NORTHLAND POWER INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2016

March 2, 2017

NORTHLAND POWER INC.

ANNUAL INFORMATION FORM

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INTRODUCTION AND USE OF DEFINED TERMS

All capitalized terms used in this Annual Information Form ("**Annual Information Form**" or "**AIF**") have the meanings assigned to them under the heading "Glossary of Terms", unless otherwise defined. All currency amounts in this AIF are in Canadian dollars unless otherwise indicated. Unless otherwise noted, the information contained in this AIF is given as at or for the year ended December 31, 2016.

FORWARD-LOOKING STATEMENTS

*This AIF contains certain forward-looking statements that 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," "results of litigation and arbitration," "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 adjusted EBITDA, free cash flows, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; the resolution of the arbitration or litigation claims; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland Power Inc. ("**Northland**" or the "**Company**") 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 and 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, natural events, construction risks, counterparty risks, operational risks, risks relating to co-ownership, the variability of revenue from generating facilities powered by intermittent renewable resources, power market risks and possible inflation risks and the other factors described in Northland's 2016 Annual Report ("**Annual Report**") and in this AIF dated March 2, 2017, both of which can be found at www.sedar.com under Northland's profile and on Northland's website at www.northlandpower.ca. 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. The forward-looking statements contained in this AIF are based on assumptions that were considered reasonable on March 2, 2017. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.*

NON-IFRS MEASURES

This AIF includes references to Northland's adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share measures, which are not prescribed by IFRS. Adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share, as presented, do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share are widely accepted financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations.

Readers should refer to *Section 5: Consolidated Results* and *Section 6: Equity, Liquidity and Capital Resources* in Northland's Management's Discussion & Analysis in the 2016 Annual Report for an explanation of adjusted EBITDA, free cash flow, a reconciliation of Northland's reported adjusted EBITDA to its consolidated statements of income (loss) and a reconciliation of Northland's free cash flow to its cash provided by operating activities.

CORPORATE STRUCTURE

Northland Power Inc. is a corporation governed by the *Business Corporations Act* (Ontario). The head and registered office of Northland is located at 30 St. Clair Avenue West, 12th Floor, Toronto, Ontario, M4V 3A1.

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

Entity Name	**Country of Incorporation**
Iroquois Falls Power Corp. **("Iroquois Falls")**	Canada
Kingston CoGen Limited Partnership **("Kingston")**	Canada
Thorold CoGen L.P. **("Thorold")**	Canada
Spy Hill Power L.P. **("Spy Hill")**	Canada
North Battleford Power L.P. **("North Battleford")**	Canada
Saint-Ulric Saint-Léandre Wind L.P. **("Jardin")**	Canada
Mont-Louis Wind L.P. **("Mont Louis")**	Canada
McLean's Mountain Wind L.P. **("McLean's")** (1)	Canada
Nine ground-mounted solar facilities in eastern and central Ontario **("NPI Ground-Mounted Solar")** (2)	Canada
Four ground-mounted solar facilities in northern Ontario **("Cochrane Solar")** (2)	Canada
Canadian Environmental Energy Corporation **("CEEC")** (3)	Canada
Grand Bend Wind L.P. **("Grand Bend")** (4)	Canada
Buitengaats C.V. and ZeeEnergie C.V. **("Gemini")** (5)	Netherlands
DK Windpark Kavelstorf GmbH & Co. KG and DK Burgerwindpark Eckolstädt GmbH & Co. KG **("the German wind farms")**	Germany
Nordsee One GmbH **("Nordsee One")** (6)	Germany

(1) McLean's LP is owned 50% by Northland.
(2) In June 2015, Northland completed the sale of 37.5% equity interest in Northland's Cochrane Solar to a corporation controlled by its First Nations partners. Northland continues to retain full ownership of NPI Ground-Mounted Solar.
(3) Northland has a 68% ownership interest in CEEC, which has voting control of Kirkland Lake Power Corp. ("**Kirkland Lake**") and Cochrane Power Corp. ("**Cochrane**").
(4) In March 2015, Northland issued 50% interest of Grand Bend Wind LP to a corporation controlled by its first First Nations partners.
(5) Northland has a 60% interest in Buitengaats C.V. and ZeeEnergie C.V. (which collectively own the Gemini Offshore Wind Project).
(6) Northland has a 85% interest in Nordsee One GmbH (which owns Nordsee One).

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

OVERVIEW

Northland's business strategy is based on providing a balance of stability and growth to investors. The Company's objective is to maximize long-term shareholder value by maintaining stable and sustainable dividends and pursuing measured growth in the independent power industry. Northland aims to achieve this objective by maintaining a robust development pipeline along with maintaining the expertise to effectively manage projects from inception throughout their complete lifecycle, from development, to financing, to construction and to long-term operations.

Northland has been delivering on customers' needs for energy since 1987 by developing, building, owning and operating clean (natural gas) and green (wind, solar and biomass) power generation projects. The Company has developed or acquired a diversified portfolio of power generation projects in Canada and Europe that produce long-term stable cash flows, providing regular dividends to Shareholders since becoming publicly traded in 1997.

As of December 31, 2016, Northland owned or had a net economic interest in power producing facilities with a total capacity of approximately 1,394 MW. Northland's operating assets comprise facilities that produce electricity from natural gas and renewable resources for sale under long-term Power Purchase Agreements (**PPA**s) with creditworthy customers in order to ensure cash flow stability.

Northland's construction projects as of December 31, 2016 consist of the Gemini, 600 MW (360 MW net interest to Northland) offshore wind project, located in the North Sea in Dutch territorial waters, and Nordsee One, 332 MW (282 MW net interest to Northland) offshore wind project, located in the North Sea, in German territorial waters.

GENERAL DEVELOPMENT OF THE BUSINESS

Northland Power's principal activity is the development, financing, construction, ownership and operation of independent power projects.

Summary of Northland's General Activity

- In January 2017, the legal case concerning the interpretation of power purchase agreements related to Northland's wholly-owned subsidiary, Iroquois Falls Power Corp, and Northland's managed facilities, Cochrane Power Corporation and Kirkland Lake Power Corporation (collectively the "**Northland Applicants"**), was resolved. The Northland Applicants will retain all payments received to date, including retroactive payments of approximately $104.5 million ($94.7 million net to Northland) received in October 2016, in relation to this case. See more details in "Legal Proceedings and Regulatory Actions – Global Adjustment".

- Northland continues to reach significant milestones on the 600 MW Gemini offshore wind project located in the North Sea. As of the date hereof, all 150 wind turbines have been installed, are producing power and earning pre-completion revenue at the prescribed contract rates. Full commercial operations are expected by mid-2017. The project remains on schedule and within budget. See more details in "Projects Under Construction – Gemini 600 MW Offshore Wind Project – Netherlands" section below.

- The 332 MW Nordsee One offshore wind project located in the North Sea remains on schedule and within budget. All 54 foundation monopiles and transition pieces, as well as the offshore substation and infield cables have been successfully installed. Production of the wind turbines is ongoing, with installation expected to commence in 2017. Full commercial operations are expected by the end of 2017. See more details in "Projects Under Construction – Nordsee One Offshore Wind Farm – Germany" section below.

- In November 2016, the Ontario Superior Court of Justice (Commercial List) sanctioned and approved the plan of compromise (the "**Plan**") proposed by H.B. White Canada Corp. ("**White**") in conjunction with White's *Companies' Creditors Arrangement Act* (**CCAA**) proceeding. Implementation of the Plan occured and Northland received a payment of $6 million under the Plan. All claims and all liens by White and its subcontractors have been discharged in their entirety and that all letters of credit posted to remove the liens from the facilities have been returned in their entirety to Northland. See more details in "Legal Proceedings and Regulatory Actions – Cochrane Solar and Burks Falls West Solar" section below.

- In July 2016, Standard and Poor's reaffirmed Northland's credit rating of BBB (Stable).

- In July 2016, Northland's Board of Directors announced the commencement of a review of strategic alternatives to further enhance the Company's growth, shareholder value and ability to capitalize on a growing pipeline of clean energy infrastructure development opportunities. Northland is continuing its review of possible strategic alternatives with the assistance of its financial advisors. There can be no assurance that this strategic review will result in a change in strategic direction or the completion of any transaction.

- In April 2016, the 100 MW Grand Bend onshore wind farm declared commercial operations under its 20-year Ontario Feed-In-Tariff (FIT) contract, with all 40 wind turbines producing revenue and operating as planned. Capital cost of the project was under budget by approximately $19 million and commercial operations occurred ahead of schedule. The project also successfully achieved term conversion under its senior project debt facility on July 29, 2016.

- In March 2016, the 28 MW biomass facility Chapais Énergie, Société en Commandite ("Chapais") signed a new 43-month PPA with Hydro Québec, which replaced the existing PPA.

- In October 2015, the last ground-mounted solar facilities achieved commercial operations (**COD**). All 13 ground-mounted solar facilities (130 MW) (collectively, the "**GMS Facilities**") are in operation.

- In September 2015, Kirkland Lake finalized the amendment to the PPA for the 40-year baseload gas-fueled portion of the facility and secured future pricing terms until 2030. Late in 2014, Kirkland Lake also signed a new 20-year contract with the Ontario Power Authority (**OPA**, which merged with the Independent Electricity System Operator, **IESO**) for the 30 MW gas peaking portion of the facility.

- In June 2015, Northland completed the sale of a 37.5% equity interest in Cochrane Solar to a corporation controlled by its First Nations partners.

- In May 2015, the Cochrane Facility ceased generating electricity for Ontario's power grid subsequent to the expiry of the existing facility contract extension. To date, the facility has not been able to secure a further contract extension or replacement contract. The plant is being maintained in a secure lay-up state preserving the equipment until such a time as a new PPA is established or a final decommissioning decision is made.

- In March 2015, the Nordsee One project reached financial close, with all of the equity contributed to the project and all debt required for the project fully committed by the project lenders.

- In March 2015, the Grand Bend Wind Farm reached financial close. Northland issued 50% interest in Grand Bend to a corporate controlled by its First Nations partners.

- In February 2015, Northland sold its 66.7% interest in the 24 MW (16 MW net interest to Northland) advanced stage development wind project located in Frampton, Québec.

- In September 2014, Northland acquired an 85% equity stake in three offshore wind development projects from RWE Innogy GmbH (**RWE**), consisting of Nordsee One, as well as Nordsee Two and Nordsee Three, which are in early stages of development.

- In May 2014, Northland acquired an indirect 60% controlling interest in Gemini.

- In May 2014, the 60 MW (30 MW net to Northland) McLean's Mountain Wind Farm attained COD.

- In May 2014, JP Morgan exercised its contractual right to terminate Panda Brandywine's PPA resulting in Northland receiving a one-time dividend payment of $4.1 million and the transfer of the generating assets of the Panda-Brandywine Facility to JP Morgan.

- In March 2014, Northland wrote off $5.2 million of previously deferred development costs related to the Kabinakagami Hydro projects due to the unfavourable project economic situation.

Summary of Northland's Project Financing Activity

- In March 2016, Kirkland Lake closed a $25 million bank financing consisting of a $15 million term loan and a $10 million letter of credit facility. The financing will fund the costs of plant upgrades associated with the baseload PPA contract extension negotiated in the summer of 2015, the security for long-term gas transportation costs and the financing requirements for the new peaking facility's PPA. The term loan is due in March 2023 and bears an all-in interest rate of 2.82%.

- In March 2015, Northland completed project financing for the Grand Bend Wind Farm, with all of the equity contributed to the project and all debt required for the project fully funded by the project lenders. Approximately 85% of the project's required financing was provided by a $326 million non-recourse project financing and a $16 million letter of credit.

- In March 2015, Nordsee One project reached financial close, with all of the equity contributed to the project and all debt required for the project being fully committed by the project lenders. Approximately 70% of the project's required costs will be provided from an €903 million non-recourse project financing with a syndicate of international financial institutions, including a €63 million facility of contingent debt.

- In March 2015, Northland completed the refinancing of the bank debt facility at its Thorold cogeneration plant. The credit facility is non-recourse to Northland and comprises $183 million bank term loan and $16 million letter of credit facility, along with an existing institutional term debt of $179 million.

- In October 2014, Northland announced the closing of a $232 million, senior secured amortizing Series A bond issuance by its wholly-owned subsidiary, Northland Power Solar Finance One LP. The bonds were rated BBB (high) by DBRS.

- In May 2014, Gemini completed €2.0 billion of non-recourse project financing with a syndicate of international financial institutions and public financing agencies.

- In April 2014, Northland completed $240 million of non-recourse project financing and a $25 million letter of credit facility for five GMS Facilities with a syndicate of lenders.

Summary of Northland's Corporate Financing Activity

- In April 2016, Northland filed a short form base shelf prospectus with the securities regulatory authorities in each of the provinces of Canada. This filing replaced Northland's expiring base shelf prospectus and will continue to enable Northland to offer an aggregate of up to $500 million of common shares, preferred shares, debentures and subscription receipts, or any combination thereof, over a 25-month period.

- In September 2015, Northland's Series 1 preferred shareholders converted 1,498,435 cumulative rate reset preferred shares, series 1 ("**Series 1 Preferred Shares**") into cumulative floating rate preferred shares, series 2 ("**Series 2 Preferred Shares**").

- In September 2015, Northland closed the financing of a $100 million corporate letter of credit facility. The facility provides additional capacity to support the letters of credit Northland is required to provide as security for its operating, construction and development activities.

- In March 2015, Northland completed a public offering of common share ("**Shares**") representing gross proceeds of $231.0 million ($221.3 million after costs and underwriters' fees). Concurrently with the public offering of Shares, Northland completed a $50 million private placement of additional Shares to a subsidiary of Northland Power Holdings Inc., a company controlled by the Chairman of Northland, James C. Temerty. Northland used the net proceeds to fund a portion of its investment in Nordsee One and Grand Bend, to replenish working capital and for general corporate purposes.

- In February 2015, Northland completed an additional amendment to its corporate credit facility, after an original amendment in March 2014. See more details in the Northland Corporate Facilities section.

- In January 2015, Northland announced the closing of a $157.5 million offering of 4.75% convertible unsecured subordinated debentures maturing on June 30, 2020 ("**2020 Debentures**"). Net proceeds from this offering were used to fund a portion of Northland's investments in Nordsee One and Grand Bend, to replenish working capital and for general corporate purposes.

- In March 2014, Northland announced the closing of a $157.5 million offering of Shares and $78.8 million of 5.00% convertible unsecured subordinated debentures, Series B maturing in June 30, 2019 ("**2019 Debentures")**. Northland also issued, on a private placement basis, additional Shares to a subsidiary of Northland Power Holdings Inc. The aggregate gross proceeds from the offering and private placement were $286.3 million ($275.7 million after transaction costs and underwriters' fees). Net proceeds raised from this offering, along with a combination of Northland's $250 million corporate term facility and cash on hand were used to purchase Northland's share of Gemini and subsequent equity investment and subordinated loan into the project.

NARRATIVE DESCRIPTION OF THE BUSINESS

Electricity Industry Overview

ONTARIO

Ontario's electricity generation market is a hybrid market comprised of both a wholesale spot market and long-term contracts for the purchase of electricity issued by the Ontario Independent Electricity System Operator (the "**IESO**"). The Ontario government establishes the types and quantities of generation to be procured by the IESO in the Minister of Energy's 2013 Long Term Energy Plan ("**LTEP**") and associated Ministerial directives. The Minister of Energy has undertaken consultation with industry stakeholders to issue a new Long Term Energy Plan which is expected to be released in the spring of 2017.

In September, 2016, the Minister of Energy (**Minister**) issued a directive to the IESO suspending Phase II of the Large Renewable Procurement Program and the Energy from Waste Standard Offer Program. The Minister's stated reasoning for suspending these programs was twofold: (i) new electricity capacity is not currently required because Ontario's existing constructed and contracted capacity is expected to meet its required electricity demand over the coming decade and (ii) to reduce the cost of Ontario's electricity system. The Minister's directive stated that its LTEP consultation process would provide an opportunity to consider further investment in the electricity system and the future of electricity procurement.

In December, 2016, the Minister directed the IESO to begin negotiations with non-utility generators whose contracts with the OEFC had not yet ended regarding a new IESO contract that will change the incentive structure for supplying electricity or capacity to better align with the needs of Ontario's electricity system. The IESO stated that it intends to negotiate with such generators which can demonstrate that the new IESO contract will improve the expected cost and operability benefits for Ontario's electricity system compared to their existing OEFC contract. Any new IESO contract awarded to such generators will terminate at the end of the current term of the generator's existing OEFC contract

QUÉBEC

The electricity industry in Québec 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 Québec, and the Régie de l'énergie, the provincial regulator responsible for reconciling the public interest, consumer protection and the fair treatment of electricity carriers and distributors, and for approving the Electricity Supply Plan from Hydro-Québec Distribution, the distribution arm of Hydro-Québec.

In April 2016, the Québec government presented its Energy Policy aiming, amongst others, to increase to 61% the total consumption of energy originating from renewable energies. Thereafter it introduced Bill no. 106 An Act to implement the 2030 Energy Policy and to amend various legislative provisions which, subject to some exceptions, was implemented on December 10, 2016 (with the latest version thereof being not yet available). The combined effect of this Bill and the Energy Policy is to emphasize the Québec government's goal of decreasing its economy's dependence on fossil fuels and increasing its reliance on cleaner forms of energy. The Bill also establishes Transition énergetique Québec (TEQ), whose mission is to support, stimulate and promote energy transition, innovation and efficiency and to coordinate the implementation of all of the programs and measures necessary to achieve the energy targets defined by the Government. For the purposes of its mission, TEQ is to develop a master plan to achieve the energy targets, with the advice of a stakeholders panel. The master plan is to be submitted to the Government, and then to the Régie de l'Énergie.

In addition to operating and managing its heritage electricity pool with a capacity of 165 TWh, Hydro-Québec enters into supply contracts through request for proposals programs or through direct negotiations with power producers, although no recent hydro-electric or wind request for proposals programs were launched. Currently, Hydro-Québec has access to more than 2,900 MW of wind power capacity and announced that it plans to integrate nearly 4,000 MW of wind by 2017.

SASKATCHEWAN

Most of Saskatchewan's electricity requirements are served by Saskatchewan Power Corporation ("**SaskPower**"), a Crown corporation and vertically-integrated utility. SaskPower maintains an extensive power system that consists of generation, transmission and distribution infrastructure assets with a total available capacity of 4,400 MW (3,542MW) produced by SaskPower facilities and 858 MW produced by independent power producers (**IPPs**) through long-term PPAs.

Although coal-fired generation is the primary component in Saskatchewan's supply mix, SaskPower has announced a goal of generating 50% of its total generation supply mix from renewable resources by 2030.

In that respect, SaskPower is currently undertaking a competition for solar (10 MW) with a project to be awarded in 2017 with the in-service date expected to be 2018. It is also commencing a competition for wind (up to 200 MW) in 2017 with project award in 2017 with an in-service date of 2020. Additional competition for wind and solar is expected to continue over the next ten years. SaskPower expects to install 120 MW of solar by 2025 and 1600 MW of wind power by 2030.

THE NETHERLANDS

In the Netherlands, the electricity market is currently governed by the *Electricity Act 1998*. In October 2015, a legislative proposal referred to as the *STROOM Bill* was adopted by the Dutch House of Representatives. The *STROOM Bill* would reform the existing Electricity Act 1998 and the Gas Act to address the offshore transmission system. In December 2015, the Dutch Senate rejected the legislative proposal.

Certain elements of the rejected STROOM Bill in respect of offshore wind energy were eventually implemented by a separate Act: the "Amendment of the Electricity Act 1998 (timely realization objectives Energy Agreement)" (Wijziging van de Elektriciteitswet 1998 (tijdig realiseren doelstellingen Energieakkoord)), which has entered into force on April 1, 2016. This Amendment provides for a statutory basis for the offshore grid as well as a statutory basis to designate TenneT as the offshore transmission system operator. Furthermore, the Amendment provides clarity to wind farm developers with respect to liability in the event of delays and breakdowns of the offshore grid. In the Explanatory Memorandum (Memorie van Toelichting) to the Amendment, the Dutch Minister of Economic Affairs indicated that the "timely" entering into force of the Amendment, was essential to ensure that the renewable energy objectives set out in the Energy Agreement (Energieakkoord), could be achieved. In addition, a new legislative proposal for a revised Dutch Electricity and Gas Act at the end of 2017 has been prepared, but has not yet been discussed in the House of Representatives.

The national regulatory authority of the electricity market is the Authority for Consumers and Markets (*Autoriteit Consument en Markt*, the "**ACM**"), who among others, safeguards access to the electricity grid and ensures that the tariffs and conditions for connections and transportation set by grid operators are non-discriminatory. Together with the ACM, the Ministry of Economic Affairs is responsible for energy policy in the Netherlands.

The high voltage national electricity transmission grid in the Netherlands is owned and operated by TenneT, a fully state-owned company. The national transmission grid branches off into regional distribution grids. The distribution grids are operated by eight distribution grid operators, which are owned directly or indirectly by (local) authorities.

In 2015, approximately 5.8% of the national gross supply came from renewable sources. This percentage is targeted to increase to 14% in 2020 (in accordance with the minimum standard set out in the European Directive on Renewable Energy (2009/28/EC) and to 16% in 2023, as stated in the Energy Agreement for Sustainable Growth (Energieakkoord voor duurzame groei, the

"Energy Agreement").

The most important financial incentive in the Netherlands to achieve the renewable energy targets is the subsidy under the SDE. The SDE subsidises the difference between the production costs of 'green' energy and 'grey' energy (i.e. from fossil fuels) for 5, 12 or 15 years depending on the technology, in the form of a subsidy per kilowatt-hour of energy produced.

In July 2015, a new *Offshore Wind Energy Act* (*Wet windenergie op zee*) came into force. The *Offshore Wind Energy Act* introduces a new permit system for the construction of future offshore wind farms. The *Offshore Wind Energy Act* is intended to simplify and expedite the decision-making process for realisation of offshore wind projects in order to achieve the renewable energy targets as set out in the Energy Agreement. The Offshore Wind Energy Act provides that the Minister of Economic Affairs will grant the permit to the applicant, who will receive the SDE subsidy for the site. The permit contains the exclusive right to construct and operate the offshore wind farm.

GERMANY

The '*Energiewende*' (energy transition), i.e. the change from conventional power sources and nuclear power to renewable power sources, has been a major part of the program of every German government since 1998. At present, approximately 30% of Germany's electrical energy comes from wind, solar, hydro and biomass. The rest is provided by conventional energy sources (in particular soft coal, coal and gas) as well as nuclear energy.

The cornerstones of the '*Energiewende*' are the following:

- the last German nuclear power plant will be shut down by 2022;
- 80% of the German electrical power supply will be generated by renewable energy sources, by 2050;
- emissions of greenhouse gases will be reduced by 80 to 95% by 2050;
- Germany will become less dependent on oil and gas imports; and
- use of energy will become more efficient (covering areas such as the building sector, the heating sector etc.).

The next phases of the '*Energiewende*' are comprised of the following three cornerstones:

1. *'EEG 2017'* and *'WindSeeG'*

   On January 1, 2017, a further revision of the German Renewable Energy Sources Act (*'EEG 2017'*) with a separate Offshore Wind Act (*'WindSeeG'*) regarding the regulation of the expansion of offshore wind entered into force. One of the substantial changes to current law is the replacement of fixed feed-in remuneration for newly constructed wind energy, biomass and solar plants by a market-based tender model. The remuneration for other renewable sources plants, i.e. hydropower or geothermal plants, will continue to be determined by law.

This change of the remuneration system is expected to decrease the costs of the governmental remuneration system on one hand and to lead to more competition and diversity between the plant operators on the other hand.

2. *'Strommarkt 2.0'*

   New electricity market legislation known as the *'Strommarkt 2.0'* came into force in 2016 and will make German energy supply more reliable, environmentally compatible and cost-efficient by introducing a variety of different measures, including:

   - the principle of free pricing of electricity during periods of peak demand and scarcity;
   - permanent monitoring process to maintain the security of electricity supply;
   - introduction of a capacity reserve to safeguard electricity supply against unexpected events; and
   - more providers will receive access to the balancing capacity markets, which are intended to keep the system stable and increase competition and thus reduce costs.

3. Digitalization of the *Energiewende'*

   Finally, the legislation for the digitalization of the *'Energiewende'* for the expansion of smart grids and smart metering entered into force. This legislation is based on EU guidelines which foresee an installation of smart metering systems by 80% of the energy consumers.

Northland Facilities

Northland's 2016 audited consolidated financial statements include the results of Northland and its subsidiaries operating the facilities listed below.

Operating Facilities

Facility	Gross Capacity	Northland's Economic Interest		Contract Counterparty	PPA Term	% of 2016 Adjusted EBITDA(1)	% of 2015 Adjusted EBITDA(1)
		%	Capacity				
THERMAL:							
Iroquois Falls	120.0 MW	100%	120.0 MW	OEFC	December 2021(2)	17%	15%
Kingston	110.0 MW	100%	110.0 MW	OEFC	January 2017(2)	8%	13%
Thorold	265.0 MW	100%	265.0 MW	IESO (formerly OPA)	March 2030	9%	13%
Spy Hill	86.0 MW	100%	86.0 MW	SaskPower	October 2036	3%	4%
North Battleford	260.0 MW	100%	260.0 MW	SaskPower	June 2033	16%	24%
RENEWABLE:							
Jardin	133.3 MW	100%	133.3 MW	Hydro-Québec	November 2029	3%	5%
Mont Louis	100.5 MW	100%	100.5 MW	Hydro-Québec	September 2031	2%	4%
German Wind Farms	21.5 MW	100%	21.5 MW	N/A(3)	N/A(3)	<1%	<1%
Grand Bend	100.0 MW	50%(4)	50MW	IESO (formerly OPA)	April 2036	2%	
McLean's	60.0 MW	50%	30 MW	IESO (formerly OPA)	April 2034	1%	3%
NPI Ground-mounted Solar	90.0 MW	100%	90.0 MW	IESO (formerly OPA)	June – September 2033/2035	9%	14%
Cochrane Solar	40.0 MW	62.5%(5)	25.0 MW	IESO (formerly OPA)	June – September 2033/2035	3%	1%
MANAGED:							
Cochrane	42.0 MW	77%(6)	32.3 MW	N/A(7)	Expired May 2015(7)	3%	<1%(8)
Kirkland Lake	132.0 MW	77%(6)	101.6 MW	IESO/OEFC	August 2030/2035(9)	7%	8%(8)
OTHER:							
Rooftop Solar	1.0 MW	75%	0.8 MW	IESO (formerly OPA)	April – September 2031	<1%	<1%
Chapais	28.0 MW	0%(10)	n/a(10)	Hydro-Québec	July 2019	<1%	<1%
Investment Income(11)	n/a	n/a	n/a	n/a	n/a	3%	5%
Corporate	n/a	n/a	n/a	n/a	n/a	(9%)	(9%)

Notes:

(1) Represents the approximate percentage of adjusted EBITDA, a non-IFRS measure, that was generated by each operating facility. The remaining 22% of adjusted EBITDA was generated by Gemini, which has not yet reached commercial operations.

(2) Northland has the option to extend the PPAs subject to terms and conditions to be negotiated. Iroquois Falls' PPA can be renewed for a further 5 year term and Kingston's can be renewed for a further term of 60 consecutive month's minimum. Kingston's PPA terminated as of January 31, 2017 and has yet to be extended.

(3) German electricity production is purchased by local power utilities at predetermined prices under German federal legislation.

(4) In March 2015, Northland issued 50% interest of Grand Bend to a corporation controlled by its First Nations partners.

(5) In June 2015, Northland completed the sale of 37.5% equity interest in Cochrane Solar to a corporation controlled by its First Nations partners.

(6) Northland holds a 68% controlling interest in CEEC, which has voting control of the Kirkland Lake and Cochrane facilities. The 77% referenced in the above table represents Northland's net economic interest in Kirkland Lake and Cochrane Facilities.

(7) Cochrane's extended PPA expired in May 2015. The facility ceased generating electricity for Ontario's power grid upon the expiry of the facility's PPA.

(8) Northland's audited consolidated financial statements include the results for Kirkland Lake Facility, Cochrane Facility and CEEC. Fees and dividends earned by Northland from those entities following the acquisition are considered intercompany amounts and eliminate on consolidation. However, in the calculation of adjusted EBITDA as shown in the above table, Northland includes the fees and dividends earned rather than all adjusted EBITDA generated by these entities.

(9) During 2015, Kirkland Lake secured future PPA pricing terms until 2030 for the 40-year baseload gas-fueled portion of the facility. All three components of Kirkland Lake Facility (biomass, peaking, and baseload) are now contracted through 2030 and, in the case of the peaking facility, through 2035.

(10) Chapais is controlled by its senior secured lenders and by the Class B Preferred shareholders. As a result, Northland only receives management fees from Chapais. In March 2016, Chapais secured a 43-month PPA with Hydro-Québec.

(11) Included in investment income is the interest earned on loans (Grand Bend, McLean's, Cochrane Solar) to the First Nations partners and the €80 million subordinated debt to Gemini. Northland consolidates the financial results of Gemini and as a result Northland's subordinated loan and earned interest (investment income) are eliminated upon consolidation. Interest earned on this subordinated loan is however included in Northland's consolidated adjusted EBITDA as "Gemini sub debt interest", but will only be included in free cash flow as received.

Except as otherwise noted, all contract counterparties are of investment grade as rated by one or more rating agencies.

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

	2016	2015
Thermal	517.1	479.8
Renewables	192.1	143.7
Managed(1)	123.9	108.0
Gemini	266.1	-
Other(2)	74.9	39.3
Inter-segment revenue(3)	(75.1)	(42.7)
Total Revenue	**1,099.0**	**728.1**

(1) Includes Kirkland Lake, Cochrane and CEEC's consolidated operations.
(2) Incldues management and operations fees, investment income, and management administration and development expenditures.
(3) Inter-segment revenue is eliminated on consolidation.

Projects under Construction

Facility	Gross Project Capacity	Northland's Economic Interest		Contract Counterparty	PPA Term(1)
		%	Capacity		
Gemini Offshore Wind	600.0 MW	60%	360.0 MW	The Government of The Netherlands	2031
Nordsee One Offshore Wind	332.0 MW	85%	282.2 MW	The Government of Germany(2)	2027

(1) Estimates are from expected COD.
(2) The main source of revenue, is ultimately an obligation of the Government of Germany.

Thermal Facilities

Northland owns and operates approximately 841 MW of net thermal generation located in Ontario and Saskatchewan. 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 North Battleford, Northland is using the cleanest-burning fossil fuel. Natural gas combustion results in lower atmospheric emissions of sulfur dioxide, small particulate matter, carbon monoxide, NO_x, and greenhouse gases such as reactive hydrocarbons and carbon dioxide, than the combustion of other fossil fuels. Northland's Kirkland Lake facility generates electricity using biomass in addition to natural gas.

The thermal facilities purchase natural gas pursuant to supply contracts with creditworthy counterparties. All facilities have long-term gas turbine maintenance agreements (primarily with GE) which include various provisions such as routine maintenance, repairs, upgrades and improvements.

All Northland thermal facilities hold all necessary permits and approvals required for operations and have an environmental monitoring and reporting system in place.

In accordance with the financing agreements for Thorold, Spy Hill and North Battleford, each facility 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. The facilities are also required under certain conditions to maintain a debt service reserve, which can be funded with cash or a letter of credit.

The following describes Northland's current wholly-owned operating thermal facilities:

IROQUOIS FALLS

The 120 MW Iroquois Falls Facility sells electricity to the OEFC under a PPA and previously sold steam to the neighbouring Resolute Iroquois Falls Mill. The Resolute Iroquois Falls Mill ceased taking steam in late 2014 and the PPA required that the OEFC purchase additional electricity to compensate for the economic shortfall. In 2015, an agreement was executed with the OEFC to provide fair compensation to Iroquois Falls following the loss of steam sales. The PPA may be extended for a further five (5) year term at or prior to its 2021 expiry upon request by either party, subject to terms and conditions to be negotiated.

Prior to January 1, 2017, Iroquois Falls operated to deliver the maximum amount of electricity that the IESO is obligated to purchase under the PPA during on-peak and off-peak periods, except during select off-peak periods when paid curtailment occurred. Iroquois Falls' ability to produce excess capacity, beyond the electricity volumes stated in its PPA, was used to sell electricity and ancillary services to the Ontario wholesale electricity market when market conditions were favourable. At times of high market gas prices, it is economical for Iroquois Falls to reduce off-peak electricity production and resell contracted natural gas and gas transportation on the spot market. As of January 1, 2017, Iroquois Falls entered into a four-month enhanced dispatch agreement with the IESO and began operating as a dispatchable facility.

KINGSTON

The 110 MW Kingston Facility sold electricity to the OEFC under a PPA for up to specified quantities of electricity until the expiry of the PPA on January 31, 2017. Though the PPA may be renewed upon request by Kingston for a further term of a minimum of 60 consecutive months, subject to rates, terms and conditions to be negotiated, the facility has not been able to secure a further contract extension or a replacement contract. Northland continues to evaluate all revenue alternatives including the ability to sell power in the IESO and New York Independent System Operator markets.

Kingston had a natural gas purchase agreement which expired on January 31, 2017 and a firm transportation agreement for the supply of natural gas until October 2017. Kingston is selling its firm gas commitment in the forward markets on a monthly basis as a way to mitigate its' contract exposure.

Prior to the January 31, 2017 PPA expiry, Kingston delivered the maximum amount of electricity that the OEFC was obligated to purchase under the PPA during higher market priced on-peak periods. During off-peak times, when energy ocassionally exceeded demand in Ontario, Kingston negotiated select periods of paid curtailment, which added incrementally to earnings as Kingston and the off-taker shared in the net avoided fuel costs after sales of fuel. Northland expects that any agreed upon extension of the existing PPA will transition the plant to a dispatchable arrangement.

THOROLD

The 265 MW Thorold Facility sells electricity to the IESO under a 20-year PPA contract and supplies steam and electricity to the adjacent Resolute Thorold Mill under a 20-year energy supply agreement. Thorold is a dispatchable facility that generally produces electricity only when Ontario market conditions are economical, 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 (a revenue requirement) under its PPA that is intended to cover fixed operating costs, debt service and returns on equity. Amounts received from or paid to the IESO 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. The revenue requirement structure ensures Thorold's gross profit from the PPA 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.

SPY HILL

The Spy Hill Facility is an 86 MW natural-gas-fired peaking facility located in Saskatchewan on land leased from SaskPower. It generates electricity and provides grid stability to SaskPower under the terms of its 25-year PPA. 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 and by passing through fuel costs to SaskPower, thus insulating the facility against changes in natural gas market prices. Northland is responsible for operating the plant to achieve specified efficiency and reliability levels.

Upon the expiry of the Spy Hill PPA, SaskPower has the option to purchase the facility for $1.

NORTH BATTLEFORD

The North Battleford Facility is a 260 MW natural-gas-fired combined-cycle baseload plant located in Saskatchewan. The facility receives monthly capacity-related payments under its PPA that are based on the facility's ability to deliver electricity during non-holiday weekday on-peak periods, and are designed to cover all fixed costs, debt service and investment returns. Other tariffs under the PPA compensate the North Battleford Facility for certain variable and fixed costs of production, including the supply and transportation of natural gas, the costs of which are effectively passed through to the customer. Northland is responsible for operating the plant to achieve specified efficiency and reliability levels. The contractual structure of the facility is designed to ensure predictable, stable and sustainable cash flows over the entire 20-year term of the PPA.

Thermal facilities with third party non-controlling interests

The following describes the thermal facilities that Northland has voting control and manages on behalf of third party, non-voting shareholders:

COCHRANE

The Cochrane Facility is a 42 MW natural-gas- and biomass-fired combined-cycle generating station. The Cochrane Facility ceased generating electricity for Ontario's power grid at midnight on May 11, 2015, due to the expiry of the facility's PPA. In 2015, given the uncertainty of the future economic benefit of the facility, all assets were written off to a net book value of nil and a provision was provided for plant decommissioning and employee severance costs. To date, the facility has not been able to secure a further contract extension or replacement contract. The plant is being maintained in a secure lay-up state preserving the equipment until such time as a new PPA may be established or a final decommissioning decision is made.

KIRKLAND LAKE

The Kirkland Lake facility comprises a 102 MW natural-gas- and biomass-fired baseload power plant and a 30 MW natural gas peaking facility. In September 2015, Kirkland Lake finalized an amendment of the PPA with the IESO for the 40-year baseload gas-fueled portion of the facility and secured future pricing terms until 2030. In late 2014, an agreement was reached with the IESO on a new 20 year PPA term for the 30 MW peaking facility to August 2035.

Northland owns the land and buildings at the Kirkland Lake Facility site and has leased them to Kirkland Lake under a lease that expires in November 2041. Northland has management agreements in place with Kirkland Lake, which receives management fees that are adjusted annually with changes to CPI. In addition, Northland is entitled to a performance incentive fee equal to 75% of Kirkland Lake's cash flows after all operating and financing expenditures.

In 2016, Kirkland Lake secured a $15 million term loan facility to complete a capital refurbishment project which will be completed in 2017 to improve site reliability and longevity. Additionally, a $10 million letter of credit facility was obtained to satisfy PPA and long-term gas contract requirements.

On-Shore Wind Facilities

Northland owns and operates approximately 280 MW of on-shore wind generation 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 because they do not require fuel and generally incur lower equipment maintenance costs. Northland's wind facilities are expected to produce more electricity during the winter due to denser air and higher winds as compared to the summer months.

The following describes Northland's current operating wind facilities:

JARDIN

The 133.3 MW Jardin Wind Farm is located primarily on leased agricultural land on the south shore of the St. Lawrence River, near Matane in the Gaspésie region of Québec. The wind farm comprises 85 wind turbines with a capacity of 1.5 MW each. In 2016, 58 turbines had optimization technology installed adding capacity of 0.1 MW per turbine. Jardin entered into a 7-year operations support agreement with GE in June 2012, which provides ongoing maintenance and service on the wind turbines and related equipment.

Jardin has a 20-year PPA with Hydro-Québec to supply electricity and receives an incentive payment from the federal government for a period of 10 years under the ecoENERGY for Renewable Power program. Under the terms of its PPA, Jardin shares 75% of the ecoENERGY incentive with Hydro-Québec.

MONT LOUIS

The 100.5 MW Mont Louis Wind Farm is located near the town of Saint-Maxime-du-Mont-Louis in the Gaspésie region of Québec on public land leased from the Québec Ministry of Natural Resources. The wind farm comprises 67 wind turbines with a capacity of 1.5 MW each. Mont Louis has an 8-year operations support agreement with GE that provides ongoing maintenance and service on the wind turbines and related equipment.

Mont Louis has a 20-year PPA with Hydro-Québec to supply up to 100.5 MW of electricity and receives an incentive payment from the federal government for a period of 10 years under the ecoENERGY for Renewable Power program. Under the terms of the PPA, 75% of this incentive is shared with Hydro-Québec.

GERMAN WIND FARMS

Northland owns two operating wind farms in Germany with a total installed capacity of 21.5 MW.

The 7.2 MW Kavelstorf wind farm comprises six turbines. The Kavelstorf wind farm is located in northern Germany near Rostock. The 14.3 MW Eckolstädt wind farm has 11 turbines. The Eckolstädt wind farm is located near Jena in central Germany.

All electricity generated by the German Wind Farms is supplied to local power utilities under the terms of German federal government renewable energy legislation. Turbine maintenance contracts are in place with an affiliate of the turbine manufacturer at Kavelstorf and an experienced service provider at Eckolstädt. EDF EN Deutschland GmbH (formerly enXco GmbH), an entity with considerable wind power experience, manages the daily operations of the wind farms, and Northland provides general oversight.

MCLEAN'S MOUNTAIN

McLean's Mountain Wind Farm is a 60 MW (30 MW net Northland interest) wind farm located on leased land on Manitoulin Island, Ontario, co-owned through a 50/50 partnership with its First Nations partner.

The facility comprises 24 wind turbines, supplied by GE. McLean's Mountain Wind Farm has a 10-year "Full Service Agreement" with GE that provides ongoing maintenance and service on the wind turbines and related equipment.

McLean's has a 20-year PPA with the IESO awarded under the FIT Program. McLean's Mountain Wind Farm reached commercial operations in May 2014.

GRAND BEND WIND FARM

Grand Bend Wind Farm is a 100MW (50MW net Northland interest) wind farm located in Grand Bend, Ontario which is co-owned through a 50/50 partnership with an entity created by the First Nations partners in the project.

The facility comprises 40 wind turbines, supplied by Siemens. Grand Bend Wind Farm has a 20-year operations support agreement with Siemens GE that provides ongoing maintenance and service on the wind turbines and related equipment.

Grand Bend has a 20-year PPA with the IESO awarded under the FIT program. Grand Bend Wind Farm reached commercial operations in April 2016.

GROUND-MOUNTED SOLAR FACILITIES

Northland owns all or a majority interest in 13 individual 10 MW GMS Facilities. These facilities include NPI Ground-Mounted Solar, comprised of nine facilities totalling 90 MW in eastern and central Ontario, and Cochrane Solar, comprised of four facilities totalling 40 MW (25 MW net interest to Northland) located in northern Ontario. Each of the facilities has a 20-year PPA with the IESO. The facilities achieved commercial operations between 2013 and 2015.

Northland's solar facilities use solar photovoltaic technologies to convert sunlight into electricity. Solar power facilities have much lower operating expenses than thermal or wind facilities. Electricity production from solar facilities tends to be less variable than wind and is generally higher in the summer than in winter.

Certain facilities were grouped together and financed separately depending on construction timelines. See "*General Development of the Business – Summary of Northland's Project Financing Activity*".

In June 2015, Northland completed the sale of a 37.5% equity interest in the four Cochrane Solar facilities to a corporation controlled by its First Nations partners. The facilities reached commercial operations in the second half of 2015. This sale continues to be subject to reversal in the event that certain conditions and receipt of third-party approvals are not achieved. As at December 31, 2016, Northland had loans of $45.9 million outstanding to the First Nations partners involved in the Cochrane Solar facilities.

LOBLAW ROOFTOP SOLAR FACILITIES

Northland operates and owns in partnership with Loblaw, four rooftop solar facilities that total approximately 1 MW. The Loblaw rooftop solar facilities are in various municipalities in Ontario and achieved commercial operations throughout 2011. The facilities have 20-year PPAs with the IESO.

Projects Under Construction

GEMINI 600 MW OFFSHORE WIND PROJECT – NETHERLANDS

In May 2014, Northland acquired a 60% interest in Gemini, a 600 MW wind farm located 85 kilometres off the coast of the Netherlands in the North Sea. Gemini is owned by a consortium consisting of affiliates of Northland Power (60%), Siemens Financial Services (20%), Van Oord Dredging and Marine Contractors BV (10%) and N.V. HVC (10%). The project was awarded 15-year SDE electricity subsidy agreements by the Government of the Netherlands.

Gemini reached financial close and all consortium owners contributed their required equity, totalling €441.5 million (CAD$662.7 million at the time). In addition, Northland and a pension fund provided subordinated loans totalling €200 million, which had increased to €274.4 million (CAD $388.8 million) as at December 31, 2016. The loans currently earn an interest rate of 13%.

The project consists of 150 Siemens SWT-4.0-130 wind turbine generators installed on monopile foundation and transition piece assemblies, together with associated infrastructure including the electrical infrastructure required to connect the project to the Dutch electricity grid. It has been built under two main contracts: (i) a turbine supply agreement with Siemens; and (ii) a construction contract with Van Oord. Siemens supplied, installed and commissioned the wind turbine generators and Van Oord was responsible for all other engineering, procurement and construction work. The obligations of both Siemens and Van Oord under these contracts have been substantially completed.

Northland continues to reach significant milestones on the 600 MW Gemini offshore wind project located in the North Sea. As of the date hereof, all 150 wind turbines have been installed, are producing power and earning pre-completion revenue at the prescribed contract rates. Gemini retroactively elected to commence its two power contracts, one effective March 1, 2016 and the other July 1, 2016. Commencing the power contracts entitled the project to begin receiving the SDE subsidy retroactively as of the commencement date. Full commercial operations are expected by mid-2017. The project remains on schedule and within budget.

Gemini's total capital cost is approximately €2.8 billion (CAD $4.0 billion as of December 31, 2016).

NORDSEE ONE OFFSHORE WIND FARM – GERMANY

In September, 2014, Northland acquired an 85% equity stake in three offshore wind projects located in the North Sea, 40 kilometres north of Juist Island in German territorial waters. The acquired projects include Nordsee One, a 332 MW off-shore wind farm now under construction, and two early-stage development projects Nordsee Two and Nordsee Three, which are anticipated to be developed over the next decade as offshore wind tariffs are extended and the grid infrastructure is made available. RWE, a global leader in renewable energy holds the remaining 15% equity interest in the wind farms. The project is entitled to a FIT subsidy for approximately ten years under the *German Renewable Energy Act*, which is added to the market power price effectively generating a fixed unit price for energy sold.

In March 2015, the Nordsee One project completed €903 million of non-recourse project financing with a syndicate of international financial institutions including a €63 million facility of contingent debt. The project loans include a three-year construction period and an approximately 10-year amortization period.

Nordsee One continues to progress on schedule and within budget. All 54 foundation monopiles and transition pieces have been completed. In July 2016, installation of the offshore substation and in-field cables was successfully completed. Wind turbine production is ongoing, with installation expected to commence in early 2017. Full commercial operations are expected by the end of 2017.

Nordsee One's total capital cost is approximately €1.2billion (CAD$1.7 billion as of December 31, 2016).

Other Projects

FRAMPTON 24 MW WIND FARM – QUÉBEC

In February 2015, Northland sold its 66.7% interest in the advanced-stage development 24 MW wind project located in Frampton, Québec, and certain Québec development rights and options. Net proceeds from these sales were $10.8 million, resulting in an accounting gain of $7.6 million. This sale enabled Northland to realize the project's economic returns at an earlier stage, and focus its resources on other large scale development and construction projects.

Development Prospects

Northland actively pursues new power development opportunities that encompass a range of clean technologies, including natural gas, wind, solar and hydro, to provide a sustainable source of energy in various geographic regions and political jurisdictions. Northland believes this diversified strategy will mitigate the risk of adverse changes to local demographics or governmental policies.

During 2016 and through the date of this AIF, Northland continued to expand its earlier-stage development pipeline, pursuing opportunities that meet the Company's investment criteria in targeted markets including but not limited to, Canada, the United States, Europe, Mexico and Taiwan. Northland's sustained focus is on purposefully advancing those development opportunities that align with the Company's business strategy while prudently managing the cost exposure of earlier-stage projects.

Competitive Conditions

Northland operates generation facilities and is undertaking development activities primarily in Canadian, American, European, Mexican, and Taiwanese power markets. The nature and extent of competition Northland faces varies from jurisdiction to jurisdiction. Within these sectors and within renewable and clean energy electricity markets, Northland faces competition from large utilities and other independent power producers. In certain jurisdictions Northland also faces competition from generators who utilize inputs other than renewable and clean sources to generate electricity including coal, nuclear and oil.

In every jurisdiction in which it operates, Northland depends primarily upon the sale of its power to credit-worthy counterparties under long-term PPAs or similar revenue stability mechanisms. In Canada, such counterparties include independent agencies, such as the IESO in Ontario and provincially owned utilities such as Hydro-Québec and SaskPower. Long-term PPAs are generally the result of a competitive request for proposals process or a FIT program established by the relevant agencies or utilities in which Northland's competitors may also participate.

The capital cost to construct and operate as well as governmental programs in support of clean and renewable projects are important drivers of energy pricing and competition in most energy markets, including North America, Europe and Latin America. Numerous market factors may affect governmental policy and its support of clean and renewable energy development which in turn can affect the availability of opportunities for independent power producers, including Northland, to develop new power projects.

Northland manages the risk posed by such competitive conditions through its ongoing strategic planning process, its geographically diverse portfolio of projects, its disciplined approach to project development, its proven track-record, in-market presence, and the experience of its management team.

Maintenance of Capacity

To maintain its capacity, defined as electricity production measured in megawatts or a facility's availability to operate, Northland (i) invests in durable assets that have a long physical life; (ii) undertakes regular predictive and preventive maintenance; and (iii) makes improvements to major equipment when economically viable. All gas turbines at Northland's thermal facilities are maintained under long-term contracts**,** that include provisions for routine inspections, maintenance and repairs, as well as periodic overhauls of the hot gas path components at intervals equivalent to approximately three operating years and major turbine overhauls at intervals equivalent to approximately six operating years. These overhauls return the gas turbines to essentially as-new condition. The wind turbines at the wind farms are also maintained by original suppliers and/or service providers under contracts. The solar panels and inverters at the Ground-mounted solar sites are covered under long-term warranties and parts agreements with the original equipment manufacturers. The cost of parts and maintenance under these contracts is included in operating expenses.

The thermal facilities, as described above, schedule annual 3 - to 10-day outages for equipment inspections, maintenance and repairs. Major shutdowns are generally for longer periods when steam turbine overhauls are required and, in the case of Kingston, Thorold and North Battleford, for gas turbine hot gas path and major overhauls. At Iroquois Falls and Kirkland Lake, the length of outages for gas turbine overhauls is reduced by the use of replacement turbines leased from GE, and lost revenue at Iroquois Falls is mitigated to a degree by the ability of the plant to partially recover lost PPA production with its excess capacity. Kingston is able to mitigate lost electricity production during shutdowns through the resale of contracted natural gas. Thorold and North Battleford are unable to directly mitigate lost income during outages; however, their power contract payments were sized to allow for periodic maintenance outages. Major shutdowns of the gas turbines at Spy Hill are not planned until many years in the future due to the expected low number of dispatch hours. Northland's wind turbines require periodic inspections and preventive maintenance which is expected to occur during low wind periods. Similar to Northland's wind facilities, the ground-mounted solar sites do not require scheduled major outages or overhauls, but instead are maintained through periodic inspections and preventive maintenance.

Environmental Matters

Northland operates electricity generation facilities which primarily utilize clean natural gas as a fuel or harness wind and solar resources. Wood/biomass and landfill gas are also used at a few facilities. Northland's facilities are subject to environmental laws and regulations and must maintain in good standing licences, permits and approvals established by governmental authorities and regulatory agencies. Northland is also required to comply with local and municipal approvals and works to establish positive relationships with the communities in which its facilities are located.

Northland's initial capital budget for all of its facilities establishes the capital investment required to meet environmental standards for air emissions, sound, use of water and other resources. Northland has programs in place to ensure that once its facilities are in operation, capital is expended to ensure ongoing compliance with environmental standards.

Northland has internal processes and procedures to monitor environmental conditions and to ensure that it remains fully in compliance with all applicable laws, codes, standards and industry practices.

Northland's corporate management system is integrated with the facilities' own management system. These management systems allow Northland and its facilities to have an overall environmental program where new facilities are built to meet compliance requirements and changes in regulation are monitored. In addition, each facility operates to stay in compliance and changes are made if required, to address and correct non-conformances.

Employees

As at December 31, 2016, Northland had approximately 300 full-time employees.

Interest-Bearing Loans and Borrowings

Northland generally finances facilities through secured credit arrangements at the subsidiary level that are non-recourse to Northland. Northland's subsidiaries' interest-bearing loans and borrowings include the following:

In thousands of dollars except as indicated	Maturity	Rate[(1)]	**As at December 31, 2016[(2)]**	As at December 31, 2015
Thorold[(3)]	2030	7.1%	**309,361**	323,778
Spy Hill[(3)]	2036	4.1%	**143,921**	146,849
North Battleford[(3)]	2032	5.0%	**606,194**	625,896
Jardin[(3)]	2029	6.0%	**105,582**	111,032
Mont Louis	2031/2032	6.6%	**102,392**	106,711
Ground-mounted Solar Phase I[(3)]	2032	4.4%	**207,706**	218,339
Ground-mounted Solar Phase II	2032	5.7%	**75,085**	78,799
Ground-mounted Solar Phase III	2033	5.6%	**221,707**	227,450
McLean's	2034	6.0%	**135,200**	135,200
Kirkland Lake	2023	2.8%	**8,752**	-
Gemini[(3)(4)]	2031	4.8%	**2,764,294**	2,185,063
Nordsee One	2029	3.3%	**730,273**	101,805
Grand Bend	2035	4.2%	**325,645**	325,645
Total			**5,736,112**	4,586,567

(1) The weighted average all-in interest rates of the subsidiary borrowings, over the life of each project's debt, including interest rate swaps, credit spreads and underlying rates as applicable; all rates have been rounded to one decimal place.

(2) Excludes $49.5 million (2015 – $32.6 million) of letters of credit secured by facility- or project-level credit agreements.

(3) Net of transaction costs and /or fair value adjustments.

(4) Includes amount drawn on senior debt as of December 31, 2016, and the third-party portion of the subordinated debt at Gemini.

NORTHLAND CORPORATE FACILITIES

Northland's corporate credit facilities total $800 million as of December 31, 2016. The facilities are available for general corporate purposes, to support operational, construction and development opportunities and to provide letters of credit issued on behalf of Northland as described below.

The corporate credit facility includes the following:

- A $450 million revolving facility in place until March 2020 with successive annual renewals at Northland's option, subject to lender approval, of which $249.8 million has been utilized for letters of credit;
- A $250 million term facility that matures in March 2018 with a one-year renewal at Northland's option, subject to lender approval, of which $250 million has been drawn (although the amount shown on the balance sheet reflects the Canadian equivalent at the quarter-end foreign exchange rates); and
- A $100 million corporate letter of credit facility in place until March 2018 with successive annual renewals at Northland's option, subject to lender approval, of which $99.9 million has been utilized.

As of December 31, 2016, Northland and its subsidiaries had $393.3 million of letters of credit outstanding, of which $343.8 million were issued as security under Northland's corporate credit facilities for certain projects in operation, advanced development and construction, and $49.5 million were issued under specific subsidiaries' non-recourse credit facilities.

Northland itself is not subject to the types of debt service coverage ratio ("**DSCR**"), or reserve requirements which apply at the project-level financings, but is required to maintain certain covenants including a minimum fixed charge coverage ratio and a maximum ratio of net debt to EBITDA based on specified financial measures and components.

On September 30, 2015, Northland closed the financing of its $100 million corporate letter of credit facility. The facility provides additional credit to support letters of credit Northland is required to provide as security for its operating, construction and development activities.

On February 18, 2015, Northland completed an amendment to its corporate credit facilities which are in place with a syndicate of Canadian and international financial institutions. The primary components of the amendment include: (i) the receipt of lender commitments for the $100 million accordion feature of the revolving credit facility, which increased the revolving facility from $350 million to $450 million; (ii) an extension of the revolving facility maturity date from March 2019 to March 2020, and (iii) changes to certain financial ratios and sub-limits in order to provide liquidity and support Northland's ongoing development activities. The revolving facility is available for general corporate purposes and working capital. The maturity date of the $250 million term facility remains unchanged at March 2018 and includes a one-year renewal option.

Debt Covenants

As indicated above, Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on receipt of cash from those entities to defray its corporate expenses and pay cash dividends to common, preferred and Class A shareholders. Certain of those entities have outstanding debt arising from incurring non-recourse project finance debt sourced at the subsidiary entity to fund a significant portion of construction costs. Under the credit agreements or trust indentures for such debt, distributions of cash to Northland are typically prohibited if a loan is in default or if a project fails to achieve its minimum benchmark DSCR, in which case excess cash will be retained at the project level until the next distribution date when the benchmark is achieved. For the year ended December 31, 2016, Northland and its subsidiaries were not in default with respect to any loan agreements and were in compliance with all debt covenants.

A summary of covenant restrictions related to DSCR, distributions and reserve requirements is included in the description of Northland's debt facilities set out in the description above and as described below.

THOROLD

The Thorold LP credit agreement requires that Thorold LP achieve a DSCR of at least 1.15x for the 12-month period immediately preceeding the most recently completed fiscal quarter in order to make distributions. Thorold is required to fund a major maintenance reserve and may be required to fund a debt service reserve equal to six months of scheduled principal and interest payments if DSCR falls below a specified level. In addition, Northland has issued a letter of credit which may be drawn under certain conditions, notably if the DSCR drops below certain levels specified in the Thorold LP credit agreement.

SPY HILL

The Spy Hill LP bond trust indenture requires that Spy Hill LP maintain a DSCR of at least 1.20 for the 12-month period immediately preceeding the most recently completed fiscal quarter in order to make distributions. Spy Hill LP is also required to fund three reserve accounts: a six-month debt service reserve, a major maintenance reserve, and an unplanned maintenance reserve.

NORTH BATTLEFORD

The North Battleford LP bond trust indenture requires that North Battleford LP maintain a DSCR of at least 1.20 for the 12-month immediately preceeding the most recently completed fiscal quarter in order to make distributions. North Battleford is also required to fund two reserve accounts: a six-month debt service reserve and a major maintenance reserve.

JARDIN

The Jardin LP credit agreement governing the term debt of Jardin LP requires that a DSCR of at least 1.15 be achieved for the 12-month period immediately preceeding the most recently completed fiscal quarter in order to make distributions. Failure to achieve that benchmark requires the retention of any excess cash by Jardin until the next distribution date when the benchmark is achieved.

MONT LOUIS

The Mont Louis LP credit agreement governing the term debt of Mont Louis LP requires that a DSCR of at least 1.20 be achieved for the 12-month period immediately preceding the most recently completed fiscal quarter in order to make distributions. There are no debt covenants associated with the Investissement Québec loan.

MCLEAN'S

The McLean's LP credit agreement governing the term debt of McLean's LP requires that a DSCR of at least 1.20 be achieved for the 12-month period immediately preceding the most recently completed fiscal quarter in order ot make distributions.

GRAND BEND WIND FARM

The Grand Bend Wind Farm credit agreement governing the term debt of Grand Bend's LP requires that a DSCR of at least 1.15 be achieved for the 12-month period immediately preceding the most recently completed fiscal quarter in order to make distributions.

GROUND-MOUNTED SOLAR

The Northland Power Solar Finance One LP and the limited partnerships in respect of certain of the Ground-Mounted Solar facilities bond trust indenture requires that the applicable limited partnerships maintain a DSCR, on a consolidated basis, of at least 1.20 for the 12-month period immediately preceding the most recently completed fiscal quarter in order to make distributions. The Northland Power Solar Finance One LP and the applicable limited partnerships are also required to fund two reserve accounts: a six-month debt service reserve and an O&M expenses reserve.

Each of the Northland Power Solar Cluster 3 and Cluster 4 credit agreements requires a DSCR, on a consolidated basis, of at least 1.20 for the 12-month period immediately preceding the most recently completed fiscal quarter in order to make distributions. Cluster 3 and Cluster 4 are also required to fund a debt service reserve equal to six months of scheduled principal and interest payments.

OTHER

Once the Gemini and Nordsee One achieve term conversion under their financing agreements, they will be subject to similar debt covenants.

LOANS RECEIVABLE

At as December 31, 2016, Northland had an outstanding receivable balance of $45.9 million with Cochrane Solar First Nations partners.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the information under the heading "Management's Discussion and Analysis" of Northland's 2016 Annual Report, which is incorporated herein by reference. The 2016 Annual Report is posted on SEDAR, at www.sedar.com under Northland's profile, and on Northland's website, www.northlandpower.ca.

CAPITAL STRUCTURE

Northland's Articles authorized the Corporation to issue the following classes of shares:

- 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 Preferred Shares;
  - 6,000,000 have been designated as Series 2 Preferred Shares;
  - 4,800,000 have been designated as Series 3 Preferred Shares; and
  - 4,800,000 have been designated as Series 4 Preferred Shares.

As at December 31, 2016, Northland had outstanding 171,973,308 Common Shares (2015 – 169,645,251 Common Shares), 4,501,565 Series 1 Preferred Shares, 1,498,435 Series 2 Preferred Shares, 4,800,000 Series 3 Preferred Shares, 1,000,000 Class A Shares, Nil Class B Convertible Shares and Nil Class C Convertible Shares. The Class B Convertible Shares or Class C Convertible Shares have been converted to Common Shares and may not be reissued.

The following is a summary of the rights, privileges, restrictions and conditions attached to the Company's outstanding securities:

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 Company'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

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". 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 and the Common Shares, the holders of the Class A Shares share in the distribution of the balance of the assets of Northland.

Appointment Rights of Class A Shares

NPHI, as the only holder of the Class A 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 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 NPHI Held Common Shares represents at least 15% of the votes attributed to the Voting Shares outstanding, holders of the Class A Shares will have the right to elect 49% of the directors of the Company 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 Company 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 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 will have the right to elect up to 49% of the directors of the Company, or 40% of the directors of the Company 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 vote with the holders of the Common Shares for all directors.

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.

Dividends

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

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

Series 1 and 2 Preferred Shares

On July 28, 2010, Northland issued 6.0 million Series 1 Preferred Shares at a price of $25.00 per share, for gross proceeds of $150 million. The Series 1 Preferred Shares originally yielded 5.25% annually for the initial five-year period ending September 30, 2015. The dividend rate was reset on September 30, 2015, and will reset 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 were redeemable on September 30, 2015, and will be redeemable on September 30 of every fifth year thereafter.

The holders of Series 1 Preferred Shares had the right, at their option, to convert their shares into 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 are 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 back into Series 1 Preferred Shares on September 30, 2020, and on September 30 of every fifth year thereafter.

On September 30, 2015, Northland announced that 1,498,435 of its 6,000,000 Series 1 Preferred Shares converted on a one-for-one basis, into Series 2 Preferred Shares. Consequently, Northland now has 4,501,565 Series 1 Preferred Shares outstanding with fixed quarterly dividends payable at an annual rate of 3.51% until September 29, 2020, and 1,498,435 Series 2 Preferred Shares outstanding with a floating quarterly dividends payable at an annual rate of 2.80% over the annual yield on 90-day Government of Canada treasury bills (as determined on the relevant quarterly dividend determination date). The actual quarterly dividend rate in respect of the September 30, 2015 to December 30, 2015 dividend period for the Series 2 Preferred Shares was 0.80% (3.18% on an annualized basis) representing $0.20 per share, paid on December 31, 2015.

The actual quarterly dividend rate in respect of the September 30, 2016 to December 30, 2016 dividend period for the Series 2 Preferred Shares was 0.51% (3.31% on an annualized basis) representing $0.21 per share, paid on December 31, 2016.Series 3 and 4 Preferred Shares

On May 24, 2012, Northland issued 4.8 million Series 3 Preferred Shares at a price of $25.00 per share, for gross proceeds of $120 million. The holders of the Series 3 Preferred Shares are entitled to fixed cumulative dividends at an annual rate of $1.25 per share, payable quarterly, as and when declared by the Board of Directors of Northland. The Series 3 Preferred Shares yield 5% annually at the issue price for the initial five-year period ending December 31, 2017. The dividend rate will reset on December 31, 2017 and every five years thereafter at a rate equal to the then five-year Government of Canada Bond yield plus 3.46%. The Series 3 Preferred Shares are redeemable on December 31, 2017 and on December 31 of every fifth year thereafter.

The holders of the Series 3 Preferred Shares have the right, at their option, to convert their shares into Series 4 Preferred Shares, subject to certain conditions, on December 31, 2017 and on December 31 of every fifth year thereafter. The Series 4 Preferred Shares carry the same features as the Series 3 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 90-day Government of Canada Treasury Bill yield plus 3.46%. The holders of the Series 4 Preferred Shares have the right to convert their shares into Series 3 Preferred Shares on December 31, 2022 and on December 31 of every fifth year thereafter.

Convertible Debentures

In 2009, Northland issued 6.25% convertible unsecured subordinated debentures due December 31, 2014 ("**2014 Debentures**") for net proceeds of $88.1 million. The unconverted 2014 Debentures matured on December 31, 2014 and were repaid in full.

On March 5, 2014, Northland completed a public offering of 2019 Debentures with gross proceeds of $78.8 million ($75.3 million after costs and underwriters' fees). The 2019 Debentures have a maturity of June 30, 2019. The 2019 Debentures are convertible into fully paid Common Shares of Northland at the option of the holder at a conversion price of $21.60 per Common Share and are redeemable by Northland on or after June 30, 2017, provided that the trading price of Northland's Common Shares reaches certain levels. Northland may, at its option, satisfy its obligation to pay the principal amount of the 2019 Debentures in Common Shares of Northland at maturity. 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 2019 Debentures was classified as a long-term liability.

On January 22, 2015, Northland completed a public offering of the 2020 Debentures with gross proceeds of $157.5 million ($150.6 million after costs and underwriters' fees). The 2020 Debentures have a maturity of June 30, 2020. The 2020 Debentures are convertible into fully paid Common Shares of Northland at the option of the holder at a conversion price of $21.60 per Common Share and are redeemable by Northland on or after June 30, 2018, provided that the trading price of Northland's Common Shares reaches certain levels. Northland may, at its option, satisfy its obligation to pay the principal amount of the 2020 Debentures in Common Shares of Northland at maturity.

DIVIDENDS

Sustainability of Dividends

Northland's Board and management are committed to maintaining the current dividend of $0.09 per Common Share and Class A Share per month ($1.08 on an annual basis) 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.

Northland has established a dividend reinvestment plan whereby Shareholders 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 participation in Northland's DRIP is uncertain, average participation since inception has been 25%. 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 Company distributed a total of $1.08 in cash per Common Share and Class A Share to Shareholders for the year ended December 31, 2016 (2015 – $1.08 per Common Share; 2014 – $1.08 per Common Share).

History of Dividends

The following table shows per Common Share and Class A Share cash dividends declared monthly for the past 3 completed financial years.

Dividends Declared per Common Share and Class A Share ($)

Month	2016	2015	2014
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.

Dividends Declared per Series 1 Preferred Share ($)

Month	**2016**	**2015**	**2014**
March	0.2200	0.3281	0.3281
June	0.2200	0.3281	0.3281
September	0.2200	0.3281	0.3281
December	0.2200	0.2200	0.3281
	0.8800	1.2043	1.3124

In September 2015, Northland's Series 1 preferred shareholders converted 1,498,435 Series 1 Preferred Shares into Series 2 Preferred Shares. The following table shows per Series 2 Preferred Shares dividends declared quarterly since the fourth quarter of 2015.

Dividends Declared per Series 2 Preferred Share ($)

Month	2016	2015
March	0.2019	-
June	0.2032	-
September	0.2105	-
December	0.2086	0.2004
	0.8242	0.2004

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

Dividends Declared per Series 3 Preferred Share ($)

Month	2016	2015	2014
March	0.3125	0.3125	0.3125
June	0.3125	0.3125	0.3125
September	0.3125	0.3125	0.3125
December	0.3125	0.3125	0.3125
	1.2500	1.2500	1.2500

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities.

Northland's corporate rating as rated by Standard & Poor's credit rating agency is currently BBB (Stable), which was reaffirmed in July 2016. In addition, Northland's preferred share rating and unsecured debt ratings on Standard & Poor's global scale and Canada scale are BB+ and P-3 (high), respectively.

A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. Such opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. Standard & Poor's ratings for long-term debt instrument range from a high of AAA to a low CC. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. According to Standard & Poor's rating system, an obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). The outlook may be qualified as Positive, Negative, Stable, Developing or N.M. (not meaningful). A Stable rating outlook means that a rating is not likely to change.

The Series 1 Preferred Shares, Series 2 Preferred Shares and Series 3 Preferred Shares have each been given a Canadian scale rating of P-3 by Standard & Poor's. Such P-3 rating is the tenth of twenty ratings used by Standard & Poor's in its Canadian preferred share rating scale (the first rating being the highest and the twentieth rating being the lowest). According to Standard & Poor's, such a P-3 rating indicates that although the obligation is considered to be less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

Northland has paid applicable service fees to Standard & Poor's for the rating of Northland, the Series 1 Preferred Shares, Series 2 Preferred Shares and the Series 3 Preferred Shares along with the annual review thereof.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

MATERIAL CONTRACTS

Northland did not enter into any material contracts in 2016. Prior to 2016, Northland entered into the following contracts which are still in effect. These contracts are as follows:

(a) the Convertible Debenture Indenture and related supplemental indentures; and

(b) the Pre-emptive Rights, Tendering and Voting Agreement dated the 8th day of December, 2010 between a predecessor of the Company and NPHI, described below.

The Convertible Debenture Indenture

The Convertible Debenture Indenture permits the issuance of Debentures without limitation as to the aggregate principal amount. There are two series of Debentures that are currently outstanding, the 2019 Debentures and 2020 Debentures. See "Capital Structure" above.

The Debentures are direct obligations of Northland and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to all Senior Indebtedness. The Debentures rank *pari passu* with every other series of Debentures. The Convertible Debenture Indenture does not limit the ability of Northland to incur additional indebtedness, including additional Senior Indebtedness.

Pre-Emptive Rights, Tendering and Voting Agreement

The Pre-emptive Rights, Tendering and Voting Agreement 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 and Class A 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 and Class A Shares, voting together, is passed to: (i) amend the articles of Northland if the holders of the Common Shares and Class A 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 NPHI 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 2016:

Month 2016	High	Low	Volume
January	$19.68	$16.90	7,887,976
February	$19.79	$17.75	10,234,434
March	$21.70	$18.97	10,921,387
April	$21.95	$20.71	7,347,482
May	$22.82	$20.65	5,026,264
June	$22.95	$20.75	5,373,623
July	$25.06	$22.00	8,802,663
August	$25.14	$23.18	5,694,781
September	$24.82	$23.01	6,448,087
October	$24.44	$23.00	4,369,059
November	$24.19	$20.89	8,192,682
December	$23.48	$21.25	6,910,684

The outstanding 2019 Debentures are listed for trading on the TSX under the symbol "NPI.DB.B". The table below sets forth the reported high and low trading prices and trading volumes of the 2019 Debentures as reported by the TSX during 2016:

Month 2016	High	Low	Volume
January	$103.51	$97.50	22,210
February	$103.00	$101.00	38,490
March	$108.00	$102.10	10,040
April	$109.99	$106.00	24,880
May	$112.15	$105.99	24,670
June	$113.45	$109.24	30,300
July	$120.00	$110.85	36,850
August	$119.00	$115.00	39,350
September	$118.45	$114.00	28,000
October	$117.00	$113.00	11,760
November	$116.00	$106.52	14,750
December	$114.00	$108.17	15,950

The outstanding 2020 Debentures are listed for trading on the TSX under the symbol "NPI.DB.C". The table below sets forth the reported high and low trading prices and trading volumes of the 2020 Debentures as reported by the TSX during 2016:

Month 2016	**High**	**Low**	**Volume**
January	$103.50	$93.99	27,710
February	$102.50	$100.00	26,340
March	$108.00	$101.25	23,010
April	$109.78	$106.00	21,260
May	$112.00	$106.00	30,720
June	$113.01	$108.26	111,540
July	$119.50	$111.00	108,220
August	$120.00	$115.00	79,500
September	$118.57	$114.00	54,080
October	$117.67	$113.31	44,650
November	$117.50	$107.50	47,090
December	$115.00	$108.73	73,540

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 2016:

Month 2016	**High**	**Low**	**Volume**
January	$15.28	$12.49	82,621
February	$13.49	$12.00	124,512
March	$13.80	$12.34	178,101
April	$14.59	$13.50	84,880
May	$14.90	$14.00	61,350
June	$14.72	$13.80	56,466
July	$16.60	$14.10	257,765
August	$16.81	$16.00	59,278
September	$17.00	$15.65	92,972
October	$17.12	$16.11	133,594
November	$17.03	$16.44	92,155
December	$17.68	$16.49	143,068

The outstanding Series 2 Preferred Shares are listed for trading on the TSX under the symbol "NPI.PR.B". The table below sets forth the reported high and low trading prices and trading volumes of the Series 2 Preferred Shares as reported by the TSX in 2016:

Month 2016	**High**	**Low**	**Volume**
January	$13.21	$11.77	19,540
February	$12.39	$11.34	16,625
March	$12.50	$11.49	12,770
April	$13.35	$12.16	22,721
May	$14.56	$12.72	26,610
June	$14.72	$13.00	34,959
July	$16.17	$13.49	37,692
August	$16.10	$15.25	104,940
September	$16.51	$14.81	25,906
October	$16.00	$15.38	19,687
November	$16.20	$15.50	29,436
December	$17.43	$15.94	48,914

The outstanding Series 3 Preferred Shares are listed for trading on the TSX under the symbol "NPI.PR.C". The table below sets forth the reported high and low trading prices and trading volumes of the Series 3 Preferred Shares as reported by the TSX in 2016:

Month 2016	**High**	**Low**	**Volume**
January	$19.51	$15.66	62,526
February	$17.08	$15.80	59,061
March	$17.80	$15.53	227,052
April	$17.99	$16.55	97,180
May	$18.78	$17.25	50,251
June	$18.86	$17.19	76,853
July	$19.91	$17.79	84,025
August	$19.75	$18.69	68,453
September	$19.31	$18.50	65,848
October	$20.44	$18.80	90,441
November	$20.99	$19.74	127,924
December	$22.50	$20.77	92,710

RISK FACTORS

Northland's overall risk management approach seeks to mitigate risk, when feasible, in order to maintain stable predictable 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 that affect Northland and its businesses. The following information is only a summary 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, including Northland's 2016 Annual Report and Annual MD&A.

Contracts and Contract Counterparties

Northland's facilities earn revenue under long-term PPAs that generally have initial terms of 10 to 25 years. In addition, Northland earns management and performance incentive fees from its managed plants, Kirkland Lake and Chapais (and formerly Cochrane which ceased operations in 2015). The PPA for Cochrane expired in 2015, and the PPA rates for gas fuelled capacity and energy payments in years 26 to 40 for Kirkland Lake were negotiated in 2015. For Kingston, the PPA has not been renewed beyond January 2017, however other potential income streams, including selling into other electricity markets, are currently being explored. For Iroquois Falls, the PPA may be renewed beyond 2021 upon request by either party for a further five (5) year term, subject to terms and conditions to be negotiated.

As Northland's PPAs and/or fuel supply contracts expire, Northland may be able to extend them or enter into new contracts or other revenue arrangements in the same or new markets. The renegotiation of certain contract provisions could entail capital investments for plant modifications and/or result in reduced facility profitability due to lower sales volumes, different operating modes or reduced margins. Any reduction in plant profitability under new contracts will be partially mitigated by the fact that project debt is scheduled to be fully amortized by the expiry of the associated PPAs. There can be no assurance that Northland will be able to extend the existing PPAs or enter into new contracts or other revenue arrangements.

The amount of cash flow generated by Northland is dependent upon the counterparties to Northland's long-term contracts continuing to fulfill their contractual obligations. In particular, because electricity sales provide nearly all of the revenue from Northland's facilities, the failure of IESO, OEFC, Hydro-Québec or SaskPower to meet their contractual obligations would have an adverse effect on cash flow. The risk associated with non-performance by the PPA counterparties is partially mitigated by the fact that all are highly-rated with respect to credit quality.

The on-shore wind farms in Germany receive the majority of their 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 cash flow received.

Gemini has a 15-year electricity subsidy contract with the Government of the Netherlands obtained through a competitive tender under the government's SDE program. Commencing in 2016, Gemini is entitled to SDE revenue for the following 15 years based on production and other parameters.

Nordsee One has a 9.6-year electricity subsidy with the Government of Germany. The risk associated with non-performance by the off-shore wind counterparties is mitigated by the governments' reputation and credit quality.

Northland and its subsidiaries engage contractors and 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. Failure could also prevent those projects from meeting obligations under PPAs or financing agreements. Multiple physical and contractual interfaces may also increase the risks to the Company from an overall project management perspective. Increase in risks related to multiple physical and contractual interfaces include risks pertaining to coordination, compatibility errors, liability caps, warranties on an individual work package basis, delays, cost overruns, performance failures and litigation.

Northland's operating facilities contract with third-party equipment maintenance and service providers, primarily related to gas turbine inspections and maintenance. The failure of any maintenance and service provider to meet its obligations could cause those facilities to experience downtime which could reduce cash flows available to Northland.

Financial counterparty risk arises primarily from holding cash and cash equivalents at banks and financial institutions, counterparty exposure arising from derivative financial instruments with banks, financial institutions and other derivative providers, unfunded credit commitments from banks and financial institutions, and receivables due from customers. The maximum exposure to counterparty risk, other than for unfunded credit 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, liabilities, earnings and / or cash flow.

Electricity Sales and Price

The Iroquois Falls and Kingston PPAs provided higher prices for electricity produced during on-peak periods (the largest component of electricity revenue) if the facilities meet contractually defined monthly on-peak production targets. Iroquois Falls' on-peak premium is reduced if it produces less than 80% of its target; there is no on-peak premium if production is less than 60% of the target. Kingston does not receive an on-peak premium if it delivers less than 80% of its target; however, during events of force majeure the on-peak production target is reduced by the number of on-peak force majeure hours. As discussed above in the "Narrative Description of the Business", Kingston's PPA expired on January 31, 2017. Iroquois Falls entered into a four-month enhanced dispatch agreement on January 1, 2017. The Kirkland Lake PPA provides energy payments for electricity delivered during the month, and also include additional capacity payments for electricity delivered during on-peak hours. The revenue from these facilities could be materially reduced if they fail to operate in a manner intended under their respective PPAs.

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.

The revenue requirement may also be reduced by the difference between gross profit deemed under the PPA and actual gross profit Thorold earned from the Ontario electricity market. 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 monthly availability payment that may be affected if Spy Hill is unable to operate when requested by the customer. If Spy Hill does not meet minimum availability targets it may be subject to a maximum annual penalty of $4 million. Under the PPA agreement, the customer can terminate the PPA in certain circumstances in the event that Spy Hill fails to perform certain of its material obligations under the contract.

The North Battleford PPA provides a monthly capacity-based payment that may be affected if North Battleford is unable to operate the facility so that the amount of electricity delivered exceeds levels specified in the PPA based on ambient temperatures. If North Battleford does not meet minimum delivered electricity targets it may be subject to a maximum annual penalty of $15 million. Under the PPA agreement, the customer can terminate the PPA in certain circumstances in the event that North Battleford fails to perform certain of its obligations under the contract and claim damages in respect thereof.

The Québec wind facilities (Jardin and Mont Louis) PPAs include financial penalties if the three-year rolling average production for each wind farm is less than a 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 for the Ontario wind facilities McLean's or Grand Bend. There are no production obligations within German legislation that affect payments to the German wind farms and Nordsee One.

Gemini is now generating revenue, and it bears a degree of merchant risk on the SDE revenue to the extent the annual average day ahead market energy price falls below the SDE floor price of €44/MWh (non-indexed).

The Ground-mounted Solar PPAs do not contain production obligations that affect payments to the solar facilities beyond the loss of revenue from reduced production.

Variability of Renewable Facilities Revenue

The wind and solar resources at Northland's wind and solar farms will vary. Although management believes that the resource surveys 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 resources in the future. If there is insufficient resource, the underlying financial projections regarding the amount of electricity to be generated by the renewable farms may not be met, and 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 expected cash flow. 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 cash flow. To the extent possible, Northland's gas-fired facilities attempt to contract with creditworthy counterparties and/or source gas through index-based pricing from liquid trading hubs with numerous potential alternate suppliers.

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 or otherwise desirable terms.

Operations and Maintenance

Northland's facilities are subject to operational risks that could have an adverse effect on 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 renewable facilities, including Gemini and Nordsee One, once operational, 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.

Certain Northland facilities earn revenue from tariffs and pricing structures that are not subject to an inflation rate escalation. Inflation beyond initial estimates could impact the project's economics and in extreme cases the ability to meet debt service coverage ratios or other obligations. This risk exists with respect to the Gemini project, where the SDE price does not escalate with inflation.

Permitting

All of Northland's facilities are required to maintain permits issued by 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.

Natural Events

Northland's facilities and projects are exposed to the elements such as wind, water and in the case of the offshore wind projects, movement of the sea floor. They are also susceptible to weather and other natural events such as hurricanes, tornadoes, lightning storms and icing events that can cause construction delays and production losses and damage to construction and production equipment. Natural events may also make it impossible for operations and maintenance crews to access the disabled equipment to deliver parts and provide services.

During construction of offshore wind farms, weather and subsurface risk for known conditions may not be fully protected under applicable construction agreements. There can be no guarantee that the contractors construction agreements and insurance will provide coverage for such events, that coverage provided will be sufficient to compensate for the losses suffered by the project, that claims will be paid on a timely basis or that claims will be made pursuant to the insurance policies taking into account the related deductibles.

Environmental, 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; workers' health and safety matters; and matters relating to the protection of migratory birds and endangered species. 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.

All of Northland's generating equipment is designed to produce NO_x emissions below applicable permit limits.

For the last several decades, the greenhouse effect and its influence on climate change has caused environmental concern. Certain jurisdictions have implemented legislation or regulations to regulate greenhouse gas (**GHG**) emissions. In 2016, the Ontario government introduced a cap-and-trade program to limit GHG emissions and implemented legislation effective January 1, 2017 to introduce the cap-and-trade program. The Ontario government has linked its cap-and-trade program to other programs established in the province of Québec and the state of California. Ontario's cap and trade legislation may impose costs on certain of Northland's facilities which may not be recoverable which could result in reduced cash flow and asset impairments

Should any legislation related to GHG regulation impose any costs on Northland, certain of its facilities may not be able to recover some or all of such costs under its PPAs which could result in reduced cash flow and asset impairments upon implementation.

Although management believes the operation of each of the facilities is currently in material compliance with applicable environmental laws, licenses, 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 or fines. 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.

Construction

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 also a risk that a project under construction could be stopped or cancelled and/or a contractor could fail to complete its contractual obligations. There is further risk that the projects, once constructed, will not immediately perform as intended. Any significant delays in construction, cost overruns, project cancellations, or project shortfalls as a result of construction activities may have an adverse impact on Northland's operations and financial performance.

Financing

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, refinancing, 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, guarantors and sponsors. 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, lenders are entitled to take possession of the equity interests in project operating entities that have been pledged to such lenders by the owners. The prevention of cash distributions from projects or the loss of equity interests in a project could have a material impact on Northland's cash flow.

Interest Rates and Refinancing

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. Northland generally mitigates underlying 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 underlying interest rate on floating-rate debt. The credit spread portion of floating interest rate loans cannot be hedged and could increase materially at loan maturity, thus reducing a project's cash flow. In other cases, Northland procures fixed-rate debt when financing its projects to minimize interest rate risk. For non-project debt, primarily Northland's revolving line of credit, interest rates remain variable. A significant rise in interest rates may materially increase the cost of Northland's revolving credit facility and also prevent certain development projects from proceeding as the economics may no longer be feasible at higher rates, possibly resulting in termination or 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 will be required to make and receive payments in Euros in respect of the Gemini and/or Nordsee One projects. Northland also has payment obligations in U.S. dollars, primarily related to the service agreements for gas turbines. Exchange rate fluctuations between the Euro or the U.S. dollar and the Canadian dollar may affect the cash flow of Northland. To partially mitigate its exposure to major foreign currencies, material exposures are hedged with financial counterparties.

The projects Northland is developing, constructing, and operating may utilize equipment purchased from foreign suppliers. Northland's risk management approach is to hedge such foreign exchange risks where feasible. However, 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. In addition, projects Northland is developing may require expenditures, advances, equity investments or provide project distributions that are denominated in foreign currencies. Fluctuations in exchange rates relative to the Canadian dollar could have a material impact on the amount of equity investment required or the Canadian dollar equivalent of project distributions which may have a negative impact on the feasibility of one or more development projects.

Liquidity

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 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.

Reliance on Technology

Northland's business activities rely on systems using a high degree of information technology. In addition, the business also relies upon information technology to remotely monitor and control assets and interface with regulatory agencies, power markets and customers. The information and embedded systems of key business partners and regulatory agencies are also critical to Northland's operations. Therefore, Northland's business operations, financial reporting, financial condition and results of operations could be materially and adversely impacted by technology failures, cybersecurity incidents or other breaches of information technology security.

Ratings

Credit rating criteria are continually revised and Northland could be unable to meet ratings criteria due to financial performance or other factors. Any downgrade of or other adverse action affecting Northland's credit rating could adversely affect the trading price of Northland's securities or the trading markets for Northland's securities.

Development Prospects and Advanced Stage Development Projects

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 speculative. Northland is, in some cases, required to advance funds, enter into commitments 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 and construction services at a favourable price, or the inability to mitigate identified risks.

Advanced stage development projects where Northland has secured a PPA may fail to reach financial close, and all investments up to that point, which could be material, may be unrealizable. Some of the factors that could cause an advanced stage development project to fail include: failure to obtain permits, consents, licences and approvals; increases in interest rates; inability to finalize equipment and construction contracts or services or financing agreements; or the inability to mitigate identified risks.

Relationship with Stakeholders

Certain joint venture partners, stakeholders or communities with which Northland has arrangements may have or develop interests or objectives which are different from or even in conflict with those of Northland. Any such differences could lead to development, construction or operations issues which could negatively impact the success of Northland's projects. The Company is sometimes required through the permitting and approval process to notify, consult and / or accommodate and obtain consent from various stakeholder groups, including landowners, First Nations and municipalities. Any unforeseen delays or issues in this process may negatively impact Northland's ability to complete any given project on time or at all.

Co-ownership

For non-wholly owned subsidiaries (i.e. Kirkland Lake, McLean's, Grand Bend, Ground-mounted Solar Phase III, Gemini, Nordsee One), Northland will be relying on the other investors to fulfill their commitments and obligations in respect of the project/facility. There is a risk that one or more of the other investors will be unable or unwilling to fulfill its obligations in respect of the project/facility. In such a case, the facility's operations may be adversely impacted and therefore Northland's cash flows from the project could be negatively impacted.

Government Regulations and Policy

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

Northland's International Activities

Northland's activities outside of Canada are subject to risks inherent in undertaking international activities. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, restrictions on carrying on business or the revocation or non-issuance of licenses to carry on business by a foreign government, foreign exchange fluctuations and controls, civil disturbances and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

Insurance

Northland procures insurance from the insurance market to address all material insurable risks, including business interruption insurance; similar to what management believes would be maintained by a prudent manager/owner/operator of similar facilities or projects. Northland's insurance 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.

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. For further details see “Legal Proceedings and Regulatory Actions” below.

Variability of Cash Flow and Dividends

The actual amount of cash flow to service dividends to Shareholders will depend on numerous factors, including the financial performance of Northland’s subsidiary operations, ability to meet debt covenants and obligations, working capital requirements, future capital requirements, participation in Northland’s DRIP and tax related matters.

The payment and the amount of dividends declared, if any, are at the discretion of the Board and will depend on the Board’s assessment of Northland’s outlook for growth, capital expenditure requirements, funds from operations, potential opportunities, debt position and other conditions that the Board may consider relevant at such future time, including applicable restrictions that may be imposed under Northland’s credit facilities and on the ability of Northland to pay dividends. The amount of future cash dividends, if any, could also vary depending on adverse impacts from a variety of factors, including fluctuations in energy prices, capital expenditure requirements, debt service requirements, operating costs and foreign exchange rates. The market value of the Common Shares may decline if Northland’s cash dividends decline in the future, and that market value decline may be material.

Taxes

There can be no assurance that income tax laws in the jurisdictions in which Northland and its subsidiaries do business 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 domestic and international laws that could affect its profitability and cash flows.

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 and Chapais Facilities are unionized. In the event of a strike or lock-out, the ability of Iroquois Falls, Kirkland Lake or Chapais to operate may be limited and their abilities 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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of Northland, the following are the outstanding legal proceedings that involve Northland as of the date of this AIF:

Cochrane Solar and Burks Falls West Solar
On July 7, 2016, Northland entered into agreements with White and certain of White's affiliates to settle all disputes and claims between White and Northland and certain Northland affiliates, concerning five ground-mounted solar facilities located in and around Cochrane and Burks Falls. In conjunction with the settlement, White also announced that it filed a court application for creditor protection under the CCAA in Ontario. The settlement agreements between White and Northland were conditional upon the Plan proposed by White in its CCAA proceeding being approved by the court and its applicable stakeholders and the Plan providing for the payment of $6 million to Northland, as well as other relief.

On November 1, 2016, the Ontario Superior Court of Justice (Commercial List) sanctioned and approved the Plan. Implementation of the Plan occured and Northland received a payment of $6 million under the Plan. All claims and all liens by White and its subcontractors have been discharged in their entirety and that all letters of credit posted to remove the liens from the facilities have been returned in their entirety to Northland.

Global Adjustment
In connection with the previously disclosed decision of the Ontario Court of Appeal dated April 19, 2016, involving the Northland Applicants and other industry participants in relation to the interpretation of the price escalation for power sold under their power purchase agreements with the OEFC, on October 21, 2016, Northland announced that the Northland Applicants had received total retroactive payments of approximately $104.5 million ($94.7 million net to Northland) from the OEFC. Consistent with the treatment of prior payments in relation to the legal case, the retroactive payments were be recorded into revenue as of the date of receipt. The OEFC sought leave to appeal the Ontario Court of Appeal decision in its entirety to the Supreme Court of Canada.

On January 19, 2017, Northland announced that the Supreme Court of Canada did not grant the OEFC leave to appeal the legal case concerning the interpretation of power purchase agreements related to the Northand Applicants. This final decision confirms that the Northland Applicants will retain all payments received to date from the OEFC and will continue to earn revenue per the Northland's Applicants interpretation of the contracts.

BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

The table below shows the names and province and country of residence of the members of Northland'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 Common Shareholders or until his or her successor is elected or appointed.

Name and Province of Residence	**Positions held with the Company**	**Year Became Director[(1)]**	**Principal Occupation(s) during five-year period ended December 31, 2016**
James C. Temerty C.M.[(7)(9)] Ontario, Canada	Chair and Director	1997	Chair and Director of Northland.
The Right Honourable John N. Turner, Q.C.[(2)(4)(5) (9)] Ontario, Canada	Lead Director	1997	Corporate Director; *formerly*, Partner, Miller Thomson LLP (law firm).
Linda L. Bertoldi[(8) (9)] Ontario, Canada	Director and Secretary	2010	Partner, Borden Ladner Gervais LLP (law firm).
Dr. Marie Bountrogianni[(2)(5)(7) (9)] Ontario, Canada	Director	2009	Dean of the Chang School; *formerly*, President and Executive Director of the Royal Ontario Museum governors (museum).
Barry Gilmour[(5)(6)(7) (9)] Ontario, Canada	Director	2014	Corporate Director; *formerly* Group Head, Technology and Operations (Bank of Montreal Financial Group).
Russell Goodman[(3)(5) (9)] Québec, Canada	Director	2014	Corporate Director; *formerly*, Partner at PricewaterhouseCoopers LLP.

Notes:

(1) Includes service under Northland's predecessor, Northland Power Income Fund and its subsidiary.

(2) Member of the Audit Committee.

(3) Chair of the Audit Committee since May 2014.

(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.

(9) Member of GemSee Committee (Northland's board committee which monitors the progress of Gemini and Nordsee One).

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

Name and Province of Residence	**Positions held with the Company**	**Principal Occupation(s) during five-year period ended December 31, 2016**
John W. Brace Ontario, Canada	Chief Executive Officer	Chief Executive Officer of Northland; *prior to January 2014*, President and Chief Executive Officer of Northland.
Paul J. Bradley Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Northland.
Sam Mantenuto Ontario, Canada	Chief Operating Officer and Vice Chair	Chief Operating Officer and Vice Chair of Northland; *prior to January 2014*, Chief Operating Officer and Chief Development Officer of Northland.
Michael D. Shadbolt Ontario, Canada	Vice President and General Counsel	Vice-President and General Counsel.
Mike Crawley Ontario, Canada	Executive Vice President, Development	Executive Vice President, Development of Northland; *prior to July 2015,* President, GDF Suez Canada
Darryl Bergman Ontario, Canada	Vice President and Corporate Treasurer	Corporate Treasurer of Northland; *prior to March 2013,* Corporate Treasurer, Sofina Foods.
Gemi (Jim) Cipolla Ontario, Canada	Vice President, Gas and Electricity Marketing	Vice President, Gas and Electricity Marketing.
David Dougall Ontario, Canada	Vice President, Operations	Vice President, Operations; *prior*, General Manager, Operations; *prior*, General Manager, Engineering.
Dino Gliosca Ontario, Canada	Vice President, Engineering	Vice President, Engineering.
John Pires Ontario, Canada	Vice President, Head of M&A and Project Finance	Vice President, Head of M&A and Project Finance; prior to April 2014, V.P., Corporate & Project Finance, Brookfield Renewable Energy
Boris Balan Ontario, Canada	Vice President, Europe	Vice President, Europe; *prior to August 2015,* Executive Director, Business Development.

SHARE OWNERSHIP

As of January 31, 2017, 60,335,479 Common Shares, representing 35% (2015 – 35%) of the total outstanding Common Shares, were beneficially owned, directly or indirectly, or controlled by the Directors and executive officers of the Company. Including Class A Shares 35% (2015 – 35%) of all voting rights of the Company were owned, directly or indirectly, or controlled by Directors and executive officers of the Company.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of Northland and other than as described below, none of the directors or executive officers of Northland: (a) is, as at the date of this AIF, or has been, within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that: (i) was subject to an order that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

Mr. Bradley resigned from the board of directors of EarthFirst Canada Inc. ("**EarthFirst**") in November 2008. Following his resignation, EarthFirst obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada).

To the knowledge of the Company, none of the directors or executive officers of Northland, nor any shareholder holding a sufficient number of securities of Northland to affect materially the control of Northland: (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

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.

As of January 31, 2017, James C. Temerty, Chair of Northland owns or has control or direction over 56,294,545 Common Shares (representing 33% of the outstanding Common Shares) and 1,000,000 Class A Shares (representing 100% of the Class A Shares). If all of the Class A Shares were converted into Common Shares, Mr. Temerty would beneficially own or have control or direction over 33% of the then outstanding Common Shares.

AUDIT COMMITTEE

Northland's Board has established an Audit Committee composed of Messrs. Goodman, and Turner and Ms. Bountrogianni, 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, risk management, 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 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:

Russell Goodman (Chair) – Mr. Goodman is a Chartered Professional Accountant who is a director and Chair of Audit Committees of Gildan Activewear Inc., and Whistler Blackcomb Holdings Inc. Mr. Goodman is also a director and member of the Audit Committee of Metro Inc. Previously, Mr. Goodman was a partner for 24 years at PricewaterhouseCoopers LLP and Price Waterhouse LLP.

The Right Honourable John N. Turner – Mr. Turner was formerly 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.

Dr. Marie Bountrogianni – Ms. Bountrogianni is the Dean of the Chang School. Prior to joining Ryerson University, Ms. Bountrogianni was President and Executive Director of the Royal Ontario Museum governors (museum). Ms. Bountrogianni is a former Minister of Intergovernmental Affairs, among a number of other government positions she has held.

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

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, 2016 and 2015, Ernst & Young LLP were paid by Northland and its subsidiaries, approximately $1.7 million and $1.3 million respectively, as detailed below, for services to the Company and its wholly owned subsidiaries.

	December 31	
	2016	**2015**
Ernst & Young LLP		
Audit Fees	$ 1,462,307	$ 1,039,894
Tax Fees	3,105	134,682
All Other Fees	281,625	140,570
Total	$ 1,747,037	$ 1,315,146

In 2016, “All Other Fees” include translation services and advisory services related to reporting and hedge accounting.

In 2016, “Tax Fees” includes international payroll tax services.

In 2015, “All Other Fees” include translation services and review of hedge accounting at Gemini.

In 2015, “Tax Fees” includes international payroll tax services and tax structuring and advisory services related to the acquisition of Nordsee One.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares, Convertible Debentures, Series 1 Preferred Shares, Series 2 Preferred Shares and Series 3 Preferred Shares of Northland is Computershare, 100 University Avenue, Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information relating to Northland may be found on SEDAR at www.sedar.com under Northland's profile. Additional information, including directors' and officers' remuneration and indebtedness, and principal holders of Common Shares, is contained in Northland's Management Information Circular filed in connection with the Annual Meeting of Common Shareholders held on May 25, 2016.

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

Contact: Northland Power Inc.
30 St. Clair Ave. West, 12th Floor
Toronto, Ontario M4V 3A1

Telephone: 416-962-6262 Fax: 416-962-6266
E mail: investorrelations@northlandpower.ca
Web Site: northlandpower.ca

GLOSSARY OF TERMS

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

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

"**2019 Debentures**" means the 5.00% convertible unsecured subordinated debentures, Series B of Northland due June 30, 2019.

"**2020 Debentures**" means the 4.75% convertible unsecured subordinated debentures, Series C of Northland due June 30, 2020.

"**Annual Information Form**" or "**AIF**" means Northland's annual information form for the year ended December 31, 2016.

"**Annual Report**" means Northland's annual report for the year ended December 31, 2016.

"**ACM**" means Authority for Consumers and Markets, which is the national regulatory authority of the electricity market in the Netherlands.

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

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

"**Buitengaats C.V.**" means the Dutch limited partnership that along with ZeeEnergie C.V. owns the 600 MW Gemini Offshore Wind Project.

"**CEEC**" means Canadian Environmental Energy Corporation.

"**Chapais**" means Chapais Énergie, Société en Commandite.

"**Chapais Facility**" means the 28 MW biomass-fired facility, located near Chibougamou, Québec, owned by Chapais.

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

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

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

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

"**Cochrane**" means Cochrane Power Corporation.

"**Cochrane Solar"** includes four ground-mounted solar facilities; Northland Power Solar Long Lake LP, Northland Power Solar Empire LP, Northland Power Solar Martin's Meadows LP and Northland Power Solar Abitibi LP, for which Northland has a 62.5% ownership.

“**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.

“**Company**” or the “**Corporation**” or “**Northland**” means Northland Power Inc.

“**Convertible Debenture Indenture**” means the trust indenture dated August 26, 2004, as amended and restated as of October 14, 2009, as supplemented by a first supplemental indenture dated October 15, 2009, as supplemented by a second supplemental indenture dated January 1, 2011, as supplemented by a third supplemental indenture dated March 5, 2014 and as supplemented by a fourth supplemental indenture dated January 22, 2015 between Northland and the Debenture Trustee.

“**CPI**” means the Consumer Price Index.

“**DBRS**” means the Dominion Bond Rating Service.

“**DSCR**” means debt service coverage ratio.

“**Debenture**” means debentures issued pursuant to the Convertible Debenture Indenture.

“**Debenture Trustee**” means Computershare in its capacity as trustee under the Convertible Debenture Indenture.

“**DRIP**” means a dividend reinvestment plan.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**EEG**” means the Renewable Energy Act in Germany.

“**EnWG**” means the Energy Industry Act in Germany.

“**Exchangeable Securities**” means securities that are convertible into or exchangeable for Common Shares without the payment of additional consideration.

“**First Nations**” means the aboriginal tribes or nations located in Ontario, including, as applicable, the Taykwa Tagamou Nation and Wahgoshig First Nation, the Giiwedin Noodin First Nation, Aamjiwnaang First Nation and Bkejwanong Territory (Walpole Island First Nation) and United Chiefs and Councils of Mnidoo Mnising First Nation.

“**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.

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

"**Gemini Offshore Wind Project**" or "**Gemini**" means the 600 MW offshore wind project located 85 km off the North East coast of the Netherlands.

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

"**GHG**" means greenhouse gas.

"**GMS Facilities**" means the thirteen ground-mounted solar facilities that were constructed beginning in 2012 and achieved commercial operations between June 2013 and September 2015.

"**Grand Bend**" means collectively the Grand Bend LP and Grand Bend Wind Farm.

"**Grand Bend LP**" means the Grand Bend Wind L.P., which owns the Grand Bend Wind Farm.

"**Grand Bend Wind Farm**" means the 100 MW wind project to be located in Grand Bend, Ontario.

"**Ground-mounted Solar**" means Northland Power Solar Crosby LP, Northland Power Solar McCann LP, Northland Power Solar Rideau Lake LP, Northland Power Solar Belleville South LP, Northland Power Solar Belleville North LP and Northland Power Solar Burks Falls East LP.; Northland Power Solar North Burgess LP, Northland Power Solar Burks Falls West LP and Northland Power Solar Glendale LP; and Northland Power Solar Long Lake LP, Northland Power Solar Empire LP, Northland Power Solar Martin's Meadows LP and Northland Power Solar Abitibi LP.

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

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

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

"**IPPs**" means independent power producers.

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

"**Iroquois Falls Corp.**" means Iroquois Falls Power Corp., which owns the Iroquois Falls Facility.

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

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

"**Jardin d'Éole Facility**" or "Jardin Wind Farm" means the 133.3 MW wind farm located near the municipalities of Saint-Ulric, Saint-Léandre and Matane, Québec.

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

"**JP Morgan**" means JP Morgan Ventures Energy Corporation; a subsidiary of JP Morgan Chase & Co.

"**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.

"**Kirkland Lake**" means collectively Kirkland Lake Power Corp. a 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., and the Kirkland Lake Facility.

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

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

"**LTIP**" means the equity-settled share-based compensation program available to employees when Northland projects achieve certain milestones.

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

"**LRP**" means Large Renewable Procurement.

"McLean's" means collectively McLean's LP and McLean's Mountain Wind Farm.

"**McLean's LP**" means McLean's Mountain Wind L.P.; a 50-50 partnership between Northland and the United Chiefs and Councils of Mnidoo Mnising First Nations.

"**McLean's Mountain Wind Farm**" means the 60 MW wind farm located on Manitoulin Island, Ontario and owned by McLean's LP.

"**Minister**" means the Minister of Energy of Ontario.

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

"**Mont Louis LP**" means Mont-Louis Wind L.P., 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 Québec.

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

"**Nordsee One**" means Nordsee One GmbH, which owns Nordsee One and relates to the 332 MW (282 MW net interest to Northland) offshore wind project located in the North Sea, 40 kilometres north of Juist Island in German territorial waters.

"**North Battleford**" means collectively North Battleford LP and North Battleford Facility.

"**North Battleford Facility**" means the 260 MW electricity generating facility 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.

"**Northland Applicants**" means collectively Cochrane Power Corporation, Iroquois Falls Power Corp, and Kirkland Lake Power Corp .

"**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 Northland 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 Ground-Mounted Solar" includes nine ground-mounted solar facilities in Eastern and Central Ontario; Northland Power Solar Crosby LP, Northland Power Solar McCann GP LP, Northland Power Solar Rideau Lakes LP, Northland Power Solar Burks Fall East LP, Northland Power Solar Belleville North LP, Northland Power Solar Belleville South LP, Northland Power Solar Glendale LP, Northland Power Solar North Burgess LP, Northland Power Solar Burks Falls West LP, which are fully-owned by the Company.

"**NUGs**" means non-utility generators.

"**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, the Kingston Power Purchase Agreement, and the Kirkland Lake Power Purchase Agreement.

"OHVS" means offshore high voltage substations.

"**OPA**" means the Ontario Power Authority, which as of January 1, 2015 merged with the IESO to continue as the IESO..

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

“**PPA**” means a power purchase agreement.

“**Preferred Shares**” means collectively Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares.

“**Resolute**” means Resolute Forest Products Inc.

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

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

“**RWE**” means RWE Innogy GmbH.

“**SaskPower**” means Saskatchewan Power Corporation.

“**Senior Indebtedness**” means all direct indebtedness of Northland (whether outstanding as at the date of the Convertible Debenture Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be pari passu with, or subordinate in right of payment to, the Debentures.

“**Series 1 Preferred Shares**” means the cumulative rate reset preferred shares, series 1 in the capital of Northland.

“**Series 2 Preferred Shares**” means the cumulative floating rate preferred shares, series 2 in the capital of Northland.

“**Series 3 Preferred Shares**” means the cumulative rate reset preferred shares, series 3 in the capital of Northland.

“**Series 4 Preferred Shares**” means the cumulative rate reset preferred shares, series 4 in the capital of Northland.

“**SDE**” means Stimulering Duurzame Energieproductie in Dutch, which subsidizes the difference between the production costs of ‘green’ energy and ‘grey’ energy for 5, 12 or 15 years depending on the technology, in the form of a subsidy per kilowatt-hour of energy produced.

“**Shareholders**” means Common Shareholders and the holder of Class A Shares.

“**Solar Cluster 3**” means Northland Power Solar Glendale L.P. and Northand Power Solar North Burgess L.P.

“**Solar Cluster 4**” means Northland Power Solar Abitibi L.P., Northland Power Solar Empire L.P., Northland Power Solar Long Lake L.P., Northland Power Solar Martin’s Meadows L.P., and Northland Power Solar Burks Falls West L.P.

“**Spy Hill**” means collectively the Spy Hill Facility and Spy Hill LP.

“**Spy Hill Facility**” means the 86 MW electricity generating facility 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.

“**Standard & Poor’s**” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies (Canada) Corporation.

“**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.

“**White**” means H.B. White Canada Corp.

“**winter**” means October through March inclusive.

“**ZeeEnergie C.V.**” means the Dutch limited partnership that along with Buitengaats C.V. owns the Gemini Offshore Wind Project.

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

SCHEDULE "A"

Audit Committee Charter of Northland Power Inc.

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 and other certifications and filings 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 of the Committee (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 through annual and periodic comprehensive assessments. Based upon the annual and periodic comprehensive assessments, the Audit Committee shall recommend the reappointment or replacement of the auditors to the Board. 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) *Review of Financial Statements and other Filings*

The Audit Committee shall review the Corporation's financial statements, management's discussion and analysis, annual and interim earnings press releases, and disclosures of forward-looking information, 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, financial forecasts, 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 and internal control service providers 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 rates, liquidity and commodity hedging strategies;

(ii) insurance coverage; and

(iii) enterprise risk.

Approved by the Board of Directors on November 9, 2015

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

1. 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.

2. 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.

3. 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.