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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Maxim Power Corp. as at December 31, 2009 and 2008 and the consolidated statements of operations and retained earnings, comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 23, 2010



Form 52-109F1 - Certification of Annual Filings - Full Certificate

I, John R. Bobenic, President and Chief Executive Officer of Maxim Power Corp., certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Maxim Power Corp. (the "issuer") for the financial year ended December 31, 2009.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the financial year end
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 **Control framework:** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations.
- 5.2 N/A



- 5.3 **Limitation on scope of design:** The issuer has disclosed in its annual MD&A
- (a) the fact that the issuer's other certifying officer and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of
 - (i) N/A;
 - (ii) N/A; or
 - (iii) a business that the issuer acquired not more than 365 days before the issuer's financial year end; and
 - (b) summary financial information about the business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.
6. **Evaluation:** The issuer's other certifying officer and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) for each material weakness relating to operation existing at the financial year end
 - (A) a description of each material weakness;
 - (B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (C) the issuer's current plans, if any, or any actions already undertaken, for remediating each material weakness.
7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2009 and ended on December 31, 2009, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 24, 2010

("signed")

John R. Bobenic
President and Chief Executive Officer



**Form 52-109F1
Certification of Annual Filings
Full Certificate**

I, Michael R. Mayder, Vice President, Finance and Chief Financial Officer of Maxim Power Corp., certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of Maxim Power Corp. (the “issuer”) for the financial year ended December 31, 2009.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the financial year end
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations.
- 5.2 N/A



- 5.3 **Limitation on scope of design:** The issuer has disclosed in its annual MD&A
- (a) the fact that the issuer's other certifying officer and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of
 - (i) N/A;
 - (ii) N/A; or
 - (iii) a business that the issuer acquired not more than 365 days before the issuer's financial year end; and
 - (b) summary financial information about the business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.
6. **Evaluation:** The issuer's other certifying officer and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) for each material weakness relating to operation existing at the financial year end
 - (A) a description of each material weakness;
 - (B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (C) the issuer's current plans, if any, or any actions already undertaken, for remediating each material weakness.
7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2009 and ended on December 31, 2009, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 24, 2010

("signed")

Michael R. Mayder
Vice President, Finance & CFO

MAXIM POWER CORP.

Consolidated Balance Sheets

As at December 31, 2009 and 2008
(In Thousands of Dollars)

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents (note 3(a))	\$ 15,068	\$ 11,791
Accounts receivable	30,590	42,288
Prepaid expenses and deposits	2,005	1,733
Inventory (note 7)	3,802	6,447
Current portion of future income tax asset (note 15)	1,543	-
	<u>53,008</u>	<u>62,259</u>
Property, plant and equipment (note 8)	276,211	280,448
Future income tax asset (note 15)	1,426	3,942
Intangibles (note 9)	29,283	33,102
Prepaid expenses and deposits	1,061	337
Goodwill	15,632	15,632
	<u>\$ 376,621</u>	<u>\$ 395,720</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 153	\$ -
Accounts payable and accrued liabilities	37,092	37,662
Income taxes payable	4,028	2,221
Current portion of long-term debt (note 10)	8,707	8,126
Current portion of capital lease obligations (note 11)	7,384	7,725
Current portion of long-term contracts	177	441
Current portion of future income tax liability (note 15)	-	3,479
Current portion of risk management liabilities (note 18(d))	102	-
	<u>57,643</u>	<u>59,654</u>
Long-term debt (note 10)	65,915	59,034
Capital lease obligations (note 11)	9,550	18,352
Long-term contracts	133	372
Asset retirement obligation (note 12)	6,821	3,048
Future income tax liability (note 15)	15,592	15,166
Non-controlling interest	330	142
Risk management liability (note 18(d))	145	-
Shareholders' equity:		
Share capital (note 13)	155,467	156,416
Contributed surplus (note 13)	7,849	5,322
Accumulated other comprehensive income (loss) (note 4)	(2,702)	20,465
Retained earnings	59,878	57,749
	<u>220,492</u>	<u>239,952</u>
Commitments and contingencies (note 14)		
Subsequent events (note 21)		
	<u>\$ 376,621</u>	<u>\$ 395,720</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed)

Director

(Signed)

Director

MAXIM POWER CORP.

Consolidated Statements of Operations and Retained Earnings

Years ended December 31, 2009 and 2008
(In Thousands of Dollars)

	2009	2008
Revenue:		
Electricity sales	\$ 143,737	\$ 146,682
Expenses:		
Plant operations	106,256	105,077
General and administration	6,084	5,697
Depreciation and amortization	21,669	16,785
	134,009	127,559
Income before the following items	9,728	19,123
Interest expense:		
Long-term debt	3,877	4,240
Capital lease obligation	1,532	1,515
Other	211	282
Interest income	(54)	(436)
Other income	(556)	(956)
Foreign exchange gain	(116)	(2,229)
Income from continuing operations before income taxes	4,834	16,707
Income taxes (note 15):		
Current	5,131	6,926
Future reduction	(2,236)	(1,175)
	2,895	5,751
Non-controlling interest	(190)	142
Net income from continuing operations	2,129	10,814
Net income from discontinued operations (note 6)	-	498
Net income for the year	2,129	11,312
Retained earnings, beginning of the year	57,749	46,941
Normal course issuer bid	-	(504)
Retained earnings, end of year	59,878	57,749
Basic and diluted income per share – continuing operations	\$ 0.04	\$ 0.22
Basic and diluted income per share – discontinued operations	\$ -	\$ 0.01
Basic and diluted income per share	\$ 0.04	\$ 0.23

Consolidated Statement of Comprehensive Income (Loss)
Twelve months ended December 31, 2009 and 2008
(In Thousands of Dollars)

	2009	2008
Net income for the year	\$ 2,129	\$ 11,312
Other comprehensive income (loss):		
Unrealized (losses) gains on translation of self-sustaining operations	(22,920)	26,520
Unrealized losses on derivatives designated as cash flow hedges	(247)	-
Comprehensive income (loss)	\$ (21,038)	\$ 37,832

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statement of Cash Flows

Years ended December 31, 2009 and 2008
(In Thousands of Dollars)

	2009	2008
Cash provided by (used in):		
Operations:		
Net income from continuing operations	\$ 2,129	\$ 10,814
Items not involving cash:		
Depreciation and amortization	21,669	16,785
Amortization of deferred financing costs	265	871
Deferred costs project closures	-	1,211
Amortization of long-term contracts	(425)	(1,411)
Non-controlling interest	(190)	142
Asset retirement obligation	205	127
Fair value of stock based compensation	2,307	2,756
Future income tax	(2,236)	(1,175)
	23,724	30,120
Change in non-cash working capital (note 16)	15,065	(2,881)
Cash flows from continuing operations	38,789	27,239
Income from discontinued operations	-	498
Items not involving cash:		
Depreciation and amortization	-	10
Gain on sale of discontinued operations	-	(552)
Change in non-cash working capital	-	(18)
Cash flows used in discontinued operations	-	(62)
	38,789	27,177
Financing:		
Issuance of long-term debt	21,273	16,202
Repayments of long-term debt	(8,700)	(5,821)
Issuance of common shares, net of share issue costs	-	63,274
Normal course issuer bid	(890)	(1,289)
Issuance of capital lease obligations	1,003	-
Repayment of capital lease obligation	(7,511)	(4,941)
	5,175	67,425
Investing:		
Property, plant and equipment	(33,724)	(23,685)
Intangibles	(1,249)	(3,202)
Restricted cash	-	213
Acquisitions, net of cash acquired (note 5)	(4,501)	(78,359)
Cash flows used in investing in continuing operations	(39,474)	(105,033)
Proceeds on sale of discontinued operations	-	945
	(39,474)	(104,088)
Foreign exchange gain (loss) on cash held in foreign currencies	(1,135)	984
Increase (decrease) in cash	3,355	(8,502)
Cash and cash equivalents, beginning of year	10,039	18,541
Cash and cash equivalents, end of year	\$ 13,394	\$ 10,039

Cash and cash equivalents consist of the following:

Cash	\$ 14,041	\$ 11,791
Short-term US Treasury bills	1,027	-
	15,068	11,791
Restricted cash	(1,521)	(1,752)
Bank indebtedness	(153)	-
Cash and cash equivalents, end of year	\$ 13,394	\$ 10,039

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

1. Basis of Presentation

The consolidated financial statements have been prepared by Maxim Power Corp.'s ("MAXIM" or "Corporation") management in accordance with accounting principles generally accepted in Canada. Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in note 3.

The Corporation consolidates all of its wholly-owned subsidiaries and the accounts of its 95% (2008 – 95%) interest in Basin Creek Holdco LLC, 100% (2008 – 90%) interest in Pouchon Cogen SARL and 50% (2008 – 50%) interest in Mirail Cogen SARL. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

2. Change in Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook for Goodwill and Intangible Assets (Section 3064) which replaced CICA Handbook for Goodwill and Other Intangible Assets (Section 3062), in accordance with its transitional provision. Section 3064 provides guidance on the recognition of intangible assets, as well as the recognition and measurement of internally developed intangible assets. Deferred costs associated with acquisitions have been reclassified to intangible assets and costs associated with assets under construction have been reclassified to property, plant and equipment.

Financial instruments – disclosure

The AcSB amended Section 3862 "Financial instruments – disclosure" to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. This amendment converges Canadian GAAP with amendments to International Financial Reporting Standards ("IFRS") 7 "Improving Disclosures about Financial Instruments". The amendment applies to annual financial statements relating to fiscal years ending after September 30, 2009. The Corporation adopted this standard and the disclosure is included in note 18.

Credit risk and the fair value of financial assets and liabilities

Effective October 1, 2009, MAXIM adopted the accounting provisions of Emerging Issues Committee (EIC) Abstract 173 "Credit risk and the fair value of financial assets and financial liabilities". Under EIC 173, an entity's own credit risk and the credit risk of its counterparties are taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Adopting this accounting change did not have a material effect on the consolidated financial statements.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

3. Significant Accounting Policies

(a) Cash and cash equivalents

Cash is primarily comprised of cash, restricted cash, and short-term investments with a maturity of three months or less at the time of purchase. At December 31, 2009, MAXIM has restricted cash of \$1,521 (2008 - \$1,752). The restricted cash amount was the result of providing cash collateral to various counterparties to secure credit.

(b) Inventory

The inventory balance represents fuel oil and coal, which is valued at the lower of cost and net realizable value. Inventory cost is determined using the weighted average method. The cost of the inventory includes all costs to purchase and other costs incurred in bringing the inventory item to its existing location and condition.

(c) Property, plant and equipment

The Corporation records property, plant and equipment at cost. Property, plant and equipment include costs to purchase and construct assets, and other costs associated with acquisitions and preparing assets for their intended use. The costs associated with construction include materials, labour, interest, and allocated costs.

Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to income.

Depreciation and amortization is claimed on property, plant and equipment, including spare parts inventory, when the assets are first used in commercial operations. The following rates are used in the computation of depreciation and amortization expense in the year:

Generating facilities	3 - 30 years straight-line
Office furniture and equipment	20 - 40% declining balance/straight-line
Equipment/Building under capital lease	4 - 24 years straight-line

Leases that transfer substantially all the benefits and risks of ownership to the Corporation and meet certain criteria as a capital lease are accounted for as a capital lease asset and obligation. Capital lease assets are depreciated at either the economic life of the asset or over the initial term of the lease. If the ownership of the asset passes to the Corporation at the end of the lease or if the lease contains a bargain purchase option, the asset is amortized over its economic life.

Assets under construction are projects undertaken by the Corporation. Costs include third party charges as well as specific direct costs. Capitalization of costs associated with these projects commences once technical feasibility is established. If the project is subsequently abandoned, all costs are expensed in the period.

Long-lived assets, including property, plant and equipment and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, the long-lived asset is assigned a fair value equal to its estimated discounted cash flow.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

3. Significant Accounting Policies (*continued*)

An impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs.

(d) Intangible assets

Intangible assets include power sales contracts, a coal supply contract, a ground lease contract, and deferred costs related to anticipated acquisitions. The power sales contracts, coal supply contract, and ground lease contract associated with acquisitions are recorded at cost. These contracts are amortized over their useful life. Acquisition costs are costs related to the performance of due diligence activities once the technical feasibility analysis of business development initiatives has been completed. If the acquisition initiative is concluded, the costs incurred are allocated under the purchase price allocation. If it is no longer probable that the acquisition initiative will occur, the costs are expensed.

Internally generated emission credits are recorded at cost. Effective July 1, 2007, the Climate Change and Emissions Management Amendment Act ("CCEMA") was enacted into law in Alberta. CCEMA establishes baseline emission intensity levels for each large generating facility and emissions over the baseline are subject to a surcharge. The Company accounts for emission credits generated as intangible assets. All costs directly attributable to creating emission credits are capitalized and will be amortized as the benefits are realized.

(e) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on fair values. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the business is compared to its fair value. When the fair value of the business exceeds its carrying amount, goodwill of the business is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the business exceeds its fair value, in which case the implied fair value of the business' goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of the goodwill in a business combination as described above. Using the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess of the carrying amount over the fair value of goodwill.

(f) Financial instruments

All financial instruments, including all derivatives, are measured at fair value upon initial recognition and are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including financial and non-financial derivatives and embedded derivatives, unless exempted from derivative accounting treatment as a normal purchase and sale in the case of non-financial derivatives, are included on the

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

3. Significant Accounting Policies *(continued)*

consolidated balance sheet and subsequently measured either at fair value or at cost or amortized cost based on the effective interest rate method. The effective interest method is a method of allocating interest income or interest expense over the relevant period based on a rate ("effective interest rate") that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount at initial recognition. Changes in fair value are recognized in the statement of operations, except for changes in fair value related to available-for-sale financial instruments or hedging instruments which are recognized in the statement of comprehensive income.

The Corporation designates cash as held for trading assets, measured at fair value. Accounts receivable are classified as loans and receivables, measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are designated as other financial liabilities, measured at amortized cost. The Corporation had neither available-for-sale, nor held-to-maturity instruments during the period ended December 31, 2009.

Management has not identified any material embedded derivatives that require separate recognition and measurement. Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. The Corporation offsets transaction costs against the associated debt and amortizes these costs using the effective interest rate method.

(g) Hedges

Accounting standards for hedges apply when a designated hedging relationship qualifies for hedge accounting and the option of applying hedge accounting is chosen. For each cash flow hedging relationship, the portion of the change in the fair value of the hedging derivative that was effective in hedging the change in cash flows of the hedged item is recognized in other comprehensive income and the ineffective portion is recognized in net income. For the duration of the hedge, the amounts previously recognized in accumulated other comprehensive income are reclassified to net income when the corresponding fluctuations in cash flow of the hedged item impact net income. If the hedged item is terminated early or sold, or the anticipated hedge transaction is no longer expected to be effective, the gains or losses on the hedging derivatives are reclassified to net income from accumulated other comprehensive income.

(h) Comprehensive income

Comprehensive income is the change in shareholders' equity during the period from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income which are excluded from net income calculated in accordance with generally accepted accounting principles.

(i) Asset retirement obligations

The Corporation has an obligation to restore certain project sites to an acceptable level at the end of each project's respective life. The fair value of the liability arising from the obligation to retire long-lived assets ("asset retirement obligation" or "ARO") is recognized when a legal commitment exists to restore the site and a reasonable estimate of fair value can be made.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

3. Significant Accounting Policies (*continued*)

The cost to retire these assets is amortized over the lives of the respective projects and is included in depreciation and amortization in the Consolidated Statements of Operations and Retained Earnings. Increases to asset retirement obligations due to the passage of time are recorded as an increase to asset retirement obligations with associated accretion expense included in plant operations in the Consolidated Statements of Operations and Retained Earnings. When the Corporation carries out its obligation to restore a site, incurred asset retirement costs will be recorded as a reduction to the asset retirement obligation. In determining asset retirement obligations management is required to make assumptions regarding timing of cash flows, estimated costs to clean up and restore sites, rates of inflation, and the credit-adjusted risk-free rate of borrowing.

(j) Foreign currency translation

The Corporation's French and United States of America subsidiaries are considered to be self-sustaining operations. Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the period end rates of exchange. Revenue and expenses are translated using average exchange rates for the period. Translation adjustments are reflected in other comprehensive income and accumulated other comprehensive income in shareholders' equity.

(k) Revenue recognition

Revenue is recognized under fixed and variable price contracts for electricity, thermal energy and generation capacity, and availability. For electricity and thermal energy, revenue is recognized upon delivery. Under generation capacity and availability contracts, revenue is recognized over the term of the agreement.

Revenue from non-contracted generation of electricity is comprised of energy payments at market price for electricity produced and is recognized upon delivery.

(l) Income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective income tax bases, using enacted income tax rates expected to apply in the period in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. A valuation allowance is recorded if the realization of future income tax assets is not considered more likely than not.

(m) Per share amounts

The Corporation follows the treasury stock method of accounting for per share amounts. Under this method, basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised or converted to common shares. The treasury stock method assumes that any proceeds upon the exercise

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

3. Significant Accounting Policies *(continued)*

or conversion of dilutive instruments, for which market price exceed exercise price, plus the unamortized stock-based compensation costs were used to purchase common shares at the average market price of the common shares during the period.

(n) Stock based compensation

The Corporation expenses the vested fair market value portion of stock based compensation. The expense amount is determined using the fair value method of accounting for stock based compensation. Fair market value is determined using the Black-Scholes option pricing model when the stock-based compensation is granted. Net income and contributed surplus is adjusted by reducing the compensation expense for forfeitures as they occur.

(o) Pension benefits

The Corporation has a defined contribution pension plan based on contributions. Corporate contributions are expensed as incurred.

(p) Measurement uncertainty

The preparation of these consolidated financial statements requires the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. These estimates will affect assets, liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenues and expenses during the reporting periods. Such estimates are based on informed judgments made by management. Actual results could differ from those estimated as future confirming events occur. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, the estimates of asset retirement obligations, useful life and salvage values of property, plant and equipment, recovery of assets, income taxes, and stock based compensation.

(q) New accounting pronouncements

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed publically accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles ("GAAP") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 with comparative information required for 2010. MAXIM is currently assessing the effect of IFRS on its accounting policies, financial statements, internal controls, information systems, and business activities.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

AcSB issued a new CICA Handbook section on Business Combinations (Section 1582). This amended standard requires additional use of fair value measurements, recognition of additional liabilities and increased disclosure. In addition, it requires a different accounting treatment for negative goodwill and step acquisitions. Adoption of this standard will have a material effect on MAXIM's method of accounting for business combinations in future periods. This section is effective for business combinations with an acquisition date on or after January 1, 2011. Upon adoption of Section 1582, entities are required to adopt CICA Handbook sections on Consolidated Financial Statements (Section 1601) and

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

3. Significant Accounting Policies *(continued)*

Non-Controlling Interest (Section 1602). These two standards require a change in measurement of non-controlling interest and require non-controlling interest to be presented as part of shareholders' equity on the balance sheet. The income statement of the controlling parent will include all of the subsidiaries results and present an allocation between the controlling interest and non-controlling interest. These standards were issued to align Canadian GAAP with IFRS. Adoption of Section 1582 is applied prospectively and Sections 1601 and 1602 is applied retrospectively.

4. Accumulated Other Comprehensive Income

The composition of accumulated other comprehensive income is as follows:

	2009	2008
Balance, January 1	\$ 20,465	\$ (6,055)
Unrealized (losses) gains on translation of net foreign operations	(22,920)	26,520
Unrealized losses on derivatives designated as cash flow hedges	(247)	-
Balance, December 31	\$ (2,702)	\$ 20,465

5. Acquisitions

(a) 2009

On February 27, 2009, Comax France SAS, MAXIM's wholly-owned French subsidiary ("COMAX") purchased two cogeneration plants in France ("Sebi" and "Chabossiere"). These acquisitions were funded through a new capital lease on an existing COMAX facility for \$617 (EUR 378) and internal cash flow of \$2,099 (EUR 1,310). Subsequent to the acquisition, Comax obtained bank financing of \$1,447 (EUR 920) to finance the acquisition. For the purposes of reporting segmented information, the facilities are included in the France segment.

On July 3, 2009, COMAX purchased two peaking facilities in France ("SAEE 33" and "SAPE 34"). These acquisitions were funded through internal cash flow of \$1,811 (EUR 1,114). Subsequent to the purchase of these facilities, COMAX received financing from a bank for \$1,578 (EUR 1,001) for the acquisition of these facilities. For the purposes of reporting segmented information, the facilities are included in the France segment.

The acquisitions are accounted for at fair value using the purchase method of accounting for business combinations and operating results from acquired facilities are recognized subsequent to the date of acquisition. The total purchase consideration, including acquisition costs, has been allocated as follows:

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

5. Acquisitions (continued)

	Sebi	Chabossiere	SAEE 33	SAPE 34
Current assets	\$ 78	\$ 1,223	\$ -	\$ -
Property, plant and equipment	961	874	512	562
Intangibles	380	436	737	-
Future income taxes	6	66	-	-
	1,425	2,599	1,249	562
Bank indebtedness, net of cash	-	(135)	-	-
Other current liabilities	(22)	(66)	-	-
Future income tax liability	(402)	(683)	-	-
	(424)	(884)	-	-
Total cash consideration including acquisition costs	\$ 1,001	\$ 1,715	\$ 1,249	\$ 562

(b) 2008

On August 6, 2008, MAXIM completed the acquisition of Pittsfield Generating Company LP ("Pittsfield") and its 170 MW electric generating facility located in Pittsfield, Massachusetts. Pittsfield was acquired from affiliates of GE Energy Financial Services, a unit of General Electric Company ("GE") for \$59,047 (US\$56,407), including acquisition costs. The Pittsfield facility is contracted under a Reliability Must Run ("RMR") agreement with ISO New England ("ISO-NE") which expires at the earlier of May 31, 2010 or within 60 days from receiving the written notice from ISO-NE. Under this agreement, the facility is available to provide power to the regional power grid when requested by ISO-NE. Following the expiration of the RMR agreement, the facility will be eligible for the Forward Capacity Market Payments from the ISO-NE, as well as the sale of energy into the day-ahead and real-time energy markets of ISO-NE. For the purposes of reporting segmented information, Pittsfield is included in the United States segment.

On July 24, 2008, Comax purchased a cogeneration plant in France ("Beauprau"), which has a capacity of 3.1 MW electrical and 2.4 MW thermal. The acquisition was funded through MAXIM's internally generated cash to the extent of \$415 (262 Euro) and through the assumption of capital lease obligations of \$3,295 (2,081 Euro). For the purposes of reporting segmented information, Beauprau is included in the France segment.

On April 17, 2008, MAXIM acquired the 86 MW Forked River Power Plant ("Forked River") located in Ocean County, New Jersey. The plant was acquired from Jersey Central Power and Light Company ("JCP&L") for \$21,362 (US\$21,104), including acquisition costs, and was financed through MAXIM's internally generated cash. In conjunction with this purchase, a ten year tolling agreement has been entered into with FirstEnergy Solutions Corp. ("FirstEnergy"), a subsidiary of FirstEnergy Corp. and an affiliate of JCP&L, for the entire capacity of the plant. For the purposes of reporting segmented information, Forked River is included in the United States segment.

On April 1, 2008, Comax purchased a cogeneration plant in France ("Somal"), which has a capacity of 7 MW electrical and 7 MW thermal. The acquisition was funded through MAXIM's internally generated cash to the extent of \$241 (EUR 150) and through the assumption of capital lease obligations of \$3,424 (EUR 2,135). For the purposes of reporting segmented information, Somal is included in the France segment.

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008

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5. Acquisitions (continued)

The acquisitions were accounted for at fair value using the purchase method of accounting for business combinations and operating results from acquired facilities were recognized subsequent to the date of acquisition. The total purchase consideration, including acquisition costs, has been allocated as follows:

	Pittsfield	Beauprau	Forked River	Somal
Current assets	\$ 4,752	\$ 7	\$ 1,482	\$ -
Deposits	289	-	-	-
Property, plant and equipment	54,687	472	16,695	-
Intangibles	974	-	3,629	241
Equipment under capital leases	4,815	3,661	-	3,424
Future income taxes	308	-	-	-
	65,825	4,140	21,806	3,665
Bank indebtedness, net of cash	-	(111)	-	-
Other current liabilities	(1,243)	(192)	-	-
Capital lease obligation	(4,742)	(3,295)	-	(3,424)
Future income tax liability	-	(127)	-	-
Asset retirement obligation	(793)	-	(444)	-
	(6,778)	(3,725)	(444)	(3,424)
Total cash consideration including acquisition costs	\$ 59,047	\$ 415	\$ 21,362	\$ 241

6. Discontinued Operations

Effective June 1, 2008, the Corporation sold the 0.8 MW Gift Lake Power Plant ("Gift Lake") located in north-central Alberta. The disposition included the sale of all the generating equipment and spare parts inventory related to the plant. The proceeds from the sale of the assets resulted in total proceeds of \$885 and a pre-tax gain of \$552. For the purposes of the reporting of segmented information, the operations of Gift Lake were previously included in the Canada segment.

A summary of discontinued operations is as follows:

	2009	2008
Electricity sales	\$ -	\$ 131
Plant operations	-	(73)
General and administration	-	(120)
Depreciation and amortization	-	(10)
Loss before income taxes	-	(72)
Gain on sale of discontinued operations	-	552
Income tax recovery	-	18
Net income from discontinued operations	\$ -	\$ 498

MAXIM POWER CORP.

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7. Inventory

	2009	2008
Coal	\$ 1,637	\$ 3,919
Fuel oil	2,165	2,528
Total inventory	\$ 3,802	\$ 6,447

The cost of inventories recognized as an expense in plant operations during the period was \$22,281 (2008 - \$16,922).

8. Property, Plant and Equipment

December 31, 2009	Cost	Accumulated Depreciation	Net book value
Land	\$ 11,680	\$ -	\$ 11,680
Generating facilities	198,160	36,445	161,715
Generating facilities – tolling agreements	60,225	9,900	50,325
Office furniture and equipment	2,133	769	1,364
Assets under construction	12,034	-	12,034
Spare parts	8,043	-	8,043
Assets under capital leases	40,062	9,012	31,050
	\$ 332,337	\$ 56,126	\$ 276,211

December 31, 2008	Cost	Accumulated Depreciation	Net book Value
Land	\$ 12,778	\$ -	\$ 12,778
Generating facilities	173,348	25,040	148,308
Generating facilities – tolling agreements	66,563	7,966	58,597
Office furniture and equipment	1,718	478	1,240
Assets under construction	10,347	-	10,347
Spare parts	8,420	-	8,420
Assets under capital leases	47,865	7,107	40,758
	\$ 321,039	\$ 40,591	\$ 280,448

(a) Generating facilities – tolling agreements

At December 31, 2009, property, plant and equipment includes the cost of \$37,706 (2008 - \$42,823) and accumulated depreciation of \$6,706 (2008 - \$5,521) for 52 MWs of capacity related to the Corporation's gas-fired Basin Creek generating facility. On March 23, 2005, the Corporation entered into a long-term Capacity and Energy Sale Agreement ("CESA") for Basin Creek. The CESA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is twenty years with two five year options to extend the agreement. The tolling revenue in 2009 was \$4,208 (2008 - \$3,934).

At December 31, 2009, property, plant and equipment includes the cost of \$11,650 (2008 - \$11,332) and accumulated depreciation of \$2,500 (2008 - \$2,140) for 25 MWs of capacity related to the Corporation's gas-fired Alberta Power Project ("APP"). On August 31, 2004, the Corporation entered into a long-term Power Purchase Agreement ("PPA") for APP. The PPA

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008
(Amounts in thousands of dollars except as otherwise noted)

8. Property, Plant and Equipment (*continued*)

is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is ten years with an option to extend it for a further fifteen years or acquire the asset. The tolling revenue in 2009 was \$2,469 (2008 - \$2,476).

At December 31, 2009, property, plant and equipment includes the cost of \$10,869 (2008 - \$12,408) and accumulated depreciation of \$694 (2008 - \$305) for 86 MWs of capacity related to the Corporation's gas-fired Forked River generating facility. On April 17, 2008, the Corporation entered into a long-term tolling agreement for Forked River. The tolling agreement obligates the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is ten years. The tolling revenue in 2009 was \$6,364 (2008 - \$4,261).

(b) Capital leases

At December 31, 2009, property, plant and equipment includes the net book value of \$31,050 (2008 - \$40,758) related to the twelve capital lease generating assets in France, the Hartland capital lease generating asset in British Columbia and the Pittsfield capital lease natural gas line asset in Massachusetts. The twelve lease assets in France have a combined cost of \$33,641 (2008 - \$40,676), accumulated amortization of \$8,340 (2008 - \$6,707) and a net book value of \$25,301 (2008 - \$33,969). The Hartland capital lease asset has cost of \$1,586 (2008 - \$1,586), accumulated amortization of \$367 (2008 - \$298) and net book value of \$1,219 (2008 - \$1,288). The Pittsfield capital lease asset has cost of \$4,835 (2008 - \$5,603), accumulated amortization of \$305 (2008 - \$102) and net book value of \$4,530 (2008 - \$5,501).

9. Intangibles

December 31, 2009	Costs	Additions	Reclassified under Purchase Price Allocation	Accumulated Amortization	Net book Value
Coal supply contract	\$ 6,000	\$ -	\$ -	\$ 3,165	\$ 2,835
Power sale contracts	28,232	1,442	-	5,672	24,002
Acquisition costs	671	355	-	-	1,026
Emission credits	221	894	-	-	1,115
Other	315	-	-	10	305
	\$ 35,439	\$ 2,691	\$ -	\$ 8,847	\$ 29,283

December 31, 2008	Costs	Additions	Reclassified under Purchase Price Allocation	Accumulated Amortization	Net book Value
Coal supply contract	\$ 6,000	\$ -	\$ -	\$ 2,499	\$ 3,501
Power sale contracts	26,792	5,390	-	3,835	28,347
Acquisition costs	1,328	2,981	(2,621)	1,017	671
Emission credits	-	221	-	-	221
Other	-	365	-	3	362
	\$ 34,120	\$ 8,957	\$ (2,621)	\$ 7,354	\$ 33,102

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 12

Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

9. Intangibles (continued)

(a) Coal supply contract

In connection with acquiring the remaining partnership units of Milner Power Limited Partnership ("MPLP"), MAXIM capitalized \$6,000 of fair market value related to the coal supply contract. This amount is amortized over the remaining life of the contract, which is nine years. During the year, \$667 (2008 - \$667) was recorded as an expense in depreciation and amortization.

(b) Power sale contracts

MAXIM, through its French subsidiaries, acquired long-term power sales contracts with Electricité de France ("EdF") which are amortized over the remaining lives of the contracts (two to twenty-four years). During 2009, \$1,609 (2008 - \$1,325) was recorded as an expense in depreciation and amortization.

MAXIM, through its wholly owned United States subsidiaries, acquired a tolling agreement with FirstEnergy Solutions Corp. with the Forked River assets for \$3,629 which is amortized over the life of the tolling agreement, which is ten years. During the year, \$409 (2008 - \$277) was recorded as an expense in depreciation and amortization.

MAXIM, through its wholly owned United States subsidiaries, acquired a reliability must run contract with the Pittsfield acquisition for \$660, which is being amortized over its useful life of two years. During the year, \$393 (2008 - \$160) was recorded as an expense in depreciation and amortization.

10. Long-term Debt

	2009	2008
Canadian projects (note 10(a))	\$ 31,666	\$ 30,133
United States project (note 10(b))	26,409	31,680
European projects (note 10(c) and (d))	18,333	7,295
	76,408	69,108
Less: deferred financing costs	1,786	1,948
Net long-term debt	74,622	67,160
Less: current portion of long-term debt	8,707	8,126
	\$ 65,915	\$ 59,034

- (a) Effective June 2, 2009 and December 31, 2009, the Corporation amended its existing credit facility with a Canadian bank ("bank"). This agreement expires on May 31, 2012 and is comprised of three facilities.

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

10. Long-term Debt (*continued*)

Facility A is a \$10,000 revolving facility which bears interest at the bank's prime interest rate plus 1.00% to 1.50% or the bank's US base interest rate plus 1.00% to 1.50%. Bankers' acceptances under this facility bear a stamping fee at 2.00% to 2.75% per annum and letters of credit and letters of guarantee, up to an aggregate face amount of \$10,000, bear interest at 1.00% to 1.50% per annum. At December 31, 2009, the Corporation had issued \$1,820 (December 31, 2008 - \$2,120) letters of credit under this facility.

Facility B is a three year committed reducing term loan facility amortizing until May 31, 2016. On September 10, 2009, MAXIM was advanced the remaining undrawn amount of \$6,383 under this facility and the facility is now fully drawn by way of bankers' acceptances. The facility bears interest at the bank's prime interest rate or LIBOR rate plus 1.00% to 1.50% for prime rate and US base rate loans. Bankers' acceptances and LIBOR based advances issued under this facility bear interest at bankers' acceptance or LIBOR rates plus a stamping fee of 2.00% to 2.75% per annum. Standby fees of 0.20% to 0.25% are applied on amounts available for draw. The facility currently requires monthly principal payments of \$454 plus interest. At December 31, 2009, the Corporation had an outstanding balance of \$31,666 (2008 - \$30,133) under this facility all drawn by way of bankers' acceptances.

Facility C is a \$3,500 risk management facility to provide credit support for interest rate and foreign exchange derivatives. See note 19 for derivative activities.

The Corporation has granted security, which includes a general security agreement constituting a first priority security interest on all of its present and after acquired property and assets in Canada and the United States ("US") (excluding the Basin Creek), a \$60,000 fixed and floating charge demand debenture on Canadian assets and a \$20,000 fixed and floating charge demand debenture on US assets. BMO will release its security on the Forked River and Pittsfield generating facilities on March 31, 2011 if certain covenants are met. The Corporation also pledged as collateral its limited partnership interest in Milner Power Limited Partnership, a limited recourse guarantee from Maxim Power (USA), Inc., and the assignment of certain key contracts of the Corporation.

- (b) MAXIM entered into a construction and term loan agreement dated March 31, 2005 through its subsidiary, Basin Creek Equity Partners, LLC ("Basin Creek"). On June 30, 2006, the construction and term loan balance of US\$28,000 was converted to a term loan. The term loan has a fixed interest rate of 6.95% per annum and will mature on June 30, 2026. At December 31, 2009, Basin Creek had an outstanding balance of US\$25,128 (2008 - US\$26,010). Basin Creek has pledged a mortgage on its property and assignment of major contracts as collateral for the loan. In addition, Basin Creek Holdco, L.L.C. has pledged its membership interest as collateral for the loan.
- (c) The Corporation has ten bank term loans associated with projects in France at December 31, 2009 with an aggregate balance of EUR 12,223 (2008 - EUR 3,530). Loan obligations of EUR 3,784 bear variable interest at Euribor plus 1.80% to 2.75%, obligations of EUR 5,500 bear variable interest at Euribor plus 2.43% with a minimum of 2.72% and a maximum of 4.72%, and obligations of EUR 2,939 bear fixed interest in the range of 4.40% - 5.10%, with either quarterly or monthly repayments, and expire between November 2012 and

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

10. Long-term Debt (continued)

December 2021. These loans are secured by assignment of key contracts and facilities or life insurance on certain officers of Comax. These loans have an additional EUR 5,709 available to be drawn at December 31, 2009.

- (d) The Corporation has credit facilities with a French bank for a collective amount of EUR 750. The facility provides working capital financing and is secured by certain accounts receivable balances. The facility bears interest based on Euribor plus 1.20%. The facility is repayable upon collection of accounts receivable and is due upon demand. As at December 31, 2009, EUR nil (2008 – EUR 750) has been drawn on this facility.

Subsequent to December 31, 2009, Comax has drawn an additional EUR 3,460 on various facilities listed in note 10(c) above.

The Corporation's anticipated principal repayment obligations as at December 31, 2009 on the above loans over the next five years are as follows:

2010	\$	8,707
2011		8,813
2012		8,875
2013		8,578
2014		8,721
Remaining		32,714
	\$	76,408

11. Capital Leases

MAXIM, through its French subsidiaries, has acquired sixteen capital lease obligations related to production equipment of which four have been retired as at December 31, 2009. The remaining twelve capital lease obligations bear variable interest at Euribor plus 1.6% or fixed interest in the range of 4.51% - 7.26%, with either quarterly or monthly repayments, and are amortized over a period of five to twelve years. Upon termination of the leases, there is a bargain purchase option in each of the leases.

Comax entered into two capital lease agreements on December 3, 2009 for proceeds of EUR 820 each. The amounts have not yet been received at December 31, 2009 and the interest rate and repayment terms will be finalized once the proceeds are received.

MAXIM entered into an agreement with the Capital Regional District ("CRD") to lease equipment at Hartland in 2004. The capital lease obligation bears interest at 6.5% per annum, is repayable on a monthly basis and is amortized over a twenty year term. Upon termination of the lease, the Corporation shall return the equipment to CRD or dispose of the equipment at the CRD's expense.

MAXIM assumed, with the acquisition of the Pittsfield generating facility, a capital lease for a natural gas transportation line. The capital lease obligation bears interest at 15.51% per annum, is repayable on a monthly basis and expires on September 1, 2010.

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(Amounts in thousands of dollars except as otherwise noted)

11. Capital Leases (continued)

Future minimum payments under the capital leases at December 31, 2009 are as follows:

2010	\$	8,351
2011		3,543
2012		2,769
2013		1,046
2014		714
Remaining		3,111
Total minimum lease payments		19,534
Amounts representing interest		(2,600)
Present value of net minimum lease payments		16,934
Less: current portion		(7,384)
	\$	9,550

12. Asset Retirement Obligations

The Corporation's asset retirement obligations relate to the retirement of its electrical generating facilities other than Milner (see note 14). The asset retirement obligations have been recorded as a liability at fair value, assuming a credit adjusted risk free rate of 7% (2008 - 7%). The total undiscounted amounts of estimated obligations are approximately \$43,976 (2008 - \$27,423) and are expected to be incurred in eleven to forty-five years from the date of these consolidated financial statements.

	2009	2008
Balance, January 1	\$ 3,048	\$ 763
Liabilities incurred	-	1,237
Accretion expense	205	126
Revisions	3,943	529
Liabilities settled	-	(24)
Revaluation of foreign currency denominated liabilities	(375)	417
Balance, December 31	\$ 6,821	\$ 3,048

13. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	2009		2008	
	Number	Amount	Number	Amount
Common shares of Maxim Power Corp.				
Opening balance	54,348,991	\$ 156,416	44,379,984	\$ 93,674
Stock options exercised	-	-	101,607	552
Normal course issuer bid	(316,900)	(949)	(290,100)	(660)
Private placement offering	-	-	10,211,500	62,975
Common shares held for cancellation	-	-	(54,000)	(125)
Common shares, December 31	54,032,091	155,467	54,348,991	156,416

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

13. Share Capital (continued)

	2009		2008	
	Number	Amount	Number	Amount
Contributed surplus				
Opening balance		5,322		2,819
Fair value of stock based compensation		2,468		2,756
Stock options exercised		-		(253)
Normal course issuer bid		59		-
Contributed surplus, December 31		7,849		5,322
Balance, December 31	54,032,091	\$ 163,316	54,348,991	\$ 161,738

(c) Normal course issuer bid:

MAXIM received approval on March 31, 2008 from the Toronto Stock Exchange (the "Exchange") to commence a normal course issuer bid. The bid terminated on April 1, 2009. Any acquired common shares were cancelled and returned to treasury.

On March 30, 2009, MAXIM received an approval from the Exchange for a normal course issuer bid which commenced on April 2, 2009. The bid will terminate on April 1, 2010 or such earlier time as the bid is completed or terminated at the option of MAXIM. During the twelve month period, MAXIM is authorized to purchase up to 2,700,000 of its common shares through the facilities of the Exchange at the prevailing market price. Any acquired common shares will be cancelled and returned to treasury.

During the year, the Corporation purchased and cancelled 316,900 shares.

(d) Stock options

The Corporation has an employee stock option plan under which employees, directors and key consultants are eligible to receive grants. Under the stock option plan, the granted stock options vest to the grantee over a three year period and the grantee has the right to exercise those stock options for five years from the date of the granting. The maximum number of outstanding stock options under the plan is limited to 10% of the number of common shares outstanding. The number of stock options and the exercise price is set by the Corporation's Board of Directors based on the market value at the time of granting. Stock options issued and outstanding are as follows:

	2009		2008	
	2009 Number	Weighted average exercise price	2008 Number	Weighted average exercise price
Opening balance	4,027,052	\$ 5.26	3,231,867	\$ 5.56
Exercised	-	-	(147,940)	(3.21)
Forfeited	(199,000)	(5.79)	(210,500)	(5.56)
Granted	645,000	2.52	1,153,625	4.20
Modified	-	(3.85)	-	-
Expired	(79,060)	(4.00)	-	-
Balance, December 31	4,393,992	\$ 4.49	4,027,052	\$ 5.26

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

13. Share Capital (continued)

Details of the stock options outstanding at December 31, 2009 are as follows:

Range of Exercise Prices	Options Outstanding at December 31, 2009			Options Exercisable at December 31, 2009	
	Number of Options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.00 to \$3.50	1,667,625	4.37	\$2.58	200,209	\$ 2.70
\$3.51 to \$5.99	1,305,333	2.14	\$4.77	1,061,999	\$ 4.50
\$6.00 to \$8.00	1,421,034	2.22	\$6.47	1,122,202	\$ 6.42
	4,393,992	3.01	\$4.49	2,384,410	\$ 5.25

Details of the stock options outstanding at December 31, 2008 are as follows:

Range of Exercise Prices	Options Outstanding at December 31, 2008			Options Exercisable at December 31, 2008	
	Number of Options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.00 to \$3.50	613,625	4.81	\$ 2.70	-	\$ -
\$3.51 to \$5.99	1,537,393	3.07	\$ 4.79	694,061	\$ 4.22
\$6.00 to \$8.00	1,876,034	3.14	\$ 6.49	1,014,867	\$ 6.33
	4,027,052	3.37	\$ 5.26	1,708,928	\$ 5.47

(i) Stock-based compensation

The Corporation accounts for its stock option plan using the fair value method. Under this method, the Corporation recorded non-cash stock-based compensation of \$2,241 (2008 - \$2,562) for the year ended December 31, 2009 as an expense for the options granted.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants during the year ended December 31, 2009 as follows:

	2009	2008
Risk free interest rate (%)	2.33	2.14
Time to expiration (years)	5.00	5.00
Volatility (%)	105.00	50.00
Expected dividend	-	-

In 2009, the Corporation granted 645,000 (2008 - 1,153,625) stock options to purchase common shares at an average price of \$2.52 (2008 - \$4.20) under the Corporation's

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

13. Share Capital (continued)

stock option plan and the weighted average fair value of each option was calculated to be \$1.63 (2008 - \$1.92). The Corporation used the Black-Scholes option pricing model and the assumptions above to calculate the weighted average fair value.

(ii) Stock option modification

On September 11, 2009, the Corporation re-priced and extended the vesting period for 422,000 options. These options had original exercise prices ranging from \$4.59 to \$7.76 and were re-priced to have an exercise price of \$2.51 and a new vesting period of three years. The Corporation recorded non-cash stock based compensation expense of \$66 for the year ended December 31, 2009 (2008 - \$nil).

The fair value of these revised options was calculated to be \$1.65 per share. The fair value was estimated at the date of modification using the Black-Scholes option pricing model with assumptions as follows:

Risk free interest rate (%)	2.32
Time to expiration (years)	5.00
Volatility (%)	107
Expected dividend	-

(e) Income per share

The weighted average number of shares outstanding for purposes of calculating basic income per share at December 31, 2009 was 54,180,661 (2008 – 49,199,799).

For the December 31, 2009 fully diluted income per share calculation, 13,163 (2008 – 92,170) shares were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options.

14. Commitments and Contingencies

(a) Canada

- (i) Milner Power Limited Partnership (“MPLP”) has agreed to cease operations of the HR Milner power station no later than December 31, 2015 or earlier should there be a change of applicable law that would materially increase the exposure of the Balancing Pool to decommissioning and reclamation costs, or changes to the Electric Utilities Act, pursuant to which the Balancing Pool is to be wound up earlier.

The Balancing Pool is liable for decommissioning and reclamation of the power station lands. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.

- (ii) MPLP entered into a long-term coal supply agreement with a supplier in January 2004 to supply thermal coal to the power plant for ten years. The agreement provides for the purchase of coal under fixed prices escalating annually for a fixed minimum quantity per annum. The initial term was five years with an option to extend the contract for another five years. In 2008, MPLP exercised its right to extend the contract for an additional five

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(Amounts in thousands of dollars except as otherwise noted)

14. Commitments and contingencies (continued)

years. The agreement provides for an adjustment to price during the extension term. The parties to the agreement are following prescribed procedures to finalize the price. An increase in the price could result in a material obligation arising during the second quarter of 2010 relating to coal purchased from February 1, 2009 to the date of the arbitration decision and could result in a material adverse impact to Maxim's 2010 earnings. CVRI has referred this matter to arbitration and a decision is not anticipated until the second quarter of 2010. Development of Mine No. 14 could mitigate this impact beyond 2010. Based on the current price in the agreement, before any adjustments that may arise following finalization of price, the remaining purchase commitment for the next four years is \$74,620.

(iii) MPLP entered into a short-term coal supply agreement with a supplier in June 2009 to supply thermal coal to the power plant for twelve months. The agreement provides for the purchase of coal for a fixed minimum quantity at a predetermined price. The remaining purchase commitment is \$2,486.

(iv) The Corporation entered into various operating and maintenance ("O&M") agreements to supply services for the operation of certain facilities. These agreements are at fixed rates based on the hours of electrical production and expire in 2023.

(b) United States

The Corporation, through its US subsidiaries, has entered into various O&M contracts for a fixed monthly fee which escalates by an inflationary amount on an annual basis. These contracts expire between 2011 and 2014.

(c) France

French cogeneration projects initially have twelve year sales contracts. Sales are at fixed rates per megawatt-hour with a bonus based on specific levels of efficiency. Natural gas prices are established at the beginning of each co-generation season and are recovered through revenue. In addition, operating and maintenance services are provided to these projects by a common service provider.

15. Income Taxes

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2009 at 29.00% (2008 – 29.50%) to income before income taxes.

A reconciliation of the differences is as follows:

	2009	2008
Computed income taxes	\$ 1,402	\$ 4,929
Increase (decrease) in taxes:		
Differences in effective foreign tax rates and Canadian future tax reduction	822	225
Change in valuation allowance	(1,146)	80
Non-deductible expenses	922	917
Other	895	(400)
	\$ 2,895	\$ 5,751

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

15. Income Taxes (continued)

The components of the future tax liability are as follows:

	2009	2008
Future income tax liability:		
Non-capital loss carry forwards	\$ 7,183	\$ 11,130
Net-capital loss carry forwards	833	1,105
Capital assets	(20,808)	(22,650)
Valuation allowance	(998)	(2,171)
Partnership asset (liability) deferral	1,543	(3,479)
Other	(376)	1,362
	(12,623)	(14,703)
Current portion future income tax (asset) liability	(1,543)	3,479
Long-term future tax asset	(1,426)	(3,942)
	\$ (15,592)	\$ (15,166)

The amount and expiry date of unused tax losses are as follows, all related to foreign jurisdictions:

	Total
2014	\$ 2,707
2017	113
2018	173
2028	1,772
2029	346
No expiry	14,577
	\$ 19,688

16. Change in Non-Cash Working Capital

	2009	2008
Operations:		
Accounts receivable	\$ 8,899	\$ 2,686
Prepaid expenses, deposits and other	(1,100)	(357)
Inventory	2,276	(1,940)
Accounts payable and accrued liabilities	3,086	190
Income taxes payable	1,904	(3,460)
	\$ 15,065	\$ (2,881)

The following cash payments have been made to December 31:

	2009	2008
Taxes	\$ 3,515	\$ 10,449
Interest	\$ 5,358	\$ 5,623

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008

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17. Segmented Information

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the sale of electricity and heat. Details by geographic area are as follows:

	2009		2008	
	Revenue	Income before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 54,605	\$ (6,880)	\$ 70,616	\$ 12,339
United States	45,444	15,484	33,522	3,759
France	43,688	1,124	42,544	3,025
Total	\$ 143,737	\$ 9,728	\$ 146,682	\$ 19,123

* As disclosed in the consolidated statements of Operations and Retained Earnings.

The location of the Corporation's property, plant and equipment, excluding discontinued operations, are as follows:

	For the year ended December 31, 2009			For the year ended December 31, 2008		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 10,724	\$ 7,661	\$ -	\$ 20,272	\$ 6,667
United States	-	2,688	6,778	77,592	2,517	3,910
France	4,501	20,312	7,230	767	896	6,208
Total	\$ 4,501	\$ 33,724	\$ 21,669	\$ 78,359	\$ 23,685	\$ 16,785

The allocation of the Corporation's total assets by geographic area, excluding discontinued operations, is as follows:

	2009	2008
Canada	\$ 114,524	\$ 116,650
United States	136,052	157,322
France	126,045	121,748
Total	\$ 376,621	\$ 395,720

The goodwill balance of \$15,632 (2008 - \$15,632) is attributed to the Canadian segment of the Corporation.

18. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008

(Amounts in thousands of dollars except as otherwise noted)

18. Financial Risk Management (continued)

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or service.

Trade receivables are predominantly with government sponsored entities. For trade receivables from customers who are not government sponsored entities, the Corporation requests letters of credit or other security such as guarantees where appropriate. The Corporation utilizes regular credit monitoring processes to mitigate credit risk.

The aging of trade receivables at the reporting date was:

	2009			2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	\$ 30,210	\$ 140	\$ 30,070	\$40,420	\$ -	\$40,420
Past due 1-30 days	397	-	397	1,219	-	1,219
Past due 31-120 days	23	-	23	330	-	330
More than one year	270	170	100	567	248	319
Total	\$ 30,900	\$ 310	\$ 30,590	\$42,536	\$ 248	\$42,288

The impairment loss recognized during the current and prior years relate to thermal energy customers in France. During the year, it became evident that the Corporation would not fully collect the amounts owed. Accounts receivable at December 31, 2009 were substantially collected subsequent to year end.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. The Corporation maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of allowable US accounts receivable balance or \$10,000. At year end 2009, MAXIM had drawn \$1,820 (2008 - \$2,120) as letters of credit against this facility. Through its French subsidiaries the Corporation has entered into a credit facility to a maximum of EUR 750, for the purpose of financing working capital. As at December 31, 2009, the full amount of this facility was available.

MAXIM POWER CORP.

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Years ended December 31, 2009 and 2008

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18. Financial Risk Management (continued)

The following are the contractual maturities of financial liabilities.

December 31, 2009	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2011 - 2012	2013 - 2014	Thereafter
Cash and cash equivalents	\$ (13,394)	\$ (13,394)	\$ (13,394)	\$ -	\$ -	\$ -	\$ -
Accounts receivable	(30,590)	(30,590)	(30,590)	-	-	-	-
Secured bank loans	74,622	76,408	4,700	4,007	17,687	17,300	32,714
Interest rate swaps	247	1,494	244	221	670	321	38
Capital lease payments	16,934	16,934	4,275	3,109	5,529	1,400	2,621
Bank indebtedness	153	153	153	-	-	-	-
Trade and other payables	37,092	37,092	37,092	-	-	-	-
Total	\$ 85,064	\$ 88,097	\$ 2,480	\$ 7,337	\$ 23,886	\$ 19,021	\$ 35,373

December 31, 2008	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2010 - 2011	2012 - 2013	Thereafter
Cash and cash equivalents	\$ (10,216)	\$ (10,216)	\$ (10,216)	\$ -	\$ -	\$ -	\$ -
Accounts receivable	(42,288)	(42,288)	(42,288)	-	-	-	-
Secured bank loans	67,160	69,108	5,094	3,032	13,885	13,594	33,503
Capital lease payments	26,077	26,077	4,534	3,191	11,845	3,438	3,069
Trade and other payables	37,662	37,662	37,662	-	-	-	-
Total	\$ 78,395	\$ 80,343	\$ (5,214)	\$ 6,223	\$ 25,730	\$ 17,032	\$ 36,572

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

(i) Foreign currency exchange risk

The Corporation is exposed to foreign currency exchange rate fluctuations as the Corporation has a significant amount of its assets and liabilities denominated in foreign currencies. The carrying value of these assets and liabilities fluctuates with changes in foreign currency exchange rates. The Corporation does not hedge this exposure other than as described below.

Principal and interest payments on long-term debt, capital leases and long-term contracts are denominated in currencies that match the cash flows generated by the underlying operations. This provides an economic hedge for these obligations and no derivatives have been entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, MAXIM ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

MAXIM POWER CORP.

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18. Financial Risk Management (continued)

Subsequent to December 31, 2009, MAXIM entered into an agreement with BMO to sell EUR 1,300 at \$1.4708 on February 19, 2010.

The following table summarizes the foreign currency financial instruments as at December 31:

	US Dollars		Euros	
	2009	2008	2009	2008
Cash	\$ 3,535	\$ 2,197	5,847	3,078
Accounts receivable	4,458	4,079	13,385	16,644
Accounts payable	(3,987)	(4,563)	(17,592)	(14,892)
Long-term debt	(23,879)	(24,685)	(12,120)	(4,280)
Capital lease obligation	(1,768)	(3,994)	(9,078)	(11,552)
Long-term contract	(295)	(667)	-	-
Net financial instruments	\$ (21,936)	\$ (27,633)	(19,558)	(11,002)

The following significant exchange rates applied during the year:

	2009		2008	
	Average rate	Reporting date closing	Average rate	Reporting date closing
USD	\$ 1.1415	\$ 1.0510	\$ 1.0671	\$ 1.2180
Euro	\$ 1.5851	\$ 1.5000	\$ 1.5602	\$ 1.7046

If both the Euro and the US dollar increased by 5% at December 31, 2009, the result would be an increase in net income of \$475 (2008 – \$38) and increase other comprehensive income of \$5,005 (2008 - \$5,152). A decrease in both the Euro and the US dollar of 5% would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular interest rates and commodity prices, remain constant. The analysis is performed on the same basis for 2008.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate and floating rate debt and entering into interest rate swap agreements to change floating rate debt to fixed rate debt. Project financing for Basin Creek and eleven capital lease obligations are non-recourse to MAXIM and are at a fixed rate. The remaining debt and capital leases are at variable rates of interest.

MAXIM POWER CORP.

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18. Financial Risk Management (continued)

	2009		2008	
	Long-term debt	Capital lease obligations	Long-term debt	Capital lease obligations
Fixed rate	\$ 62,484	\$ 13,072	\$ 61,813	\$ 20,509
Variable rate	\$ 13,924	\$ 3,863	\$ 7,295	\$ 5,568

If both the Euribor and the Canadian Bank rate decreased by 25 basis points at December 31, 2009, the result would be an increase in net income of \$28 (2008 - \$18) and other comprehensive income of \$2 (2008 - \$3). An increase in both the Euribor and the Canadian Bank rate of 25 basis points would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2008.

On January 30, 2009, MAXIM entered into an interest rate swap agreement with BMO. This agreement effectively changes the BMO Facility B interest from a floating interest rate based on bankers' acceptances to a fixed interest rate of 1.99% plus stamping fees of 2.00% to 2.25% for the original \$29,754 previously drawn under this facility. This agreement is effective February 2, 2009 until May 31, 2012, which is the maturity date of Facility B accordingly, this facility is included under the fixed rate classification above.

On September 3, 2009, MAXIM entered into an interest rate swap agreement with BMO. This agreement effectively changes the BMO Facility B interest from a floating interest rate based on bankers' acceptances to a fixed interest rate of 2.02% plus stamping fees of 2.00% to 2.25% for the additional \$6,383 drawn under this facility on September 10, 2009. This agreement is effective September 30, 2009 until May 31, 2012, which is the maturity date of Facility B accordingly, this facility is included under the fixed rate classification above.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity, natural gas and coal. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. Otherwise, the Corporation does not hedge its exposure to gas price volatility. The Corporation manages the risk of coal price fluctuation through a long-term coal supply contract to purchase a significant portion of its coal requirements at a fixed price.

As at December 31, 2009, an appreciation in electricity prices by \$1 per MWh would have decreased other comprehensive income by \$2 (2008 – increased \$3) and increase net income by \$730 (2008 - \$540). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2008.

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Years ended December 31, 2009 and 2008

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18. Financial Risk Management (*continued*)

As at December 31, 2009, an appreciation in natural gas prices by \$1 per gigajoule would have increased other comprehensive income by \$23 (2008 – decreased \$54) and decrease net income by \$436 (2008 - \$583). If average natural gas prices were to decrease by this amount, it would have the opposite effect to other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2008.

As at December 31, 2009, an appreciation in coal prices by 2% would have decreased net income by \$283 (2008 - \$192) and would not have an effect on other comprehensive income. A reduction of coal prices by this amount would have the opposite effect on other net income with no impact on other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, electricity prices and interest rates remain constant. The analysis is performed on the same basis for 2008.

(d) Fair value of financial instruments

The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method. The carrying value of long-term debt and capital lease obligations approximates their fair value at December 31, 2009 due to insignificant movements of interest rates throughout the year.

The Corporation classifies fair value of derivatives according to the following hierarchy on the amount of observable inputs used to value the instruments.

Level I – Quoted prices are available in active markets for identical assets or liabilities at the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on a consistent basis. These derivatives include financial instruments traded on merchant exchanges.

Level II – Pricing inputs used are other than prices in active markets included in Level I. Fair values in Level II are determined by using quoted market prices in active markets and adjusted for factors specific to the asset or liability. Level II valuations are based on inputs, including quoted forward prices for commodities and interest rates, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the market place for over-the-counter derivatives.

Level III – Fair values are determined using inputs for the asset or liability that are not readily observable or are unavailable. These derivatives may include items based upon pricing services or broker quotes where the observations of inputs are unavailable to the Corporation. In these instances, internal methodologies are used to determine fair value with inputs based upon historical data, forward pricing curves, time value of money, and market risk including counterparty default.

MAXIM's derivative contracts have a fair value at December 31, 2009 of \$247 (current portion \$102) which is recorded in the balance sheet. The fair values are calculated using quoted market prices for interest rates (Level II).

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19. Pension Benefits

Under the defined contribution pension plan, benefits are based on plan contributions. During 2009, the pension expense for this plan was \$266 (2008 - \$287). There has been no change in the contribution rate in the year.

20. Capital Disclosures

MAXIM manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity, debt, and capital leases, are analyzed by management and approved by the board of directors.

The Corporation's objectives when managing capital are:

- (a) to safeguard the Corporation's ability to continue as a going concern and provide returns for shareholders;
- (b) to facilitate the acquisition or development of power projects in Canada, the United States and France consistent with the growth strategy of the Corporation.

The Corporation is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results.

The Corporation considers the following items capital of the Corporation:

- (a) long-term debt net of cash; and
- (b) shareholders' equity

The following table represents the net capital of the Corporation:

	2009	2008
Long-term debt	74,622	67,160
Capital lease obligation	16,934	26,077
Less: Cash and cash equivalents, net of bank indebtedness	(14,915)	(11,791)
Net debt	76,641	81,446
Shareholders' equity	220,492	239,952
Total capital	\$ 297,133	\$ 321,398

The Corporation has the following restrictions on its capital as a result of its credit facilities:

- (a) net funded debt to net earnings before interest, taxes, amortization and depreciation from certain assets shall not be greater than 2 to 1;
- (b) debt service coverage ratio shall not be less than 1.10 to 1 on December 31, 2009 and 1.40 to 1 subsequent to December 31, 2010;
- (c) the Corporation's equity balance shall not be less than \$180,000 and increases each year by 80% of net income; and
- (d) the funded debt to capital ratio shall not be greater than 0.60 to 1.

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Years ended December 31, 2009 and 2008

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20. Capital Disclosures (*continued*)

During the year, the Corporation complied with all of the debt covenants.

There have been no changes in the Corporation's approach to capital management from the previous years.

21. Subsequent Events

On March 2, 2010, MAXIM concluded its amalgamation with EarthFirst Canada Inc. ("EarthFirst") through a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement"). MAXIM has invested \$5,869 plus closing costs to consummate the Arrangement.

The amalgamation with EarthFirst provides MAXIM with a strategic Alberta power project development opportunity. The Buffalo Atlee Power Project ("Buffalo Atlee"), situated near Brooks, Alberta, has the potential for over 200 megawatts of wind generation capacity. MAXIM intends to invest further in the development of this site and explore other wind generation opportunities. At closing, EarthFirst had no material liabilities and \$117,370 in Canadian tax pools related to the power business.

MAXIM's wholly-owned subsidiary, Comax has entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services for a term of eight years. Comax will provide these services through ten distributed generation sites, five of which represent new sites acquired for this purpose and five of which are existing power plants being adapted for this purpose. The total investment is \$10,033 (EUR 6,779), of which \$9,584 (EUR 6,476) is being provided by a number of French banks, and the remaining \$449 (EUR 303) is being provided with cash on hand. Work will be carried out through the spring of 2010 to reconfigure equipment at certain sites for commercial operations to commence on July 1, 2010.

22. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the present year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated March 25, 2010 and should be read in conjunction with the audited annual consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the fiscal year ended December 31, 2009. The consolidated financial statements have been prepared in accordance with GAAP. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms.

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FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the power industry and prevailing economic conditions in the regions that the Corporation operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Readers are cautioned that management's expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, MAXIM has made the following assumptions:

- Future capital expenditures are estimated based upon planned maintenance projects and production levels at each facility.
- Development projects, including Mine No. 14, Milner expansion, Deerland, and Buffalo Atlee, are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management estimates cash flows from operations will meet commitments and scheduled maintenance programs in 2010. This estimate is based upon current budgets and forecasts. Interruptions to production, higher than anticipated operating costs, lower realized electricity prices, unfavourable moves in interest rates and foreign exchange rates, failure of counterparties to meet their obligations, and various other factors may inhibit the Corporation from meeting its obligations.
- MAXIM has credit facilities to support liquidity requirements of the Corporation. The facilities are margined on accounts receivable; therefore, the ability to draw on these facilities is dependent upon operating performance.
- The sensitivity to changes in commodity prices, interest rates and foreign currency rates are based upon estimates for possible changes in the underlying variable and could differ from the actual change.
- MAXIM estimates total capital expenditures of \$17.5 million to be incurred in 2010. These costs are based upon estimates and may differ from the actual costs to complete. MAXIM further estimates that \$8.6 million of these expenditures will be financed from committed undrawn credit facilities and the remainder will be financed from operating cash flows.
- In determining potential development sites, management estimates future electricity demand in that area. The actual future demand in these areas may be different than expected.

- MAXIM anticipates all necessary provincial, state and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.
- MAXIM anticipates that it will be able to comply with the requirement to implement International Financial Reporting Standards.

OVERALL PERFORMANCE

During 2009, the HR Milner power plant ("Milner") achieved record production levels. The third and fourth quarters included five of the top six production months since Milner's inception, with the highest one-month production record achieved in August when 99,712 MWh were generated by the plant. On an overall company basis, MAXIM generated 1,226,634 MWh, an increase of 221,462 MWh or 22%, over 2008 generation of 1,005,172 MWh. The primary driver of this increase was Milner's 219,807 MWh increase in production in comparison to 2008.

During 2009, MAXIM increased both electrical and thermal net generating capacity through the purchase of four additional generating facilities by Comax France S.A.S, MAXIM's wholly-owned French subsidiary ("COMAX"). MAXIM's thirty-nine power plants had the capacity to generate 788 MW of electrical and 137 MW of thermal energy as at December 31, 2009, in comparison to the 757 MW and 135 MW of electrical and thermal capacity, respectively, capable of being generated by the Corporation's thirty-five power plants as at December 31, 2008.

Despite the improvements in productivity and the increase in generating capacity during the year, the Corporation's financial results, including total revenue, EBITDA, and net income, have declined in 2009 as a result of low Alberta power prices, which declined 47% from an average of \$90 per MWh in 2008 to an average of \$48 per MWh in 2009.

On October 7, 2009, MAXIM entered into an arrangement agreement to amalgamate with EarthFirst Canada Inc. ("EarthFirst"). All conditions were satisfied and the amalgamation closed on March 2, 2010, for a total investment of \$5.9 million plus closing costs. The amalgamation provides MAXIM with a strategic development opportunity, the Buffalo Atlee Power Project ("Buffalo Atlee"), which has the potential for over 200 MW of wind generation capacity. The addition of wind generation to MAXIM's existing portfolio of assets would diversify MAXIM's generation fuel types and provide the potential to offset the impact of possible carbon legislation. MAXIM intends to invest further in the development of this site and explore other wind generation opportunities. Wind data has been collected on the site for four years. Buffalo Atlee holds an exploratory Crown land permit with a five-year term expiring on January 1, 2011. MAXIM intends to renew the permit for an additional five-year term. The amalgamation with EarthFirst also provides MAXIM with \$117.4 million in Canadian tax pools related to the power business.

During 2009, one of the primary initiatives of COMAX was the advancement of its plan to sell electrical peaking services in 2010 and future years (the "Peaking Project"). The provision of peaking services represents an important diversification of services and entry into a new market for COMAX, which has historically focused on cogeneration applications whereby electricity is sold to Electricité de France ("EdF") and thermal energy is sold to local businesses such as greenhouses. On February 22, 2010, COMAX entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services to EdF for a term of eight years.

During 2009 and early 2010 COMAX made a number of investments to support the aforementioned provision of peaking services. In July 2009, COMAX purchased two peaking facilities with a combined

electrical generating capacity of 15 MWs for consideration of \$1.8 million (EUR 1.1 million), one of which will be used in the Peaking Project. In July 2009, COMAX purchased four power project sites for use in the Peaking Project, for consideration of \$2.4 million (EUR 1.6 million). On February 24, 2010 a fifth power project site was purchased for the same purpose for EUR 0.1 million. The balance of the \$10 million total planned investment in the Peaking Project will be invested during the first half of 2010 to reconfigure equipment and ready plants for commencement of commercial operation on July 1, 2010.

MAXIM successfully closed the acquisitions of Sebi and Chabossiere cogeneration facilities on February 27, 2009. These acquisitions initially added 16 MW of electrical production capacity to the French portfolio. COMAX is repowering these facilities for a cost of EUR 6.2 million and has redeployed several of the facilities' engines for use in the Peaking Project. Sebi and Chabossiere currently provide the Corporation with a combined 11 MW of electrical capacity and 12 MW of thermal capacity.

During 2009, COMAX entered into several loan and capital lease agreements with French banks for total financing of EUR 15.9 million. At December 31, 2009, EUR 10.2 million had been drawn on the new loans and leases, with funds used to finance the repowering of the Sebi and Chabossiere facilities, acquire and renovate peaking facilities and sites, and to renovate cogeneration sites. Undrawn amounts will be used to complete peaking and cogeneration plant renovations during the first half of 2010. Of the new debt, EUR 7.2 million bears interest at the three month EURIBOR plus fees ranging from 2.21% to 2.43%, while the remaining EUR 6.4 million bears interest at fixed rates ranging from 4.40% to 5.10%. Maturity dates on the loans range from 2012 to 2021.

On June 11, 2009, MAXIM entered into a new credit agreement with the Bank of Montreal ("BMO"). The agreement provided for term debt financing of \$35 million, \$28.6 million of which was drawn on closing, a \$10 million revolving facility for general corporate purposes, and a \$3.5 million risk management facility to support treasury requirements. On September 10, 2009, MAXIM drew the remaining \$6.4 million under the term facility in order to support MAXIM's capital requirements. At December 31, 2009 the term facility was fully drawn.

On March 30, 2009, MAXIM obtained approval from the Toronto Stock Exchange (the "Exchange") for a normal course issuer bid ("NCIB"), which commenced on April 2, 2009 and replaced the previous NCIB which terminated on April 1, 2009. MAXIM purchased and cancelled 316,900 common shares under these NCIB programs during the year.

BUSINESS OF MAXIM

MAXIM is an Independent Power Producer ("IPP") engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity, electricity and thermal energy. MAXIM currently has forty-four power plants with 809 MW of electric and 117 MW of thermal net generating capacity operating in three identifiable geographic segments: Canada, United States and France. As at December 31, 2009, MAXIM had thirty-nine power plants having 788 MW of electrical and 137 MW of thermal net generating capacity.

Canada

Under the Canadian Segment, MAXIM owns one coal-fired facility, five natural gas-fired facilities and two methane gas-fired facilities with a combined 192 MW of electric and 9 MW of thermal net generating capacity. The Milner and Gold Creek facilities are located in Alberta. These "merchant" power facilities sell electricity to the Alberta Electric Systems Operator ("AESO") at spot market prices. During 2008 MAXIM managed the exposure to changes in the electricity spot prices by selling a portion of Milner's

electrical generation at a fixed price. There were no fixed price contracts in place for Milner or Gold Creek generation during 2009 or during 2010 to the date of this MD&A.

The Alberta Power Project ("APP") facilities, also located in Alberta, consist of four units and are contracted under a long term tolling agreement that provide MAXIM payments for the capacity of these units. Accordingly, these units are not subject to electricity spot price volatility. The agreement is for a ten year period, which expires in 2014. The counterparty has an option to extend this contract for an additional fifteen years and has an annual right to purchase the facilities at their book value at anytime during the term of the contract.

The Hartland and Vancouver Landfill ("VLF") facilities are located in British Columbia. These facilities each have twenty year long-term Electricity Purchase Agreements ("EPA") with BC Hydro, which expire in 2024 and 2023 respectively. These facilities are fueled by methane gas supplied by the Capital Region District land fill and the City of Vancouver land fill.

MAXIM has received licenses, permits and regulatory approvals for the development of an underground coal mine (Mine No. 14) located near Grande Cache, Alberta and the construction of a 190 MW natural gas-fired facility (Deerland Peaking Facility) located near Bruderheim, Alberta. The Corporation is also proposing to develop a new 500 MW clean coal-fired generating facility to be located on the site of its Milner facility. This project is currently in the permitting phase.

United States

In the United States segment, MAXIM owns five natural gas-fired facilities with a combined generating capacity of 433 MW. The most recent additions to the United States segment are the Forked River and Pittsfield facilities, which represent 86 MW and 170 MW of generating capacity, respectively. These facilities were acquired during 2008.

The Capital District Energy Centre Cogeneration Associates ("CDECCA"), Pittsfield and Pawtucket facilities are located in the North East United States in the ISO New England ("ISO-NE") market. Both CDECCA and Pawtucket receive monthly capacity payments along with electrical generation revenue at the spot price from the ISO-NE. The CDECCA facility also provides steam and chilled water under a long term contract with the State of Connecticut until 2019. The Pittsfield facility is under a Reliability Must Run ("RMR") agreement with the ISO-NE and receives revenue through a regulated tariff that is sufficient to provide fixed operating income to the facility on an annual basis. The RMR agreement expires the earlier of May 31, 2010 or on two months notice, after which the facility will receive monthly capacity payments and electrical generation revenue similar to those of the CDECCA and Pawtucket facilities.

The Forked River facility and the Basin Creek facility, located in New Jersey and Montana respectively, are under long-term tolling agreements for which they receive monthly payments for the capacity of the facilities until 2018 and 2026 respectively.

France

The France segment currently has thirty-one natural gas-fired facilities with a combined 184 MW of electrical and 108 MW of thermal generating capacity. At December 31, 2009, the segment had twenty-six facilities with a combined 163 MW and 128 MW of electric and thermal capacity, respectively. Presently, the facilities operate during the cogeneration season between November and March of each year.

During 2009, most facilities were under twelve year contracts with EDF. Annually, COMAX has the option to choose the method of operation, either dispatch, in which EDF calls upon the facility for

production, or continuous cogeneration, in which the facility produces electricity and thermal energy for the full season. At the end of an EDF contract, MAXIM can renew the cogeneration contract for an additional twelve years upon obtaining a thermal energy contract and investing an additional EUR 350 thousand per MW into the facility. All cogeneration facilities have agreements to supply thermal energy to various third parties for the same term as the EDF contract.

Beginning in 2010, ten plants will provide peaking power services. The provision of peaking services represents an important diversification of services and entry into a new market for COMAX, which has historically focused on cogeneration applications. On February 22, 2010, COMAX entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services to EdF for a term of eight years. Work will be carried out through the spring of 2010 to reconfigure equipment at certain sites for commercial operations to commence on July 1, 2010.

SELECTED ANNUAL FINANCIAL INFORMATION

(\$000's except per share amounts)	2009	2008	2007
Revenue	143,737	146,682	124,525
EBITDA ⁽¹⁾	33,019	39,387	40,449
Net income – continuing operations	2,129	10,814	13,639
Basic and diluted net income per share – continuing operations	\$ 0.04	\$ 0.22	\$ 0.31
Net income (loss) – discontinued operations	-	498	85
Basic and diluted net loss per share – discontinued operations	-	\$ 0.01	-
Net income for the year	2,129	11,312	13,724
Basic and diluted net income per share	\$ 0.04	\$ 0.23	\$ 0.31
Cash flows provided by operations	38,789	27,177	35,347
Total assets	376,621	395,720	260,196
Total long-term financial liabilities	82,419	80,806	60,435

⁽¹⁾ Selected annual financial information was derived from the audited consolidated financial statements for the most recent years with certain comparative figures reclassified to conform with the financial presentation adopted for the present year and is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except EBITDA. EBITDA is provided to assist management and investors in determining the Corporation's earnings before interest, taxes, depreciation and amortization and does not have any meaning prescribed in Canadian GAAP and may not be comparable to similar measures presented by other companies. Refer to Non-GAAP measures - EBITDA for the reconciliation between this non-GAAP financial measure and comparable measures calculated in accordance with Canadian GAAP.

Financial results declined in 2009 as a result of a decrease in Alberta power prices during the year. Revenue, EBITDA, and net income decreased by \$2.9 million, \$6.4 million, and \$9.2 million, respectively, in comparison to 2008. These results reflect a \$42 per MWh or 47% drop in average Alberta power prices, which decreased from \$90 per MWh in 2008 to \$48 per MWh in 2009. The average price realized for electricity generated by Milner was \$51 per MWh compared to \$86 per MWh in 2008, a decrease of \$35 per MWh. The decrease in financial results caused by lower power prices were partially offset by increased generation during the year. EBITDA also decreased in 2009 because MAXIM had realized a \$2.1 million foreign exchange gain in 2008 as a result of a forward rate contract used to reduce exposure to US dollar exchange rate fluctuations during the closing of the purchase of the Pittsfield facility. No foreign exchange transaction of similar magnitude occurred in 2009. Net income was also negatively impacted by an increase in depreciation related to 2008 and 2009 acquisitions.

In 2008, revenue had increased from 2007 as a result of growth in generating capacity, and EBITDA and net income had both declined primarily due to an extended turnaround and mechanical issues at Milner. Net income had also declined in comparison to 2007 as a result of higher interest charges related to US acquisitions and a \$14.9 million draw on the BMO debt facility, and as a result of higher depreciation expense related to 2008 Milner turnaround costs and acquired assets.

The \$19.1 million decrease in 2009 total assets versus 2008 is attributed to depreciation in excess of purchases of capital assets and to a decline in the accounts receivable balance due to lower revenues earned in December 2009 as a result of lower power prices than in December 2008. The increase of \$135.5 million in 2008 total assets over 2007 was attributed to MAXIM's acquisitions of the Forked River and Pittsfield generation facilities and two cogeneration facilities in France, along with the capital expenditures incurred during the extended 2008 Milner turnaround.

Long-term financial liabilities increased \$1.6 million in 2009 due to new long-term debt and capital lease agreements obtained to finance acquisitions, renovations, and the commencement of the Peaking Project in France, a \$6.4 million draw on the BMO debt facility, and an increase in the Corporation's asset retirement obligation due to a revision in obligation estimates made during 2009. These increases were partially offset by repayments of debt and capital leases throughout the year. In 2008, long-term liabilities increased \$20.4 million as a result of the \$14.9 million draw on the BMO debt facility which was used to finance the extended Milner turnaround, and capital leases assumed on the acquisitions of Pittsfield and the two cogeneration facilities in France.

RESULTS OF OPERATIONS

Summary of 2009 and 2008 generation by location (MWh)

Facility	2009 MWh	% of 2009 MWh	2008 MWh	% of 2008 MWh
Canada – Milner power plant	984,475	80	764,668	76
Canada – other power plants	68,436	6	77,922	8
United States	47,928	4	51,515	5
France	125,795	10	109,812	11
Total – Continuing Operations	1,226,634	100	1,003,917	100
Discontinued Operations	-	-	1,255	-
Total MWh Generation	1,226,634	100	1,005,172	100

- The table excludes Basin Creek, Forked River and the 25 MW Alberta Power Project ("APP") as these facilities provide capacity in exchange for monthly capacity payments.

Revenue

Summary of MAXIM's revenue by source

(\$000's)	2009	2008
Electricity and capacity sales at fixed prices	93,866	103,725
Electricity sales at spot prices per MWh	49,871	42,957
Total	143,737	146,682

Electricity and capacity sales at fixed prices decreased \$9.9 million for the year ended December 31, 2009 when compared to 2008. This decrease occurred because all Milner production was sold at spot prices in 2009, in contrast to 2008 when a portion of Milner production was sold at fixed prices.

The decrease in fixed price sales is partially offset by the increase in electricity sales at spot prices per MWh. Sales at spot prices increased \$6.9 million for the year ended December 31, 2009, in comparison to 2008, as a result of Milner's shift from fixed to spot prices. The increase in spot sales does not fully offset the decrease in fixed price sales due to the low average Alberta power price throughout 2009.

Summary of MAXIM's revenue by geographic location

(\$000's)	2009	2008
Canada	54,605	70,616
United States	45,444	33,522
France	43,688	42,544
Total	143,737	146,682

Consolidated revenue decreased by \$3.0 million or 2% to \$143.7 million in 2009 from \$146.7 million in 2008. The decrease in total revenue is primarily due to the decrease in Canadian revenue that resulted from the aforementioned reduction in average Alberta power prices in comparison to 2008. This decrease is largely offset by a full year of revenue earned from 2008 US acquisitions.

The Canadian segment generated revenue of \$54.6 million, \$16.0 million or 23% lower than 2008 revenue of \$70.6 million. Of this decrease, \$14.6 million is due to Milner, which, on a stand alone basis, recorded \$48.6 million of revenue in 2009 compared to \$63.2 million in 2008, a decrease of 23%. The lower Milner revenue is attributed to reduced Alberta Power Pool prices, which averaged \$48 MWh in 2009 compared to the 2008 average of \$90 MWh.

The decrease in prices was partially offset by an increase in electricity generated by Milner, which totaled 984,475 MWh in 2009 compared to 764,668 MWh in 2008. The increase in production was due to improved availability, as downtime was reduced due to continued progress on preventive maintenance initiatives. During the year, MAXIM addressed outstanding reliability issues associated with various components of equipment, including the cooling tower, boiler feed, and water pump.

The power facilities located in the United States contributed \$11.9 million of additional revenue in 2009, earning \$45.4 million compared to \$33.5 million in 2008, an increase of 36%. The increase in 2009 revenue is attributable mainly to the acquisition of the Forked River and Pittsfield generating stations in the second and third quarters of 2008, respectively, along with the benefit of a strong US dollar in 2009 compared to 2008.

MAXIM's French power plants contributed \$43.7 million of revenue in 2009 compared to \$42.5 million in 2008. The increase is due to the strength of the Euro during the year and increased production in comparison to 2008. Production was 125,795 MWh in 2009 compared to 109,812 MWh in 2008. The increase in production is attributed to the aforementioned new plants acquired during 2009.

Plant operations

(\$000's)	Year ended December 31, 2009			Year ended December 31, 2008		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	24,714	24,150	48,864	18,046	28,896	46,942
United States	4,136	19,049	23,185	9,973	15,881	25,854
France	19,144	15,063	34,207	17,073	15,208	32,281
Total	47,994	58,262	106,256	45,092	59,985	105,077
Percent	45%	55%	100%	43%	57%	100%

Plant operations expense increased by \$1.2 million or 1%, from \$105.1 million in 2008 to \$106.3 million in 2009. On a per MWh basis, plant operations expense was \$87 per MWh during 2009 versus \$105 per MWh during 2008. This decrease in plant operating expense on a per MWh basis was primarily due to the increased productivity of Milner during the year, which is described above.

Canadian fuel costs increased in 2009 to \$24.7 million versus \$18.0 million in 2008, an increase of \$6.7 million or 37% as a result of higher production and coal prices at Milner, partially offset by a decrease in natural gas prices. On a per MWh basis, Canadian fuel costs were \$23.47 per MWh in 2009 compared to \$21.42 per MWh for 2008. The increase in fuel costs on a per MWh basis is due to escalation built into the Milner coal contract and the procurement of blending coal, partially offset by lower natural gas consumption due to fewer starts at Milner and lower gas prices.

Canadian O&M costs decreased \$4.7 million or 16% in 2009 to \$24.2 million in comparison to \$28.9 million in 2008. The decrease is due to the reduced length of the Milner turnaround and generally improved plant operating performance in comparison to 2008.

Operating and maintenance costs in the United States increased to \$19.0 million in 2009 from \$15.9 million in 2008 as a result of the acquisitions of Forked River and Pittsfield generating stations in the second and third quarters of 2008 respectively and were unfavorably impacted by the strength of the US dollar in the period.

US fuel costs decreased to \$4.1 million for 2009 compared to \$10.0 million in 2008, a decrease of \$5.8 million or 59%. The decrease is due to lower natural gas prices during the year in comparison to 2008.

Fuel costs in France increased by \$2.0 million or 12% during the year, increasing from \$17.1 million in 2008 to \$19.1 million in 2009. This increase is a result of 2008 and 2009 acquisitions and the strength of the Euro during the year.

France operating and maintenance costs incurred in 2009 were consistent with those incurred in 2008.

General and administration

(\$000's)	2009	2008
Total general and administration	6,084	5,697

General and administration ("G&A") expenses increased \$0.4 million or 7% to \$6.1 million in 2009 in comparison to \$5.7 million in G&A incurred in 2008. The increase is primarily due to the strength of the Euro during 2009.

Depreciation

(\$000's)	2009	2008
Total depreciation	21,669	16,785

Depreciation and amortization expense increased by \$4.9 million or 29% to \$21.7 million in 2009 compared to \$16.8 million in 2008. The increase in depreciation and amortization expense for the year is primarily attributable to a full year of depreciation from 2008 US acquisitions, Pittsfield and Forked River generating facilities and an increase in Milner depreciation as a result of capital expenditures during the 2008 turnaround. The strength of the US dollar and the Euro further increased depreciation during the year.

MAXIM reviews its facilities for indicators of impairment on an annual basis and tests for impairment when these reviews indicate that impairment may have occurred. It was determined that no impairment existed at the Corporation's facilities during 2009 or 2008.

Interest expense

(\$000's)	2009	2008
Long-term debt	3,877	4,240
Capital lease obligation	1,532	1,515
Other	211	282
Total	5,620	6,037

MAXIM incurred interest expense of \$5.6 million in 2009 compared to \$6.0 million in 2008. Interest expense is comprised of interest on long-term debt and capital lease obligations and interest and bank charges. Interest expense has decreased \$0.4 million or 7% in comparison to 2008 due to the decrease in market interest rates on floating rate French debt during 2009 and lower levels of capital lease obligations throughout the year. MAXIM locked in the low 2009 market interest rates in Canada through interest rate swaps on Facility B, which effectively replaced variable interest with fixed-rate interest. The fixed rates locked in by the swaps are 1.99% and 2.02% (plus applicable stamping fees), which became effective on February 2 and September 30, 2009, respectively.

The decreases are partially offset by the increase in long-term debt and the unfavourable impact from the strength of the US dollar and the Euro during the year.

Other income

(\$000's)	2009	2008
Other income	556	956

Other income of \$0.6 million in 2009 represents \$1.3 million in compensation from suppliers for lost production at French cogeneration facilities, offset by a \$0.7 million settlement with an operating and maintenance company responsible for running three plants in France. The \$1.0 million in other income received in 2008 represents compensation from a supplier for lost production at a facility in France, along with insurance proceeds for compensation on damaged equipment.

Foreign currency gain

(\$000's)	2009	2008
Foreign currency gain	116	2,229

During 2009, MAXIM realized a \$0.1 million foreign currency exchange gain in comparison to a gain of \$2.2 million in 2008. The gain in prior year was primarily the result of a forward rate contract that MAXIM had entered into to reduce exposure to fluctuations in US dollar exchange rates until closing of the purchase of the Pittsfield facility. No similar contract was entered into during 2009.

Income taxes

(\$000's)	2009	2008
Current tax expense	5,131	6,926
Future tax recovery	(2,236)	(1,175)
Total	2,895	5,751

MAXIM's income tax provision in 2009 was \$2.9 million compared to \$5.8 million in 2008. Income before income taxes from continuing operations decreased to \$4.8 million versus \$16.7 million in 2008. The lower income before income taxes was the primary driver in the tax reduction.

A higher overall tax rate partially offset the decrease in tax expense related to the reduction in pre-tax income. The effective tax rate is more volatile given a lower income before income taxes, because certain expenses incurred are non-deductible for tax purposes. The Corporation's non-deductible expenses remained relatively flat between 2008 and 2009, which resulted in a higher proportion of earnings subject to taxation in 2009 than in 2008.

Net income

(\$000's)	2009	2008
Net income – discontinued operations	-	498
Net income	2,129	11,312

Net income from discontinued operations was \$nil in 2009 in comparison to \$0.5 million or \$0.01 per share (basic and diluted) in 2008. The 2008 income from discontinued operations represents a gain on the sale of the 0.8 MW Gift Lake facility located in north-central Alberta on June 1, 2008.

Net income for 2009 was \$2.1 million or \$0.04 per share (basic and diluted) compared to net income of \$11.3 million or \$0.23 per share (basic and diluted) for 2008.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

MAXIM utilizes existing cash, cash flows from operations and revolving credit facilities to provide liquidity to the Corporation, to finance maintenance-of-business capital expenditures, and finance development initiatives up to the permit stage. MAXIM plans for major maintenance initiatives and preserves cash and credit through its revolving credit facilities to finance these initiatives. In certain years it is possible that capital requirements will exceed these sources of financing. In these situations, MAXIM will arrange for debt financing as was done in 2009 to replenish capital which had been utilized for the Milner turnaround. The forecast cash flows from operations and revolving credit facilities are sufficient to meet future commitments and scheduled maintenance programs to maintain current generating capacity. Forecast cash flows are partially based upon management estimates of 2010 Alberta power prices. These estimates may prove to be imprecise due to the inherent volatility of commodity prices.

MAXIM has up to \$10.0 million in borrowing capacity through its revolving BMO operating facility, which is margined on the Corporation's accounts receivable balance. At December 31, 2009, MAXIM had \$1.8 million drawn on this facility by way of letters of credit (2008 – \$2.1 million).

At December 31, 2009, MAXIM had \$8.6 million (EUR 5.7 million) remaining undrawn under loan and lease agreements made during 2009 with various French banks. The funds will be used to finance the completion of cogeneration plant renovations and to reconfigure equipment at sites scheduled to provide peaking power services in 2010. Certain property, plant and equipment and land-related lease contracts have been pledged as security. During 2010 to the date of this MD&A, an additional \$5.2 million (EUR 3.5 million) was drawn on the French loans. The remaining debt capacity is anticipated to be sufficient to complete the aforementioned projects.

In France, MAXIM has a working capital facility with a French bank to provide financing up to EUR 0.8 million, which is repayable upon collection of certain accounts receivable balances. MAXIM has no amounts outstanding on this balance as at year end. These facilities are available to the Corporation to provide short term financing when unforeseen events occur.

MAXIM also requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. The recent global financial crisis has placed limitations on the ability of the Corporation to secure debt and equity financing. MAXIM is able to manage the timing of its acquisition and development initiatives to reduce liquidity risk while financial markets recover.

The following table shows how the activities of the Corporation were financed.

(\$000's)	2009	2008
Cash on hand, unrestricted, January 1	10,039	18,541
Cash flow from operations	38,789	27,177
Cash flow from financing	5,175	67,425
Available for investments	54,003	113,143
Cash flow used in investing	(39,474)	(104,088)
Effect of foreign exchange rates on cash	(1,135)	984
Cash on hand, unrestricted, December 31	13,394	10,039
Restricted cash	1,521	1,752
Cash on hand, total, December 31	14,915	11,791

The increase in cash flow from operations is the result of 2009 working capital changes related to the reduced year end accounts receivable balance and the full year impact of acquisitions made during 2008. The increase was partially offset by decreased cash inflows from Milner electricity sales, which resulted from decreased power prices in comparison to 2008.

During 2009, the Corporation realized a net financing cash inflow of \$5.2 million. The Corporation issued \$21.3 million of long-term debt, which included \$14.9 million drawn by COMAX on new loans with French banks and \$6.4 million drawn on the BMO Facility B. The Corporation obtained an additional \$1.0 million in financing through two sale and leaseback agreements entered into by COMAX during the year. These inflows were partially offset by the repayment of \$8.7 million relating to long-term debt and \$7.5 million relating to capital lease obligations, and by the \$0.9 million purchase of 316,900 common shares through the Corporation's NCIB program.

During 2008, MAXIM obtained net financing of \$67.4 million. MAXIM drew \$14.9 million through its BMO Facility B and repaid \$5.8 million on the facility during the year and drew \$1.3 million (EUR 0.8 million) on its French credit facility. The Corporation has also repaid \$5.0 million relating to capital lease obligations. MAXIM issued 10.3 million common shares under a private placement agreement and the exercising of stock options for net proceeds of \$63.3 million. These issuances are offset by shares purchased under the NCIB, through which 0.3 million common shares were repurchased for \$1.3 million in 2008.

During 2009, MAXIM spent \$39.5 million on investing activities. These activities included \$33.7 million on property, plant, and equipment, \$4.5 million on acquisitions in France, \$0.4 million on due diligence and acquisition costs in Canada and \$0.9 million towards reducing Milner's current nitrous oxide emissions to generate credits against emissions limit reductions taking effect in 2013. (Refer to the Environmental and Climate Change Legislation section on page 19.)

The \$33.7 million in PP&E expenditures is comprised primarily of \$20.3 million spent in France, including \$9.3 million to renovate Sebi and Chabo, \$5.4 million and \$2.1 million to repower the Publier and Theix cogeneration power plants, respectively, \$2.9 million (in excess of acquisition costs) to begin renovating the Peaking Project facilities, and \$0.6 on other France facilities.

PP&E capital expenditures at Milner totaled \$8.5 million, comprising of \$2.5 million in spring turnaround costs, \$2.5 million on a selective non-catalytic reduction ("SNCR") system used to reduce N₂O emissions, \$2.2 million to replace an auxiliary boiler and \$1.3 million on various smaller equipment purchases.

The remaining PP&E expenditures included \$1.2 million and \$0.4 million in development costs related to Mine No. 14 and the Milner Expansion, respectively, and \$3.3 million related to the remainder of MAXIM's generating fleet.

In 2008, MAXIM spent \$104.1 million on investing activities. These activities included \$78.4 million on the acquisition of the Forked River and Pittsfield facilities and two cogeneration facilities in France, \$23.7 million on capital expenditures, of which the majority related to the extended Milner turnaround and development and \$3.2 million on due diligence and acquisition costs, offset by proceeds of \$1.0 million on the sale of Gift Lake and a \$0.2 million reduction in restricted cash.

The following table represents the net capital of the Corporation:

(\$000's)	2009	2008
Long-term debt	74,622	67,160
Capital lease obligation	16,934	26,077
Less: Cash (net of bank indebtedness)	(14,915)	(11,791)
Net debt	76,641	81,446
Shareholders' equity	220,492	239,952
Net capital	297,133	321,398
Net debt to capital	25.8%	25.3%

The Corporation uses net debt to monitor leverage. The decrease in net debt in 2009 is the result of scheduled capital lease and debt repayments and the generation of cash from operations, and is partially offset by the draw on the BMO credit facilities to replenish working capital used during the Milner turnaround.

The decrease in shareholders' equity in the year is the result of the decrease in accumulated other comprehensive income due to unrealized losses on translation of foreign self-sustaining operations, and is also due to the impact of the NCIB.

On March 30, 2009, MAXIM obtained an approval from the Exchange for an NCIB which commenced on April 2, 2009. The bid will terminate on April 1, 2010 or such earlier time as the bid is completed or terminated at the option of MAXIM. During the twelve month period, MAXIM is authorized to purchase up to 2,700,000 of its common shares through the facilities of the Exchange at the prevailing market price. Any acquired common shares are to be cancelled and returned to treasury.

During 2009 MAXIM purchased 316,900 of its common shares at an average price of \$2.79 for a total cost of \$0.9 million. The shares were cancelled in the period.

As at December 31, 2009, MAXIM was in compliance with all financial covenants on its credit facilities.

Working capital

Working capital decreased \$7.5 million from a working capital surplus of \$2.9 million in 2008 to a deficit of \$4.6 million in 2009.

The \$9.3 million reduction in current assets was partially offset by a \$2.1 million reduction to current liabilities. MAXIM has increased its cash balance, net of bank indebtedness, by \$3.1 million. Accounts receivable has decreased \$11.7 million to \$30.6 million at December 31, 2009 from \$42.3 million at

December 31, 2008 due to the lower Alberta power pool price, which averaged \$54 per MWh in December 2009 compared to \$88 per MWh in December 2008. MAXIM decreased its inventory of coal and fuel oil by \$2.6 million during 2009 as a result of increased generation which drove higher consumption compared to the rate of purchases.

Accounts payable and accrued liabilities decreased by \$0.6 million from \$37.7 million in 2008 to \$37.1 million in 2009. The current portion of long-term debt increased \$0.8 million due to new France debt and the draw on the BMO facility, partially offset by principal payments during the year. The reduction of the current portion of future income tax liability of \$3.5 million and the increase in the current portion of future income tax asset of \$1.5 million, offset by the increase in the income taxes payable of \$1.8 million represents a net decrease in working capital of \$3.2 million.

Contractual obligations

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity.

At December 31, 2009 (\$000's)	Total	2010	2011-2012	2013-2014	Thereafter
Long-term debt	99,272	11,732	22,952	21,503	43,085
Capital leases	19,534	8,351	6,312	1,760	3,111
Long-term contracts	341	195	146	-	-
Purchase obligations	77,223	20,585	37,298	19,340	-
Operating lease	341	292	49	-	-
Total	196,711	41,155	66,757	42,603	46,196

- Long-term debt obligations are comprised of the principal and interest payments.
- Capital leases consist of leases on various production facilities and a natural gas feedline at Pittsfield. These amounts are comprised of both the interest and principal payments.
- Long-term contracts are payment obligations related to natural gas transportation at the CDECCA facility. These amounts are comprised of both the interest and principal payments.
- Purchase obligations are for commitments with suppliers to purchase coal for the Milner facility and to purchase natural gas at the CDECCA facility.
- The operating lease is for the leased office space at the Corporation's head office location.

Capital Resources

The Corporation is currently estimating capital and development expenditures of approximately \$17.5 million for 2010. These expenditures include \$6.5 million to amalgamate with EarthFirst and related due diligence, \$4.2 million for development of peaking facilities in France, \$3.1 million on development projects, \$2.6 million to maintain existing facilities, and \$1.1 million on chemicals to reduce Milner nitrous dioxide emissions. Peaking facility development is to be primarily funded with debt and the remaining expenditures are to be financed through cash flows from operations and existing cash balances.

OUTLOOK

2009 Guidance

MAXIM provided updated guidance for its projected 2009 results on November 12, 2009. This guidance was based on MAXIM's existing portfolio of assets and therefore did not include the impact of possible acquisitions or commercialization of development initiatives.

Maxim Power Corp. 2009 Guidance and Results

(\$000's, except per share amounts)	Guidance on November 12, 2009	Recorded at December 31, 2009	Difference
EBITDA (refer to non-GAAP measures)	39,000	33,019	(5,981)
Net income	5,900	2,129	(3,771)
Per share – basic and diluted	\$ 0.11	\$ 0.04	\$ (0.07)
Cash provided by operations	34,000	38,789	4,789
Per share - basic and diluted	\$ 0.63	\$ 0.72	\$ 0.09

EBITDA for 2009 was \$33.0 million, which is \$6.0 million or 15% lower than guidance of \$39 million. Lower EBITDA is primarily attributable to lower revenue earned than forecast due to lower than anticipated Alberta power pool prices. Fourth quarter Alberta power prices averaged \$46 per MWh compared to the forecast price of \$53 per MWh.

MAXIM recorded net income of \$2.1 million in 2009, which was \$3.8 million lower than guidance of \$5.9 million. Lower net income is primarily attributable to lower power prices than anticipated.

Cash provided by operations was \$38.8 million or \$4.8 million higher than guidance of \$34.0 million. Higher cash provided by operations was the result of working capital fluctuations due to a decrease in accounts receivable offset by the decrease in cash inflows related to lower fourth quarter revenue.

The 2009 guidance was based on the following assumptions and is compared to results recorded at December 31, 2009.

Maxim Power Corp. 2009 Assumptions for Guidance and Results

(\$000's, except as otherwise noted)	Guidance on November 12, 2009 ⁽¹⁾	Recorded at December 31, 2009	Difference
Electricity deliveries (MWh)	1,276,000	1,226,634	(49,366)
Net generation capacity at year ending (MW)	788	788	-
Capital expenditures (excluding acquisitions)			
HR Milner	8,000	8,516	516
Other assets	3,000	3,204	204
Development projects	2,000	1,692	(308)
France facilities – investment and financing			
Acquire and repower	24,700	21,698	(3,002)
Financing	(23,400)	(15,871)	7,529
Net France facilities	1,300	5,827	4,527
Average Alberta spot electricity price	\$ 52.00	\$ 47.85	\$ 4.15
Average annual foreign exchange rates			
C\$/USD	\$ 1.15	\$ 1.14	\$ (0.01)
C\$/Euro	\$ 1.50	\$ 1.59	\$ 0.09
Weighted average shares outstanding (000's)	54,182	54,181	(1)

⁽¹⁾ Unchanged from previously updated 2009 guidance provided on August 13, 2009.

Acquisition and development initiatives

MAXIM will continue its IPP strategy to target growth through acquisitions and development of power plants in the markets of Western Canada, United States and France. MAXIM will target opportunities with generating capacity of 50 MW or greater, except in France where COMAX's distributed generation

platform targets smaller scale power plants. MAXIM will also pursue the development of its Mine No. 14 coal project as a fuel source for the production of electricity and potentially the sale of coal to third parties.

Supply and demand for electricity, reserve margins, tariff structures, and the regulatory environment will be key fundamental factors in determining whether to pursue opportunities in a market. Demand is highly correlated to economic growth and a market structure favourable to investors. Under the current global financial market conditions, Alberta's oil and gas industry has realized reduced development in comparison to recent years, which impacted the growth of demand for electricity. IPPs have obstacles to acquire the necessary capital to pursue growth objectives.

On December 2, 2009, the Alberta Energy Resources Conservation Board ("ERCB") granted Milner a permit to develop the underground coal mine referred to by the Corporation as Mine No. 14.

Mine No. 14 is to be located north of Grande Cache, Alberta and is estimated to contain 13 million recoverable tonnes of high quality metallurgical coal. (Refer to Technical Report on The No. 14 Mine Project filed on SEDAR on March 22, 2005.) MAXIM is developing the mine as a risk mitigant considered necessary as Milner's current coal supply agreement terminates in 2013. The resource is considered valuable both as a potential fuel source for its existing HR Milner generating facility and its planned 500 MW expansion of the HR Milner generating facility, and upside exists in the potential sale of coal to metallurgical coal markets.

The ERCB decision is the culmination of a three year process that involved extensive public consultation, engineering and the preparation and review of regulatory applications. Development engineering, geotechnical studies and mine plans have been completed and MAXIM is currently evaluating options to advance the development and finance this project.

MAXIM is also proposing to develop a new generating facility at the existing Milner location with the addition of 500 MW of clean coal-fired generating capacity. Environmental and engineering studies were completed in the third quarter of 2008. MAXIM filed its regulatory applications with the Alberta Utilities Commission and Alberta Environment in January of 2009. The regulatory review process has commenced and is expected to conclude in the fourth quarter of 2010.

On March 2, 2010, the Corporation amalgamated with EarthFirst Canada Inc., thereby securing the Buffalo Atlee power project, a wind generation development project located in close proximity to existing electricity transmission infrastructure, with the potential for over 200 MW of wind generation capacity. MAXIM has obtained Buffalo Atlee with the intention of advancing its development as the addition of wind generation to its existing portfolio of assets would diversify MAXIM's generation fuel types and provide the potential of carbon offsets depending upon the impact of possible carbon legislation. Wind data has been collected on the site for four years and Buffalo Atlee holds an exploratory Crown land permit with a term of four years, expiring on January 1, 2011.

In 2008, MAXIM received regulatory approvals to construct and operate the Deerland Peaking Station, a 190 MW natural gas-fired peaking facility. The station is to be located immediately adjacent to the existing Deerland high voltage substation in Alberta's industrial heartland, an area expected to experience significant growth in electrical demand. MAXIM expects peaking requirements to continue to grow to meet overall demand growth and to provide firm backup for additional intermittent wind resources. Arrangements are subject to improving power prices and market heat rates.

MAXIM requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. The current economic and financial conditions place limitations on the ability of

the Corporation to secure debt and equity financing. MAXIM maintains the flexibility to manage the timing of its acquisition and development initiatives. MAXIM accounts for its development projects as assets under construction included in property, plant, and equipment. Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project were to no longer meet these criteria, any capitalized costs for the project would be expensed in the period.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Provincial and state regulations

Pursuant to the Climate Change and Emissions Act (Alberta) which became effective on July 1, 2007, MAXIM is required to limit the production of carbon dioxide ("CO₂") at the Milner facility to an approved baseline. MAXIM was fully compliant with its 2009 and prior year baseline requirements, and was not obligated to make payments to the Alberta government's technology fund in 2009.

In 2006, the Alberta government enacted regulations under the Environmental Protection and Enhancement Act (Alberta) to specify target sulphur dioxide and nitrous oxide emissions from industrial operations. Milner is affected by these regulations and is required to reduce its nitrous oxide emissions by seventy-five percent commencing in 2013. MAXIM determined that the most cost-effective means of achieving the targets for the three-year period from 2013 to 2015 was to take early action through an investment in nitrous oxide abatement technology at the Milner facility of approximately \$3.7 million in 2009. Milner receives credits for reductions of nitrous oxide emissions prior to 2013, and such credits, subject to third-party verification, will be used to satisfy target reductions commencing in 2013. As at December 31, 2009 MAXIM has invested \$1.2 million towards these nitrous oxide emissions credits.

On January 24, 2008 the Government of Alberta announced a new climate change plan that will reduce Alberta's projected 400 million tonnes of CO₂ emissions by 50 percent by 2050. To achieve this target, the plan focuses on carbon capture and storage, conservation and energy efficiency, and "greener" energy production. MAXIM continues to assess the impact of the plan on its operations and acquisition and development initiatives.

The Corporation's facilities in the northeast U.S. are subject to the Regional Greenhouse Gas Initiative ("RGGI"). During 2008, the Corporation purchased 26,000 tonnes of allowances, which were adequate to cover the generation during 2009. Management will monitor future generation levels and acquire allowances as necessary to comply with RGGI in 2010 and beyond.

Federal government regulations

On April 26, 2007 the Government of Canada unveiled its action plan to reduce greenhouse gases and air pollution. The proposed framework for the Clean Air Regulatory Agenda ("CARA") targets stabilization then reduction of greenhouse gases and air pollutants. Short-term targets are to be expressed as reductions from 2006 levels. For existing facilities, emission "intensity" reduction targets are to be based on an improvement of 6% each year from 2007 to 2010 (for cumulative reduction of 18% of 2006 levels by 2010). Every year thereafter, a 2% continuous emission-intensity improvement will be required, resulting in an industrial emission-intensity reduction of 26% by 2015. Companies, including MAXIM, are expected to meet their obligations by reducing their own emissions, contributing to a technology fund, using emissions trading or offsets, or by using a one-time credit for verifiable "early" action undertaken between 1992 and 2006. On March 10, 2008 the Government of Canada released draft regulations addressing GHG emissions. The date that the finalized regulations will be issued is uncertain at this time.

There are indications that the U.S. federal government is moving to take active steps to reduce greenhouse gas emissions. Various pieces of federal legislation that would limit greenhouse gas emissions have been

introduced in the U.S. Congress, some form of which may be enacted at some point in the future. The U.S. Environmental Protection Agency ("EPA") has indicated it will regulate greenhouse gases (six gases including carbon dioxide) under the existing Clean Air Act. It has issued a rule requiring major greenhouse gas emitters to report such emissions. The EPA has also issued a finding that greenhouse gases endanger public health and welfare, and has indicated that it will regulate greenhouse gases from a wide range of stationary sources, including power plants. This announcement is unlikely to have a material adverse effect on MAXIM's US assets.

In the European Union, there exists a policy based on a principle of "polluter pays". Clean technologies and energy efficiency and energy conservation measures are important considerations, given the dense population and high energy demands in Europe. The Corporation's operations in France meet all current emission guidelines and the Corporation is not aware of any new legislation or environmental policies impacting current guidelines.

Climate change legislation continues to evolve. Management does not have sufficient information to fully assess the financial implications of this area of legislation on the Corporation. The cost of compliance may be recovered through sales or through commercial opportunities that mitigate additional costs. If climate change legislation burdens coal-fired generation with major new taxes that cannot be recovered from the market and there are not economic or commercial opportunities to reduce these taxes by investing in technology, efficiency and/or offsets, then this legislation could have a material effect on the Corporation's operations, cash flows and financial condition.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2009				2008 (Restated)			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	41,977	27,628	18,856	55,276	53,429	31,042	14,797	47,414
EBITDA ⁽¹⁾	8,177	6,696	713	17,433	18,251	11,189	(5,536)	15,483
Net income (loss) from continuing operations	505	848	(4,227)	5,003	7,520	3,804	(6,639)	6,129
Net gain (loss) from discontinued operations	-	-	-	-	-	-	537	(39)
Net income (loss)	505	848	(4,227)	5,003	7,520	3,804	(6,102)	6,090
Basic and diluted income (loss) per share – continuing operations	\$0.01	\$0.02	\$(0.08)	\$0.09	\$0.15	\$0.08	\$(0.15)	\$0.14
Basic and diluted loss per share – discontinued operations	-	-	-	-	-	-	0.01	-
Basic and diluted income (loss) per share	\$0.01	\$0.02	\$(0.08)	\$0.09	\$0.15	\$0.08	\$(0.14)	\$0.14
Total assets	376,621	356,112	359,986	400,431	395,720	337,380	281,193	301,814
Average Alberta electricity price per MWh	\$46	\$50	\$32	\$63	\$95	\$80	\$108	\$77
Average Milner realized electricity price per MWh	\$48	\$50	\$33	\$69	\$98	\$85	\$98	\$77

⁽¹⁾ Refer to Non-GAAP – EBITDA measure below for reconciliation of EBITDA to comparable measure calculated in accordance with GAAP. Selected quarterly unaudited financial information was prepared in accordance with Canadian GAAP except EBITDA.

Quarter over quarter revenue, EBITDA and net income are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions, weather conditions, and acquisitions and divestitures. Revenue, EBITDA and net income are generally higher in the first and fourth quarters as a

result of the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. Revenues, EBITDA and net income (loss) are also affected by seasonal Alberta power pool prices. Alberta pool prices tend to be higher during winter and summer peak load months and further impacted by supply constraints such as outages at other Alberta generation facilities.

Although quarterly revenue and EBITDA fluctuations in 2009 and 2008 are as expected based on the above, net income decreased in the fourth quarter of 2009 compared to the third quarter. This decrease is attributable to increased depreciation in France and higher tax expense during the fourth quarter.

During the third quarter of 2009, MAXIM recorded higher revenue, EBITDA and net income in comparison to the second quarter of 2009 which is when the lowest average Alberta power prices of the year were experienced. In addition to the impact of low power prices, the second quarter results were negatively impacted by the annual Milner turnaround. In the first quarter of 2009 and the third and fourth quarter of 2008, MAXIM recorded higher revenue and EBITDA as a result of the 2008 acquisitions of the Forked River and Pittsfield generating stations and a French cogeneration facility. This was partially offset by Milner realizing an average power price of \$69 per MWh in first quarter 2009 compared to \$98 per MWh in the fourth quarter of 2008. In the second quarter of 2008, Milner had an extended eight-week turnaround that resulted in lower revenue, EBITDA and net income, which was offset by the acquisition of Forked River and a higher than average Alberta power price. Revenue, net income and EBITDA were higher in the first quarter of 2008 compared to subsequent quarters in 2008 as this quarter benefited from the cogeneration season in France and continuous full production at Milner, offset by lower power prices.

2009 FOURTH QUARTER

Summary of MWh generation by location for the fourth quarter:

Facility	Q4 2009 MWh	% of 2009 MWh	Q4 2008 MWh	% of 2008 MWh
Canada – Milner power plant	290,737	80	242,601	78
Canada – other plants	19,744	5	18,966	6
United States	5,472	2	11,830	4
France	49,268	13	38,412	12
Total MWh Generation	365,221	100	311,809	100

- The table excludes Basin Creek, Forked River and the Alberta Power Project ("APP") as these facilities provide capacity in exchange for monthly capacity payments.

Fourth quarter 2009 production increased 53,412 MWh or 17% to 365,221 MWh compared to 311,809 MWh generated during the same quarter of 2008. The increase is primarily due to a 20% or 48,136 MWh increase at Milner, which generated 290,737 MWh during the three months ended December 31, 2009, compared to 242,601 MWh generated during the same period of 2008. The increase in Milner production resulted from improved availability due to the resolution of fuel mixture issues in 2008. France production also increased in comparison to 2008, generating 49,268 MWh in the fourth quarter of 2009 in comparison to 38,412 during the same quarter of 2008. The France production increase is primarily attributable to new facilities acquired in the first quarter. Partially offsetting the overall production increase is a decrease in electricity generated in the US, which produced 6,358 or 54% fewer MWh in the fourth quarter of 2009 versus 2008. The reduction resulted primarily from decreased demand, which was caused by the poor economic climate in the US.

Revenue in the fourth quarter of 2009 decreased \$11.5 million or 21% to \$42.0 million compared to fourth quarter 2008 revenue of \$53.4 million. Of this decrease, \$9.1 million is from the Canadian segment and is the result of the lower Alberta power prices in the period, which averaged only \$46 per MWh compared to \$95 MWh in the same period of 2008. Revenue in France also decreased during the quarter, dropping \$1.9 million in comparison to 2008 primarily as a result of exchange rate fluctuations and certain plants having suspended operations as they are undergoing renovations in order to provide peaking services in 2010.

Operating expenses, net of other income, for the fourth quarter 2009 have decreased \$1.6 million or 5% to \$33.5 million, from \$35.1 million in the same period of 2008. The decrease is primarily due to a decrease in operating and maintenance expense in Milner and due to cost reductions across all segments.

MAXIM incurred interest expense of \$1.4 million compared to \$1.7 million for the same period in 2008, a decrease of \$0.5 million or 19%. The decrease was primarily due to the decrease in market interest rates in comparison to 2008 and is offset by the impact of higher levels of long-term debt and the strength of the US dollar during the fourth quarter of 2009.

Income taxes decreased \$2.8 million or 100% from \$2.8 million in the fourth quarter of 2008 to \$nil in the fourth quarter of 2009. The decrease is primarily attributable to lower income in 2009 versus 2008.

Net income earned in the three month period ended December 31, 2009 decreased \$7.1 million to \$0.5 million from income of \$7.6 million during the same period in 2008. This translates to earnings per share of \$0.01 in 2009 compared to \$0.15 in 2008.

NON-GAAP MEASURE - EBITDA

(\$000's)	2009	2008	2007
GAAP Measures in 2009 and 2008 Consolidated Statements of Operations and Retained Earnings			
Net income for the year	2,129	11,312	13,724
Net (income) / loss from discontinued operations	-	(498)	(85)
Income taxes	2,895	5,751	8,192
Interest expense	5,620	6,037	4,849
Depreciation and amortization	21,669	16,785	13,769
Litigation settlement (France)	706	-	-
Non-GAAP measure - EBITDA	33,019	39,387	40,449

EBITDA is provided to assist management and investors in determining the Corporation's earnings before interest, taxes, depreciation and amortization and does not have any meaning prescribed in Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies.

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure is required of all off-balance sheet arrangements that are reasonably likely to have a current or future effect on the results of operations or financial condition of the Corporation. MAXIM has no such off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make certain estimates, assumptions and judgments in the application of Canadian generally accepted accounting principles which have a significant impact on the consolidated financial statements. The following outlines the accounting policies and practices involving the use of estimates that are critical in determining the financial results of the Corporation.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired on the reverse take over of Milner and is assessed for impairment on an annual basis. Goodwill is allocated to specific facilities at the time of acquisition. If it is determined the fair value of the facility is less than the book value of the facility at the time of assessment, an impairment amount is determined by deducting the book value from the fair value and the shortfall is an expense in the period.

Fair value of a facility is determined based upon the estimated discounted future cash flows. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs. Management has determined no impairment exists at December 31, 2009.

Useful life and salvage value of property, plant and equipment

Property, plant and equipment ("PP&E") is amortized over its estimated useful life net of salvage value. The estimated useful life of the facilities are based upon current conditions and prior knowledge, which take into consideration specific contracts, agreements, condition of the asset, technology, future legislation, production and use of the asset, regular maintenance programs and estimated demand for the products. The facilities are operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

Salvage value is estimated to be the amount received from third parties at the end of the useful life of the facilities. These amounts are estimated by management based on current period pricing. Actual amounts received may differ from estimated amounts.

Impairment of long-lived assets

MAXIM evaluates its PP&E, including assets under construction, on an annual basis for indicators of impairment. These indicators include, but are not limited to, adverse changes in power prices, operating costs, legislation, physical condition and utilization of the facility. If an indication of impairment exists, management estimates the future undiscounted cash flows of the facility to determine if impairment does exist. If the undiscounted cash flow of the facility is less than the book value, the fair value of the facility is calculated using the discounted cash flow approach. An impairment of the difference between the book value and the fair value is expensed in the period.

Fair value of a facility is determined by calculating the estimated discounted future cash flows. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs. Management has determined no impairment exists at December 31, 2009.

Income taxes

MAXIM follows the asset and liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized based on temporary differences. The Corporation conducts business in several different tax jurisdictions, which results in numerous tax calculations. In preparation of the consolidated financial statements, management is required to make estimates of income taxes in each of the tax jurisdictions. These estimates include current tax exposure, assessments on temporary differences along with timing on the reversal of those temporary timing differences.

Asset retirement obligation

An asset retirement obligation is recognized in the consolidated financial statements when a legal commitment exists and a reasonable estimate of the fair value of the liability can be made. These liabilities include legal obligations to remove tangible equipment and restore project sites to an acceptable level at the end of each project's respective life. In determining asset retirement obligations management is required to make assumptions regarding timing of cash flows, estimated costs to clean up and restore sites, rates of inflation, and the credit-adjusted risk-free rate of borrowing. Actual payments to settle the obligations may differ from estimated amounts.

MAXIM has not recorded an asset retirement obligation for Milner because, at present, the Balancing Pool is responsible for the cost to decommission the facility. No asset retirement obligation is recorded for the France segment given that COMAX has no legal liability to restore French project sites.

NEW ACCOUNTING PRONOUNCEMENTS

International financial reporting standards ("IFRS")

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Comparative figures for the equivalent periods of 2010 are required. MAXIM is continuing to assess the impact of IFRS on accounting policies, financial statements, internal controls, information systems and business activities.

MAXIM has developed an IFRS changeover plan that includes initial assessment, detailed assessment and implementation phases. The Corporation has completed the initial assessment stage, which included certain staff training, obtaining external IFRS expertise, researching and documenting the impact of significant differences between Canadian GAAP and IFRS, and performing the preliminary assessment of IFRS information technology systems requirements.

Following initial assessment, MAXIM concluded that although IFRS uses a conceptual framework similar to Canadian GAAP, certain recognition, measurement, and disclosure differences exist which may have a significant impact on the Corporation's financial reporting. The initial assessment phase determined that these areas include, but are not limited to, property, plant and equipment, impairment, business combinations, leases, future income taxes, and provisions.

The Corporation has now progressed well into the detailed assessment stage, which includes assigning various financial statement items and disclosures to work groups that are focused on concluding on IFRS 1 elections, identifying and documenting detailed differences between IFRS and Canadian GAAP, assessing the impact of such differences on the Corporation, and preparing detailed technical papers on the Corporation's IFRS accounting policies and choices. MAXIM's auditor, KPMG, is reviewing these technical papers as they are being prepared, and upon finalization these papers will form the foundation for MAXIM's accounting and reporting policies under IFRS. Completion of the detailed assessment stage is expected by the end of the third quarter of 2010.

MAXIM previously indicated its expectation that detailed testing and implementation of IFRS, along with employee training and designing internal controls to support IFRS would be completed concurrently with reporting the Corporation's 2009 results. The Corporation has entered the detailed testing and implementation stage of the IFRS conversion and now anticipates that this phase will be completed by December 31, 2010. During this stage of the changeover project MAXIM will:

- quantify the impact of IFRS differences and prepare an opening IFRS balance sheet as at January 1, 2010
- prepare and maintain quarterly reconciliations between Canadian GAAP and IFRS during 2010
- obtain supplemental training as needed
- design, document and test internal financial reporting and disclosure controls to support certification of controls during and after the initial transition to IFRS
- obtain Board and Audit Committee approvals of exemption elections and accounting policy choices and related documentation

All above implementation steps will be completed for full IFRS compliance for the fiscal year 2011.

MAXIM's detailed assessment to date has resulted in the identification of the areas most likely to significantly impact the corporation. Those areas include, but are not limited to the following:

1. *Accounting Policy Impacts and Decisions*

a) First-time adoption of IFRS

IFRS 1 provides the framework for first-time adoption of IFRS and generally requires that an entity shall apply IFRS retrospectively, with conversion adjustments recognized directly in retained earnings. Certain optional exemptions from retroactive restatement are available and certain mandatory exceptions prohibit retroactive application. Although decisions are not final, based on assessment to date MAXIM expects to apply the following elective exemptions:

- i. Business combinations: The Corporation anticipates that it will not apply IFRS 3 - Business Combinations retrospectively. Accordingly, MAXIM will not restate business combinations or modify the carrying values arising on business combinations that took place prior to the January 1, 2010 transition date.
- ii. Fair value or revaluation as deemed cost: The Corporation expects to apply the election to use the fair value of property, plant, and equipment as measured on the March 31, 2005 reverse takeover as deemed cost for assets owned at that date and the purchase price as cost for assets acquired subsequent to the reverse takeover. The deemed cost for MAXIM PP&E will remain unchanged as originally reported under Canadian GAAP, but net book value will be impacted by depreciation policies applied subsequent to purchase dates. (Refer to Property, plant, and equipment, below.)
- iii. Share-based payment transactions: The Corporation expects to apply the exemption from applying IFRS 2 - Share-Based Payments to stock options granted before November 7, 2002 or options granted after November 7, 2002 that vested before the transition date of January 1, 2010. Through applying this election MAXIM will avoid retroactively restating stock based compensation expense related to the categories of stock options noted, however, all stock options which have not vested at the date of transition are still required to be fair valued and accounted for in accordance with IFRS. The Corporation is currently assessing the impact of this election.
- iv. Cumulative translation differences: IFRS 1 allows first time adopters to elect not to apply IAS 21 - The Effects of Changes in Foreign Exchange Rates to cumulative translation adjustment ("CTA") balances existing at the date of transition to IFRS. Although differences between IAS 21 and Canadian GAAP are minimal, and therefore retroactive

restatement to comply with the IAS is not anticipated to require significant adjustments, if MAXIM chooses to apply the election all foreign currency translation adjustments accumulated in other comprehensive income at the time of transition may be reclassified to retained earnings. The Corporation will not make a final decision regarding the CTA election until the end of 2010.

- v. Changes in existing decommissioning, restoration and similar liabilities: MAXIM expects to apply the exemption from retrospective application of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, which would require recalculation of the Corporation's asset retirement obligation retroactively. MAXIM will instead measure the IAS 37 compliant asset retirement obligations and corresponding amortized PP&E balance as at the January 1, 2010 IFRS transition date and will record any adjustments to retained earnings.
- vi. Borrowing costs: MAXIM expects to apply IAS 23 – Borrowing Costs, which requires capitalizing borrowing costs relating to qualifying assets, on a prospective basis only. In order to use this election and apply IFRS prospectively, certain borrowing costs incurred prior to January 1, 2010 in relation to construction of facilities will be derecognized and charged directly to retained earnings.
- vii. Leases: MAXIM may apply the transitional provisions in IFRIC 4 – Determining whether an Arrangement contains a Lease to determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date rather than evaluating the lease at the historical date when the lease agreement was entered into. The Corporation is currently assessing the impact of the election and expects to apply the election if any agreements existing on January 1, 2010 are found to contain a lease under IFRS but not under GAAP.

The remaining elective exemptions have little or no applicability to MAXIM.

b) Property, plant and equipment

IFRS and Canadian GAAP contain the same basic principles of accounting for PP&E; however, differences do exist that will impact the Corporation. IAS 16 - Property, Plant and Equipment requires PP&E to be divided into major components, with each component depreciated separately based on its individual characteristics and economic life. MAXIM's facilities are to be comprised of the following material component categories: (1) engines and generators, (2) water, heat and steam equipment, (3) inspections and turnaround costs, and (4) other. Depreciation under IFRS must be recalculated retrospectively because the new PP&E component groupings and related potential change in depreciable lives will result in depreciation amounts that differ from amounts originally calculated under Canadian GAAP. Any difference between accumulated amortization calculated under Canadian GAAP and IFRS will be offset through an adjustment to retained earnings on the opening balance sheet.

Unlike Canadian GAAP, IFRS 16 does not allow capitalization of administration and overhead costs as part of the cost of PP&E. As a result, any previously capitalized administration and overhead costs will be removed from PP&E, with an offsetting adjustment to retained earnings.

c) Impairment

Differences between Canadian impairment testing and that performed in accordance with IAS 36 - Impairment of Assets centre on the level the impairment test is performed at and the approach taken for the impairment test. IAS 36 requires that cash generating units (“CGUs”) be used for the purpose of impairment testing and, unlike Canadian GAAP, the standard prohibits the use of an undiscounted cash flow test to assess whether assets are impaired. These differences may result in more frequent impairment related losses than under GAAP. Under IAS 36, losses related to previous impairments may be reversed where circumstances that gave rise to the impairment are reversed.

MAXIM’s preliminary determination is that each North American generating facility represents a CGU and that the France segment may be divided into two distinct CGUs. MAXIM is currently in the completion stage of impairment model development.

d) Business combinations

IFRS 3, Business Combinations, requires that transaction costs, which are capitalized as part of the purchase price under Canadian GAAP, be accounted for separately from a business combination and that they must be expensed as incurred unless they are costs related to the issue of debt or equity. As previously noted, MAXIM will use an IFRS 1 election to apply this standard on a prospective basis.

e) Income taxes

Upon transition to IFRS, MAXIM anticipates an adjustment to future income taxes to reflect changes to the accounting cost basis of assets and liabilities as required by the current version of IAS 12 - Income Taxes. IAS 12 is currently under review by the IASB and, at the date of this MD&A, mandatory adoption of the revised standard is expected to be required for reporting periods ending after December 31, 2011. MAXIM continues to monitor developments and will assess the impact of standard changes as they are released.

f) Provisions

Under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, the carrying amounts for MAXIM’s asset retirement obligations are expected to increase as they are adjusted to comply with the IFRS requirement to discount future cash flows using the risk-free rate rather than the credit-adjusted risk-free rate currently used by MAXIM under Canadian GAAP standards.

g) Leases

Under GAAP and IFRS, leases that transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item are capitalized at the commencement of the lease term at their present value. GAAP prescribes specific thresholds for evaluating whether substantially all the risks and rewards incidental to ownership of the leased item are transferred, while IFRS does not contain such specific thresholds. Canadian GAAP and IFRS may use different rates to measure the present value of the lease. The Corporation is currently assessing its lease contracts, including contingent lease payments, to determine the impact of the transition to IFRS.

2. *Information systems*

The detailed assessment stage also involved the assessment of the impact of IFRS on information systems requirements. Management has determined that the Corporation's current system is capable of accounting for IFRS differences, with one exception. The additional detailed information required to be maintained for property, plant, and equipment cannot be contained within the limits of the current accounting system. In order to ensure an efficient conversion to IFRS the Corporation purchased an additional accounting system module that has been designed specifically to handle IFRS componentization requirements. Training and implementation will be performed in 2010.

3. *Internal Control over Financial Reporting and Disclosure*

All entity level, information technology, disclosure, and business process controls will require updating and testing to reflect any changes arising from the Corporation's conversion to IFRS. Material changes to the overall nature of MAXIM's financial reporting and disclosure controls are not anticipated, however, additional controls will be added to formalize the additional management review, etc., required for the extensive initial and ongoing reporting of IFRS financial statements, notes and disclosures. Testing will be completed by December 31, 2010 to facilitate the 2011 certification of internal controls as required under Canadian Securities Administrators' National Instrument 52-109.

4. *Business activities*

a) *Debt covenants*

MAXIM is required to meet certain financial covenants included in its loan agreement with BMO, with several components of the covenants calculated based upon Canadian GAAP accounting. The Corporation is currently in discussion with BMO to identify a transition measure that deals with material changes, if any, that arise due to the transition to IFRS. Management anticipates that BMO will work with management in good faith to amend financial covenants that are materially impacted by IFRS.

b) *Counterparty credit requirement*

MAXIM uses financial information prepared under Canadian GAAP to test and monitor the credit worthiness of counterparties in Canada. MAXIM does not anticipate that material changes will be required to test credit-worthiness and plans to amend its monitoring requirements during the fourth quarter of 2010 if necessary.

5. *Other*

The conversion to IFRS will impact the way the Corporation presents its financial results. The first financial statements prepared under IFRS will be issued for the three month period ended March 31, 2011 and will include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

While tentative conclusions have been drawn regarding most key accounting policies and significant elections, it is important to note that the final numerical impact of most IFRS standards on MAXIM financial statements have not yet been quantified. Additionally, several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB") and amendments to certain standards are expected to continue up to the transition date of January 1, 2011. MAXIM continues to monitor IASB progress and to assess the

impact that resulting IFRS changes may have on the Corporation. Since all changes to IFRS which will be effective as at January 1, 2011 are not known, any conclusions drawn at this point in time are considered preliminary.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk is inherent in all business activities and cannot be entirely eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect MAXIM's future results and activities to mitigate these risks. These risks do not occur in isolation, but must be considered in conjunction with each other. Certain sections will show the after-tax effect on net earnings and cash flows of changes in certain key variables. The analysis is based on business conditions and production volumes in 2009. Each item in the sensitivity analysis assumes all other potential variables are held constant. While these sensitivities are applicable to the period and magnitude of changes on which they are based, they may not be applicable in other periods, under other economic circumstances, or for a greater magnitude of changes.

Financial risks and financial instruments

The Board of Directors has overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The Audit and Risk Management Committee reports regularly to the Board of Directors on its activities.

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

MAXIM may utilize derivative financial instruments to manage market risk arising from volatile commodity prices, floating interest rates and changes in foreign currency rates. Derivative financial instruments are not used for speculative purposes.

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which MAXIM sells electricity or thermal energy is unable or unwilling to fulfill their obligations.

Trade receivables are predominantly with government sponsored entities. For trade receivables from customers who are not government sponsored entities, MAXIM will request letters of credit or other security such as guarantees where appropriate. The Corporation utilizes regular credit monitoring processes to mitigate credit risk.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analysis. MAXIM maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of

allowable US accounts receivable balance up to \$10.0 million. At year end 2009, MAXIM has drawn \$1.8 million (2008 - \$2.1 million) as letters of credit against this facility.

Through COMAX, the Corporation has entered into a credit facility to a maximum of EUR 0.8 million for the purpose of financing working capital. The facility is margined on accounts receivable in France. As at December 31, 2009 the full amount of this facility was available.

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market price risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

(i) Foreign currency exchange risk:

MAXIM is exposed to foreign currency fluctuations as the Corporation has a major portion of its assets and liabilities denominated in U.S. dollars and Euros. The carrying value of these assets and liabilities fluctuates with changes in foreign currency exchange rates.

Cash outflows for principal and interest payments on long term debt, capital leases and long-term contracts are denominated in currencies that match the cash flows generated by the underlying operations, thereby forming a "natural" economic hedge between cash flows from operations and obligations. No derivatives have been entered into during the year to further manage risks associated with adverse cash flows.

In respect of other monetary assets and liabilities denominated in foreign currencies, MAXIM ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. On February 9, 2010, MAXIM entered into a foreign exchange agreement with BMO to sell EUR 1.3 million at \$1.4708. The transaction was settled on February 17, 2010.

If the Canadian dollar equivalent of both the Euro and the US dollar increased by 5% at December 31, 2009, the result would be an increase in net income of \$0.7 million (2008 - \$nil) and a decrease in other comprehensive income of \$5.0 million (2008 - \$5.2 million). A 5% decrease in both the Euro and the US dollar would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular interest rates and commodity prices, remain constant. The analysis is performed on the same basis for 2008.

(ii) Interest rate risk

Interest rate risk is the risk of changes in the borrowing rates of the Corporation. MAXIM partially mitigates its interest rate risk by either borrowing at fixed rates or entering into interest rate swap agreements to fix the interest rate on certain floating rate debt.

The following table shows financing of the Corporation by type of interest rate

(\$000's)	Long-term debt ⁽¹⁾	Capital leases	Effect of interest rate swaps	Total financing
Fixed	30,818	13,072	31,666	75,556
Variable	45,590	3,863	(31,666)	17,787 ⁽²⁾
Total financing	76,408	16,935	-	93,343

(1) Excludes deferred financing fees

(2) \$9.7 million of variable interest rate financing is capped at rates ranging from 4.497% to 4.720%

On September 3, 2009, MAXIM entered into an interest rate swap agreement with BMO. This agreement effectively changed the BMO Facility B interest from a floating interest rate based on bankers' acceptances to a fixed interest rate of 2.02% plus stamping fees of 2.00% to 2.25% for the \$6.4 million drawn under this facility on September 10, 2009.

On January 30, 2009, MAXIM entered into an interest rate swap agreement with BMO. This agreement effectively changed the BMO Facility B interest rate from a floating interest rate based on bankers' acceptances to a fixed interest rate of 1.99% plus stamping fees from 2.00% to 2.25% for the original \$29.8 million drawn under the facility prior to September 10, 2009.

Both interest rate swap agreements are effective until May 31, 2012 and are considered to be effective hedges. MAXIM anticipates these financial instruments will be accounted for as hedges in future periods.

MAXIM reviewed the sensitivity of fluctuations to the Euribor rate and Canadian bank rate on remaining variable rate long-term obligations and found the impact on MAXIM's net income, other comprehensive income and cash flows was \$nil.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity, natural gas and coal. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. Otherwise, the Corporation does not hedge its exposure to gas price volatility.

MAXIM manages the risk of coal price fluctuation through a long-term coal supply contract to purchase a large portion of its Milner coal requirements at a fixed price. The parties to this contract are currently engaged in an arbitration process regarding the price that MAXIM pays for the coal for the period of February 1, 2009 to December 31, 2013. (See Other Risks (b) Coal Supply.)

As at December 31, 2009, an appreciation in electricity prices of \$1 per MWh would have increased net income by \$0.7 million (2008 – \$0.5 million) and decreased other comprehensive income by \$nil (2008 – increase of \$nil). A weakening of electricity prices by this amount would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2008.

As at December 31, 2009, an appreciation in natural gas prices by \$1 per gigajoule would have decreased net income by \$0.4 million (2008 – decrease of \$0.6 million) and increased other comprehensive income by \$nil (2008 – decrease of \$0.1 million). If average natural gas prices were to decrease by this amount, it would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2008.

As at December 31, 2009, an appreciation in coal prices by 2% would have decreased net income by \$0.3 million (2008 - \$0.2 million) and would not effect other comprehensive income. A reduction of coal prices by this amount would have the opposite effect on other net income with no impact on other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, electricity prices and interest rates remain constant. The analysis is performed on the same basis for 2008.

(d) Fair value of financial instruments:

The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method. The carrying value of long-term debt and capital lease obligations approximates their fair value at December 31, 2009 due to small movements of interest rates throughout the year.

Where necessary, the fair value of a financial instrument is determined by reference to prices from markets or exchanges. When markets or exchanges are unavailable, comparisons to similar instruments and utilization of common valuations techniques may be employed.

Other risks

(a) Global financial crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially in 2008. Although economic conditions improved towards the latter portion of 2009, these factors have negatively impacted Corporation valuations and will impact the performance of the global economy going forward.

(b) Coal supply

Milner Power Limited Partnership's ("MPLP") supply of thermal coal to the Milner Facility is primarily sourced and subject to Coal Valley Resources Inc.'s ("CVRI") ability to mine and deliver thermal coal from the Coal Valley mine located in Hinton, Alberta. In July of 2008, MPLP exercised its option to extend the term of the coal supply agreement ("CSA") for an additional five years expiring on December 31, 2013. The price of coal during the extension term is established in the CSA and reflects an annual inflation adjustment over the prior year's price. It is CVRI's view that it has the right to initiate a price review and has given notice to MPLP that it wishes to review the price for the extension term. It is MAXIM's view that the price review can only be initiated if anticipated operating costs at the Coal Valley mine would not allow its profitable operation at the price levels set out in the CSA. MAXIM does not believe this condition has been satisfied and does not believe a price review is warranted under the CSA. If this condition was satisfied, pricing could be adjusted to an amount that provides the Coal Valley mine with a reasonable level of profit over its anticipated operating costs. Such an adjustment could result in a material obligation arising during the second quarter of 2010 relating to coal purchased up to the date of the arbitration decision and could result in a material adverse impact to MAXIM's 2010 earnings. CVRI has referred this matter to arbitration and a decision is not anticipated until the second quarter of 2010. Development of Mine No. 14 could mitigate this impact beyond 2010.

(c) Landfill gas

MAXIM's current landfill gas sources may be inadequate for MAXIM's operations. The productivity of a landfill gas resource may decline more than anticipated, resulting in insufficient reserves being available for sustained generation of the electrical power capacity desired. An incorrect estimate by MAXIM or an unexpected decline in productivity could negatively impact MAXIM's operating results. MAXIM monitors this risk through the use of independent engineering studies to assess fuel resources.

(d) Industry risks

Electric and thermal energy projects involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Corporation is dependent upon the creditworthiness and delivery obligations of its counterparties. The failure of such parties to conduct their business in accordance with contract terms and conditions could have a material negative impact on MAXIM's financial results.

The Corporation's operations are subject to the risks normally incidental to a power project's operations, including equipment malfunctions, technical risks and operational upsets. These risks have been mitigated by performance, insurance and warranty conditions in place with MAXIM's current equipment suppliers for the term of the contracts. In accordance with customary industry practice, MAXIM is not, and will not be, fully insured against all of these risks, nor are all such risks insurable.

MAXIM has exposure to market fluctuations in the demand for and price of electricity, generating capacity and thermal energy, and is exposed to the risk of operational problems with facilities and extensive government regulation relating to price, taxes, royalties, exports and many other aspects of the electric and thermal energy business. The Corporation is also subject to a variety of waste disposal, pollution control and similar environmental laws. Most of these risks are managed by well-structured contracting provisions that require MAXIM's customers to guarantee minimum demand charge payments for capacity and by the project host undertaking to supply fuel and permitting requirements. MAXIM assumes price risk for sales to the AESO and ISO-NE.

Power generation operations are subject to the risk normally encountered by companies engaged in activity utilizing mechanical and thermal-fired electricity generation techniques, including unusual and unexpected power draws, mechanical difficulties and other conditions involved in the generation of energy using these methods. Although adequate precautions to minimize risk are routinely taken, power generation operations are subject to hazards such as equipment failure or failure of power distribution systems being served which may result in service interruption. Such interruption may adversely affect the ability of MAXIM to fulfill its duties under existing power generation contracts and may impact its ability to attract new customers. In addition, the existing power distribution system in the areas served or to be served by MAXIM may not be capable of effectively utilizing all of the power supplied by MAXIM.

MAXIM has exposure to the risk that natural gas used to power certain US facilities may not be available. The Corporation mitigates this risk by using turbines with dual fuel capability. All turbines used in US Northeast facilities (CDECCA, Pawtucket, Forked River, and Pittsfield facilities) may be operated using natural gas or fuel oil. When the risk for restricted access to natural gas is high, the facilities offer their electricity based on fuel oil prices to compensate for the higher cost of the alternate fuel.

MAXIM purchases its power generation equipment from third party manufacturers. The cost of future equipment purchases may be higher than currently envisaged due to unforeseen circumstances including fluctuations in currency exchange rates. Such unforeseen circumstances and currency fluctuations may have an adverse impact on MAXIM's future earnings potential.

(e) Regulation of industry

MAXIM's activities are subject to complex and stringent energy, environmental and other governmental laws and regulations. The construction and operation of power generation facilities require numerous permits, approvals and certificates from appropriate federal, state and local governmental agencies, as well as compliance with environmental protection legislation and other regulations. While management of MAXIM believes that it has obtained the requisite approvals for MAXIM's existing operations and that MAXIM's business is operated in accordance with applicable laws, MAXIM remains subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or new laws and regulations may become applicable to MAXIM that may have a negative effect on MAXIM's business and results of operations. MAXIM may be unable to obtain all necessary licenses, permits, approvals and certificates for proposed projects, and completed facilities may not comply with all applicable permit conditions, statutes or regulations. In addition, regulatory compliance for the construction of new facilities is a costly and time-consuming process. Intricate and changing environmental and other regulatory requirements may necessitate substantial expenditures to obtain permits. If a project is unable to function as planned due to changing requirements or local opposition, it may create expensive delays or significant loss of value in a project.

(f) Foreign operations

MAXIM is currently conducting business in Canada, USA, and France. Any changes in government policies could have a significant impact on MAXIM's business ventures in such jurisdictions. Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation and regulation, taxation, royalties, duties, rates of exchange, inflation, exchange control, repatriation of earnings and civil unrest. There are no assurances that the economic and political conditions in the countries in which MAXIM operates and intends to operate will continue in such countries as they are at the present time. The effect of these factors cannot be accurately predicted.

(g) Project development

MAXIM's power project development activities may not be successful. The development of power generation facilities is subject to substantial risks. In connection with the development of a power generation facility, MAXIM must generally obtain necessary power generation equipment, governmental permits and approvals, fuel supply and transportation agreements, sufficient equity capital and debt financing, electrical interconnection agreements, site agreements and construction contracts, and access to power grids. Failure to obtain any of the foregoing may result in increased costs or termination of projects, which may lead to a write down of the carrying amount of projects. MAXIM mitigates these risks by using skilled staff, hiring consultants, contracting certain activities on a "turn-key" basis, and following a disciplined model of managing capital at risk on a progressive basis.

(h) Competition

The electricity production industry is competitive in all phases. MAXIM, as an independent participant in that industry, faces competition from other independent companies and major companies engaged in electricity production and sale. MAXIM holds no proprietary interests in the technology utilized by it in the power generation business and accordingly there are no barriers impeding new competitors from entering into the same business or utilizing the same technology as MAXIM or different power generation technologies. MAXIM mitigates this risk through strategic relations, optimizing its capital structure to lower its cost of capital and effective capital deployment and asset optimization.

(i) Management

MAXIM strongly depends, and will continue to depend, on the business and technical expertise of its management. The unexpected loss of any of MAXIM's key management personnel may have a serious impact on MAXIM's business. At present, only John R. Bobenic, President and Chief Executive Officer of MAXIM, has a key-man insurance policy in place. All members of MAXIM's management have entered into non-competition and non-disclosure agreements with MAXIM. As MAXIM's operations expand, additional general management resources will be required, especially since MAXIM encounters risks that are inherent in doing business in several countries.

(j) Future financing and project financing

MAXIM may require additional financing to proceed with its business activities; however, there is no assurance that adequate financing will be available on acceptable terms, if at all. Should MAXIM be unable to obtain financing for its development initiatives, it may be necessary to write down the carrying value of certain development initiatives.

From time to time, MAXIM may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase MAXIM's debt levels above industry standards for companies of similar size. Depending upon future capital plans, MAXIM may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither MAXIM's articles nor its by-laws limit the amount of indebtedness that MAXIM may incur. The level of MAXIM's indebtedness from time to time could impair the ability of MAXIM ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

MAXIM endeavours to use debt to the extent possible on a no or limited recourse basis. It also endeavours to fix its energy input costs and lock in profits from long-term sales contracts. As MAXIM incurs the financing risk in this scenario, it will bear the risk that a third party would default on its obligations under such long term purchase or sales contracts, in which case MAXIM may be responsible for the outstanding debt.

Currently, MAXIM has generating capacity which is not secured by long-term contracts and debt financing which has recourse.

(k) Power sales agreements

MAXIM depends largely on its electricity and thermal energy customers. Some of its power generation facilities currently rely on one or more power sales agreements with one or more utility or other customers for all or substantially all of such facility's revenue. Other facilities operate on a "merchant" basis, selling their energy into spot markets. The profitability of a merchant power plant

is largely impacted by the price of electricity, the cost of fuel, and the efficiency with which the plant converts fuel into electricity (the plant "heat rate"). The loss of any one power sales agreement with any of its customers could have a negative effect on MAXIM's results of operations. In addition, any material failure by any customer to fulfill its obligations under a power sales agreement or any supplier under a fuel supply agreement could have a negative effect on the cash flow available to MAXIM and its results of operations.

SUBSEQUENT EVENTS

On March 2, 2010, MAXIM amalgamated with EarthFirst Canada Inc. ("EarthFirst") through a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement"). Closing of the Arrangement had been subject to certain conditions including completion of the previously announced sale by EarthFirst of its Dokie I project, a vote by MAXIM shareholders in favour of the Arrangement, approval of the Arrangement Agreement by the Court of Queen's Bench of Alberta pursuant to EarthFirst's ongoing CCAA proceedings, and customary court and regulatory approvals (including those of the Toronto Stock Exchange). All such conditions have been satisfied and MAXIM has invested \$5.9 million plus closing costs to consummate the Arrangement.

The amalgamation with EarthFirst provides MAXIM with a strategic Alberta power project development opportunity. The Buffalo Atlee Power Project ("Buffalo Atlee"), situated near Brooks, Alberta, has the potential for over 200 megawatts of wind generation capacity. MAXIM intends to invest further in the development of this site and explore other wind generation opportunities. At closing, EarthFirst had no material liabilities and \$117.4 million in Canadian tax pools related to the power business.

COMAX has entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services for a term of eight years. COMAX will provide these services through ten distributed generation sites, five of which represent new sites acquired for this purpose and five of which are existing power plants being adapted for this purpose. The total investment is \$10.0 million (EUR 6.8 million), of which \$9.6 million (EUR 6.5 million) is being provided by a number of French banks, and the remaining \$0.4 (EUR 0.3) is being provided with cash on hand. Work will be carried out through the spring of 2010 to reconfigure equipment at certain sites for commercial operations to commence on July 1, 2010.

CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and the Vice President, Finance and Chief Financial Officer ("CFO"), together with management have designed and maintained disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2009, and based on that evaluation have concluded that the Corporation's disclosure controls and procedures are not effective as of December 31, 2009 for the foregoing purposes due to the weakness discussed below for internal control over financial reporting.

The CEO and the CFO are also responsible for designing and maintaining internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation which are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally

accepted accounting principles ("GAAP"). MAXIM has adopted the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations ("COSO Framework") for the design of its internal controls over financial reporting.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's internal control over financial reporting and have identified the following material weakness in the operation of the Corporation's internal control over financial reporting as of December 31, 2009. The Corporation does not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management mitigates this weakness by periodically utilizing outside consultants for assistance as required to the fullest extent reasonable or by developing in-house expertise or recruiting personnel with the necessary expertise; however, such mitigating procedures do not constitute a compensating control for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The Corporation has determined that it is not cost-effective to fully remediate this weakness and accordingly a weakness will continue in the foreseeable future. No impact on amounts reported for 2009 or 2008 is anticipated.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No changes in the Corporation's internal controls over financial reporting were identified during 2009 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter into any related party transaction during 2009 or 2008. At December 31, 2009 and 2008 the Corporation had \$nil in accounts payable to related parties.

OTHER INFORMATION

Outstanding share data

Issued common shares at December 31, 2008	54,348,991
Normal course issuer bid	(316,900)
Total issued common shares at December 31, 2009 and March 25, 2010	54,032,091
Outstanding share options	4,393,992
Total diluted common shares at March 25, 2010	58,426,083

Additional information relating to MAXIM including the Annual Information Form is posted on SEDAR at www.sedar.com under Maxim Power Corp. and at the Corporation's website www.maximpowercorp.com.

GLOSSARY OF TERMS

The following are definitions of certain terms used throughout this MD&A:

"Alberta Power Pool" - An independent, central, open-access pool that functions as a spot market for all energy bought and sold in Alberta, matching demand with the lowest supply to establish an hourly pool price

"APP" - The Alberta Power Project, consisting of four separate facilities in southern Alberta with a combined 25 MW capacity, was constructed by MAXIM in 2001, operates through a tolling agreement, and is included in the Canada segment for the purposes of reporting segmented information

"Balancing Pool" - Organization established by the Government of Alberta in 1999 to help manage certain assets, revenues and expenses arising from the transition to competition in Alberta's electric industry

"Basin Creek" - Basin Creek generating facility, a 52 MW generating facility located in Montana and operated under a 20 year tolling agreement, commenced operations on July 1, 2006 and is included in the United States segment for the purposes of reporting segmented information

"BMO" - Bank of Montreal

"Capacity" - The rated continuous load-carrying ability, expressed in megawatts, of generation equipment (throughout the MD&A references to electric and thermal capacity are stated in "nameplate" capacity)

"CARA" - Clean Air Regulatory Agenda, an integrated, nationally-consistent approach to the regulation of greenhouse gas and air pollutant emissions which is the capacity that the manufacturer has stated the equipment is capable of producing)

"CICA" - Canadian Institute of Chartered Accountants

"Cogeneration" - The combined, simultaneous generation of heat (usually in the form of hot water or steam) and power (usually in the form of electricity)

"COMAX" - Comax France S.A.S., MAXIM's wholly-owned French subsidiary

"CSA" - Coal supply agreement

"CVRI" - Coal Valley Resources Inc.

Dispatch - Intermittent operation as dictated by a local system operator or the party to a tolling agreement

"EdF" - Electricité de France

"EPA" - Environmental Protection Agency of the United States of America

"ERCB" - Energy Resources Conservation Board of Alberta

"Exchange" - Toronto Stock Exchange

"Forked River" - Forked River Power Plant, an 86 MW power plant located in Ocean County, New Jersey, was acquired by MAXIM on April 17, 2008, is run under a tolling agreement, and is included in the United States segment for the purposes of reporting segmented information

"IFRS" - International Financial Reporting Standards

"IPP" - Independent power producer, meaning a corporation or other entity that owns or operates facilities for the generation of electricity that is purchased at wholesale prices and that is not a rate-regulated electric utility

"G&A" - General and administrative expense

"GAAP" - Generally accepted accounting principles

"Gift Lake" - Gift Lake Power Plant, a 0.8 MW plant located in north-central Alberta, was sold by MAXIM in June 2008 and was previously included in the Canada segment for the purposes of the reporting of segmented information

"Gold Greek" - Gold Creek generating facility, a 6.5 MW generating facility acquired by MAXIM in 2001, utilizes waste heat from a main line gas compressor to generate power and is included in the Canada segment for the purposes of reporting segmented information

"Heat Rate" - A measure of conversion, expressed as MMBtu/MWh or GJ/MWh, of the amount of thermal energy required to generate electrical energy

"MAXIM" - Maxim Power Corp.

"MD&A" - Management's Discussion and Analysis

"Milner" - HR Milner, a 150 MW (nameplate capacity) coal-fired power station located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005

"MPLP" - Milner Power Limited Partnership

"MW" - Megawatt, a measure of electricity that is equivalent to one million watts

"MWh" - Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour

"NCIB" - Normal Course Issuer Bid, the action of a company buying back its own outstanding shares from the market so it can cancel them in order to add value to remaining outstanding shares

"O&M" - Operations and maintenance

"PPA" - Power Purchase Agreement, a contract between an electricity generator and customer for the supply of energy and/or capacity, typically used to sell the output of an electrical generating asset for a defined revenue stream (see also tolling agreement)

"Peaking facilities" - Power plants normally reserved for operation during the hours of highest demand, known as peak demand, for electricity

"Pittsfield" - Pittsfield generating station, a 170 MW electric power plant in Pittsfield, Massachusetts, was acquired by MAXIM on August 6, 2008 and is included in the United States segment for the purposes of reporting segmented information

"RGGI" - Regional Greenhouse Gas Initiative, a cooperative effort by ten Northeast and Mid-Atlantic states to limit greenhouse gas emissions

"Somal" - Somal Power Plant, a 7 MW cogeneration plant in France, was acquired by COMAX on April 1, 2008 and is included in the France segment for the purposes of reporting segmented information

"Tolling (Tolling Agreement)" - An agreement whereby MAXIM imposes tolling charges as compensation for processing natural gas to produce electricity through one of its generating facilities. The counterparty is responsible for procuring the natural gas and owns the electricity generated at the facility.

"Turnaround" - Scheduled large-scale maintenance activity wherein an entire process, facility or generating unit is taken offline for an extended period for comprehensive revamp and renewal

"Unplanned Outage" - Shutdown of a generating unit due to an unanticipated breakdown

"US" or "United States" - The United States of America

Words importing the singular number, where the context requires, include the plural, and vice versa, and words importing any gender include all genders.