NORTHLAND POWER INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2011

March 30, 2012

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ANNUAL INFORMATION FORM

TABLE OF CONTENTS

All capitalized terms used in this Annual Information Form have the meanings assigned to them under the heading “Glossary of Terms”, unless otherwise defined. All currency amounts in this Annual Information Form are in Canadian dollars unless otherwise indicated.

In this Annual Information Form, “Northland” means, prior to January 1, 2011, Northland Power Income Fund, and, after January 1, 2011, Northland Power Inc., the corporation resulting from the corporate conversion of the Fund pursuant to the terms of the Arrangement.

FORWARD LOOKING STATEMENTS

This Annual Information Form contains certain forward-looking statements which are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future EBITDA, cash flows and dividend payments, the construction, completion, attainment of commercial operations, cost and output of development projects, plans for raising capital, and the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans, its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described in the “Management’s Discussion and Analysis” of Northland Power Inc.’s 2011 Annual Report and under “Risk Factors” of this Annual Information Form. Northland’s actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or what benefits, including the amount of dividends, Northland and its shareholders will derive therefrom.

The forward-looking statements contained in this Annual Information Form are based on assumptions that were considered reasonable at the time it was completed on March 30, 2012. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statement 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.

CORPORATE STRUCTURE

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

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

Subsidiary	Jurisdiction of Incorporation / Establishment
Iroquois Falls Power Corp.	Ontario
Kingston LP	Ontario
Thorold LP	Ontario
Spy Hill LP	Ontario
North Battleford LP	Ontario
Jardin LP	Quebec
Mont Louis LP	Quebec
PEC[(1)]	Texas

(1) **PEC is owned as to 19% by Northland.**

GENERAL DEVELOPMENT OF THE BUSINESS

Corporatization and Internal Reorganization of Northland Power Inc.

On January 1, 2011, Northland converted from an income trust to a corporation pursuant to the Arrangement. Under the Arrangement, the Fund's trust units (the "**Units**") were exchanged for common shares (the "**Common Shares**") of Northland Power Inc. on a one-for-one basis and trade under the TSX symbol NPI (the previous symbol was NPI.UN).

Northland's business is now carried on by Northland Power Inc., a corporation governed by the *Business Corporations Act* (Ontario). Pursuant to the Arrangement, the Units of the Fund were exchanged for Common Shares of Northland on a one-for-one basis and trade under the TSX symbol NPI (the previous symbol was NPI.UN). Prefco was amalgamated with Northland, with the result that its Series 1 Preferred Shares are now Series 1 Preferred Shares of Northland and continue to trade under the symbol NPI.PR.A. Northland's convertible unsecured subordinated debentures continue to trade as convertible unsecured subordinated debentures of Northland under the TSX symbol NPI.DB.A.

$250 million Bank Credit Facility

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

Amended Dividend Reinvestment Plan

In November 2011, Northland amended its existing dividend reinvestment plan to allow common shareholders and the Class A shareholder to elect to reinvest their dividends in Common Shares of Northland to be issued from treasury at up to a 5% discount at the discretion of Northland's Board of Directors.

Development of Northland's Projects

The development of Northland's projects over the last three completed financial years includes the following:

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

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

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

- In 2011, Northland entered into a 50/50 partnership with the United Chiefs and Councils of Mnidoo Minsing First Nations to develop a 60 MW wind farm on Manitoulin Island pursuant to the FIT Program.

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

- In 2010 and 2011, Northland executed PPAs to build 316 MW of renewable green energy projects under the OPA's FIT program. This consisted of thirteen 10 MW ground mounted solar projects, four hydro projects totalling 26 MW and two wind projects for 100 MW and 60 MW respectively. An additional 24 MW PPA was executed with Hydro Quebec to build a wind farm near Frampton, Quebec.

- Northland was awarded a PPA to build the North Battleford project in 2010. Financing was completed and construction of the North Battleford project commenced later that year. The project is expected to be completed in 2013.

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

Sale of Mont Miller LP

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

Issuance of Preferred Shares

In July 2010, Prefco, a wholly-owned subsidiary of the Fund, raised $150 million through the sale of 6,000,000 Cumulative Rate Reset Preferred Shares, Series 1 (the "**Series 1 Preferred Shares**") at $25.00 per share for gross proceeds of $150 million (net $144.8 million). Dividends on the Series 1 Preferred Shares were guaranteed by the Fund.

Pursuant to the Arrangement, the Series 1 Preferred Shares of Prefco were converted on January 1, 2011 into Series 1 Preferred Shares of Northland on a one-for-one basis having the same rights, privileges, restrictions and conditions.

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

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

Issuance of Units and subordinated debentures

On October 15, 2009, Northland raised an aggregate of $161.4 million through the issuance of 6.7 million Units and $92 million principal amount of 6.25% unsecured subordinated debentures. The debentures are convertible into common shares at $12.42 per share until December 31, 2014 and redeemable by Northland under certain circumstances.

Acquisition of NPI

On July 16, 2009, the Merger occurred whereby the Fund indirectly acquired NPI. The Merger was approved by the requisite majorities of the Fund's Unitholders. The Merger was paid for largely with securities of Holdings LP that were exchangeable or convertible into Units of the Fund on or after January 16, 2012, and did not receive cash distributions until that date. The conversion of some of those securities was and is contingent on the Fund recognizing value for the development portfolio NPI brought to the Merger.

The Merger internalized management and created significant alignment through management's voting ownership, currently at approximately 37% of Northland.

Investment in PEC

On May 27, 2010, the outstanding loan balance on the PIC senior loan was repaid in full. The prepayment arose as a result of Panda-Brandywine, L.P. receiving a payment from Sempra in consideration for changes to the Panda-Brandywine, L.P. PPA. In addition to the outstanding principal, Northland received a prepayment fee of US$4.9 million ($5.2 million) and a special one-time dividend in the amount of US$2.4 million ($2.5 million) that was indirectly related to changes to the PPA. As at December 31, 2011, Northland retains a 19% interest in PEC.

NARRATIVE DESCRIPTION OF THE BUSINESS

Ontario Electricity Industry Overview

The Ontario electricity industry has seen considerable change and refinement since the opening of the electricity market in 2002. These changes have included the imposition of price caps, rebates, regulated price plans, the establishment of prices for OPG generating assets and the creation of the OPA. The OPA was established in 2005 to undertake long-term planning and procure new generation if the market could not provide the required capacity across various sources of generation.

The OPA has conducted a number of procurement processes for natural gas-fired and renewable generation to which NPI has responded. The OPA may continue procurements for natural gas projects and other technologies either through an RFP process, FIT Program, or direct negotiation as directed by the Minister of Energy and Infrastructure ("**Minister**").

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

In March and April of 2010 the OPA announced that it had awarded 510 contracts for mid-scale FIT projects (10 kW to 500 kW) and a further 184 contracts for large FIT projects (greater than 500 kW). In the large FIT project category Northland was awarded contracts with a total capacity of 216 MWs, 130 MW from thirteen ground-mounted solar projects located across the province, the 60 MW Manitoulin Island wind farm in partnership with entities associated with UCCMM and 26 MW from four run-of-river hydro projects on the Kabinakagami River in partnership with Constance Lake First Nation. In July 2011 the OPA announced the award of additional contracts for FIT projects, in which Northland received a FIT contract for its 100 MW Grand Bend wind project.

On March 19, 2012, the Ministry of Energy released its scheduled 2 year review of the FIT Program. The recommendations in the review do not affect FIT contracts issued prior to October 31, 2011, which include all of Northland's FIT contracts. Future FIT projects may be subject to revised pricing schedules and subject to other administrative changes in the program.

In November 2010, the Minister of Energy released the draft Supply Mix Directive and LTEP. Key features of the LTEP include eliminating coal-fired generation from the supply mix by 2014; commitments to refurbish various nuclear facilities along with building new nuclear facilities at Darlington; continuing to grow hydroelectric capacity; commitments towards a Combined Heat and Power (CHP) program and setting a target of 10,700 MW of wind, solar and bioenergy by 2018. As part of the release of the draft Supply Mix Directive and LTEP, the Minister issued a number of Directives to the OPA including negotiating new contracts with Non-Utility Generators (prior to the expiry of such contracts with OEFC); procuring CHP projects through a standard offer program for projects less than 20 MW, and individually negotiating CHP Contracts with projects over 20 MW. In late 2010, the Minister requested that Hydro One advance work and expedite three of the five transmission projects identified in the draft Supply Mix Directive. Management will continue to monitor the various directives, RFPs and programs issued by the OPA for potential opportunities for Northland.

Quebec Industry Overview

The electricity industry in Quebec is structured around two government bodies: Hydro-Québec, one of the largest electric utilities in North America with broad powers to generate, supply and deliver electricity in Quebec under a provincial statute, and the Régie de l'énergie ("**Régie**"), the provincial regulator responsible both for reconciling the public interest, consumer protection and the fair treatment of electricity carriers and distributors, and for approving the supply plan of the distribution arm of Hydro-Québec.

The supply plan includes a forecast of the needs of the Quebec market over the next ten year period and recognizes the heritage electricity pool of generation (165 TWh) provided by Hydro-Québec Production, the generating a division of Hydro-Québec. To meet demand in excess of the heritage electricity pool, the generating division of Hydro-Québec must enter into supply contracts by conducting public calls for tenders.

In 2005, Hydro-Québec signed contracts with independent power producers for almost 1,000 MW of wind power, of which Northland's Jardin d'Éole and Mont-Louis projects received long term contracts for 127.5 MW and 100.5 MW, respectively.

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

In late 2010, Northland announced that it had been awarded a 20-year PPA to build and operate a 24 MW wind farm near Frampton, Quebec, near the south shore of the St. Lawrence River. The contract was awarded by Hydro-Québec under its call for tenders issued April 2009 for the purchase of wind power from small aboriginal and community projects.

The wind industry in Quebec is anticipating a new call for tenders for 700 MW, the amount needed to meet Quebec's stated wind energy goal of having 4,000 MW capacity total added during the period between 2006 and 2015. This new call for power may be for larger projects or smaller, community and First Nations projects.

Saskatchewan Industry Overview

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

Coal-fired generation is the primary component in Saskatchewan's supply mix. With an ageing infrastructure and evolving regulation regarding climate change and environmental issues, SaskPower has assessed alternative forms of generation and partnering with independent power producers to move towards meeting its new load requirements and environmental goals.

SaskPower's electrical load forecast is growing above long-term averages due to increased economic activity in the province. Since a significant percentage of SaskPower's generation assets will need to be refurbished or replaced starting from 2013, SaskPower is assessing and implementing many future supply options including the private ownership of generation facilities. To that end, in 2009 SaskPower conducted an RFP for between 200 MW and 400 MW of new intermediate to baseload generation and another RFP for up 100 MW of peaking generation. Northland won both the North Battleford Facility and the Spy Hill Facility and was awarded PPAs in those processes.

SaskPower is currently undertaking a number of other projects with independent power developers including hydroelectric projects under its Green Options Plan. Management will continue to monitor these RFPs, plans and other developments in Saskatchewan for any opportunities that they may create for Northland.

NORTHLAND'S FACILITIES

Northland owns or has an economic interest in power-producing facilities with a total net capacity of 1,005 MW. Northland's operating assets comprise facilities that produce electricity from natural gas and renewable sources for sale under long-term PPAs with creditworthy customers that ensure revenue stability. Northland's 260 MW North Battleford natural-gas-fired combined-cycle project is under construction and scheduled to reach commercial operations in 2013. In addition, Northland has 316 MW of wind, solar and run-of-river hydro projects in advanced development with PPAs awarded under the OPA FIT Program and a 24 MW wind project near Frampton, Quebec, that has a 20-year PPA with Hydro-Québec. Northland expects to construct these projects over the next three to four years. In addition, Northland has an extensive portfolio of projects in earlier stages of development.

Northland's 2011 consolidated financial statements include the results of Northland and its subsidiaries, of which the most significant are:

- Iroquois Falls Corp., which owns the Iroquois Falls Facility;
- Kingston LP, which owns the Kingston Facility;
- Thorold LP, which owns the Thorold Facility;
- Mont Miller LP, which owned the Mont Miller Wind Farm, which was sold on December 16, 2010;
- Jardin LP, which owns the Jardin wind farm**;**

- DK Windpark Kavelstorf GmbH & Co. KG and DK Burgerwindpark Eckolstädt GmbH & Co. KG, which own the German Wind Farms;
- Mont Louis LP, which owns the Mont Louis Wind Farm that achieved commercial operations on September 17, 2011**;**
- Spy Hill LP, which owns the Spy Hill Facility that achieved commercial operations on October 19, 2011**;** and
- North Battleford LP, which owns the North Battleford Facility that is under construction and is scheduled to reach commercial operations during the second quarter of 2013**.**

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

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

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

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

The following table summarizes the principal characteristics of each of the operating facilities in which Northland had a direct or indirect interest as at December 31, 2011:

Operating Facilities

Facility	Ownership	Capacity	Net ownership interest	Power off-taker & rating	PPA expiry	% of 2011 EBITDA(3)
Iroquois Falls	100%	120.0 MW	120.0 MW	OEFC (AA low)*	December 2021	26%
Kingston	100%	110.0 MW	110.0 MW	OEFC (AA low)*	January 2017	27%
Thorold	100%	265.0 MW	265.0 MW	OPA (A high)*	March 2030	41%
Spy Hill	100%	86.0 MW	86.0 MW	SaskPower (AA)*	October 2036	2%
Jardin	100%	127.5 MW	127.5 MW	Hydro-Québec (A+)**	November 2029	10%
Mont Louis	100%	100.5 MW	100.5 MW	Hydro-Québec (A+)**	September 2031	3%
Facility	**Ownership**	**Capacity**	**Net ownership interest**	**Power off-taker & rating**	**PPA expiry**	**% of 2011 EBITDA(3)**
German Wind Farms	100%	21.5 MW	21.5 MW	N/A(2)	N/A(2)	2%
Panda-Brandywine	19%	230.0 MW	43.7 MW	Sempra(1) (BBB+)**	May 2014	0%
Corporate(4)	n/a	n/a	n/a	n/a	n/a	(12%)

* Ratings by Dominion Bond Rating Services
** Ratings by S&P

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

Segment	Electricity	Steam	Natural Gas	Other	Total
Thermal	296.1	10.9	11.7	0.2	318.9
Wind	31.8	-	-	-	31.8
Other(5)	0.1	-	-	5.4	5.5
Total	**323.8**	**10.9**	**11.7**	**5.6**	**356.2**

2010 Revenue Breakdown by Segment *(in millions of dollars)*

Segment	Electricity	Steam	Natural Gas	Other	Total
Thermal	244.0	9.3	21.3	0.1	274.7
Wind	32.2	-	-	-	32.2
Other(5)	-	-	-	5.5	5.5
Total	**276.2**	**9.3**	**21.3**	**5.6**	**312.4**

Notes:

(1) Sempra provides all required gas to operate the Panda- Brandywine Facility.

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

(3) Represents the approximate earnings before interest, taxes, depreciation and amortization (EBITDA), a non IFRS measure that was generated by each facility in 2011. See Section entitled "Non-IFRS Measures" in the Corporation's 2011 MD&A which is filed on SEDAR at www.sedar.com and on Northland's website at www.northlandpower.ca.

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

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

Project Under Construction

Project	Ownership	Capacity	Net ownership interest	Power off-taker & rating*	PPA expiry
North Battleford	100%	260.0 MW	260.0 MW	SaskPower (AA)*	20 years from COD

* Ratings by Dominion Bond Rating Services

Advanced Development Projects

Project	Ownership	Capacity	Net ownership interest	Power off-taker & rating*	PPA expiry
Manitoulin Island Wind Farm	50%	60.0 MW	30.0 MW	OPA (A high)*	20 years from COD
Kabinakagami Run-of-River Hydro Projects	50%	26.0 MW	13.0 MW	OPA (A high)*	40 years from COD
Grand Bend Wind Farm	100%	100.0 MW	100.0 MW	OPA (A high)*	20 years from COD
Ground-Mounted Solar Projects	100%	130.0 MW	130.0 MW	OPA (A high)*	20 years from COD
Frampton Wind Farm	67%	24.0MW	16.0 MW	Hydro-Québec (A+)**	20 years from COD

* Ratings by Dominion Bond Rating Services

** Ratings by S&P

Thermal Facilities

Thermal facilities generate electricity through combustion which creates hot expansive gases that spin gas turbines coupled to electrical generators. By using natural gas to fuel the gas turbines at each of Iroquois Falls, Kingston, Thorold, Spy Hill and Panda-Brandywine, Northland is using a clean burning fossil fuel. Natural-gas combustion results in virtually no atmospheric emissions of sulfur dioxide ("**SO_2**") or small particulate matter, and far lower emissions of carbon monoxide ("**CO**"), nitrogen oxides ("**NO_x**"), and greenhouse gases such as reactive hydrocarbons and carbon dioxide ("**CO_2**"), than the combustion of other fossil fuels.

Cogeneration is the simultaneous production of electric and thermal energy, such as steam or heat, from one fuel source, such as natural gas. The steam produced is normally supplied to a nearby industrial or commercial facility, which would otherwise consume fuel to produce steam. Cogeneration provides greater efficiency than conventional generation methods to off-takers that require continuous thermal and electric power. The Iroquois Falls and Thorold facilities are cogeneration plants. Cogeneration is also known as Combined Heat and Power.

Wind Facilities

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

IROQUOIS FALLS

Background

Iroquois Falls is a 120 MW natural gas-fired, combined-cycle cogeneration plant located in Iroquois Falls, Ontario. The plant commenced operations in 1996.

Sales, Supply, and Maintenance Contracts

Iroquois Falls sells electricity to OEFC under the 25-year Iroquois Falls Power Purchase Agreement that expires in 2021. OEFC's obligation to purchase electricity under the Iroquois Falls Power Purchase Agreement is limited to stipulated monthly averages between 75 MW and 96 MW, with the weighted monthly average being 85 MW.

Iroquois Falls also sells up to 300,000 pounds of steam per hour to the neighbouring AbiBow Iroquois Falls Mill under a 20-year steam sales agreement that expires at the end of 2016. The steam sales price is set annually and varies directly with the cost of gas purchased by Iroquois Falls. Iroquois Falls is protected from the economic impact of adverse changes at the AbiBow Iroquois Falls Mill until 2016 through provisions of the Iroquois Falls Power Purchase Agreement that increase OEFC's electricity purchase obligation to mitigate material reductions in steam revenue. Steam sales revenue generally represents approximately 5 to 10% of Iroquois Falls' total revenues.

Other revenue is earned by selling natural gas to mitigate the cost of unused capacity under the transportation contract with TransCanada PipeLines Limited during lower production Summer months and plant shutdowns.

Iroquois Falls is fuelled by natural gas provided by Cenovus and Shell Canada Limited. The natural gas from these suppliers is contracted pursuant to 20-year gas supply agreements expiring in 2015 and 2016 which relate the fuel price escalation, in part, to the electricity selling price. Iroquois Falls uses TransCanada PipeLines Limited and Union Gas Limited to transport its gas pursuant to 20-year firm-service agreements that expire in 2016 but are readily renewable and remain subject to the same tariff rates.

The maintenance of Iroquois Falls' gas turbines is contracted to GE under a maintenance agreement that, based upon the expected usage of the turbines, will continue until 2015.

Operations

Iroquois Falls has the capacity to produce an annual average of 15% more electricity than the amount contracted to OEFC under the Iroquois Falls Power Purchase Agreement. Iroquois Falls is expected to operate 24 hours a day, 365 days a year except for planned and unplanned downtime. Under the Iroquois Falls Power Purchase Agreement, OEFC has the right to curtail Iroquois Falls' electricity output by up to 20% of the contracted capacity during Summer off-peak hours without payment.

Iroquois Falls is generally shut down once a year for scheduled maintenance. As purchase rates under the Iroquois Falls Power Purchase Agreement are higher for on-peak hours, planned down time is scheduled for off-peak hours and curtailment periods to the extent possible to minimize the impact on revenue. Iroquois Falls has averaged an availability of approximately 97% since start-up in 1996.

Production from Iroquois Falls is higher in Winter than in Summer, and rates received from OEFC are also higher during the Winter. As a result, approximately 65% of Iroquois Falls' cash flow is earned in the Winter, and approximately 35% is earned during the Summer. On average, approximately 80 to 90% of Iroquois Falls' revenues are expected to be derived from electricity sales to OEFC.

Employees

For the fiscal year ended December 31, 2011, Iroquois Falls was operated by a staff of 22 employees that was augmented as required with outside contractors. Thirteen employees at the facility are members of the International Union of Operating Engineers. The collective agreement with employees at Iroquois Falls expires on June 30, 2013.

Environmental Matters and Permits

Iroquois Falls holds all necessary operating permits and approvals and has an environmental monitoring and reporting system in place. In particular, current generating equipment at Iroquois Falls is designed to produce NO_x emissions below the levels set out in its permits and, because its NO_x emissions are low, Iroquois Falls has surplus NO_x allowances for sale.

KINGSTON

Background

Kingston is a 110 MW natural gas-fired, combined-cycle plant located near Kingston, Ontario. The plant started commercial operations in February, 1997.

Sales, Supply, and Maintenance Contracts

Kingston sells all electricity to the OEFC under the terms of the Kingston Power Purchase Agreement that expires in January 2017 but can be extended for a further 5 years with the consent of both parties at rates agreed upon at that time. The Kingston Power Purchase Agreement obligates the OEFC to purchase between 93 MW to 109 MW (approximately 100 MW on average) depending on the time of year.

Revenue under the Kingston Power Purchase Agreement is earned according to a number of tariff rates that escalate according to different criteria. The escalation of certain tariffs is tied specifically to increases in tariff rates under the contracts with TransCanada PipeLines Limited and Union Gas Limited for natural gas transportation capacity and commodity rates. The Kingston Power Purchase Agreement provides for revenue increases at the beginning of each year for gas transportation cost increases in existence at that time. Similarly, certain tariffs escalate using the same formula that applies to natural gas purchased under the contract with Cenovus, so that gas supply cost increases are directly reflected in higher revenue under the Kingston Power Purchase Agreement. Certain tariffs are related to the Consumer Price Index (as defined in the Kingston Power Purchase Agreement) to provide an offset to higher operations and maintenance costs resulting from general inflation.

The Kingston Power Purchase Agreement provides certain rights to OEFC to curtail output during the Summer.

Kingston entered into a general term sheet with OEFC in 2006 that addresses the sharing of profits from incremental production from the Kingston Facility along with the sale of operating reserves and ancillary services to the IESO under the IESO Market Rules.

Kingston had been providing steam to the adjacent INVISTA Millhaven facility under an energy services agreement that was to expire in 2017. Other agreements with INVISTA provided for the supply of water and treatment of waste water. In October 2009, INVISTA permanently shut down its Millhaven facility with resulting cancellation of certain contracts. In 2011, Kingston entered into a prepaid 99-year capital lease with INVISTA for the use of its pumphouse to supply process water.

Kingston is party to a natural gas purchase agreement with Cenovus for the supply of natural gas to January 31, 2017. The natural gas cost escalates with transportation costs on the NOVA system (NOVA Gas Transmission Ltd. is a wholly-owned subsidiary of TransCanada PipeLines Limited) and a predetermined amount over the Consumer Price Index (as defined in the natural gas purchase agreement). TransCanada PipeLines Limited and Union Gas Limited transport gas under separate long term firm transportation agreements.

Operations and Maintenance

Operations and maintenance of Kingston are managed by a staff of 18 employees. Kingston has a multi-year agreement with GE for the long-term supply of parts and specified repair services for the GE 6FA gas turbine and GE has assumed additional responsibilities and risks associated with scheduled and unscheduled maintenance on the gas turbine in return for a monthly fee and periodic payments. This agreement expires after 81,000 hours of operations (estimated to be in 2016).

Environmental Matters and Permits

Kingston holds all necessary permits and approvals required for operations and has an environmental monitoring and reporting system in place. All current generating equipment at Kingston is designed to produce NOx emissions below the levels set out in its permits.

Capital Structure

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

THOROLD

Background

Thorold is a 265 MW natural gas-fired, combined-cycle cogeneration plant located near Thorold, Ontario. The plant started commercial operations in April 2010.

The Thorold project uses natural gas as a fuel source to produce both electricity and heat that can be used by a thermal host to generate steam for industrial use or to provide district heating. Thorold supplies electricity to the Ontario grid under the terms of a 20-year agreement with the OPA (the "**CHP Contract**"), and sells electricity and steam to AbiBow's adjacent Thorold recycled newsprint mill under a 20-year energy supply agreement ("**ESA"**). When combined with the steam demand from the AbiBow Thorold Mill, Thorold is a clean and efficient electricity producer.

Operations

Thorold is a dispatchable facility that generally operates only when Ontario electricity and gas market conditions make it economical to do so, but has a contractual structure designed to insulate it from volume risk and volatility in electricity and natural gas prices. Thorold effectively receives a fixed amount under the CHP Contract (a revenue requirement) that is intended to cover fixed operating costs, debt service and returns on equity. Amounts received from or paid to the OPA under the CHP Contract to achieve the revenue requirement depend largely upon the difference between actual gross margins earned in the electricity market and margins deemed to have been earned based on market conditions and contract parameters (largely output and heat rate, a measure of plant efficiency). The revenue requirement structure ensures that Thorold's gross profit is generally fixed and largely dependent on its ability to operate according to the contract parameters. Thorold can occasionally earn additional gross profit from the Ontario electricity market during certain system or operating conditions.

Thorold supplies all of the AbiBow Thorold Mill's steam and electricity requirements. The contractual structure of the ESA provides for minimum payments to Thorold if the AbiBow Thorold Mill's steam demand falls below defined thresholds. In addition, the electricity provided during dispatch periods is at below-market rates (which reduces the mill's energy costs and improves its competitiveness), and Thorold shares in these savings.

Operations and Maintenance

Thorold is staffed by 22 employees who are responsible for the daily operations and maintenance of the facility. In addition, Thorold has a 25-year agreement with GE to cover all planned and unplanned maintenance and repairs on the combustion turbine, generator, control system and auxiliaries supplied by GE.

In accordance with the terms of Thorold's credit agreement, Thorold maintains a major maintenance reserve to help smooth the cash flow impact of periodic costs arising from major maintenance inspections and overhauls. The major maintenance reserve can be funded with cash or a letter of credit.

Environmental Matters and Permits

Thorold holds all required operating permits and approvals, and has an environmental monitoring and reporting system in place. The generating equipment is designed to produce NOx emissions below the levels set out in its permits.

Capital Structure

Construction was funded in part by $455 million of non-recourse project financing, including $415 million of non-recourse senior secured project debt from a syndicate of banks and institutional lenders, and $40 million of non-recourse subordinated project financing from two institutional lenders.

The bank portion of the senior debt was funded under a variable advance schedule during construction. Following term conversion on November 30, 2010, the bank portion is being repaid under a 20-year amortization period to March 31, 2030, with maturity on September 30, 2015. Thorold entered into an interest rate swap agreement to effectively fix the interest rate on the senior bank debt to March 2030.

The institutional portion of the senior debt was funded under a fixed advance schedule during construction. The senior institutional debt has a fixed interest rate and is being repaid in accordance with a schedule designed to fully amortize the loan over its term until maturity on March 31, 2030.

The subordinated debt was repaid in December 2010.

Thorold is also required under certain conditions to maintain a debt service reserve, which can be funded with cash or a letter of credit. A debt service reserve is not currently required.

SPY HILL

Background

Spy Hill is an 86 MW natural gas-fired peaking facility located near Spy Hill, Saskatchewan. The facility is situated on land leased from SaskPower under a 25-year lease. After a successful construction period, Spy Hill began commercial operations in October 2011. SaskPower has an option to purchase the Spy Hill from Northland at any time until the end of the 25-year PPA at pre-determined prices.

Operations

Spy Hill's PPA is designed to ensure predictable, stable and sustainable cash flows by providing monthly payments that cover all fixed costs, debt service and investment returns. The cost of natural gas consumed by the facility is passed through to SaskPower based on contractual efficiency levels, insulating the project from volatility in natural gas prices. Northland is responsible for operating the plant to achieve specified efficiency and reliability levels.

Spy Hill's PPA essentially conveys to SaskPower the right to use the facility at its discretion. Therefore, although Northland owns and operates Spy Hill, IFRS accounting rules require that it be accounted for as a finance lease, beginning when the facility became operational and SaskPower assumed the principal risks and rewards of ownership. As a result, for accounting purposes, Spy Hill will be treated as a lessor of the Spy Hill Facility to SaskPower. In Northland's consolidated financial statements as at December 31, 2011, the Spy Hill assets subject to the lease have been removed from property, plant and equipment, and the amounts due under the lease have been recorded as a finance lease receivable at an amount equal to the present value of the minimum lease payments receivable.

Operations and Maintenance

In December 2011 Spy Hill entered into a 25-year gas turbine parts and services agreement with GE. The agreement requires minimal fixed quarterly payments to cover annual inspections and monitoring, and a large, lump-sum payment to complete a major overhaul at approximately 25,000 hours of operation. Any additional parts and services for unplanned events will be procured at agreed-upon rates and discounts from GE.

Under the terms of its credit agreement, Spy Hill may be required to maintain a major maintenance reserve to fund future major overhaul costs.

Environmental Matters and Permits

Spy Hill holds all necessary permits and approvals required to operate, and has an environmental monitoring and reporting system in place. All current generating equipment at Spy Hill is designed to produce NOx emissions below the levels set out in its permits.

Capital Structure

Spy Hill was financed in part by a $111 million non-recourse credit facility with a syndicate of commercial banks. Following term conversion in March 2012, the loan will be repaid over a 25-year amortization period, with maturity on December 31, 2016. Spy Hill entered into an interest rate swap agreement to effectively fix the loan's interest rate.

Spy Hill is also required to maintain a debt service reserve under certain conditions, which can be funded with cash or a letter of credit. A debt service reserve is not currently required.

PANDA-BRANDYWINE

Panda-Brandywine is a natural gas-fired combined-cycle facility located in Brandywine, Maryland, near Washington, D.C., with a total electrical generating capacity of 230 MW. Panda-Brandywine sells electrical capacity and energy to Sempra. Panda-Brandywine has two General Electric industrial gas turbines with heat recovery steam generators and a steam turbine.

Panda-Brandywine is currently leased from Sempra pursuant to sale leaseback expiring on October 31, 2021. At the end of the current lease term, it may be renewed for an additional 5-year term. Alternatively, the facility may be purchased at fair market value at the end of the lease term or the renewal term.

Panda-Brandywine's Sales, Supply, Management and Maintenance Contracts

Panda-Brandywine sells electrical capacity and energy to Sempra pursuant to a PPA that expires in May 2014. If Sempra chooses to not extend the PPA beyond May 2014, it will be required pay US$27.5 million to Panda-Brandywine. The PPA includes predefined fixed capacity payments, variable operating payments designed to match variable operating costs, including fuel.

JARDIN

Background

Jardin is a 127.5 MW wind power facility located primarily on leased agricultural land on the south shore of the St. Lawrence River, near Matane. The facility commenced commercial operations in November 2009.

Facility Design and Equipment

Jardin generates power from 85 GE 1.5sle wind turbines with a capacity of 1.5 MW each. Jardin is constructed on lands leased from private and municipal landowners. Jardin's long-term production forecast is based on a wind resource assessment completed by an internationally recognized wind energy consulting firm. The wind resource assessment predicted an average annual capacity factor of 32% over a 10-year period.

Sales and Maintenance Contracts and Operations

All the power produced by Jardin is sold to Hydro-Québec under a 20-year PPA. The price for the power escalates each year based on a formula that is tied to the Consumer Price Index for the term of the PPA. There is no maximum production or delivery requirement, under the Jardin PPA and failure to achieve a minimum production level set by Northland could result in a penalty payable to Hydro-Québec.

Jardin also receives a subsidy for power produced under the Federal Government's ecoEnergy for Renewable Power program. The incentive is $10 per MWh, of which Hydro-Québec receives 75% and Northland retains 25%, and will be paid for 10 years from the commencement of commercial operations. Annual incentive payments under the ecoEnergy program are capped at a contractual annual production target, although this cap can be permanently reduced if actual production over a certain period falls short of the target.

Jardin has entered into a two-year warranty, maintenance and operations services agreement with GE. Under the terms of this agreement, GE provides ongoing maintenance and warranty service on the wind turbines and related equipment for a quarterly fee, escalated annually based on certain labour and material indices. Northland has agreed in principle to a new GE operations and maintenance service contract for an additional six years.

Capital Structure

Jardin was funded in part with a $153 million non-recourse, fixed-rate construction and term loan facility provided by a syndicate of institutional lenders. The loan facility is scheduled to be fully repaid over the PPA term. Jardin also has a $41 million non-recourse short-term bridge loan facility to help fund the cost of the substation and collector system pending receipt of the remaining cost reimbursements from Hydro-Québec.

MONT LOUIS

Background

The 100.5 MW Mont Louis wind farm is located near the town of Saint-Maxime-du-Mont-Louis on south shore of St. Lawrence River. Construction began in July 2010, and the facility achieved commercial operations in September 2011.

Facility Design and Equipment

Mont Louis generates power from 67 GE 1.5sle wind turbines with a capacity of 1.5 MW each. Mont Louis' long-term production forecast is based on a wind resource assessment conducted by an internationally recognized wind energy consulting firm. The assessment predicted an average annual capacity factor of 35% over a 10-year period.

Sales and Maintenance Contracts and Operations

All the power produced by Mont Louis is sold to Hydro-Québec under a 20-year PPA. The price for the power escalates each year based on a formula that is tied to the Consumer Price Index for the term of the PPA. There is no maximum production or delivery requirement under the Mont Louis PPA and failure to achieve a minimum production level set by Northland could result in a penalty payable to Hydro-Québec.

Mont Louis also receives a subsidy for power produced under the Federal Government's ecoEnergy for Renewable Power program. The incentive is $10 per MWh, of which Hydro-Québec receives 75% and Northland retains 25%, and will be paid for 10 years from the commencement of commercial operations. Annual incentive payments under the ecoEnergy program are capped at a contractual annual production target, although this cap can be permanently reduced if actual production over a certain period falls short of the target.

Mont Louis has a two-year warranty agreement and an eight-year operations support agreement with GE. Under the terms of these agreements, GE provides warranty service and ongoing maintenance on the wind turbines and related equipment for a quarterly fee, escalated annually based on certain labour and material indices.

Capital Structure

Mont Louis has a $106 million non-recourse construction and term loan facility with a syndicate of institutional lenders. Following term conversion on January 31, 2012, the loan is being repaid over the PPA term. It also has a $30 million non-recourse short-term bridge loan facility to help fund the cost of the substation and collection system pending receipt of the cost reimbursements from Hydro-Québec Distribution. Mont Louis also has an agreement with Investissement Québec for a $15 million subordinated loan that will be repaid with a bullet payment in 2031.

GERMAN WIND FARMS

Background

The German Wind Farms comprise the 7.2 MW Kavelstorf wind farm which is located on agricultural land south of Rostock in northern Germany, and the 14.3 MW Eckolstädt wind farm which is located on level land in the Thuringen region in central Germany. The Kavelstorf wind farm has been operating since April 2001 and the Eckolstädt wind farm since January 2000. The German Wind Farms were acquired by Northland in April 2006.

Facility Design and Equipment

The Kavelstorf wind farm consists of 4 Nordex N60 1.3 MW turbines and 2 Nordex N54 1.0 MW turbines. The Eckolstädt wind farm consists of 11 Bonus 1.3 MW turbines. Nordex and Bonus (owned by Siemens AG) are established turbine manufacturers and the wind turbines are both proven and reliable, with expected useful lives of 20 to 25 years. The turbines are located on land secured under 30-year leases.

Sales and Maintenance Contracts and Operations

The German Wind Farms are projected to generate approximately 33,800 MWh of electricity per year, as set out in a long-term energy assessment completed by a specialized wind consulting firm at the time of acquisition. All electricity is sold to local power utilities and earns a fixed energy tariff of 9.1 €/kWh over an approximately 20-year term under the provisions of German federal renewable energy legislation. Thereafter, the tariff reduces to the then-current rates.

The turbines are maintained under contract by an affiliate of the turbine manufacturer at Kavelstorf and by an experienced service provider at Eckolstadt.

Local operations management is provided by enXco GmbH, a German entity with considerable wind power experience, which is affiliated with Électricité de France, one of the largest power utilities in the world. Oversight of the German Wind Farms is provided by Northland management.

LOBLAW ROOFTOP SOLAR PROJECTS

Background

The Loblaw Rooftop Solar projects are a group of four rooftop solar installations in various municipalities in Ontario: Ottawa (494 kW), Whitby (433 kW), Ajax (226 kW) and Toronto (10 kW) that attained COD in 2011. Each project is located on the roof of a Loblaw store. Loblaw and Northland developed these projects in a partnership with Northland acting as the managing general partner.

Sales Contract and Operations

The facilities have 20-year guaranteed-price PPAs under the OPA's FIT Program in the case of the three larger projects and the OPA's microFIT program in the case of the Toronto project. All four deliver their electricity directly to local distribution companies.

PROJECT UNDER CONSTRUCTION

NORTH BATTLEFORD

In February 2010, North Battleford executed a 20 year PPA with SaskPower to provide baseload power to the Saskatchewan energy system. The 260 MW natural gas-fired combined cycle plant is being built near North Battleford, Saskatchewan, about 150 km northwest of Saskatoon. All power produced by the plant will be sold under the PPA to SaskPower. The plant will use a GE 7FA gas turbine with associated heat recovery and a steam turbine to produce the electricity. The plant is scheduled to begin commercial operations in 2013.

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 the price of gas is passed through to SaskPower. Northland will be responsible for operating the plant to achieve specified efficiency and reliability levels. The contractual structure of the project is designed to ensure predictable, stable and sustainable cash flows over the entire 20 year term of the PPA.

The budgeted capital cost of $677 million is being partially funded with $580 million in non-recourse project debt provided by an international syndicate of 15 banks. The financing, which closed on August 30, 2010, comprises a $542 million construction loan that will convert to a 20-year amortizing term loan with maturity seven years after the start of commercial operations and a $38 million letter of credit facility to support the project’s other obligations. As required under the loan provision, North Battleford entered into an interest rate swap agreement to effectively fix the variable interest rate of the non-recourse debt (which is based primarily on 90-day banker’s acceptance rates) at 4.6% plus the credit spread, with a term from November 30, 2010 to June 30, 2033, to cover both loan advances during construction and debt repayments during the commercial operations period.

PROJECTS IN ADVANCED DEVELOPMENT

Northland has 340 MW in advanced development projects with executed PPAs. These comprise 316 MW in Ontario under the OPA’s FIT Program, including 160 MW of wind, 130 MW of solar and 26 MW of hydro, and 24 MW in Quebec through a PPA awarded by Hydro-Québec. The following is a discussion of the status of each project.

MCLEAN’S MOUNTAIN WIND FARM - ONTARIO

Northland is in the advanced stages of developing this 60 MW wind farm on Manitoulin Island under a 50/50 partnership with a limited partnership controlled by the United Chiefs and Councils of Mnidoo Mnising First Nations. The project has a 20-year FIT PPA with the OPA and is estimated to cost $190 million. Completion of environmental permitting is targeted for spring 2012; construction will commence immediately thereafter, with commercial operations targeted for fall 2013.

GRAND BEND WIND FARM - ONTARIO

Northland executed a 20-year FIT PPA with the OPA in July 2011 for a 100 MW wind farm to be located in the Grand Bend area. Development work and permitting for the environmental review process are under way. The capital cost is largely dependent on turbine size and number, but is anticipated to be in the range of $320 to $385 million. Construction is scheduled to commence in 2013, with completion anticipated in 2014. Discussions are under way with several first nations groups regarding partnership interests in this project.

GROUND-MOUNT SOLAR PROJECTS - ONTARIO

Development of Northland's 130 MW Ontario ground-mount solar portfolio, comprising 13 projects with 20-year FIT PPAs, advanced significantly in 2011. On November 16, Northland announced that it had contracted with MEMC Singapore Pte. Ltd. for the supply of solar panels, which are to be manufactured in Newmarket, Ontario. Construction contractors have been selected, and final contract terms are being negotiated. The environmental review process is well advanced for all projects, with several projects receiving their final Renewable Energy Approval. Permitting and financing are expected to be complete for the initial phase of six projects in the first half of 2012. Construction of the projects will be staggered, with the initial projects to commence this spring. As of the date of this report, limited site work has commenced on three of the projects. Commercial operations for the portfolio are scheduled for various intervals throughout 2013 and 2014, with the earliest in-service dates anticipated to be at the beginning of 2013. The total capital cost for the ground-mount solar projects is anticipated to be approximately $600 million. In order to capitalize on favourable interest rates, in late December 2011 Northland entered into interest rate swaps to fix the long-term interest rate on $182 million of debt that will be used to fund a portion of the ground-mount solar projects at 2.6% plus a credit spread.

KABINAKAGAMI HYDRO PROJECTS - ONTARIO

Northland is developing 26 MW over four run-of-river hydro projects on the Kabinakagami River near Hearst, Ontario. The projects have 40-year FIT PPAs and are being developed in a 50/50 partnership with the Constance Lake First Nation. Environmental permitting, on-site engineering and geotechnical work are under way, and equipment suppliers have been short-listed. The projects are targeted to commence construction in 2012, pending successful completion of a number of milestones. The capital cost is anticipated to be approximately $150 million, with commercial operations planned for 2015.

FRAMPTON WIND FARM - QUEBEC

In late 2010 Northland and its 33% partner, the municipality of Frampton, were awarded a 20-year PPA by Hydro-Québec under its community and First Nations program. The 24 MW wind farm will be located near the south shore of the St. Lawrence River. The project capital cost is forecast to be approximately $75 million, with commercial operations contracted for December 2015 under the PPA.

DEVELOPMENT PROSPECTS

Northland is actively pursuing a number of other prospects, not yet contracted under PPAs, that encompass a mix of technologies including natural gas, hydro, wind and solar. Descriptions of several of Northland's more mature development opportunities are provided below.

Combined Heat and Power (Cogeneration)

CHP facilities, similar to Thorold, use a single fuel source such as natural gas to produce electricity plus heat that can be used to generate steam for industrial use or to provide district heating. Northland has been developing CHP facilities that would supply low-cost steam to a thermal host and electricity to consumers in locations advantageous for the electricity system. In September 2011, Northland submitted two bids to the OPA under its 300 MW CHP IV request for proposals **("RFP"):** the Oshawa cogen project under development with General Motors and its Oshawa plant as the thermal host, and the Queen's Quay cogen project with Redpath Sugar and its Toronto waterfront operation as the thermal host. Subsequently, the OPA agreed to enter into bilateral negotiations with Northland for PPAs at both proposed projects.

Marmora Pumped Storage

Northland has been developing a 400 MW pumped-storage project near Marmora, Ontario as an economic and environmentally beneficial means of managing variability in on-peak and off-peak electricity demands and to provide backup for intermittent renewable energy resources, such as wind and solar. Pumped-storage facilities have a number of favourable attributes, including being able to act as batteries to store electricity by pumping water into an elevated storage area using electricity during lower-demand periods, and then releasing the stored water through the same combination pump-turbines to generate electricity during peak periods and providing rapid response stabilization support. The advancement of this proposed project is dependent upon Northland's ability to secure a long-term PPA.

Cambridge

Northland continues to develop a potential natural-gas-fired peaking facility near Cambridge, Ontario. Ontario's 2010 LTEP supported the need for a gas-fired peaking facility in the Kitchener-Waterloo-Cambridge area, stipulating that demand for power in this region has been growing at twice the provincial average.

Ontario FIT

In addition to the 316 MW of FIT PPA capacity awarded to Northland to date, Northland has submitted a further 90 MW of ground-mount solar applications in 2011 and has 120 MW of capacity remaining in the FIT ECT queue for future development consideration. Over the next few years, the OPA, Hydro One and the Ontario Energy Board will evaluate the economic viability of expanding the transmission system to accommodate projects in the ECT queue. In addition, the OPA is undertaking a planned review of the entire FIT Program; the viability of any projects without existing PPAs is subject to uncertainty pending the outcome of this review.

Loblaw Rooftop Solar Expansion

Following the completion of the four commissioned Loblaw rooftop projects in the third quarter of 2011, Northland and Loblaw are currently reviewing the potential development of up to a further 15 MW of Loblaw rooftop solar projects that have signed FIT PPAs.

British Columbia Wind

Northland is in the process of securing the rights to a number of wind sites in anticipation of a large-scale BC Hydro RFP for wind projects in British Columbia.

Quebec Wind

In 2010, Northland participated in a Hydro-Québec RFP for wind projects in partnership with communities and/or first nations (for which the Frampton 24 MW wind project was awarded a PPA). Northland continues to develop potential wind farm sites it believes should be competitive in anticipated future Hydro-Québec RFPs.

THIRD-PARTY MANAGERS

Management of the Panda-Brandywine Facility

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

Management of the German Wind Farms

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

DIVIDENDS AND DISTRIBUTIONS

Sustainability of Dividends

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

On October 18, 2011, Standard & Poor's revised its outlook on Northland's long-term debt to positive from stable and reaffirmed Northland's debt rating of BBB-. Standard & Poor's report credited Northland's consistent financial strategy and improving diversification resulting from the addition of Northland's new facilities as the basis for the upward revision in Northland's outlook. Standard & Poor's report concluded that Northland had adequate sources of liquidity to cover its near-term needs, including dividends.

On November 9, 2011, Northland announced an amendment to its dividend reinvestment plan whereby common shareholders and the Class A shareholder may elect to reinvest their dividends in Common Shares of Northland to be issued from treasury at up to a 5% discount to the market price. While the future uptake on Northland's revised Dividend Reinvestment Plan (DRIP) is uncertain (average uptake since inception has been 27%), based on a review of comparable companies with similar DRIP programs, management expects that the net result will be a material reinvestment of cash dividends into Northland, improving the efficiency and reducing the cost of raising equity for future projects.

The Corporation distributed a total of $1.08 in cash and Common Shares (as a result of Northland's amended dividend reinvestment plan) per Common Share to Shareholders for the year ended December 31, 2011 (2010 – $1.08 per Unit; 2009 – $1.08 per Unit). For Canadian tax purposes, the fiscal 2010 and 2009 distributions of $1.08 per Unit are treated as 100% taxable.

History of Dividends and Distributions

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

	Dividends / Distributions Declared per Share / Unit ($)		
Month	**2011**	**2010**	**2009**
January	0.0900	0.0900	0.0900
February	0.0900	0.0900	0.0900
March	0.0900	0.0900	0.0900
April	0.0900	0.0900	0.0900
May	0.0900	0.0900	0.0900
June	0.0900	0.0900	0.0900
July	0.0900	0.0900	0.0900
August	0.0900	0.0900	0.0900
September	0.0900	0.0900	0.0900
October	0.0900	0.0900	0.0900
November	0.0900	0.0900	0.0900
December	0.0900	0.0900	0.0900
	1.0800	1.0800	1.0800

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

	Distributions Declared per Series 1 Preferred Share ($)		
Month	**2011**	**2010**	**2009**
March	0.3281	0.0000	0.0000
June	0.3281	0.0000	0.0000
September	0.3281	0.2301	0.0000
December	0.3281	0.3281	0.0000
	1.3124	0.5582	0.0000

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the information under the heading "Management's Discussion and Analysis" on pages 8 through 87 of Northland's 2011 Annual Report, which is incorporated herein by reference. The 2011 Annual Report is posted on SEDAR, at www.sedar.com, and on Northland's website, www.northlandpower.ca.

CAPITAL STRUCTURE

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

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

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

As at December 31, 2011, Northland had outstanding 78,027,019 Shares (December 31, 2010 75,034,598 Trust Units), 6,000,000 Series 1 Preferred Shares, 25,645,598 Class A Shares, 8,067,723 Class B Convertible Shares and 8,496,078 Class C Convertible Shares. There were also 6,032,191 Replacement Rights outstanding, each of which entitled the holder to receive one

Common Share, subject to terms and conditions. During the year, a total of $18.8 million of the 6.5% convertible unsecured subordinated debentures due June 30, 2011 (the "**2011 Debentures**") were converted into 1,505,680 Common Shares, and $16.8 million of the 6.25% convertible unsecured subordinated debentures, Series A due December 31, 2014 (the "**2014 Debentures**") were converted into 1,348,603 Common Shares. On June 30, 2011, a total of $1.2 million of the 2011 convertible unsecured subordinated debentures matured. Finally, an additional 138,138 Common Shares were issued under the new dividend reinvestment plan.

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

Description of the Common Shares

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

Description of the Class A Shares

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

Description of the Class B Convertible Shares

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

Description of the Class C Convertible Shares

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

Appointment Rights of Class A Shares and Class C Convertible Shares

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

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

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

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

Replacement Rights

In connection with the Merger, the Fund issued 6,032,191 Replacement Rights (subsequently assumed by the Corporation) in settlement of NPI’s obligations under the NPI LTIP and entered into a Rights Exchange Agreement with each NPI LTIP Participant. Pursuant to the Rights Exchange Agreements, each NPI LTIP Participant relinquished his LTIP Rights in exchange for Replacement Rights which subsequent to the Arrangement represent rights to acquire Common Shares on a one-for-one basis for no additional consideration on or after the Conversion Date.

Replacement Rights carry no voting rights or rights to receive distributions or dividends until they are exercised and are not transferable.

Conversion of Class C Shares and Replacement Rights

According to the terms of the Merger, there were 4,528,269 of Replacement Rights converted into Common Shares in January 2012.

Additionally, the terms of Northland's Class B Convertible Shares and Class C Convertible Shares provide that these securities may be converted into Class A Shares or exchanged for Common Shares based on the development profits attributable to certain of Northland's electricity generation projects as they achieve commercial operations.

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

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

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

Description of the Preferred Shares as a Class

Issuance in Series

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

Voting

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

Description of the Series 1 Shares

The following is a summary of certain provisions attaching to the Series 1 Shares as a series.

Definition of Terms

The following definitions are relevant to the Series 1 Shares.

"**Annual Fixed Dividend Rate**" means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.80%.

"**Bloomberg Screen GCAN5YR Page**" means the display designated as page "GCAN5YR<INDEX>" on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada Yields.

"**Fixed Rate Calculation Date**" means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

"**Government of Canada Yield**" on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by Northland, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

"**Initial Fixed Rate Period**" means the period from and including the Closing Date to, but excluding, September 30, 2015.

"**Subsequent Fixed Rate Period**" means for the initial Subsequent Fixed Rate Period, the period from and including September 30, 2015 to, but excluding, September 30, 2020 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to, but excluding, September 30 in the fifth year thereafter.

Dividends

During the Initial Fixed Rate Period, the holders of the Series 1 Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year during the Initial Fixed Rate Period, at an annual rate equal to $1.3125 per share.

During each Subsequent Fixed Rate Period, the holders of Series 1 Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by $25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by Northland on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding on Northland and all holders of Series 1 Shares. Northland will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series 1 Shares.

Payments of dividends and other amounts in respect of the Series 1 Shares will be made by Northland to CDS, or its nominee, as the case may be, as registered holder of the Series 1 Shares. As long as CDS, or its nominee, is the registered holder of the Series 1 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 1 Shares for the purposes of receiving payment on the Series 1 Shares.

Redemption

The Series 1 Shares will not be redeemable by Northland prior to September 30, 2015. On September 30, 2015 and on September 30 every five years thereafter (or, if such date is not a Business Day, the immediately following Business Day), and subject to certain other restrictions set out below under the heading "Description of the Series 1 Shares – Restrictions on Dividends and Retirement and Issue of Shares", Northland may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series 1 Shares by payment in cash of a per share sum equal to $25.00, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Northland).

If less than all of the outstanding Series 1 Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

The Series 1 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 1 Shares.

Conversion of Series 1 Shares into Series 2 Shares

Each holder of Series 1 Shares will have the right, at its option, on September 30, 2015 and on September 30 every five years thereafter (a "**Series 1 Conversion Date**"), to convert, subject to the restrictions on conversion described below and the payment or delivery to Northland of evidence of payment of the tax (if any) payable, all or any of its Series 1 Shares into Series 2 Shares on the basis of one Series 2 Share for each Series 1 Share converted. If a Series 1 Conversion Date falls on a day that is not a Business Day, such Series 1 Conversion Date will be the immediately following Business Day. The conversion of Series 1 Shares may be effected upon written notice (each notice an "**Election Notice**") given by the registered holder of the Series 1 Shares not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 1 Conversion Date. Once received by Northland, an election notice is irrevocable.

Northland will, at least 30 days and not more than 60 days prior to the applicable Series 1 Conversion Date, give notice in writing to the then registered holders of the Series 1 Shares of the Series 1 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 1 Conversion Date, Northland will give notice in writing to the then registered holders of the Series 1 Shares of the Annual Fixed Dividend Rate for the next Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series 2 Shares for the next succeeding Quarterly Floating Rate Period (as these terms are defined below).

If Northland gives notice to the registered holders of the Series 1 Shares of the redemption on a Series 1 Conversion Date of all the Series 1 Shares, Northland will not be required to give notice as provided hereunder to the registered holders of the Series 1 Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series 1 Shares and the right of any holder of Series 1 Shares to convert such Series 1 Shares will cease and terminate in that event.

Holders of Series 1 Shares will not be entitled to convert their shares into Series 2 Shares if Northland determines that there would remain outstanding on a Series 1 Conversion Date fewer than 1,000,000 Series 2 Shares, after having taken into account all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares and all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares. Northland will give notice in writing to all affected holders of Series 1 Shares of their inability to convert their Series 1 Shares at least seven days prior to the applicable Series 1 Conversion Date. Furthermore, if Northland determines that there would remain outstanding on a Series 1 Conversion Date fewer than 1,000,000 Series 1 Shares, after having taken into account all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares and all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares, then, all, but not part, of the remaining outstanding Series 1 Shares will automatically be converted into Series 2 Shares on the basis of one Series 2 Share for each Series 1 Share, on the applicable Series 1 Conversion Date. Northland will give notice in writing to this effect to the then registered holders of such remaining Series 1 Shares at least seven days prior to the applicable Series 1 Conversion Date.

Upon exercise by a registered holder of its right to convert Series 1 Shares into Series 2 Shares (and upon an automatic conversion), Northland reserves the right not to issue Series 2 Shares to any person whose address is in, or whom Northland or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require Northland to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described below under "Description of the Series 1 Shares – Restrictions on Dividends and Retirement and Issue of Shares", Northland may at any time purchase for cancellation all or any number of the Series 1 Shares outstanding at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Northland or any other distribution of assets of Northland among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Northland and of holders of shares of Northland ranking prior to the Series 1 Shares, the holders of the Series 1 Shares will be entitled to receive an amount equal to $25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by Northland), before any amount is paid or any assets of Northland are distributed to the holders of any other class of shares of Northland. Upon payment of such amounts, the holders of the Series 1 Shares will not be entitled to share in any further distribution of the assets of Northland.

Priority

The Series 1 Shares rank senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Northland, whether voluntary or involuntary, or in the event of any other distribution of assets of Northland among its shareholders for the purpose of winding-up its affairs. The Series 1 Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Northland, whether voluntary or involuntary, or in the event of any other distribution of assets of Northland among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series 1 Shares are outstanding, Northland will not, without the approval of the holders of the Series 1 Shares:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of Northland ranking as to capital and dividends junior to the Series 1 Shares) on any shares of Northland ranking as to dividends junior to the Series 1 Shares;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of Northland ranking as to return of capital and dividends junior to the Series 1 Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of Northland ranking as to capital junior to the Series 1 Shares;

(c) redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series 1 Shares then outstanding; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to the payment of dividends or return of capital on a parity with the Series 1 Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series 1 Shares and on all other shares of Northland ranking prior to or on a parity with the Series 1 Shares with respect to the payment of dividends have been declared and paid or monies set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 1 Shares as a series and any other approval to be given by the holders of the Series 1 Shares may be given by a resolution signed by all holders of the Series 1 Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of 10% of the outstanding Series 1 Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series 1 Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series 1 Shares as a series, each such holder shall be entitled to one vote in respect of each Series 1 Share held by such Holder.

Voting Rights

The holders of the Series 1 Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series 1 Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of Northland, unless and until Northland shall have failed to pay eight quarterly dividends on the Series 1 Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of Northland properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series 1 Shares will be entitled to receive notice of and to attend each meeting of Northland's shareholders, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of Northland on the basis of one vote in respect of each Series 1 Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease.

Tax Election

Northland will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of

Series 1 Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

Description of the Series 2 Shares

The following is a summary of certain provisions attaching to the Series 2 Shares as a series.

Definition of Terms

The following definitions are relevant to the Series 2 Shares.

"**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.80% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

"**Floating Rate Calculation Date**" means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

"**Quarterly Commencement Date**" means the last day of each of March, June, September and December in each year.

"**Quarterly Floating Rate Period**" means, for the initial Quarterly Floating Rate Period, the period from and including September 30, 2015 to, but excluding, December 31, 2015, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to, but excluding, the next succeeding Quarterly Commencement Date.

"**T-Bill Rate**" means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on 90-day Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

Dividends

The holders of the Series 2 Shares will be entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by $25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by Northland on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon Northland and upon all holders of Series 2 Shares. Northland will, on the relevant Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series 2 Shares.

Payments of dividends and other amounts in respect of the Series 2 Shares will be made by Northland to CDS, or its nominee, as the case may be, as registered holder of the Series 2 Shares.

As long as CDS, or its nominee, is the registered holder of the Series 2 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 2 Shares for the purposes of receiving payment on the Series 2 Shares.

Redemption

The Series 2 Shares will not be redeemable by Northland on or prior to September 30, 2015. Subject to certain other restrictions set out below under the heading "Description of the Series 2 Shares – Restrictions on Dividends and Retirement and Issue of Shares", Northland may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series 2 Shares by payment in cash of a per share sum equal to (i) $25.00 in the case of redemptions on September 30, 2020 and on September 30 every five years thereafter (each a "**Series 2 Conversion Date**"), or (ii) $25.50 in the case of redemptions on any date which is not a Series 2 Conversion Date after September 30, 2015, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Northland). If a Series 2 Conversion Date falls on a day that is not a Business Day, such Series 2 Conversion Date will be the immediately following Business Day.

If less than all of the outstanding Series 2 Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

The Series 2 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 2 Shares.

Conversion of Series 2 Shares into Series 1 Shares

Each holder of Series 2 Shares will have the right, at its option, on any Series 2 Conversion Date, to convert, subject to the restrictions on conversion described below and the payment or delivery to Northland of evidence of payment of the tax (if any) payable, all or any of its Series 2 Shares into Series 1 Shares on the basis of one Series 1 Share for each Series 2 Share converted. If a Series 2 Conversion Date falls on a day that is not a Business Day, such Series 2 Conversion Date will be the immediately following Business Day. The conversion of Series 2 Shares may be effected upon an Election Notice given by the registered holder of the Series 2 Shares not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 2 Conversion Date. Once received by Northland, an Election Notice is irrevocable.

Northland will, at least 30 days and not more than 60 days prior to the applicable Series 2 Conversion Date, give notice in writing to the then registered holders of the Series 2 Shares of the Series 2 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 2 Conversion Date, Northland will give notice in writing to the then registered holders of Series 2 Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and of the Annual Fixed Dividend Rate applicable to the Series 1 Shares for the next Subsequent Fixed Rate Period.

If Northland gives notice to the registered holders of the Series 2 Shares of the redemption on a Series 2 Conversion Date of all the Series 2 Shares, Northland will not be required to give notice as provided hereunder to the registered holders of the Series 2 Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series 2 Shares and the right of any holder of Series 2 Shares to convert such Series 2 Shares will cease and terminate in that event.

Holders of Series 2 Shares will not be entitled to convert their shares into Series 1 Shares if Northland determines that there would remain outstanding on a Series 2 Conversion Date fewer than 1,000,000 Series 1 Shares, after having taken into account all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares and all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares. Northland will give notice in writing to all affected holders of Series 2 Shares of their inability to convert their Series 2 Shares at least seven days prior to the applicable Series 2 Conversion Date. Furthermore, if Northland determines that there would remain outstanding on a Series 2 Conversion Date fewer than 1,000,000 Series 2 Shares, after having taken into account all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares and all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares, then, all, but not part, of the remaining outstanding Series 2 Shares will automatically be converted into Series 1 Shares on the basis of one Series 1 Share for each Series 2 Share, on the applicable Series 2 Conversion Date. Northland will give notice in writing to this effect to the then registered holders of such remaining Series 2 Shares at least seven days prior to the applicable Series 2 Conversion Date.

Upon exercise by a registered holder of its right to convert Series 2 Shares into Series 1 Shares (and upon an automatic conversion), Northland reserves the right not to issue Series 1 Shares to any person whose address is in, or whom Northland or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require Northland to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described below under "Description of the Series 2 Shares – Restrictions on Dividends and Retirement and Issue of Shares", Northland may at any time purchase for cancellation all or any number of the Series 2 Shares outstanding at the lowest price or prices at which in the opinion of the Board of Directors, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Northland or any other distribution of assets of Northland among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Northland and of holders of shares of Northland ranking prior to the Series 2 Shares, the holders of the Series 2 Shares will be entitled to receive an amount equal to $25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by Northland), before any amount is paid or any assets of Northland are distributed to the holders of any other class of shares of Northland. Upon payment of such amounts, the holders of the Series 2 Shares will not be entitled to share in any further distribution of the assets of Northland.

Priority

The Series 2 Shares rank senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Northland, whether voluntary or involuntary, or in the event of any other distribution of assets of Northland among its shareholders for the purpose of winding-up its affairs. The Series 2 Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Northland, whether voluntary or involuntary, or in the event of any other distribution of assets of Northland among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series 2 Shares are outstanding, Northland will not, without the approval of the holders of the Series 2 Shares:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of Northland ranking as to capital and dividends junior to the Series 2 Shares) on any shares of Northland ranking as to dividends junior to Series 2 Shares;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of Northland ranking as to return of capital and dividends junior to the Series 2 Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of Northland ranking as to capital junior to the Series 2 Shares;

(c) redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series 2 Shares then outstanding; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or pay off of all Series 2 Shares, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to the payment of dividends or return of capital on a parity with the Series 2 Shares;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series 2 Shares and on all other shares of Northland ranking prior to or on a parity with the Series 2 Shares with respect to the payment of dividends have been declared and paid or monies set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 2 Shares as a series and any other approval to be given by the holders of the Series 2 Shares may be given by a resolution signed by all holders of the Series 2 Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of 10% of the outstanding Series 2 Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series 2 Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series 2 Shares as a series, each such holder shall be entitled to one vote in respect of each Series 2 Share held by such holder.

Voting Rights

The holders of the Series 2 Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series 2 Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of Northland, unless and until Northland shall have failed to pay eight quarterly dividends on the Series 2 Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of Northland properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series 2 Shares will be entitled to receive notice of and to attend each meeting of Northland's shareholders, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of Northland on the basis of one vote in respect of each Series 2 Share held by such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease.

Tax Election

Northland will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series 2 Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

CONVERTIBLE DEBENTURES

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

On October 15, 2009, Northland issued the 2014 Debentures for gross proceeds of $92.0 million ($88.3 million net of underwriters' fees). Northland determined that the fair value of the embedded holder option at the time of issue was nominal and as a result the entire amount of the convertible debentures was classified as a long-term liability.

The 2014 Debentures are direct obligations of Northland and are not secured by any mortgage, pledge, hypothec or other charge. The payment of principal and interest on the 2014 Debentures is subordinated in right of payment to the prior payment of all senior indebtedness of Northland.

Conversion Privilege

Subsequent to the Arrangement, the 2011 Debentures were convertible at the holder's option into fully-paid, non-assessable and freely-tradeable Common Shares at any time prior to 5:00 p.m.

(Toronto time) on the earlier of June 30, 2011 and the business day immediately preceding the date specified by Northland for redemption of the 2011 Debentures, at a conversion price of $12.50 per Common Share being a ratio of 80 Units per $1,000 principal amount of 2011 Debentures.

Subsequent to the Arrangement, the 2014 Debentures are convertible at the holder's option into fully-paid, non-assessable and freely-tradeable Common Shares at any time prior to 5:00 p.m. (Toronto time) on the earlier of December 31, 2014 and the business day immediately preceding the date specified by Northland for redemption of the 2014 Debentures, at a conversion price of $12.42 per Common Share being a ratio of 80.5 Common Shares per $1,000 principal amount of 2014 Debentures.

Redemption and Purchase

The 2014 Debentures may not be redeemed by Northland on or before December 31, 2012. Thereafter, but prior to December 31, 2013, the 2014 Debentures may be redeemed by Northland, in whole at any time or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the Current Market Price on the date on which the notice of redemption is given is at least 125% of $12.42. On or after December 31, 2013 and prior to December 31, 2014, the 2014 Debentures may be redeemed by Northland, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice. No 2014 Debentures have been redeemed by Northland.

Payment upon Redemption or Maturity

On redemption or on December 31, 2014, Northland will repay the indebtedness represented by the 2014 Debentures by paying to the Debenture Trustee an amount equal to the principal amount of the outstanding 2014 Debentures, together with accrued and unpaid interest thereon. Northland may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to any required regulatory approvals, unless an Event of Default (as defined in the CD Indenture) has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the 2014 Debentures which are to be redeemed or which have matured by issuing Common Shares, in whole or in part, to the holders of the 2014 Debentures.

The term "Current Market Price" is defined in the CD Indenture to mean the weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

Common Share Interest Payment Election

Unless an Event of Default (as defined in the CD Indenture) has occurred and is continuing, Northland may elect, from time to time, subject to applicable regulatory approval, to issue and deliver freely-tradeable Common Shares to the Debenture Trustee in order to raise funds to satisfy all or any part of Northland's obligations to pay interest on the 2014 Debentures in accordance with the CD Indenture.

MATERIAL CONTRACTS

Northland or its affiliates entered into a number of material contracts in 2011 or prior to 2011 which are still in effect. These contracts are as follows:

(a) the CD Indenture;

(b) the share purchase agreement dated April 23, 2009 between NPHI, JCT Management Inc., the Fund, CT and Holdings LP, as amended;

(c) the Rights Exchange Agreements each dated April 23, 2009 between the Fund, NPI and each of the NPI LTIP Participants, as amended; and

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

Pre-Emptive Rights, Tendering and Voting Agreement

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

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

In addition, if a special resolution of the holders of the Common Shares, Class A Shares and Class C Convertible Shares, voting together, is passed to: (i) amend the articles of Northland if the holders of the Common Shares, Class A Shares and Class C Convertible Shares would be entitled to a class vote solely because the change is (a) to add to the rights or privileges of any class or series of shares having rights or privileges equal or superior to the Common Shares or Class A Shares or (b) to make any class or series of shares equal to or superior to the Common Shares or Class A Shares; or (ii) to approve an amalgamation or an arrangement which would have such effect, and such change does not affect the Class A Shares in a different manner from the Common Shares, then will cast its votes, or sign a written resolution in connection with such class vote in favour of the amendment to the articles, the amalgamation or arrangement, as the case may be.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSX under the symbol NPI. The table below sets forth the reported high and low trading prices and trading volumes of the Common Shares as reported by the TSX during 2011:

Month	High	Low	Volume
2011			
January	$16.74	$15.60	2,773,500
February	16.10	15.46	2,359,900
March	16.10	14.93	2,545,000
April	16.35	15.47	3,256,900
May	17.34	15.79	3,194,100
June	17.20	15.50	1,887,900
July	16.77	15.85	3,250,900
August	16.50	14.59	2,081,500
September	16.45	15.00	2,230,100
October	16.67	15.08	3,222,400
November	17.04	16.06	4,026,500
December	18.00	16.66	7,404,900

The outstanding 2011 Debentures were listed for trading on the TSX under the symbol NPI.DB. The 2011 Debentures matured on June 30, 2011, which resulted in a payment of $1.2 million to the convertible unsecured subordinated debenture holder. The table below sets forth the reported high and low trading prices and trading volumes of the 2011 Debentures, prior to their maturity, as reported by the TSX during 2011:

Month	High	Low	Volume
2011			
January	$130.00	$122.78	10,900
February	128.20	120.00	10,400
March	128.24	119.50	11,700
April	130.10	124.80	10,700
May	137.55	125.00	15,400
June	137.13	119.31	34,000
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-

The outstanding 2014 Debentures are listed for trading on the TSX under the symbol NPI.DB.A. The table below sets forth the reported high and low trading prices and trading volumes of the 2014 Debentures as reported by the TSX during 2011:

Month	High	Low	Volume
2011			
January	132.40	122.91	37,100
February	128.86	124.19	12,900
March	129.26	120.00	14,000
April	130.97	124.75	16,100
May	139.37	127.37	13,900
June	138.01	125.06	18,700
July	134.11	128.00	4,000
August	130.50	121.00	3,900
September	131.67	122.04	76,700
October	133.36	122.00	6,800
November	136.00	131.32	8,300
December	144.50	134.62	5,700

The outstanding Series 1 Preferred Shares are listed for trading on the TSX under the symbol NPI.PR.A. The table below sets forth the reported high and low trading prices and trading volumes of the Series 1 Preferred Shares as reported by the TSX in 2011:

Month	High	Low	Volume
2011			
January	25.99	25.30	37,100
February	26.48	25.40	12,900
March	26.08	25.05	14,000
April	25.99	25.45	16,100
May	26.17	25.51	13,900
June	25.79	25.25	18,700
July	25.84	25.45	4,000
August	25.80	24.73	3,900
September	25.66	25.00	76,700
October	25.40	24.58	6,800
November	25.59	25.20	8,300
December	25.67	25.23	5,700

RISK FACTORS

Northland's overall risk management program seeks to mitigate the financial risks to which it is exposed to maintain stable and sustainable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk.

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

Contracts and Contract Counterparties

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

A large portion of Northland's electricity revenue is earned from sales under the Iroquois Falls and Kingston PPAs, which expire between 2017 and 2021. There is a risk that OEFC or a similar government body will not amend or renew the current PPAs. There is an additional risk that Northland will be unable to secure new PPAs or that new PPAs may be under less favourable terms than those currently in place.

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

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

Electricity Sales and Price

Revenue under the Iroquois Falls and Kingston PPAs could be reduced if electricity production does not meet certain peak and off-peak performance criteria set forth in the PPA**.** These PPAs also provide OEFC certain rights to curtail off-peak electricity output during the Summer. The annual changes in electricity prices under these PPAs are driven by movements in various indices, including the DCR at Iroquois Falls and the cost of natural gas at Kingston. Indices (or the calculation of components within those indices) may not always move in tandem with corresponding economic factors or may be affected by decisions made by government bodies. There is a risk that unfavourable movements or changes in price indices may adversely affect electricity prices and free cash flow.

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

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

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

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

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

Fuel Supply, Transportation and Price

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

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

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

A portion of Kingston's revenue has historically been earned through the resale of contracted natural gas at spot or forward prices. A prolonged deterioration of natural gas market prices may affect Northland's free cash flow, although this may be mitigated by additional electricity sales.

Operations and Maintenance

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

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

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

Permitting

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

Environment, Health and Safety

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

For the last several decades, the greenhouse effect has caused environmental concern. As of yet, the federal government of Canada has not introduced any legislation or regulations detailing the exact mechanisms it plans to use to limit greenhouse gas **(GHG)** emissions, nor has it established any firm timelines.

Management continues to monitor the actions of relevant provincial and regional governments related to GHG regulation. Certain countries have already implemented legislation or regulations to control GHG.

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

Labour Relations

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

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

Reliance on Third Parties

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

Northland is reliant on Panda Global Services Inc. with respect to the management of the Panda-Brandywine Facility and enXco GmbH with respect to the management of the German Wind Farms.

Insurance

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

Construction Risks

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

Interest Rate and Refinancing Risk

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. Northland mitigates interest rate risk with respect to its project-related floating-rate bank credit facilities by entering into interest rate swap agreements to effectively fix the interest rate on floating-rate debt. In other cases Northland procures fixed-rate debt when financing its projects to minimize interest rate risk. For non-project debt, primarily the Company's revolving line of credit, interest rates remain variable. A significant rise in interest rates may also prevent certain development projects from proceeding as the economics may no longer be feasible at higher rates, possibly resulting in termination and asset impairment.

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

Currency Fluctuations

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

Northland also receives cash flows in euros from its investment in the German wind farms. Exchange rate fluctuations between the euro and the Canadian dollar may affect the cash flow of Northland. To partially mitigate its exposure to exchange rate fluctuations between the euro and the Canadian dollar, Northland entered into foreign exchange forward contracts with respect to its net investment in the German wind farms that fix the exchange rate for a substantial portion of the interest and principal payments to be received from its German subsidiaries to 2014.

Northland is obligated to make delivery of euros at the stated amounts on a semi-annual basis on each of the forward contracts even if the euro loan repayments are not made. This would require Northland to purchase euros on the open market at the relevant time. To the extent that Northland has engaged in risk-management activities related to the euro and Canadian dollar exchange rates, Northland may not benefit from favourable exchange rate movements and could become subject to credit risks associated with the counterparties with which it contracts.

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

Financial Counterparty Risk

Financial counterparty risk arises from cash and cash equivalents held with banks and financial institutions, counterparty exposure arising from derivative financial instruments, loan advances, receivables due from customers and loan commitments from financial institutions for the construction of projects. The maximum exposure to counterparty risk, other than for the loan commitments, is equal to the carrying value of the financial assets. The inability of a counterparty to perform under agreements with Northland could have a material impact on Northland’s assets and or free cash flow.

Financing Risk

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

Development Prospects

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

Liquidity Risk

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

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

Government and Regulatory Risk

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

Legal Contingencies

Northland and its subsidiaries may be named as a defendant in various claims and legal actions. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management. Management does not expect the outcome of claims or potential claims to have a materially adverse effect on Northland. Readers should refer to Note 26 to Northland's 2011 consolidated financial statements for additional disclosure concerning Northland's litigation, claims and contingencies.

Variability of Dividends

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

Tax Related Risks

There can be no assurance that Canadian, United States or German income tax laws will not be changed in a manner that adversely affects Northland and its shareholders.

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of Northland, there are no legal proceedings or regulatory actions, potential or outstanding, involving Northland that will have a material adverse effect on it. See note 26 to the audited consolidated financial statements, entitled "Litigation, Claims and Contingencies" on page 173 of the Annual Report for additional information.

INTERESTS OF EXPERTS

To the best knowledge of Northland, the "designated professionals" (as defined in Form 51-102F2 to National Instrument 51-102 – *Continuous Disclosure Obligations*) of Crosbie & Company Inc., which firm provided a fairness opinion included in the Management Information Circular dated May 20, 2010 in connection with the Arrangement, beneficially owned, directly or indirectly, less than 1% of the outstanding Units.

BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION

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

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

Notes:

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

(2) Member of the Audit Committee.

(3) Chair of the Audit Committee.

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

(5) Independent Director

(6) Chair of Compensation Committee.

(7) Member of Compensation Committee.

(8) Member of Governance and Nominating Committee

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

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

SHARE OWNERSHIP

As of February 29, 2012, 10,000,384 Common Shares, representing 12% (2010 – 7%) of the total outstanding Common Shares, were beneficially owned, directly or indirectly, or controlled by the Directors and executive officers of the Corporation. Including Class A Shares and Class C Convertible Shares, 37% (2010 – 39%) of all voting rights of the Corporation were owned, directly or indirectly, or controlled by Directors and executive officers of the Corporation.

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

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

After completion of the Merger, Mr. Temerty owned beneficially, directly or indirectly, or had control or direction over, approximately 39% of the voting rights in the Fund.

AUDITORS

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

Audit and Other Fees

For the years ended December 31, 2011 and 2010, Ernst & Young LLP were paid approximately $1.1 million and $1.3 million respectively, as detailed below, for services to the Corporation and its wholly-owned subsidiaries.

	Year-ended December 31	
	2011	**2010**
Ernst & Young LLP		
Audit fees	$992,400	$1,243,978
Other audit related services	-	25,000
Non-audit services – tax	-	17,655
All other fees	89,116	60,773
Total	1,081,516	1,347,046

Included in the 2010 audit fees are amounts paid to Ernst & Young LLP related to Northland's July 2010 prospectus. "Other audit related services" are related to the issuance of Northland's 2010 management information circular, while "non-audit services – tax" relate to Northland's corporatization.

In 2011 and 2010, "All other fees" include translation services.

TRANSFER AGENT AND REGISTRAR

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

ADDITIONAL INFORMATION

Additional information relating to Northland may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, and principal holders of Common Shares, will be contained in Northland's Management Information Circular to be filed in connection with the Annual Meeting of Common Shareholders to be held on May 24, 2012.

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

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GLOSSARY OF TERMS

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

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

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

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

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

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

"**Annual Report**" means Northland's annual report for the year ended December 31, 2011.

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

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

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

"**CD Indenture**" means the trust indenture made as of August 26, 2004 between the Fund and Computershare, as amended and restated by the amended and restated trust indenture dated as of October 14, 2009, and as supplemented by the first supplemental indenture dated as of October 15, 2009, and as supplemented by the second supplemental indenture dated as of January 1, 2011.

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

"**Chips LP**" means Northland Power Chips LP, a wholly-owned subsidiary of NPI.

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

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

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

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

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

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

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

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

“**CO**” means carbon monoxide.

“**CO_2**” means carbon dioxide.

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

“**Cochrane Power Corp.**” means Cochrane Power Corporation.

“**COD**” means the commercial operations date.

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

“**Computershare**” means Computershare Trust Company of Canada.

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

“**Common Shareholders**” means the holders of the Common Shares.

“**Convertible Debentures**” means the 2011 Debentures and 2014 Debentures.

“**Conversion Date**” means January 16, 2012.

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

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

“**CT Trustees**” means the board of trustees of CT.

“**Debenture Trustee**” means Computershare Trust Company of Canada, as trustee pursuant to the CD Indenture.

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

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

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

"**Fund Trust Indenture**" means the supplemental and restated trust indenture dated as of July 16, 2009, which governed the Fund.

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

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

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

"**GHG**" means greenhouse gas.

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

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

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

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

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

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

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

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

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

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

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

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

"**Jardin Vendors**" means, collectively, 978355 Ontario Limited and 1424898 Ontario Inc.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Minister" means the Minister of Energy and Infrastructure of Ontario.

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

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

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

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

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

“**North Battleford**” means collectively the North Battleford Facility and North Battleford LP.

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

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

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

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

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

“**NPI**” means Northland Power Inc., a corporation amalgamated under the laws of Ontario.

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

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

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

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

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

“**OPA**” means the Ontario Power Authority.

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

“**Panda**” means collectively the Panda-Brandywine Facility and Panda-Brandywine LP.

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

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

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

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

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

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

"**PV**" means solar photovoltaic.

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

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

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

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

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

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

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

"**Series 1 Preferred Shares**" means, prior to January 1, 2011, the Cumulative Rate Reset Preferred Shares, Series 1 in the capital of Prefco, and after January 1, 2011, the Cumulative Rate Reset Preferred Shares, Series 1 in the capital of Northland.

"**Series 2 Preferred Shares**" means, prior to January 1, 2011, the Cumulative Floating Rate Preferred Shares, Series 2 in the capital of Prefco, and after January 1, 2011, the Cumulative Floating Rate Preferred Shares, Series 2 in the capital of Northland.

"**SO_2**" means sulfur dioxide.

"**Special Voting Units**" means the units of the Fund designated as "Special Voting Units" under the Fund Trust Indenture.

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

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

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

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

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

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

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

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

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

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

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

"**UCCMM**" means the United Chiefs and Councils of Mnidoo Mnising.

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

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

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

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

SCHEDULE "A"

NORTHLAND POWER INC.

AUDIT COMMITTEE CHARTER

Purpose of the Audit Committee

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

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

Meetings and Procedures

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

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

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

Audit Committee Responsibilities

(i) *Annual Review of Audit Committee Charter*

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

(ii) *The External Auditor*

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

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

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

(B) the compensation of the external auditor.

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

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

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

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

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

(iv) *Financial Statement Review*

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

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

(v) *Compliance with Laws and Regulations*

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

(vi) *Complaints and "Whistle Blowers"*

The Audit Committee shall establish procedures for:

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

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

Composition of the Audit Committee

(i) *Number of Members*

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

(ii) *Financial Literacy*

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

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

(iii) *Independence*

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

(iv) *Position Description - Audit Committee Chair*

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

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

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

Authority and Resources of the Audit Committee

The Audit Committee has the authority to:

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

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

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

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

Risk Management and Insurance

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

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

(ii) insurance coverage.

Approved by the Board as of January 1, 2011.

APPENDIX I

MEANING OF INDEPENDENCE

Part A: Meaning of Independence

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

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

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

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

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

   (c) an individual who:

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

      (ii) is an employee of that firm, or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part B: Additional Independence Requirements

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

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

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

is considered to have a material relationship with the issuer.

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

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

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

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