

Quarterly Report

Northland Power Income Fund

Quarterly Report for the periods ending September 30, 2003

CONSOLIDATED FINANCIAL AND OPERATING RESULTS

This report covers Northland Power Income Fund's (the "Fund's") operations for the 3 month period and for the 9 months ended Sept. 30, 2003

	3 months ended Sept. 30		9 months ended Sept. 30	
	2003	2002	2003	2002
FINANCIAL (thousands, except per unit amounts)				
Sales	\$21,883	\$16,017	\$66,611	\$51,702
Net Income	\$4,105	\$2,928	\$13,604	\$14,475
Cash from Operations	\$10,129	\$5,424	\$33,269	\$23,652
Distributions Declared to Unitholders	\$9,067	\$7,398	\$26,089	\$22,194
<i>Units Outstanding at Quarter End</i>	<i>37,781</i>	<i>30,823</i>	<i>37,781</i>	<i>30,823</i>
<i>Average Number of Units Outstanding</i>	<i>37,781</i>	<i>30,823</i>	<i>36,303</i>	<i>30,823</i>
Per Unit				
Cash from Operations				
Before Changes in Working Capital	\$0.190	\$0.214	\$0.669	\$0.714
Cash from Operations	\$0.268	\$0.176	\$0.916	\$0.767
Distributions Declared to Unitholders	\$0.240	\$0.240	\$0.720	\$0.720
OPERATIONS				
<i>Electricity Sales Volume (megawatthours)</i>	<i>195,238</i>	<i>175,354</i>	<i>577,420</i>	<i>545,314</i>
<i>Steam Sales Volume (thousands of pounds)</i>	<i>185,304</i>	<i>195,033</i>	<i>847,669</i>	<i>753,275</i>
<i>Fuel Consumption (thousands of gigajoules)</i>	<i>1,801</i>	<i>1,628</i>	<i>5,634</i>	<i>5,111</i>



MANAGEMENT'S DISCUSSION

Overview

For the three-month period ended September 30, 2003, sales at \$21.9 million and net income at \$4.1 million were up from the same quarter last year due primarily to the contribution from the Fund's 25% interest in Kingston CoGen Limited Partnership ("KCLP") that was acquired in December 2002. KCLP was also the main contributor to variances for the nine-month period to September 30th, 2003.

Financial performance at Iroquois Falls in the third quarter exceeded expectations and was in line with the same quarter last year as increased revenue from sales of natural gas offset higher maintenance costs associated with scheduling the annual summer shut-down in the third quarter this year (vs. the second quarter in 2002). The new gas turbines performed well, and demonstrated their higher efficiency compared to the old machines. However, any material contribution to financial results has yet to be realized because low prices for electricity in the wholesale market held back potential incremental electricity sales during the latest three month period, while the realized reduction in NOx emissions has yet to be translated into financial benefits through sales of NOx allowances.

KCLP's financial performance exceeded expectations this quarter, with the result that the shortfall experienced in the first quarter due to the gas turbine incident has now been fully recovered.

The Fund's financial results continued to be adversely affected by the "negative carry" caused by the Fund's holding some \$30 million of cash for investment on which it is earning only money-market rates of approximately 2.75%. This cash is expected to be profitably redeployed during the fourth quarter.

Distributions to unitholders declared for the third quarter of 2003 totalled \$0.24 per unit, equal to the 2002 distribution.

The Fund announced on November 12th that it had entered into agreements to make a US\$ 99 million investment in entities that indirectly own two combined-cycle cogeneration power plants located in the United States totaling 410 MW. Also announced was a C\$ 110 million subscription receipt offering that will be used to fund the investment in combination with cash held by the Fund for investment.

Three Months to September 30, 2003

Total sales for the quarter at \$21.9 million were \$5.9 million ahead of the same period last year, with KCLP accounting for \$4.8 million of the increase.

Electricity production and revenue under the Iroquois Falls power purchase agreement were down from the third quarter of 2002 as, unlike last year, Ontario Electricity Financial Corporation fully exercised its limited right to curtail off-peak electricity purchases. Revenue earned from sales of electricity and operating reserves to the wholesale market at the Iroquois Falls Facility was down \$0.6 million due to reduced sales volume associated with generally lower wholesale market prices compared to last year. Steam revenue was marginally lower because of reduced steam demand this quarter, and because 2002's revenue included an adjustment coupled to the take-or-pay provision, which expired in April 2003. Favourable market prices resulted in \$1.8 million higher revenue from sales of natural gas by the Iroquois Falls plant related to the mitigation of fixed transportation costs.

The inclusion of KCLP's financial results added to the cost of sales and expenses. The total cost of natural gas at the Iroquois Falls Facility was up \$0.6 million as savings from lower gas consumption due to reduced production and the increased efficiency of the new turbines were more than offset by

higher costs for gas resales. Plant operating costs for the quarter were up \$0.5 million because of the inclusion of KCLP, and the scheduling of the Iroquois Falls annual maintenance shutdown during this quarter compared to the second quarter in 2002. The \$0.8 million increase in amortization represents the inclusion of the Kingston Facility. Management and administration costs, including those associated with the Kingston Facility, were in line with the same period last year. Interest expense of \$1.0 million arises mainly from KCLP's long-term non-recourse project debt.

Funds from operations before changes in working capital at \$7.2 million were up \$0.6 million while cash provided by operating activities at \$10.1 million was \$4.7 million above the same quarter last year largely due to a \$4.1 million decrease in non-cash working capital coupled to the timing of payments from OEFC and the collection by KCLP of insurance proceeds related to the gas turbine incidents in December and January.

Nine Months to September 30, 2003

Sales at \$66.6 million and the cost of sales at \$30.9 million are respectively \$14.9 million and \$6.4 million higher than last year mainly due to the inclusion of KCLP's financial results. Total expenses have increased by \$10.4 million year-over-year due primarily to interest costs on KCLP's long-term non-recourse project debt, accelerated amortization of the old Iroquois Falls' gas turbines and interest on borrowings under the Fund's line of credit which was fully repaid in March 2003. Total expenses were also affected by an increase in plant operating costs due to KCLP's insurance claim deductible of \$0.3 million from the January gas turbine incident and expenditures related to the installation of the replacement steam turbine generator stator at Iroquois Falls. These factors caused income before income taxes and net income to fall short of the 2002 level by \$1.9 million and \$0.9 million, respectively.

Cash provided by operating activities for the first nine months was up \$9.6 million from last year largely due to higher generation of funds from operations (\$2.3 million) and the amount and timing of payments received from OEFC for electricity sales, which was reflected in reduced working capital. Capital expenditures for the quarter and year to date are both higher than 2002 due to the installation of the new gas turbines which were purchased in the 4th quarter of 2002 and the purchase and installation of continuous emission monitoring equipment for Iroquois Falls.

Liquidity and Capital Resources

Cash and cash equivalents increased by \$31.6 million from year end due to a \$9.0 million positive change in working capital balances related to operations and the proceeds of the issuance of trust units in March net of repayment of the bank borrowings associated with the KCLP acquisition and the purchase of the new turbines in December. The positive change in working capital was comprised of a decrease in accounts receivable due to the timing of payments from OEFC for electricity sales, receipt of payment for KCLP's insurance claim and a \$4.9 million decrease in accounts payable; of which KCLP represents \$1.8 million, as year-end accruals were paid out in the first six months of 2003. Accounts receivable at September 30, 2003 included a \$5.7 million receivable from General Electric for the Iroquois Falls gas turbine trade-ins, which is not included in the net change in non-cash working capital balances related to operations.

Subsequent to Quarter End

In October, the Fund received a cash distribution from KCLP associated with its 25% equity interest in the amount of \$3.2 million, which exceeded expectations.

On November 12th the Fund announced that it had entered into agreements to make an investment in Panda Energy Corporation, an affiliate of Panda Energy International, Inc. of Dallas, and its wholly-

owned subsidiary, entities that indirectly own two power plants totaling 410 MW located in Maryland and North Carolina. The plants are combined-cycle cogeneration power facilities that use natural gas as their primary fuel and derive the bulk of their operating cash flows from payments made for dependable capacity under contracts with two investment-grade utilities. The 230 MW Panda-Brandywine Facility, which is located just outside Washington, D.C., has been operating since 1996 and sells electrical capacity and energy to Potomac Electric Power Company pursuant to a power purchase agreement that terminates in 2021. The 180 MW Panda-Rosemary Facility, located in Roanoke Rapids, North Carolina, has been operating since 1990 and it sells electrical capacity and energy to Virginia Electric and Power Company under a power purchase agreement that terminates in 2015. Variable revenues received under the power purchase agreements at both plants closely match variable costs when the plants operate; as a result, the profit and cash flow of each plant are primarily determined by each facility's fixed capacity payments.

Under agreements executed with Panda Energy Corporation ("PEC") and its wholly-owned subsidiary, Panda Interfunding LLC ("PIC"), the Fund through its wholly-owned subsidiary, Iroquois Falls Power Corp., will acquire a 19% equity interest in PEC, including a 9.5% voting interest, for US\$ 5,800,000; purchase an option for US\$ 175,000 to increase its equity interest in PEC to 49% in 2021 for US\$ 6,000,000; and provide a US\$ 93,000,000 loan to PIC at an interest rate of 10.5% repayable over an 18 year period ending in 2021 (the "Panda Transactions"). It is expected that the Panda Transactions will close in December 2003.

The Fund also announced that a group of underwriters led by CIBC World Markets Inc. had agreed to purchase 9,635,000 subscription receipts exchangeable into trust units upon the closing of the Panda Transactions at a price of \$11.42 each to raise gross proceeds of approximately C\$ 110 million. The Fund granted the Underwriters an option, exercisable in whole or in part at any time prior to closing, to purchase an additional 500,000 subscription receipts, at the same price. If the Underwriters' Option is exercised in full, the total gross proceeds of the financing will be approximately C\$ 115.7 million. The offering was made in all provinces of Canada and is expected to close on or about December 15th, subject to regulatory approval. The net proceeds from the issue will be used by the Fund together with funds on hand to finance the Panda Transactions.

The Panda Transactions were recommended by Northland Power Income Fund Management Inc., as Manager of the Fund, and reviewed and unanimously approved by the trustees of NPIF Commercial Trust. The Manager believes that the Panda Transactions conform to the Fund's investment objective of producing stable and sustainable levels of cash available for distribution to Unitholders from energy-related projects, and meet the Fund's guidelines for permitted acquisitions.

The Manager expects that the Panda Transactions will be accretive, increasing distributable cash flow per unit by 2% to 3% after taking account of expected U.S. and Canadian income taxes. It has been reported that certain Canadian income trusts that own primarily U.S. assets financed with debt and equity provided to a controlled U.S. affiliate are under review by their auditors. The Fund's loan associated with the Panda Transactions will be extended to PIC which is not controlled by the Fund, but rather by Panda Energy International, Inc. through its 90.5% indirect voting interest in PEC and PIC. The Manager believes that the risk of U.S. income tax laws being applied to the Panda Transactions in a manner that reduces expected distributable cash flow is remote. In accordance with securities laws, this and other risks of the investment are detailed in the short form prospectus for the subscription receipts: the preliminary prospectus is currently available on line at www.sedar.com, and the final prospectus will be once it is filed.

OUTLOOK

The Manager continues to forecast distributions of \$0.98 per unit for the twelve months ending December 31, 2003. Distributions to unitholders are expected to be approximately 35% tax deferred for 2003.

On behalf of Northland Power Income Fund Management Inc.

John Brace
President

NORTHLAND POWER INCOME FUND

Consolidated Balance Sheets

(stated in thousands)

ASSETS

	Sept. 30, 2003 <i>(Unaudited)</i>	Dec. 31, 2002 <i>(Audited)</i>
Current		
Cash and cash equivalents	\$ 34,059	\$ 2,465
Cash reserves (Note 3)	1,274	1,608
Accounts and other receivables	12,075	20,329
Inventories	2,204	2,118
Prepaid expenses	1,574	1,193
Total current assets	51,186	27,713
Deferred credit facility costs, net	-	877
Capital assets, net (Note 2)	277,419	295,160
Future income tax asset	3,655	2,004
	\$ 332,260	\$ 325,754

LIABILITIES AND UNITHOLDERS' EQUITY

Current		
Bank indebtedness	\$ -	\$ 721
Accounts payable and accrued liabilities	8,181	13,100
Current portion of Kingston CoGen Limited Partnership debt (Note 3)	1,569	1,468
Distribution payable to unitholders	3,022	3,082
Total current liabilities	12,772	18,371
Bank credit facility (Note 4)	-	45,107
Kingston CoGen Limited Partnership debt (Note 3)	33,910	34,929
	46,682	98,407
Unitholders' equity (Note 4)	285,578	227,347
	\$ 332,260	\$ 325,754

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

	<i>3 Months Ended Sept. 30</i>		<i>9 Months Ended Sept. 30</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
Sales				
Electricity	\$ 16,035	\$ 12,785	\$ 51,365	\$ 41,797
Steam	1,132	1,219	4,937	4,590
Natural Gas	4,716	2,013	10,309	5,315
Total sales	21,883	16,017	66,611	51,702
Cost of sales	11,417	8,424	30,854	24,490
Gross profit	10,466	7,593	35,757	27,212
Expenses				
Plant operating costs	1,803	1,322	6,728	4,871
Amortization	3,063	2,309	12,874	6,926
Management and administration costs	737	710	1,543	1,516
Interest expense and bank fees	1,022	90	3,265	146
Interest income	(263)	(19)	(605)	(63)
	6,362	4,412	23,805	13,396
Income before income taxes	4,104	3,181	11,952	13,816
Provision for (recovery of) income taxes				
Current	(4)	(19)	(1)	(14)
Future	3	272	(1,651)	(645)
	(1)	253	(1,652)	(659)
Net income for the period	\$ 4,105	\$ 2,928	\$ 13,604	\$ 14,475
Deficit, beginning of period	(70,328)	(55,018)	(62,805)	(51,769)
Distributions declared to unitholders for the period	(9,067)	(7,398)	(26,089)	(22,194)
Deficit, end of period	\$ (75,290)	\$ (59,488)	\$ (75,290)	\$ (59,488)
Net income per trust unit	\$ 0.109	\$ 0.095	\$ 0.375	\$ 0.470

NORTHLAND POWER INCOME FUND
Consolidated Statements of Cash Flows
(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Sept. 30</i>		<i>9 Months Ended Sept. 30</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
Operating activities				
Net income for the period	\$ 4,105	\$ 2,928	\$ 13,604	\$ 14,475
Add (deduct) items not involving cash:				
Amortization	3,063	2,309	12,874	6,926
Amortization of maintenance fee	-	631	-	813
Amortization of credit facility costs	-	446	877	446
Unrealized foreign exchange (gain)/loss	5	-	(705)	-
Realized foreign exchange (gain)	-	-	(725)	-
Future income taxes	3	272	(1,651)	(645)
Funds from operations before changes in working capital	7,176	6,586	24,274	22,015
Net change in non-cash working capital balances related to operations	2,953	(1,162)	8,995	1,637
Cash provided by operating activities	10,129	5,424	33,269	23,652
Investing activities				
Purchase of capital assets	(226)	(12)	(868)	(58)
Cash used in investing activities	(226)	(12)	(868)	(58)
Financing activities				
Cash reserves drawdown (Note 3)	330	-	334	-
Decrease in bank indebtedness	-	1,516	(721)	1,516
Kingston CoGen Limited Partnership repayments of debt, net	(589)	-	(918)	-
Issue of new trust units, net (Note 4)	-	-	70,717	-
Credit facility decrease (Note 4)	-	(1,717)	(44,070)	(1,717)
Distributions to unitholders	(9,067)	(7,398)	(26,149)	(23,889)
Cash used in financing activities	(9,326)	(7,599)	(807)	(24,090)
Net increase(decrease) in cash and cash equivalents during the period	577	(2,187)	31,594	(496)
Cash and cash equivalents, beginning of the period	33,482	2,187	2,465	496
Cash and cash equivalents, end of period	\$ 34,059	\$ -	\$ 34,059	\$ -
PER UNIT				
Distribution declared to unitholders	\$ 0.240	\$ 0.240	\$ 0.720	\$ 0.720

NORTHLAND POWER INCOME FUND
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the Fund's annual consolidated financial statements included in the 2002 Annual Report.

2. Capital Assets

On December 19, 2002 an agreement was reached with General Electric for the Fund to purchase two new, state-of-the-art General Electric LM 6000 PD with SPRINT™ natural gas turbines in order to upgrade the gas turbines at the Iroquois Falls Facility. During the 2nd quarter, the new turbines were successfully installed and the existing turbines with a net book value of \$5,735,000 were returned to General Electric for a trade-in allowance. As of September 30, 2003, the \$5,735,000 trade-in allowance remained receivable from General Electric.

3. KCLP

Kingston CoGen Limited Partnership ("KCLP") is the partnership that owns a 110 MW cogeneration facility near Kingston, Ontario. The Fund owns a 25% general partnership interest in KCLP through its wholly-owned trust NPIF Commercial Trust and NPIF Kingston LP.

The consolidated financial statements include the Fund's 25% share of the financial position, operating results and cash flow of KCLP, which have been provided by the Manager of KCLP, as follows:

	As at	As at
	Sept. 30, 2003	Dec. 31, 2002

(stated in thousands of dollars)

Financial Position

Current assets	7,769	7,381
Capital assets	54,652	56,711
Future tax asset	939	260
Total assets	63,360	64,352
Current liabilities	2,477	4,573
Debt	33,910	34,929
Total liabilities	36,387	39,502

	3 months ended Sept. 30, 2003	9 months ended Sept. 30, 2003
Earnings		
Sales	4,802	14,526
Expenses	4,008	12,402
Net income	794	2,124

Cash Flow

Funds from operations before working capital changes	1,276	3,572
Net change in non-cash working capital	2,188	(674)
Cash from operating activities	3,464	2,898
Cash used in investing activities	(75)	(70)
Cash used in financing activities	(260)	(585)
Net increase in cash and cash equivalents	3,129	2,243

Current assets include cash reserves of \$1,274 (2002 - \$1,608) that are only available for use within the operation.

4. Issuance of Trust Units

On February 11, 2003, the Fund sold 6,050,000 trust units at \$10.75 in a bought deal with a group of underwriters to raise \$61.4 million, net of the underwriters' fee and costs plus an additional 907,500 units for net proceeds of \$9.3 million when the over-allotment option was exercised on March 14, 2003. The proceeds were used to repay the borrowings under the credit facility, which had been incurred for the acquisition of the 25% interest in KCLP and for the Iroquois Falls gas turbine upgrade project, and to establish a reserve for potential future acquisitions.

5. Subsequent Events

On November 12, 2003, the Fund announced that it had entered into agreements to make an investment in Panda Energy Corporation ("PEC"), an affiliate of Panda Energy International Inc, and its wholly owned subsidiary, Panda Interfunding LLC. Under the agreements executed with PEC, the Fund, through its wholly-owned subsidiary Iroquois Falls Power Corp., will acquire a 19% equity interest in PEC and provide a US\$ 93,000,000 loan to PIC. A group of underwriters have agreed to purchase 9,635,000 subscription receipts exchangeable to trust units upon the closing of the investment in PEC at a price of \$11.42 per trust unit, to raise gross proceeds of approximately \$110 million. The Fund granted the underwriters an option to purchase an additional 500,000 subscription receipts, on the same terms. If the underwriters option is exercised in full, the total gross proceeds of the financing will be approximately \$115.7 million.

Forward Looking Statements

The above disclosure contains certain forward-looking statements, including in particular the Manager's expectation that the Panda Transactions will be accretive. Although these forward-looking statements are based upon current expectations and assumptions, they are subject to numerous risks and uncertainties, certain of which are beyond the Fund's control, including: the ability of counterparties to agreements to meet their obligations; the continued "qualifying facility" status of the Panda facilities; adjustments to capacity payments by the counterparties to the Panda facilities' power purchase agreements; natural gas supply and fluctuations in commodity prices for natural gas and electricity and in regulated tariffs for natural gas transportation; environmental matters; currency exchange rates; tax related risks, including the ability of PEC to deduct, for U.S. federal income tax purposes, the interest payments on the loan to PIC; labour relations; reliance on third party managers of facilities; closing of the Panda Transactions; regulations and changes in how they are interpreted and enforced and unexpected occurrences that could affect production and/or costs. These risks and uncertainties are set out in more detail in the preliminary prospectus referred to above. The Fund's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of distributions, the Fund and unitholders will derive therefrom.

**Supplemental Facility Information
(Unaudited)**

			IFPC	KCLP¹	Total
Three months ended September 30, 2003					
Sales Volume					
Electricity	MWh		162,566	32,672	195,238
Steam	'000 lbs		175,059	10,245	185,304
Fuel Consumption	GJ's		1,509	292	1,801
Sales (thousands)					
Electricity			\$12,242	\$3,793	\$16,035
Steam			1,072	60	1,132
Gas			3,767	949	4,716
			17,081	4,802	21,883
Cost of Sales					
Gas Consumed			5,634	1,837	7,471
Gas Re-sold			3,414	532	3,946
			9,048	2,369	11,417
Gross Profit			\$8,033	\$2,433	\$10,466
Plant Operating Costs			1,502	301	1,803
Nine months ended September 30, 2003					
Sales Volume					
Electricity	MWh		485,992	91,428	577,420
Steam	'000 lbs		795,034	52,635	847,669
Fuel Consumption	GJ's		4,788	846	5,634
Sales (thousands)					
Electricity			\$40,525	\$10,840	\$51,365
Steam			4,631	306	4,937
Gas			6,929	3,380	10,309
			52,085	14,526	66,611
Cost of Sales					
Gas Consumed			18,364	5,272	23,636
Gas Re-sold			5,541	1,677	7,218
			23,905	6,949	30,854
Gross Profit			\$28,180	\$7,577	\$35,757
Plant Operating Costs			5,330	1,398	6,728

1. Represents the Fund's 25% interest in the Kingston Cogen Limited Partnership

NORTHLAND POWER INCOME FUND

TRUSTEE

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

REGISTRAR AND TRANSFER AGENT

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

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: NPI.UN

BANK

Canadian Imperial Bank of Commerce
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