Falls and to purchase steam from the Fund's Iroquois Falls facility.

On April 23, 2009 it was announced that the parent of the Manager, Northland Power Inc. ("NPI"), and the Fund had entered into an agreement to merge through the acquisition by the Fund of all of the issued and outstanding shares of NPI (the "Acquisition"). NPI is a leading Canadian developer of renewable and clean electricity projects which was established in 1987. NPI established the Fund in 1997 and, through its wholly-owned subsidiary, has provided administrative and management services to the Fund since the Fund's inception as well as to all but one of the facilities owned by the Fund. NPI has also developed a number of clean and renewable projects which have been acquired by the Fund or to which the Fund has made subordinated loans. NPI is indirectly owned by James C. Temerty, the Chair of the Fund. The completion of the Acquisition and related transactions is subject to approval of the Fund's Unitholders at the Annual and Special Meeting to be held on June 22, 2009. The Acquisition and all related transactions are described in detail in the Notice of Annual and Special Meeting and Management Information Circular (the "Circular") dated May 1, 2009 that has been mailed to all Unitholders and is available on the Fund's website at www.NPIFund.com and at www.SEDAR.com.

Subsequent to quarter end, the Fund and its subsidiary, Iroquois Falls Power Corp., renewed their \$95 million credit facility until May 20, 2011 at higher rates reflecting current market conditions.

Iroquois Falls Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended March 31	
	2009	2008
Sales Volume		
Electricity (MWh)	204,205	196,966
Steam (000 lb.)	305,840	294,001
Fuel Consumption (000 GJs)	1,875	1,834
Sales		
Electricity	21,193	20,754
Steam	2,258	1,989
Natural gas	135	775
Emission allowances and credits	80	116
	23,666	23,634
Cost of sales		
Gas consumed	9,951	8,925
Gas re-sold	123	813
	10,074	9,738
Gross profit	13,592	13,896
Plant operating costs	1,791	1,642
Capital expenditures	28	20

For the first quarter of 2009, 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 up \$0.4 million due to increased production partially offset by a retroactive revenue adjustment (reduction) of \$0.2 million related to the 2008 DCR calculation (the Iroquois Falls facility's pricing escalator for its PPA). Steam revenues were up from the same period last year due to increased demand and a higher average selling price which is tied to the delivered cost of contract natural gas. Sales of natural gas were down \$0.6 million in the first quarter of 2009 as the higher electricity production resulted in higher gas consumption which left little excess capacity available for resale under the plant's gas transportation agreement. Sales of emission allowances and credits generated revenue of \$0.1 million this quarter.

The cost of gas consumed during the quarter was up as a result of increased production and a price increase arising from the scheduled January 2009 "re-opening" of the price under one gas contract that represents approximately 70% of the facility's gas supply; 50% of the latter increase is mitigated through higher electricity rates from Ontario Electricity Financial Corporation ("OEFC"). Commensurate with lower natural gas resales, the cost of gas resold was down from last year. Plant operating costs at \$1.8 million were up slightly due to higher gas turbine maintenance fees corresponding to increased PPA production and a weakening of the Canadian dollar.

The parent of the Iroquois Falls facility's steam host, AbitibiBowater, and its subsidiaries filed for court protection in the United States and Canada on April 16th and 17th, respectively. AbitibiBowater's subsidiary continues to take steam from the Fund's Iroquois Falls facility; however, in the event that AbitibiBowater ceases operations, the Iroquois Falls facility can mitigate lost steam sales revenue as the offtaker under the PPA, OEFC, is required to purchase additional electricity if AbitibiBowater permanently eliminates its need for steam. It is the Manager's understanding that AbitibiBowater's

Iroquois Falls mill is one of AbitibiBowater's most efficient and cost effective of such operations in North America. As a result, the Manager expects AbitibiBowater's Iroquois Falls mill to continue operating during the restructuring process. Furthermore, the Iroquois Falls facility is supplying steam to AbitibiBowater at a price that is considerably below AbitibiBowater's alternatives. Accordingly, the Manager believes it is likely AbitibiBowater will honour the contract as long as the mill continues to operate.

As at March 31, 2009, the Fund had approximately \$1.1 million of receivables owing from AbitibiBowater that are subject to the CCAA proceedings. The Manager and the Fund's legal counsel will continue to monitor the situation and the collectability of the amounts owing; at this time the Manager of the Fund does not believe an allowance is required.

Kingston Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended March 31	
	2009	2008
Sales Volume		
Electricity (MWh)	111,483	126,160
Steam (000 lb.)	61,449	86,992
Fuel consumption (000 GJs)	1,051	1,223
Sales		
Electricity	17,869	17,630
Steam	530	558
Natural gas	6,513	5,481
	24,912	23,669
Cost of sales		
Gas consumed	7,915	8,036
Gas re-sold	2,721	2,222
	10,636	10,258
Gross profit	14,276	13,411
Plant operating costs	1,406	1,342
Capital expenditures	20	-

For the first quarter of 2009, electricity sales at the Kingston facility were up slightly compared to the same period last year despite lower production due to more nightly, voluntary off-peak curtailments; the loss of this lower priced production was more than off-set by escalation of the higher on-peak PPA rates in 2009.

Steam revenue during the quarter was comparable to the prior year with lower volumes being offset by a higher steam price. Revenue from the resale of natural gas was higher than the previous year due mainly to additional volumes freed up from the voluntary curtailments. The average natural gas selling price was relatively unchanged as the Manager had locked in a large portion of the Kingston facility's 2009 gas resales last year when market prices were favourable.

The cost of natural gas consumed was lower in the first quarter of 2009 compared to the same period in 2008, as the escalation of fixed and variable fuel tolls was more than offset by lower consumption as a result of the additional voluntary curtailments. The cost of gas resold was higher mostly due to additional resale volumes. Plant operating costs were consistent with 2008.

Kingston LP has been providing steam to an adjacent facility owned by INVISTA under an energy services agreement that expires in 2017. Kingston LP also has long-term contracts with INVISTA until 2018 for the supply of water from Lake Ontario through their pumphouse and for the treatment and disposal of process waste water and sanitary waste water.

In April, 2009 INVISTA provided formal notice to Kingston LP that it will be permanently closing its Millhaven facility in October 2009. The INVISTA agreements provide Kingston LP with 'step-in rights' to operate and maintain the pertinent INVISTA infrastructure, with Kingston LP manpower and at Kingston LP's cost. The Manager is currently investigating alternative arrangements which might prove more favourable to Kingston LP including contracting with INVISTA to continue to provide the full service and the feasibility of developing new independent water and sewer facilities. It is expected that over the long-term, lost steam revenues will be largely offset by additional gas resale revenues.

Mont Miller Wind Farm

<i>(in thousands of dollars except as indicated)</i>	3 months ended March 31	
	2009	2008
Sales Volume		
Electricity (MWh)	47,117	47,263
Sales		
Electricity	2,994	2,963
	2,994	2,963
Gross profit	2,994	2,963
Plant operating costs	505	522
Capital expenditures	1	-

Mont Miller's electricity production during the first quarter of 2009 approximated the prior year. The capacity factor was 40%.

The turbines performed well and achieved overall equipment reliability of 96% during the quarter. There was only minimal turbine downtime to replace a failed generator and gearbox on one turbine in February which was covered under Mont Miller's warranty, maintenance and service agreement with Vestas-Canadian Wind Technology.

German Wind Farms

	3 months ended March 31	
<i>(in thousands of dollars except as indicated)</i>	2009	2008
Sales Volume		
Electricity (MWh)	8,823	15,183
Sales		
Electricity	1,305	2,085
	1,305	2,085
Gross profit	1,305	2,085
Plant operating costs	227	251
Capital expenditures	-	-

Electricity production during the first quarter of 2009 fell short of long-term expectations by approximately 24% due mainly to calmer wind at Eckolstädt. Production was well below the prior year's results, which benefited from unusually energetic winds. The wind farms achieved a capacity factor of 19%.

The turbines performed very well during the quarter, with only minimal downtime for the operator to complete scheduled upgrades to oil monitoring systems at Eckolstädt. Combined turbine reliability met the long-term forecast of 97%.

Investment Income

	3 months ended March 31	
<i>(in thousands of dollars)</i>	2009	2008
Panda Energy Corporation ("PEC"):		
Dividends	216	49
Interest income	2,159	1,893
	2,375	1,942
Thorold LP interest and fees	562	178
Jardin d'Eole fees	174	-
Total investment income	3,111	2,120

The Fund's investment in PEC generated income of \$2.4 million this quarter, up \$0.4 million from the same period last year, through a combination of higher dividends (US\$173,000; 2008 - US\$49,000), relatively similar interest payments (US\$1,820,000; 2008 - US\$1,846,000) and a more favourable foreign exchange rate.

Financial and operating results at the Panda-Brandywine plant for the quarter were higher than last year as sustained cold weather through most of the quarter resulted in significant demand and relatively high prices for electricity. At the same time, natural gas prices remained at relatively low levels, on average, compared to typical winter periods, which helped Sempra Energy Trading LLC secure successful bids for the facility's energy. During the quarter, the Panda-Brandywine facility produced 225,000 MWh of electricity, approximately 110,000 MWh more than last year.

As at March 31st, the Fund had loaned Thorold CoGen LP ("Thorold LP") \$18.0 million, excluding accrued interest, under its subordinated loan agreement with Thorold LP to finance construction of a 265

MW combined-cycle cogeneration facility in Thorold, Ontario. During the quarter, the Fund recognized \$0.6 million of income on the Thorold LP loan comprising \$38,000 of commitment and financing fees and \$524,000 of accrued interest.

As discussed previously, in April 2009 AbitibiBowater and its Canadian subsidiaries sought relief from their creditors under the CCAA. The Manager's expectation is that AbitibiBowater's Thorold Mill, the Thorold cogeneration facility's steam host, will continue to operate during the restructuring and in the long term (whether owned by AbitibiBowater or another party) as the mill is relatively cost efficient in comparison to similar plants in North America. In addition, the energy services agreement with AbitibiBowater will provide significant economic benefits to the Thorold Mill and as a result, the Manager believes it is likely AbitibiBowater will honour the contract as long as the mill continues to operate. Moreover, the contracts for the construction, operation and financing for the Thorold project have been structured to permit the Thorold project to continue despite AbitibiBowater's insolvency; the potential insolvency of AbitibiBowater was considered in detail at the time the financing of the Thorold project was concluded and the lenders determined that even if the newsprint mill ceased operations, while the economics of the Thorold project would be adversely affected, it would still be profitable.

The Fund also recognized \$174,000 in stand-by fees this quarter on the \$34.8 million loan commitment to Saint-Ulric Saint-Léandre Wind L.P.'s ("Jardin LP") 127.5 MW Jardin d'Éole wind farm which is currently under construction in the Gaspésie region of Quebec.

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 March 31, 2009 and the Fund's 2008 Annual Report.

First Quarter

Sales and cost of sales were up \$0.5 million and \$0.7 million respectively compared to 2008 for the reasons cited under the description of each facility's results. Total plant operating costs were up \$0.2 million largely due to increased gas turbine maintenance fees related to increased electricity production at the Fund's Iroquois Falls facility. Management and administration expenditures were up \$0.4 million compared to 2008 due to increased legal and accounting costs and additional professional consulting fees associated with the CEO/CFO certification process and conversion work with respect to International Financial Reporting Standards ("IFRS"). As a result of Kingston LP receiving the shut down notification from INVISTA, the Fund has 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. Amortization of property, plant and equipment was in line with the 2008 expense.

As discussed previously, investment income of \$3.1 million was \$1.0 million higher than in 2008. During the quarter, the Fund recorded the following non-cash adjustments: (i) a \$0.8 million gain on the change in fair value of Kingston LP's interest rate swaps, (ii) a \$0.9 million foreign exchange loss on the Fund's U.S. and euro foreign exchange contracts not designated as part of a hedging relationship, and (iii) an offsetting foreign exchange gain of \$2.7 million on the translation of the Panda senior loan balance to the quarter-end Canadian dollar/U.S. dollar exchange rate. Amortization of deferred charges and contracts and net interest expense were all in line with the prior year.

The factors described above resulted in income before income taxes for the first quarter of 2009 of \$17.6 million being \$1.8 million higher than last year. After the recovery of \$0.6 million of current income taxes and the provision of \$1.3 million future income taxes, net income at \$16.9 million was \$1.2 million higher than last year.

Liquidity and Capital Resources

Cash and cash equivalents of \$41.7 million at March 31st decreased by \$3.8 million since December 31, 2008 as \$2.6 million of investing activities and by \$23.9 million of financing activities was not fully offset by \$22.7 million of cash generated by operations..

Of the \$22.7 million cash provided by operating activities for the three-month period ended March 31, 2009, \$27.0 million related to operations, with the balance representing a \$4.4 million change in working capital primarily associated with a reduction in accounts payable.

Cash used for investing activities included advances of \$1.8 million on the loan to Thorold LP, payment of \$0.8 million of costs (“other assets”) related to the Fund’s proposed acquisition of NPI and \$0.6 million of cash set aside by Kingston LP for future maintenance costs, partially offset by receipts of principal on the Panda senior loan of \$0.8 million. Cash used for financing activities of \$23.9 million represented distributions to Unitholders of \$19.3 million and long-term debt repayments of \$4.6 million.

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.

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.

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:

NORTHLAND POWER INCOME FUND
DISTRIBUTIONS TO UNITHOLDERS AND DISTRIBUTABLE CASH
(stated in thousands except per unit amounts)

<i>(unaudited, stated in thousands except per unit amounts)</i>	3 Months ended March 31			
	2009		2008	
Cash provided by operating activities	\$	22,654	\$	21,658
Capital expenditures		(49)		(20)
Standardized distributable cash	\$	22,605	\$	21,638
Northland Power Income Fund adjustments:				
Net change in non-cash working capital balances related to operations		4,391		5,561
Scheduled receipts of principal on Panda senior loan		755		693
Scheduled repayment of Miller LP term loan		(319)		(277)
Scheduled repayment of Kingston LP term loans		(4,247)		(4,293)
KCLP cash reserve funding		(648)		(25)
Funds set aside for future maintenance		(22)		(26)
Distributable cash	\$	22,515	\$	23,271
Distributions paid to Unitholders	\$	19,329	\$	16,835
Standardized distributable cash payout ratio		86%		78%
Distributable cash payout ratio		86%		72%
Cumulative - since inception				
Standardized distributable cash	\$	484,570	\$	380,949
Distributable cash	\$	585,922	\$	501,845
Distributions paid to Unitholders	\$	520,651	\$	450,816
Standardized distributable cash payout ratio		107%		118%
Distributable cash payout ratio		89%		90%
Average number of trust units - basic (thousands of units)		62,353		62,352
Average number of trust units - diluted (thousands of units)		65,405		64,916
Per unit (\$/unit)				
Standardized distributable cash - basic	\$	0.3625	\$	0.3470
Standardized distributable cash - diluted	\$	0.3456	\$	0.3333
Distributable cash - basic	\$	0.3611	\$	0.3732
Distributable cash - diluted	\$	0.3442	\$	0.3585

Cash from operations as well as standardized distributable cash for the quarter were both higher than the same period of 2008 due to a \$1.2 million change in working capital.

Standardized distributable cash for the quarter was \$3.3 million higher than distributions paid to Unitholders as the Fund continues to retain excess cash for reinvestment, funding of the loan commitments for the Thorold and Jardin d'Éole projects and as a cushion against potential future tax obligations commencing in 2011.

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 the Fund’s Manager 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 March 31st at \$22.5 million was \$0.8 million lower than the same period in 2008 but was \$3.2 million higher than the distributions paid to Unitholders.

Contributing to the higher standardized distributable cash and distributable cash payout ratios compared to 2008 was the \$0.04 per unit special distribution declared by the Fund in December 2008 that was 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. As discussed in the 2008 Annual Report, the Fund had significant expansionary capital expenditures 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; the distributable cash calculation takes account of these expenditures. The payout ratio based on the Fund’s calculation of distributable cash from inception to March 31, 2009 is 89%.

The Fund’s 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 loans receivable.

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 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”, a non-GAAP performance indicator) 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 March 31, 2009, the Fund and its subsidiaries were in compliance with all debt covenants. A summary of the latest debt covenant calculations, ratio ranges for the past 12 months and required ratios 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 Mar. 31/09	596.00	> 2.25	391.1 to 596.0
Iroquois Falls - Debt to EBITDA	As at Mar. 31/09	1.45	< 3.25	0.00 to 1.45
The Fund - DSCR	12 months to Mar. 31/09	4.60	> 2.25	3.5 to 4.9
The Fund - Debt to EBITDA	As at Mar. 31/09	1.50	< 3.25	0.9 to 1.5
Kingston - DSCR	12 months to Dec. 31/08	2.68	> 1.15	1.86 to 2.68
Miller LP - DSCR	12 months to Mar. 31/09	2.07	> 1.20	2.04 to 2.10
Miller LP - DSCR Proforma	12 months to Mar. 31/10	2.39	> 1.20	2.34 to 2.39
Panda Brandywine - DSCR	12 months to Jan. 31/09	1.68	> 1.20	1.54 to 1.82

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

Subsequent to quarter end, the Fund and its subsidiary, Iroquois Falls Power Corp. renewed until May 20, 2011 their \$95 million credit facility at higher rates reflecting current market conditions.

Non-GAAP Financial Measures

Included in this Management's Discussion & Analysis are references to the Fund's distributable cash and funds from operations before working capital changes, which are not measures under Canadian generally accepted accounting principles ("GAAP"). Distributable cash and funds from operations before working capital changes, as presented, may not be comparable to similar measures presented by other income funds. Management believes 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>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>Per unit information</i>	2009	2008	2008	2008	2008	2007	2007	2007
Total sales	52.9	50.6	44.3	45.0	52.4	48.6	41.2	42.9
Net income (loss)	16.9	22.9	14.7	11.2	15.7	31.2	1.6	(76.9)
Standardized distributable cash	22.6	20.5	25.5	35.0	21.6	33.8	6.0	18.8
Distributable cash	22.5	21.2	20.8	19.5	23.3	29.9	19.1	17.9
Distributions declared	16.8	19.3	16.8	16.8	16.8	16.8	16.8	16.8
<i>Per unit statistics</i>								
Net income (loss) - basic	0.271	0.368	0.235	0.180	0.252	0.502	0.026	(1.234)
Net income (loss) - diluted	0.266	0.359	0.234	0.180	0.250	0.476	0.026	(1.234)
Standardized distributable cash	0.363	0.328	0.410	0.561	0.347	0.542	0.096	0.302
Distributable cash	0.361	0.341	0.334	0.313	0.373	0.480	0.307	0.287
Distributions declared	0.270	0.310	0.270	0.270	0.270	0.270	0.270	0.270

Iroquois Falls' sales are seasonal, as OEFC has contracted for more electricity (and pays a higher price) in winter than in summer. In addition, steam sales tend to be higher in winter than summer. Financial results from the Fund's wind farms 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 are less seasonal than at the Iroquois Falls facility.

Net income also includes interest and fees earned on the subordinated loan receivable from Thorold LP and loan commitment from Jardin LP and the senior loan receivable from PIC, dividends received from the Fund's 19% equity interest in PEC (none of which varies materially by season), any non-cash foreign exchange adjustments required to translate the US dollar and Euro denominated balances to the appropriate quarter-end Canadian dollar equivalent and, beginning with the first quarter of 2007, fair value movements of the interest rate swap contracts entered into by the Kingston facility.

As a result of the factors stated above, the Fund's distributable cash per unit is normally highest in the first quarter and lowest during the second and third quarters.

Trust Unit and Convertible Unsecured Subordinated Debenture Information

As at March 31, 2009, the Fund had 62,353,143 trust units outstanding (December 31, 2008 – 62,353,143). There were no conversions of unsecured subordinated debentures into trust units during the quarter. As at May 14, 2009 a total of 62,353,143 units were outstanding.

Tax Treatment of Distributions

As disclosed in the Fund's 2008 annual report, the Fund has been in discussions with the federal Department of Finance ("DoF") 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. Discussions with the DoF and CRA are ongoing and as a result, the Fund has not refiled its trust income tax returns for these years.

Risks and Uncertainties

For information concerning the Fund's risks and uncertainties, please refer to the Fund's 2008 Annual Report and its Annual Information Form, dated March 13, 2009, both of which are filed electronically at www.sedar.com.

Management's Responsibility for Financial Information

A rigorous and comprehensive financial governance framework is in place at the Fund and its subsidiaries, and at the Manager. Each year, the Fund's Annual Report contains a statement signed by the Manager'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 Manager'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 Manager's CEO and CFO have certified the appropriateness of the financial disclosures in the Fund's interim filings with securities regulators, including this MD&A and the accompanying unaudited interim consolidated financial statements for the periods ended March 31, 2009 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 March 31, 2009 that have materially affected or are reasonably likely to materially affect the Fund's internal control over financial reporting.

As in prior quarters, NPIF Commercial Trust'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.

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.

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

Canadian Accounting Standards Board's Strategic Plan

On January 10, 2006, the Canadian Accounting Standards Board ("AcSB") ratified a new strategic plan that will significantly affect the way financial reporting will be carried out in Canada. The plan entails converging Canadian generally accepted accounting principles with IFRS by January 1, 2011. Changing from current Canadian generally accepted accounting principles to IFRS will be a significant

undertaking that may materially affect reported financial positions and results of operations of the Fund.

During the quarter, the Manager with the assistance of third-party consultants continued their IFRS conversion work as planned.

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

Outlook

The following discussion on the outlook relates to the Fund’s existing assets.

Management expects the Fund’s 2009 distributable cash to be lower than 2008, which included the one-time payments from the Panda-Brandywine-related transactions. It is anticipated that selling prices under Iroquois Falls Power Corp.’s PPA, which are indirectly related to the wholesale cost of electricity in Ontario, will be subject to upward pressure in the long term due to the entry into commercial operation of new power plants and wind farms contracted by the Ontario Power Authority as well as Ontario Power Generation’s success in having its administered rates increased. Selling prices under Kingston LP’s PPA will also be subject to upward pressure as, among other factors, TCPL’s transportation tariff increases during 2008 have been partially passed through to Kingston’s 2009 rates.

Margins on natural gas sales at Kingston should remain favourable as the Manager locked in a large portion of the Kingston facility’s 2009 gas resales last year when there were higher market prices. While the Jardin d’Éole wind farm and the Thorold Cogeneration facility are not expected to make a significant contribution to distributable cash in 2009, both facilities are expected to be in commercial operation late in 2009 or early in 2010 and will then start making cash interest payments.

Distributions to Unitholders in 2009 are expected to be at the level of \$1.08 per unit.

Merger of the Fund and Fund’s Manager, NPI

The Fund has entered into a share purchase agreement dated April 23, 2009 (the “Acquisition Agreement”) pursuant to which, among other things, it has agreed to acquire all of the issued and outstanding shares of NPI from Northland Power Holdings Inc. (“NPHI”) indirectly through NPIF Holdings L.P. (“Holdings LP”), a newly formed Ontario limited partnership controlled by the Fund (the “Acquisition”).

Pursuant to the Acquisition Agreement, the Fund would acquire NPI and internalize management for the Fund and NPIF Commercial Trust. Several related transactions will also be completed as necessary, on or prior to the Closing Date (currently anticipated to be June 30, 2009), to transfer substantially all of the assets owned directly or indirectly by NPIF Commercial Trust or the Fund to Holdings LP and on or after the Closing Date, (i) to repay or purchase certain loans which have been made to NPI to fund its operations by NPHI or an affiliate of NPHI; (ii) to issue certain rights to acquire Units of the Fund to certain senior officers and employees of NPI in exchange for their rights to acquire shares in NPI pursuant to an NPI long-term incentive plan (“LTIP Participants”); and (iii) to indirectly acquire from certain affiliates of NPHI, as of January 31, 2010, their limited partnership interests in Saint-Ulric Saint-Léandre Wind LP (“Jardin LP”), which owns the Jardin d’Éole Project in the Gaspé region of Québec.

The Acquisition and all related transactions are described in detail in the Notice of Annual and Special Meeting and Management Information Circular (the “Circular”) dated May 1, 2009.

The following factors were considered by the Independent Trustees in reaching their determination that

the Acquisition and related transactions are in the best interests of the Fund and the Unitholders:

- i. *Secure Fund's Future* – After a thorough review of the Fund's operations and its future direction, including an analysis of strategic alternatives, the Independent Trustees determined that combining the operations of the Fund and NPI represents the best means for the Fund to maintain and grow its cash available for distribution.
- ii. *Accretive to Distributable Cash per Fund Unit* - The Acquisition is expected to be accretive to the Fund's cash available for distribution per Unit. The Acquisition has been structured so that NPHI and the NPI LTIP Participants will not be entitled to any cash distributions payable on the securities issued to them until two years after closing, at which time it is expected that both the Thorold project and the Jardin d'Éole project would be in operation for more than a year and generating substantial income, at which time EBITDA (earnings before interest, taxes, depreciation and amortization) is expected to increase by an estimated \$86 million to \$90 million per annum.
- iii. *Maintain Relationship with NPI* – The Fund has sourced all of its power projects through NPI, although NPI has been under no obligation to do so. The Acquisition allows the Fund to continue its close and positive relationship with NPI and its management. If the Acquisition is not completed, NPI would likely pursue other strategic options and there can be no assurance that NPI would continue to source transactions for the Fund. If the Fund is unable to identify projects for development or acquisition, the Fund would not achieve any growth and cash flows would be significantly impacted after 2015.
- iv. *Tax Advantages* – As they are developed, the projects acquired through the Acquisition may have available capital cost allowances which can be claimed, as permitted in the Tax Act, to reduce federal and provincial income taxes. The undepreciated capital cost allowance amounts for the Thorold project and the Jardin d'Éole project are expected to be over \$600 million, which will be available to shelter other income of the Fund from income tax after imposition of the income tax on trusts beginning January 1, 2011. Additional allowances may be available as further projects are developed.
- v. *Maintains Current \$1.08 per Unit Distribution* - The Trustees plan to maintain the Fund as a trust until at least late 2010. The Acquisition will enhance the Fund's ability to maintain the current cash distributions after 2010, whether the Fund remains as a trust or converts into a corporation.
- vi. *Access to Large Pipeline of Development Projects* - NPI has a robust pipeline of near and long term development projects, totalling, in aggregate, over 3,600 MW of capacity, including 1,230 MW of projects that are pre-qualified for current RFP processes. If the Acquisition is completed, this portfolio of development projects could provide the catalyst for the Fund's future growth prospects. The proposed Green Energy and Green Economy Act, 2009 (Ontario), which will promote renewable energy projects, should enhance the value of the many renewable development projects in the NPI project pipeline. NPI is constantly searching for more potential development opportunities.
- vii. *Internalization of Management* - The Acquisition will result in the internalization of the management functions of the Fund which will enable a simplification of the existing organizational structure, eliminate the management fees payable externally and will ensure continued access to a dedicated management team with many years of experience in the power development industry.
- viii. *Alignment of Interests of Management and Unitholders* - The Acquisition will align the interests of the senior officers of NPI, who will continue as senior officers of the Fund, with the interests

of Unitholders. After the Closing Date, those officers will be focused entirely on the objectives and business of the Fund and its success. Through the Replacement Rights, such individuals will have the right to acquire Units representing approximately 6% of the issued and outstanding Units of the Fund (taking into account the Class A Exchangeable Units but not the convertible debentures) but will not be able to realize the financial benefits of that equity interest, subject to certain exceptions, until July 6, 2011 at the earliest. A new long-term incentive plan for management of the Fund in which management and employees of NPI will be allowed to participate, would also provide participants with incentives aligned with Unitholders in respect of the Fund's ongoing operations and the attainment of development success.

- ix. *Diversification of the Fund's Cash Flows* - The Acquisition will reduce cash flow concentration risk and increase asset diversification, since cash flows will be derived from more completed projects. Currently, two of the Fund's facilities each account for over 32% of the Fund's cash flow; completion of the Acquisition will result in no single project representing more than 30% of the Fund's cash flows once NPI's Thorold and Jardin d'Éole projects are completed and commence receiving revenues following attainment of commercial operation.
- x. *Sustainability of Cash Flows* – The average remaining term of the PPAs relating to NPI's projects is 16.4 years. As a result of the Acquisition, the average life of the Fund's PPAs will increase from 11.4 years to 14.0 years. The increase in the average PPA life increases the stability of the Fund's cash flows.

Additional information relating to the proposed transactions between the Fund, NPI and related parties can be found in the Fund's Material Change Report and the Notice of Annual and Special Meeting and Management Information Circular, both dated May 1, 2009, which are filed electronically at www.sedar.com and on the Fund's website www.NPIFund.com.

On behalf of Northland Power Income Fund Management Inc.

(Signed) "John W. Brace"

John W. Brace
President
May 14, 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 the Fund's Manager'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 and in the Fund's Annual Information Form dated March 13, 2009, certain of which are beyond the Manager'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

	<i>Mar. 31, 2009</i>	<i>Dec. 31, 2008</i>
Current		
Cash and cash equivalents	\$ 41,688	\$ 45,512
Cash reserves	4,375	3,727
Accounts and other receivables	20,018	18,186
Inventories	4,300	4,697
Prepaid expenses	1,794	2,119
Current portion of Panda senior loan	3,454	3,509
Total current assets	75,629	77,750
Deferred charges	1,801	1,827
Other assets (Note 6)	1,210	-
Property, plant and equipment	374,152	382,735
Contracts	111,450	114,925
Investment in Panda Energy Corporation	6,050	6,050
Panda senior loan	76,659	74,610
Loan receivable from Thorold LP	18,903	16,510
Future income tax asset	1,113	1,124
	\$ 666,967	\$ 675,531

LIABILITIES AND UNITHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 9,675	\$ 12,683
Current portion of Kingston LP term loans	9,671	9,082
Current portion of Miller LP term loan	1,273	1,276
Distribution payable to Unitholders	5,612	8,106
Total current liabilities	26,231	31,147
Kingston LP term loans	62,577	67,413
Miller LP term loan	35,541	35,857
Other long term liabilities	3,777	3,435
Asset retirement obligation	2,475	2,438
Convertible debentures	29,035	29,035
Future income tax liability	64,249	63,025
Derivative financial instruments	22,522	22,229
	246,407	254,579
Trust Units	670,431	670,431
Accumulated other comprehensive income	616	1,086
Deficit	(250,487)	(250,565)
Total Unitholders' equity	420,560	420,952
	\$ 666,967	\$ 675,531

NORTHLAND POWER INCOME FUND

Consolidated Statements of Income and Deficit

(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Mar. 31</i>	
	<i>2009</i>	<i>2008</i>
Sales		
Electricity	\$ 43,361	\$ 43,432
Steam	2,788	2,547
Natural gas	6,648	6,256
Emission allowances	80	116
Total sales	52,877	52,351
Cost of sales	20,710	19,996
Gross profit	32,167	32,355
Expenses		
Plant operating costs	3,929	3,757
Amortization of property, plant and equipment	6,880	6,975
Write down of property, plant and equipment (Note 4)	1,512	-
Management and administration costs	1,361	1,002
Accretion expense	39	37
	13,721	11,771
Investment income	3,111	2,120
Income from operations	21,557	22,704
Foreign exchange	(1,785)	(1,692)
Amortization of deferred charges	26	26
Amortization of contracts	3,475	3,475
Change in fair value of interest rate swaps	(788)	2,031
Interest income	(94)	(342)
Interest expense and bank fees	3,080	3,352
Income before income taxes	17,643	15,854
Provision for (recovery of) income taxes		
Current	(565)	(483)
Future	1,295	615
	730	132
Net income for the period	16,913	15,722
Deficit, beginning of period	(250,565)	(245,287)
Distributions declared to Unitholders	(16,835)	(16,835)
Deficit, end of period	\$ (250,487)	\$ (246,400)
Average number of units outstanding - basic	<i>62,353</i>	<i>62,352</i>
Average number of units outstanding - diluted	<i>65,405</i>	<i>64,916</i>
Net income per trust unit- basic	\$ 0.2712	\$ 0.2521
Net income per trust unit - diluted	\$ 0.2661	\$ 0.2498

NORTHLAND POWER INCOME FUND
Consolidated Statement of Comprehensive Income
(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Mar. 31</i>	
	<i>2009</i>	<i>2008</i>
Net income for the period	\$ 16,913	\$ 15,722
Other comprehensive income (loss):		
Change in translation of net investment in foreign operations	(247)	2,213
Change in fair value of hedged foreign currency forward contracts	(283)	(1,879)
Income tax affect of above	60	432
Total other comprehensive income (loss)	(470)	766
Total comprehensive income	\$ 16,443	\$ 16,488

NORTHLAND POWER INCOME FUND

Consolidated Statements of Cash Flows

(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Mar. 31</i>	
	<i>2009</i>	<i>2008</i>
Operating activities		
Net income for the period	\$ 16,913	\$ 15,722
Items not involving cash:		
Amortization of property, plant and equipment	6,880	6,975
Amortization of contracts	3,475	3,475
Write down of property, plant and equipment (Note 4)	1,512	-
Change in fair value of interest rate swaps	(788)	2,031
Foreign exchange	(1,785)	(1,692)
Accretion expense	39	37
Other long term liabilities	240	208
Future income taxes	1,295	615
Other	(736)	(152)
	27,045	27,219
Net change in non-cash working capital balances related to operations	(4,391)	(5,561)
Cash provided by operating activities	22,654	21,658
Investing activities		
Cash reserves funding	(648)	(25)
Loan to Thorold LP	(1,831)	(2,632)
Receipts of principal on Panda senior loan	755	693
Other assets (Note 6)	(799)	-
Purchase of property, plant and equipment	(49)	(20)
Cash used in investing activities	(2,572)	(1,984)
Financing activities		
Repayment of Miller LP term loan	(319)	(277)
Repayment of Kingston LP term loans	(4,247)	(4,293)
Distributions to Unitholders	(19,329)	(16,835)
Cash used in financing activities	(23,895)	(21,405)
Effect of exchange rate differences on cash and cash equivalents	(11)	316
Net change in cash and cash equivalents	(3,824)	(1,415)
Cash and cash equivalents, beginning of the period	45,512	28,311
Cash and cash equivalents, end of period	\$ 41,688	\$ 26,896
PER UNIT		
Distributions declared to Unitholders	\$ 0.2700	\$ 0.2700

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. Accounting Policies

These consolidated financial statements include the accounts of the Fund and all its subsidiaries. All inter-company transactions have been eliminated.

The Fund's investment in Panda Energy Corporation ("PEC") is accounted for under the cost method.

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 of 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.

2. 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.

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

3. Continuity of Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following:

<i>(stated in thousands of dollars)</i>	3 months ended Mar. 30	
	2009	2008
<i>Accumulated Other Comprehensive Income-net change in translation of net investment in self sustaining foreign operations:</i>		
Balance beginning of period	2,898	90
Unrealized gain (loss) on translation of net investment	(247)	2,213
Balance end of period	2,651	2,303
<i>Accumulated Other Comprehensive Income-net change in fair value of foreign currency forward contracts hedging net investment of foreign operations:</i>		
Balance beginning of period	(1,812)	61
Change in fair value	(283)	(1,879)
Income taxes	60	432
Balance end of period	(2,035)	(1,386)
Total accumulated other comprehensive income	616	917

4. Property, plant and equipment

Kingston CoGen LP (“Kingston LP”) has been providing steam to an adjacent facility owned by INVISTA (Canada) Company (“INVISTA”) under an energy services agreement that expires in 2017. Kingston LP also has long-term contracts with INVISTA until 2018 for the supply of water from Lake Ontario through their pumphouse and for the treatment and disposal of process waste water and sanitary waste water.

On April 9, 2009, INVISTA provided official notification to Kingston LP that it would be permanently closing their Millhaven facility. INVISTA’s notice has 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.

5. Segmented Information

The Fund indirectly owns two cogeneration facilities located in Ontario, a wind farm in Quebec and two wind farms in Germany. It also has a 19% equity interest in PEC and a senior loan to a PEC subsidiary, which along with loan and loan commitments to Thorold CoGen LP (“Thorold LP”) and Saint-Ulric Saint-Léandre Wind L.P. (“Jardin LP”), respectively, are included with the Fund’s corporate operating income for reporting purposes. These assets represent the Fund’s reportable segments at March 31, 2009.

The Fund analyzes the performance of its operating segments based on operating income. Income for each segment is measured on the same basis as that of the Fund. Significant information for each segment is as follows:

(stated in thousands of dollars)

For the 3 months ended, March 31, 2009:	Iroquois		Mont			Total
	Falls	Kingston	Miller	Germany	Corporate	
Sales	23,666	24,912	2,994	1,305	-	52,877
Amortization	2,226	2,866	1,052	736	-	6,880
Operating income	9,304	8,247	1,310	211	2,485	21,557
Interest expense, net	(46)	1,875	594	(5)	568	2,986
March 31, 2008:						
Sales	23,634	23,669	2,963	2,085	-	52,351
Amortization	2,230	3,011	1,051	683	-	6,975
Operating income	9,802	8,900	1,266	1,038	1,698	22,704
Interest expense, net	(125)	1,984	618	(11)	544	3,010

(stated in thousands of dollars)

As at March 31, 2009:	Iroquois		Mont			Total
	Falls	Kingston	Miller	Germany	Corporate	
Property, plant & equipment, net	164,852	119,118	75,656	14,526	-	374,152
Contracts, net	7,107	98,687	3,543	2,113	-	111,450
Senior loan and investment in PEC	-	-	-	-	86,163	86,163
Loan to Thorold CoGen LP	-	-	-	-	18,903	18,903
As at December 31, 2008:						
Property, plant & equipment, net	167,050	123,477	76,706	15,502	-	382,735
Contracts, net	7,244	101,926	3,594	2,161	-	114,925
Senior loan and investment in PEC	-	-	-	-	84,169	84,169
Loan to Thorold CoGen LP	-	-	-	-	16,510	16,510

Corporate operating income for the three months ended March 31, 2009 includes \$2.4 million (2008 – \$1.9 million) of interest and dividends from the senior loan receivable and investment in PEC and \$0.7 million of interest and fees from the Thorold LP loan and the Jardin LP loan commitment (2008 – \$0.2 million).

Information on operations by geographic area is as follows:*(stated in thousands of dollars)*

	Three months ended March 31	
	2009	2008
Sales		
Canada	51,572	50,266
Germany	1,305	2,085
	52,877	52,351

	As at March 31, 2009	As at December 31, 2008
Property, Plant & Equipment, Net		
Canada	359,626	367,233
Germany	14,526	15,502
	374,152	382,735

As at March 31, 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.

6. Subsequent Events

On April 16th and 17th, the parent of the Iroquois Falls facility's steam host, AbitibiBowater ("AbitibiBowater") and its subsidiaries filed for court protection in the United States and Canada, respectively to implement restructuring for the long term and to allow AbitibiBowater to continue normal business operations. AbitibiBowater continues to take steam from the Fund's Iroquois Falls facility. The Fund has approximately \$1.1 million of receivables owing from AbitibiBowater that are subject to the Companies' Creditors Arrangement Act proceedings. The Manager and the Fund's legal counsel will continue to monitor the situation and the collectability of the amounts owing; at this time the Manager of the Fund does not believe an allowance is required.

On April 23, 2009 it was announced that the parent of the Manager, Northland Power Inc. ("NPI") and the Fund had entered into an agreement to merge through the acquisition by the Fund of all of the issued and outstanding shares of NPI. The completion of the acquisition and related transactions is subject to approval of the Fund's Unitholders.

If approved by the Unitholders, the transactions will be as follows:

- Issuance of 35,623,732 Class A Exchangeable Units and 6,640,000 Class B Convertible Units of a subsidiary of the Fund, for acquisition of all outstanding shares of NPI;
- Issuance of 6,305,890 Replacement Rights as settlement of the NPI long term incentive plan liability;
- Issuance of Fund Units to purchase the NPI loan payable to related parties of \$24.5 million based on the closing date unit price;
- Repayment of a NPI loan payable to a related party that as at March 31, 2009 was \$33 million; and
- Acquisition of the 66.5% equity interest of Jardin LP that is recorded by NPI as non-controlling interests for cash consideration of \$21.5 million payable on January 31, 2010.

The Class A Exchangeable Units are exchangeable on a one-for-one basis into Fund Units on or after July 6, 2011. The Class B Convertible Units carry a contingent right to be converted into Class A Exchangeable Units. The Replacement Rights represent a right to receive on or after July 6, 2011 Fund Units on a one-for-one basis. Prior to July 2011, none of these securities are eligible to receive any distributions.

During the quarter the Fund incurred \$1.2 million (of which \$0.8 million was paid) related to this acquisition, which has been included in the Fund's consolidated balance sheet as "Other assets".

Subsequent to quarter end, the Fund and its subsidiary, Iroquois Falls Power Corp. renewed until May 20, 2011, their \$95 million credit facility at higher rates reflecting current market conditions.

NORTHLAND POWER INCOME FUND

TRUSTEE

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

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 and NPI.DB respectively.

BANK

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