



**FORM 52-109F2
CERTIFICATION OF INTERIM 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 interim financial report and interim MD&A (together, the "interim filings") of Maxim Power Corp. (the "issuer") for the interim period ended March 31, 2011.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim 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, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim 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 end of the period covered by the interim filings
 - (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 interim 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 **ICFR – material weakness relating to design:** The issuer has disclosed in its interim MD&A for each material weakness relating to design existing at the end of the interim period

- (a) a description of the 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 the material weakness.

5.3 N/A

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2011 and ended on March 31, 2011, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: June 9, 2011

"signed"

John R. Bobenic
President and Chief Executive Officer



**FORM 52-109F2
CERTIFICATION OF INTERIM 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 interim financial report and interim MD&A (together, the "interim filings") of Maxim Power Corp. (the "issuer") for the interim period ended March 31, 2011.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim 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, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim 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 end of the period covered by the interim filings
 - (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 interim 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.
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- (b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
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6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2011 and ended on March 31, 2011, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: June 9, 2011

"signed"

Michael R. Mayder
Vice President, Finance and Chief Financial Officer

MAXIM POWER CORP.

Unaudited Condensed Consolidated Balance Sheet

(in thousands of dollars)

	March 31 2011	December 31 2010	January 1 2010
ASSETS			
Cash and cash equivalents	\$ 17,774	\$ 9,874	\$ 13,547
Restricted cash	93	642	138
Trade receivables	26,446	23,957	30,500
Income taxes recoverable	166	363	-
Prepaid expenses and deposits	1,243	1,152	2,004
Inventories (note 4)	5,748	6,191	3,802
Total current assets	51,470	42,179	49,991
Property, plant and equipment, net (note 5)	246,789	251,116	268,696
Restricted cash	1,270	1,285	1,383
Intangible assets, net (note 6)	24,225	24,461	28,937
Deferred tax assets	31,775	32,224	3,771
Other assets (note 9)	7,077	944	1,061
Goodwill (note 7)	15,632	15,632	15,632
Total non-current assets	326,768	325,662	319,480
TOTAL ASSETS	\$ 378,238	\$ 367,841	\$ 369,471
LIABILITIES			
Bank indebtedness	\$ 369	\$ 466	\$ 153
Trade and other payables	30,232	27,617	36,951
Income taxes payable	692	294	4,028
Loans and borrowings (note 8)	12,336	14,606	16,091
Other	189	228	279
Total current liabilities	43,818	43,211	57,502
Loans and borrowings (note 8)	66,288	69,209	75,465
Provisions (note 9)	23,374	16,198	11,744
Deferred tax liabilities	13,794	12,616	12,287
Other	18	43	278
Total non-current liabilities	103,474	98,066	99,774
TOTAL LIABILITIES	147,292	141,277	157,276
EQUITY			
Share capital (note 10)	155,481	155,481	155,467
Contributed surplus	9,100	8,990	7,944
Accumulated other comprehensive loss	(11,600)	(11,285)	(247)
Retained earnings	77,569	73,010	48,761
Equity attributable to shareholders	230,550	226,196	211,925
Non-controlling interests	396	368	270
TOTAL EQUITY	230,946	226,564	212,195
TOTAL LIABILITIES AND EQUITY	\$ 378,238	\$ 367,841	\$ 369,471

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statement of Income

For the three months ended March 31
(in thousands of dollars)

	2011	2010
Revenue	\$ 54,997	\$ 50,775
Expenses		
Operating	38,874	36,900
General and administrative	1,008	1,291
Depreciation and amortization	7,917	7,895
Other expense (income)	(721)	1
Total expenses	47,078	46,087
Income from operations	7,919	4,688
Net Finance expense		
Finance income	(3)	(4)
Finance expense	1,226	1,775
Net finance expense	1,223	1,771
Income before income taxes	6,696	2,917
Income taxes		
Current	650	(207)
Deferred (note 16)	1,440	(21,142)
Total income taxes	2,090	(21,349)
Net income for the period	\$ 4,606	\$ 24,266
Attributable to:		
Non-controlling interest	\$ 47	\$ 26
Shareholders of the Corporation	\$ 4,559	\$ 24,240
Net income per share (note 12)		
Basic	\$ 0.08	\$ 0.45
Diluted	\$ 0.08	\$ 0.44

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended March 31
(in thousands of dollars)

	2011		2010	
Net income for the period	\$	4,606	\$	24,266
Other comprehensive income (loss):				
Unrealized gains (losses) on translation of foreign operations		314		(7,627)
Unrealized gains (losses) on derivatives designated as cash flow hedges		(20)		114
Total other comprehensive income	\$	4,900	\$	16,753
Comprehensive income attributable to:				
Non-controlling interest	\$	28	\$	92
Shareholders of the Corporation	\$	4,873	\$	16,661

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31
(in thousands of dollars)

	Share Capital (note 10)	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Non- controlling interest	Total equity
Equity at January 1, 2011	\$ 155,481	8,990	(11,285)	73,010	368	226,564
Net income	-	-	-	4,559	47	4,606
Stock based compensation	-	110	-	-	-	110
Foreign currency translation	-	-	(295)	-	(19)	(314)
Derivative instruments designated as cash flow hedges	-	-	(20)	-	-	(20)
Equity at March 31, 2011	\$ 155,481	9,100	(11,600)	77,569	396	230,946
Equity at January 1, 2010	\$ 155,467	7,944	(247)	48,761	270	212,195
Net income	-	-	-	24,240	26	24,266
Stock based compensation	-	384	-	-	-	384
Foreign currency translation	-	-	(7,693)	-	66	(7,627)
Derivative instruments designated as cash flow hedges	-	-	114	-	-	114
Equity at March 31, 2010	\$ 155,467	8,328	(7,826)	73,001	362	229,332

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statement of Cash Flows

For the three months ended March 31
(in thousands of dollars)

	2011	2010
Cash provided by (used in):		
Operations:		
Net income for the period	\$ 4,606	\$ 24,266
Adjustments for:		
Depreciation and amortization	7,917	7,895
Amortization of deferred financing costs	121	76
Long-term contracts	(44)	(44)
Accretion of decommissioning liabilities	162	129
Share-based compensation (note 11)	110	341
Deferred income tax expense (recovery)	1,440	(21,142)
Change in non-cash working capital (note 14)	1,048	(4,987)
Cash generated from operations	15,360	6,534
Financing:		
Issuance of long-term debt	2,028	8,095
Repayment of long-term debt	(6,676)	(2,073)
Repayment of finance lease obligations	(1,101)	(2,114)
Cash flows from (used in) financing activities	(5,749)	3,908
Investing:		
Property, plant and equipment (note 5)	(1,796)	(4,252)
Intangible assets (note 6)	(309)	(342)
Amalgamations/acquisitions, net of cash acquired (note 16)	-	(6,372)
Change in restricted cash	564	72
Cash flows used in investing activities	(1,541)	(10,894)
Unrealized foreign exchange gain (loss) on cash	(73)	(923)
Increase (decrease) in cash and cash equivalents	7,997	(1,375)
Cash and cash equivalents, net of bank indebtedness, beginning of period	9,408	13,394
Cash and cash equivalents, net of bank indebtedness, end of period	\$ 17,405	\$ 12,019
Cash income taxes paid	\$ 86	\$ 494
Cash interest paid	\$ 1,264	\$ 1,314

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 1

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

1. Reporting Entity

Maxim Power Corp. (the "Company") is incorporated in the province of Alberta, Canada. The Company and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity, electricity and thermal energy. The Corporation has power generation facilities in Western Canada, the United States of America and France. The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada.

2. Basis of Preparation and Statement of Compliance

MAXIM prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

These condensed consolidated financial statements for the three months ended March 31, 2011, are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and International Financial Reporting Standard 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The condensed consolidated financial statements do not include all the information required for annual financial statements. In these statements, "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. Note 19 discloses the impact of the transition to IFRS on MAXIM's reported financial position, financial performance, cash flows and accounting policies from those used in the Corporation's annual consolidated financial statements for the year ended December 31, 2010 prepared using Canadian GAAP. The Corporation's December 31, 2010 annual consolidated financial statements are available at www.sedar.com.

The policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of June 9, 2011, the date MAXIM's Board of Directors approved the statements. Any subsequent changes to IFRS that are used to report on the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed consolidated financial statements have been applied consistently for all periods presented and are set out below.

a) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the derivative financial instruments and held-for-trading financial assets in the balance sheet which are measured at fair value.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 2

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(b) Basis of consolidation

The financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities which the Company controls by having the power to govern the entity's financial and operating policies. The Company consolidates all of its wholly-owned subsidiaries and the accounts of its 95% interest in Basin Creek Holdco LLC, and 50% interest in Mirail Cogen SARL. All intercompany balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

(c) Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The non-controlling interests' share in the equity and results of the Company's subsidiaries are shown as a separate component of equity in the consolidated balance sheet.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand unless otherwise noted.

(e) Foreign currency translation

The financial statements of subsidiaries that have a different functional currency than the Company are translated to Canadian dollars at the closing rate at the date of the balance sheet for assets and liabilities and at the average rate for the period for income and expenses. The resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Foreign currency transactions of the Company and its subsidiaries are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at period end exchange rates, of monetary assets and liabilities denominated in currencies other than the Company's or subsidiaries' functional currency are recognized as finance costs in the statement of income.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 3

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(f) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, based on its experience, concerning the future in applying accounting policies. Actual results generally differ from those estimates.

(i) Operating leases

MAXIM has entered into long-term tolling arrangements with third parties at some of its facilities whereby MAXIM imposes toll charges as compensation for processing natural gas to produce electricity. The counterparties have the right to nominate all facility output, are responsible for procuring natural gas used for power generation, and own the electricity generated by the facility. Initial terms of these agreements are between ten and twenty years with options to extend the agreements for an additional five to fifteen years. MAXIM has determined that these arrangements are operating leases as the Corporation retains the principal risks and rewards of ownership of the facilities. The assets subject to these leases continue to be recorded as property, plant and equipment and depreciated over their useful lives.

(ii) Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of the facilities as the Corporation has an obligation to restore the project sites to an acceptable level upon abandonment. A provision is recognized when there is a present obligation to restore the site, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Management bases these estimates on its best judgment, experience in similar circumstances and in some cases reports from independent experts. Details of decommissioning costs are included in note 9.

(iii) Useful life and residual value of property, plant and equipment ("PP&E")

Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful life of the assets are based upon current conditions and management's experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, regular maintenance programs and estimated demand for the products. The facilities are operated within manufacturer's 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.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 4

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

Residual value is estimated by management to be the amount that MAXIM would currently receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

(iv) Impairment of non-financial assets

At the end of each reporting period, management assesses whether there are any indications of impairment of its PP&E and intangible assets at the lowest level at which there are separately identifiable cash flows, the cash-generating unit ("CGU"). If there are indications of impairment, MAXIM performs an impairment test on the CGU. Intangible assets that are not amortized and goodwill are tested for impairment annually regardless of indications of impairment.

The impairment test compares the recoverable amount of the asset to its carrying amount. The recoverable amount is the higher of the asset's value in use (present value of the expected future cash flows) and its fair value less costs to sell. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses, power prices and capital programs. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset including goodwill and intangible assets.

(v) Income taxes

The Corporation recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations, which depend significantly on future power prices, and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain tax deductions in future periods.

(vi) Contingencies

By their nature contingencies will only be resolved when one or more uncertain future events not wholly within the control of the Corporation occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant assumptions and estimates on the part of management on the outcome of future events.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 5

For the three months ended March 31, 2011
(Amounts in thousands of Canadian dollars except as otherwise noted)
(unaudited)

3. Significant Accounting Policies (continued)

(g) Business combinations

(i) Acquisitions on or after January 1, 2010

The acquisition method of accounting is used to record acquisitions of subsidiaries whereby the identifiable assets acquired and the liabilities assumed are measured at their fair value at the date of acquisition. Non-controlling interests are measured at fair value or as a proportionate share of the identifiable net assets acquired.

Goodwill is measured as the excess of the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree, less the recognized amount of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the statement of income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(ii) Acquisitions prior to January 1, 2010

As part of its transition to IFRS, the Corporation elected not to restate those business combinations that occurred prior to January 1, 2010. In respect of these acquisitions goodwill represents the amount recognized under Canadian GAAP. The non-controlling interests' balances were not restated from those previously reported for prior business combinations.

(h) Financial instruments

(i) Recognition

Financial assets and liabilities are recognized on the trade date – the date when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

(ii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(iii) Measurement and classification

All financial instruments, including all derivatives, are measured at fair value upon initial recognition and are classified into one of the following five categories: financial assets and liabilities at fair value through profit or loss, available-for-sale investments, held-to-maturity investments, loans and receivables or other financial liabilities. The Corporation does not have any available-for-sale investments or held-to-maturity investments.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 6

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(a) Financial Assets and Liabilities at Fair Value through Profit or Loss

A financial asset or liability is classified in this category if acquired principally for the purposes of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

The only instruments held by the Corporation classified in this category are cash and cash equivalents.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

The Corporation's loans and receivables are comprised of trade receivables and restricted cash, which are included in current assets due to their short-term nature, except for restricted cash not available for use in the next twelve months.

(c) Other Financial Liabilities

Financial liabilities at amortized cost include trade payables and loans and borrowings. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Loans and borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 7

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(d) Derivative Financial Instruments and Hedges

The Corporation uses derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. The Corporation has determined that a designated hedging relationship for these derivatives qualifies for hedge accounting and has elected to apply hedge accounting. 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.

(e) Impairment of Financial Assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

(f) Financial assets carried at amortized cost

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(i) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits with banks and other financial institutions, and short-term investments. Cash deposits held as collateral to various counterparty agreements to secure credit are recorded separately as current and non-current restricted cash. Bank overdrafts are included in current liabilities as bank indebtedness.

(j) Inventories

Inventories are comprised of coal and fuel oil, which are valued at the lower of cost and net realizable value. Inventory cost is determined using the weighted average method. The cost of inventory includes the purchase price and all other costs to bring the inventory item to its existing location and condition.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 8

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(k) Property, plant and equipment

The Corporation records property, plant and equipment ("PP&E") at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures to purchase and construct assets, and other costs associated with acquisitions and preparing assets for their intended use. The costs associated with construction include material, labour, interest, and other direct costs required to bring the assets to their intended use. Cost also includes an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located to its original state.

Additional expenditures not related to day-to-day servicing of the items are also recognized as part of PP&E. Expenditures for maintenance and repairs are recognized in the statement of income as incurred.

At the transition date to IFRS, January 1, 2010, the Corporation elected to use the fair value of its PP&E as measured on March 31, 2005, the date of a reverse takeover, as the deemed cost of assets owned at that date.

MAXIM separates PP&E into identifiable components with different useful lives for depreciation purposes. Depreciation is based on the cost of the asset less its residual value. Depreciation of a component commences when the asset is first available for use and ceases when the asset is classified as held for sale or when the asset is derecognized. The following rates are used in the computation of depreciation expense in the period:

Generating facilities	3 - 30 years straight-line
Equipment	20 - 40% declining balance/straight-line
Finance leases	4 - 12 years straight-line

Leases that transfer substantially all the risks and rewards of ownership to the Corporation are classified as finance leases, and form part of PP&E. Finance leases are recorded at the lower of fair value and the present value of the minimum lease payments determined at the inception of the lease. Assets under finance leases are depreciated over the lesser of the useful life of the asset and lease term unless it is reasonable that the Corporation will obtain ownership by the end of the lease term.

Assets under construction are projects undertaken by the Corporation where the asset is not yet available for use. 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.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 9

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(l) Intangible assets

Intangible assets consist of power sales contracts, a coal supply contract, a ground lease contract, and nitrous oxide emission credits. The power sales contracts, the coal supply contract, and ground lease contract are initially recorded at cost of acquisition and have finite lives. Any subsequent expenditure that increases the future economic benefit of a specific asset is included as part of the cost. These contracts are amortized over the term of the related contracts.

The nitrous oxide emission credits are internally generated and recorded at cost. All costs directly attributable to creating emission credits are capitalized and will be amortized as the benefits are realized.

(m) Goodwill

Goodwill is the excess of the consideration transferred in a business combination over the sum of the non-controlling interest and the fair value of the identifiable assets acquired less the liabilities assumed at the acquisition date. 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.

(n) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance expense in the consolidated statement of income using the effective interest method.

(o) Employee benefits

(i) Defined contribution plans

The Corporation has a defined contribution plan under which the Corporation pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Contributions are recognized as an employee benefit expense in the statement of income in the period in which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 10

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(iii) Share-based compensation

The Corporation records a compensation cost for all stock options granted to employees, directors or officers over the vesting period of the options based on the fair value of the option at grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed each period, with the effect of any change being recognized immediately. Consideration paid by employees, directors or officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as an increase to share capital.

(p) Provisions

(i) General provisions

A provision is recognized if, as a result of a past event, the Corporation has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Corporation expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement. Non-current provisions are determined by discounting the expected future cash flows using at the risk-free rate. Provisions are not recognized for future operating losses.

(ii) Decommissioning liabilities

The Corporation has an obligation to restore certain project sites to an acceptable level at the end of each project's respective life. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cost to retire these assets is amortized over the lives of the respective projects and is included in the statement of income. The estimated cash flows for decommissioning costs are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount due to the passage of time is recorded as an increase to provisions for decommissioning liabilities with the associated expense recognized in the statement of income as a finance cost. When the Corporation carries out its obligation to restore a site, incurred decommissioning costs will be recorded as a reduction to the decommissioning liability. The estimated future costs of decommissioning are reviewed periodically and adjusted to reflect the current best estimate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset and the liability.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 11

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(q) Revenue recognition

Revenue is recognized under fixed and variable price contracts for electricity, thermal energy, 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.

(r) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments made under operating leases are charged to the statement of income on a straight-line basis over the term of the relevant lease.

Payments received under operating leases where the Corporation leases out generating equipment under generation capacity and availability contracts are recognized as electricity sales in the statement of income.

(s) Finance income and finance expense

Finance income comprises interest income on funds invested in short-term investments and fair value gains on financial assets. Interest income is recognized as it accrues in the statement of income, using the effective interest method.

Finance expense comprises of interest expense on borrowings, unwinding of the discount on provisions, fair value losses on financial assets and impairment losses recognized on financial assets (other than trade receivables).

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

(t) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the income statement except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 12

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which these deductions can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(u) Income per share

Basic income per share is calculated by dividing the net income or loss for the period attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted income per share are calculated in the same manner as basic income per share, except that the weighted average number of common shares outstanding is adjusted for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares are comprised of stock options granted to employees.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 13

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

3. Significant Accounting Policies (continued)

(v) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's senior management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to senior management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Inventories

	March 31	December 31	January 1
	2011	2010	2010
Coal	\$ 4,021	4,382	1,637
Fuel oil	1,727	1,809	2,165
Total inventories	\$ 5,748	6,191	3,802

The cost of inventories recognized in operating expense for the three months ended March 31, 2011 was \$7,401 (March 31, 2010 - \$5,867).

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 14

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

5. Property, Plant and Equipment

	Land	Generating Facilities	Equipment	Finance Leases	Total
Cost					
Balance, January 1, 2010	\$ 11,680	276,143	3,004	40,062	330,889
Additions	14	11,811	154	315	12,294
Reclassifications	-	13,865	107	(13,972)	-
Revisions	-	4,595	-	-	4,595
Effects of foreign exchange	(424)	(13,616)	(53)	(3,084)	(17,177)
Balance, December 31, 2010	\$ 11,270	292,798	3,212	23,321	330,601
Additions	-	1,802	8	(14)	1,796
Revisions (a)	-	1,177	-	-	1,177
Effects of foreign exchange	(152)	(682)	65	751	(18)
Balance, March 31, 2011	\$ 11,118	295,095	3,285	24,058	333,556
Accumulated Depreciation and Impairments					
Balance, January 1, 2010					
Before impairment charge	\$ -	45,349	1,614	8,965	55,928
Impairment charge	-	6,230	35	-	6,265
	\$ -	51,579	1,649	8,965	62,193
Depreciation	-	15,755	387	2,934	19,076
Reclassifications	-	5,242	(58)	(5,184)	-
Impairment charge	-	759	-	-	759
Effects of foreign exchange	-	(1,822)	(10)	(711)	(2,543)
Balance, December 31, 2010	\$ -	71,513	1,968	6,004	79,485
Depreciation (a)	-	5,693	87	989	6,769
Effects of foreign exchange	-	169	71	273	513
Balance, March 31, 2011	\$ -	77,375	2,126	7,266	86,767
Net Property, Plant and Equipment					
January 1, 2010	\$ 11,680	224,564	1,355	31,097	268,696
December 31, 2010	\$ 11,270	221,285	1,244	17,317	251,116
March 31, 2011	\$ 11,118	217,720	1,159	16,792	246,789

- (a) On March 24, 2011, MAXIM amended its agreement for the Milner Power Station as described in note 13(a). As part of the change, MAXIM's generating facilities increased \$5,930, which was partially offset by other downward revisions relating to decommissioning liabilities of other generating facilities owned by the Corporation. In addition to this, MAXIM's depreciation expense is lower by an immaterial amount for the first quarter of 2011, however is expected to be \$1,352 lower for the year ended December 31, 2011, as compared to the depreciation expense recorded if the agreement was not amended.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 15

For the three months ended March 31, 2011
(Amounts in thousands of Canadian dollars except as otherwise noted)
(unaudited)

6. Intangible Assets

	Coal Contract	Power Contracts	Acquisition Costs	NOX Credits	Other	Total
Cost						
Balance January 1, 2010	\$ 6,000	29,674	680	1,115	315	37,784
Additions	-	-	647	1,481	-	2,128
Capitalized costs (note 16)	-	-	(1,327)	-	-	(1,327)
Effects of foreign exchange	-	(3,067)	-	-	(20)	(3,087)
Balance December 31, 2010	\$ 6,000	26,607	-	2,596	295	35,498
Additions	-	-	-	309	-	309
Additions (non-cash)	-	-	-	109	-	109
Elimination of fully amortized contract	-	(625)	-	-	-	(625)
Effects of foreign exchange	-	686	-	-	(4)	682
Balance March 31, 2011	\$ 6,000	26,668	-	3,014	291	35,973
Accumulated Amortization						
Balance January 1, 2010	\$ 3,165	5,672	-	-	10	8,847
Amortization	667	2,198	-	-	6	2,871
Effects of foreign exchange	-	(680)	-	-	1	(681)
Balance December 31, 2010	\$ 3,832	7,190	-	-	15	11,037
Amortization	167	979	-	-	2	1,148
Elimination of fully amortized contract	-	(625)	-	-	-	(625)
Effects of foreign exchange	-	188	-	-	-	188
Balance March 31, 2011	\$ 3,999	7,732	-	-	17	11,748
Net Intangible Assets						
January 1, 2010	\$ 2,835	24,002	680	1,115	305	28,937
December 31, 2010	\$ 2,168	19,417	-	2,596	280	24,461
March 31, 2011	\$ 2,001	18,936	-	3,014	274	24,225

7. Goodwill

Goodwill is allocated to the Corporation's Milner operating segment.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 16

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

8. Loans and Borrowings

	March 31 2011	December 31 2010	January 1 2010
Canadian projects (a)	\$ 24,924	28,208	31,666
United States project (b)	23,200	24,050	26,409
European projects (c) and (d)	21,900	22,306	18,333
Finance leases	10,079	10,870	16,932
	80,103	85,434	93,340
Less: deferred financing costs	1,479	1,619	1,784
Net loans and borrowings (note 17)	78,624	83,815	91,556
Less: current portion of loans and borrowings	12,336	14,606	16,091
	\$ 66,288	69,209	75,465

(a) Canadian bank facility

Effective March 9, 2011, the Corporation amended its existing credit facility with a Canadian bank ("bank"). This amended agreement expires on May 31, 2012 and is comprised of four facilities. Subsequently, the Corporation amended this credit facility following the reporting period as described in note 17.

Facility A is a \$10,000 revolving facility which has borrowing limits based on accounts receivable balances and 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 bear interest at 1.00% to 1.50% per annum. As at March 31, 2011, MAXIM has issued letters of credit of \$4,646 against Facility A (December 31, 2010 - \$1,650). The amount available to draw against Facility A at March 31, 2011 was \$1,306.

Facility B is a three year committed reducing term loan facility amortizing until May 31, 2016. All outstanding amounts on May 31, 2012 shall be due and payable in full, unless the bank elects to extend the term of Facility B in its sole discretion. 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 March 31, 2011, the facility was fully drawn and the Corporation had an outstanding balance of \$24,843 (December 31, 2010 - \$26,208) drawn under this facility 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 and currently supports the interest rate hedges on Facility B.

Facility D is a \$7,000 short-term revolving facility for working capital needs. The facility bears interest at the bank's prime interest rate or US base rate plus 1.75%. At March 31, 2011, MAXIM has an outstanding balance of \$81 (December 31, 2010 \$ - 2,000) drawn against Facility D. This facility was available to MAXIM until April 30, 2011.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 17

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

8. Loans and Borrowings (continued)

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 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. 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) US bank facility

MAXIM's subsidiary, Basin Creek Equity Partners, LLC ("Basin Creek"), has a term loan with fixed interest rate of 6.95% per annum, with quarterly repayments, maturing on June 30, 2026. At March 31, 2011, Basin Creek had an outstanding balance of US\$23,928 thousand (December 31, 2010 – US\$24,180 thousand).

(c) French bank facilities

The Corporation through its French subsidiary, Comax, has fourteen bank term loans associated with projects in France at March 31, 2011 with an aggregate balance of EUR 15,890 thousand (December 31, 2010 – EUR 16,357 thousand). Loan obligations of EUR 9,021 thousand bear variable interest at rates in the range of 3.00% to 4.00%, and obligations of EUR 6,869 thousand bear fixed interest at rates in the range of 4.40% - 5.10%, with either quarterly or monthly repayments, and expire between November 2012 and December 2021.

The Corporation has credit facilities with a French bank for a collective amount of EUR 750 thousand. 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 March 31, 2011, EUR 268 thousand (December 31, 2010 – EUR 390 thousand) has been drawn on this facility.

(d) Repayments

The Corporation's anticipated principal repayment obligations as at March 31, 2011 on the above loans and borrowings over the next five years are as follows:

2011	\$	10,475
2012		11,228
2013		10,197
2014		10,088
2015		8,147
Remaining		29,968
	\$	80,103

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 18

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

9. Provisions

The Corporation's provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities. The decommissioning liabilities have been discounted at the risk-free rate. The total undiscounted amounts of estimated obligations are approximately \$61,035 (2010 - \$42,282) and are expected to be incurred in eleven to forty-five years from the date of these consolidated financial statements.

Balance, January 1, 2010	\$	11,744
Accretion		486
Changes in previously estimated liabilities		4,595
Revaluation of foreign currency denominated liabilities		(627)
Balance, December 31, 2010	\$	16,198
Accretion		162
Additions to estimated liabilities		12,108
Changes in previously estimated liabilities		(4,753)
Revaluation of foreign currency denominated liabilities		(341)
Balance, March 31, 2011	\$	23,374

On March 24, 2011, MAXIM amended its agreement for the Milner Power Station as described in note 13(a). As part of the change, MAXIM is responsible for the decommissioning of the site subject to the Balancing Pool reimbursing MAXIM for the first \$15,000 of costs. In the first quarter of 2011, MAXIM has recorded a decommissioning liability of \$12,108, additions to generating facilities of \$5,930 and a long term other assets of \$6,178,

10. Share Capital

(a) Share capital authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Share capital issued:

	Number	Amount
Common shares of Maxim Power Corp.		
Opening balance, January 1, 2010	54,032,091	\$ 155,467
Stock options exercised	2,667	14
Common shares, December 31, 2010 and March 31, 2011	54,034,758	\$ 155,481

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 19

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

11. Share-based compensation

The Corporation has an employee stock option plan under which employees, directors and key consultants are eligible to receive grants. The stock options vest over a three year period in equal amounts. The grantee has the right to exercise the vested stock options within one year of vesting. 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:

	March 31, 2011		December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	3,400,117	\$ 4.32	4,393,992	\$ 4.49
Exercised	-	-	(52,334)	(2.57)
Forfeited	-	-	(630,041)	(4.30)
Granted	15,000	2.99	100,000	2.69
Cancelled	(949,000)	6.43	-	-
Modified	-	-	(411,500)	(6.00)
Expired	(17,000)	6.69	-	-
Balance, end of period	2,449,117	\$ 3.47	3,400,117	\$ 4.32

During the period ended March 31, 2011, no options were exercised.

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 \$110 (March 31, 2010 - \$384) for the period ended March 31, 2011 as an expense for the options granted.

12. Income per share

The calculation of basic and diluted income per share at March 31, 2011 was based on net income of \$4,559 (March 31, 2010 - \$24,240), and weighted average number of shares outstanding at March 31, 2011 was 54,034,758 (March 31, 2010 - 54,032,091).

For the March 31, 2011 diluted income per share calculation, 132,118 (March 31, 2010 - 457,370) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 20

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

13. Commitments and Contingencies

(a) Canada

- (i) Milner Power Limited Partnership ("MPLP") has amended the Asset Sales Agreement ("ASA") which required it to cease operations of the Milner power station no later than December 31, 2015. Under the amended ASA, MPLP can continue to operate Milner past December 31, 2015, and accepts the responsibility for the decommissioning and reclamation of the power station lands. The Balancing Pool has agreed to reimburse MPLP for the first \$15,000 in decommissioning expense. 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 that expires in 2013. Based on the current price in the agreement the purchase commitment remaining to December 31, 2013 is \$67,809.
- (iii) The Corporation entered into various operating and maintenance ("O&M") agreements to supply services for the operation of certain Canadian 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 fixed monthly fees which escalate by an inflationary amount on an annual basis. These contracts expire between 2011 and 2014 with commitments totaling US\$12,666 thousand.

(c) France

The Corporation has operating and maintenance service contracts with a common service provider for its facilities in France. These contracts expire between 2011 and 2022 with commitments totaling EUR 19,091 thousand.

14. Change in Non-Cash Working Capital

	March 31	March 31
	2011	2010
Operations		
Accounts receivable	\$ (2,015)	(2,778)
Prepaid expense and deposits	(55)	657
Inventory	406	(1,613)
Accounts payable and accrued liabilities	2,162	(599)
Deferred revenue	-	74
Income taxes	550	(728)
	\$ 1,048	(4,987)

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 21

For the three months ended March 31, 2011

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15. 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. The Corporation operates in four reportable business segments with power generation facilities located in Canada, United States of America and France. Operating segment results are reviewed regularly by the Corporation's senior management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Revenue	Income from operations	Revenue	Income from operations
Canada - Milner	\$ 16,379	2,002	10,225	(481)
Canada - Other	1,976	(103)	1,794	(1,756)
United States	15,468	2,928	10,440	3,999
France	21,174	3,092	28,316	2,926
Total	\$ 54,997	7,919	50,775	4,688

The investment in the Corporation's property, plant and equipment and depreciation expense is as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	PP&E Additions	Depreciation	PP&E Additions	Depreciation
Canada - Milner	\$ 387	1,784	739	1,475
Canada - Other	93	234	718	336
United States	39	1,464	46	1,503
France	1,277	3,307	2,749	3,218
Total	\$ 1,796	6,789	4,252	6,532

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

	March 31 2011	December 31 2010
Canada - Milner	\$ 114,875	99,641
Canada - Other (a)	31,778	35,135
United States	117,488	125,924
France	114,097	107,141
Total	\$ 378,238	367,841

(a) Includes Corporate assets.

MAXIM's operations are impacted by seasonality. All French operations are cogeneration facilities and annually operate only from November through March. Operations in the United States not under tolling agreements function as peak power facilities and operate more frequently when heating and cooling requirements increase.

The goodwill balance of \$15,632 (December 31, 2010 - \$15,632) is attributed to the Milner segment of the Corporation.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 22

For the three months ended March 31, 2011
(Amounts in thousands of Canadian dollars except as otherwise noted)
(unaudited)

16. Amalgamation with EarthFirst Canada Inc.

On March 2, 2010, MAXIM completed a transaction with EarthFirst Canada Inc. ("EarthFirst") which resulted in the amalgamation of the two companies. MAXIM paid \$5,868 to EarthFirst plus transaction costs of \$1,327 to complete the arrangement. As a result, MAXIM acquired a wind farm project and has increased its Canadian tax pools by \$117,369. The transaction has been accounted for as an asset acquisition. The excess of the amount assigned to deferred tax assets and the wind farm was recorded as a deferred tax recovery.

17. Subsequent Events

On May 19, 2011, MAXIM amended its existing credit facility with BMO. The required minimum debt service coverage ratio has been decreased from 1.4 times to 1.25 times for the quarter ending December 31, 2011 and thereafter. As part of the amendment, the committed term has been extended to May 31, 2013 and a committed letter of credit facility of \$5,006 was also added to the facility.

On April 27, 2011, the Corporation issued 2,376,982 stock options with an exercise price of \$3.12.

On May 19 and 20, 2011, the Corporation entered into two floating for fixed price swaps with a third party for a total of 50 MW of output from Milner. As a result of these financial transactions, MAXIM has ensured a fixed sale price of \$60.00/MWh for 50 MW of Milner output for the term of July 1 to December 31, 2011.

18. Comparative Figures

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

19. Transition to IFRS

The Corporation adopted IFRS effective January 1, 2011. In accordance with transitional provisions, MAXIM prepared its opening IFRS balance sheet at January 1, 2010 ("the transition date") in accordance with the accounting policies set out in note 3. Prior to the adoption of IFRS, the Corporation prepared its financial statements in accordance with Canadian GAAP. The Corporation's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Corporation will ultimately prepare its opening IFRS statement of financial position by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position presented in the consolidated financial statements for the year ending December 31, 2011 may differ from those presented at this time.

This transitional note explains the material adjustments made to the financial statements upon conversion from Canadian GAAP to IFRS.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 23

For the three months ended March 31, 2011
(Amounts in thousands of Canadian dollars except as otherwise noted)
(unaudited)

19. Transition to IFRS

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

(i) Business combinations

The Corporation has applied the business combinations exemption in IFRS 1 that allows it not to apply *IFRS 3 – Business Combinations* (“IFRS 3”) retrospectively to past business combinations. Therefore the Corporation has not restated business combinations that took place prior to the transition date.

(ii) Fair value or revaluation as deemed cost

The Corporation has elected to use the fair value of its PP&E as measured on March 31, 2005, the date of a reverse takeover, as the deemed costs of assets owned at that date to determine its opening IFRS balance sheet.

(iii) Share based payment transactions

The Corporation has elected not to apply *IFRS 2 Share-based Payment* (“IFRS 2”) retrospectively to stock options granted on or before November 7, 2002 or to options granted after November 7, 2002 that vested before January 1, 2010. MAXIM has elected to apply IFRS 2 retrospectively for stock options that were granted after November 7, 2002 but had not vested at the transition date.

(iv) Changes to provisions for decommissioning

The Corporation has elected to apply *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (“IAS 37”) prospectively and measure the decommissioning obligations at January 1, 2010 using the risk-free discount rate at that date with the difference between the changes in decommissioning obligations, PP&E and deferred tax accounts charged to retained earnings.

(v) Leases

The Corporation has elected to apply the transitional provisions in *IFRIC 4 Determining whether an Arrangement Contains a Lease* (“IFRIC 4”) and not reassess the arrangements previously assessed under Canadian GAAP.

(vi) Cumulative translation differences

The Corporation has elected to set the previously accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2010 and transfer the balance to retained earnings at the date of transition.

(vii) Borrowing costs

The Corporation has elected to apply the transitional provisions under *IAS 23 Borrowing Costs* (“IAS 23”) and derecognize borrowing costs incurred prior to January 1, 2010 in relation to construction of facilities and charge these costs to retained earnings. Borrowing costs are capitalized on qualifying assets effective January 1, 2010.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 24

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

19. Transition to IFRS (continued)

(b) Mandatory exceptions to retrospective application

(i) Estimates

The estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS.

(iii) Non-controlling interests

The non-controlling interests will be moved to the equity section for reporting purposes and the balances will not be restated from those previously reported for prior business combinations.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 25

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

19. Transition to IFRS (continued)

(c) Reconciliation of equity as reported under Canadian GAAP and IFRS

The following are reconciliations of the Corporation's total equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS:

	Note	Effects of IFRS transition			Effects of IFRS transition			Effects of IFRS transition		
		Canadian GAAP	IFRS	IFRS	Canadian GAAP	IFRS	IFRS	Canadian GAAP	IFRS	IFRS
		January 1, 2010			March 31, 2010			December 31, 2010		
Assets										
Cash and cash equivalents		13,547	-	13,547	12,019	-	12,019	9,874	-	9,874
Restricted cash		138	-	138	133	-	133	642	-	642
Trade and other receivables		30,590	(90)	30,500	31,763	(86)	31,677	24,042	(85)	23,957
Inventories		3,802	-	3,802	5,342	-	5,342	6,191	-	6,191
Prepaid expenses and deposits		2,005	(1)	2,004	1,279	-	1,279	1,152	-	1,152
Income taxes recoverable		-	-	-	-	-	-	363	-	363
Current portion of future income tax asset	b	1,543	(1,543)	-	-	-	-	-	-	-
Total current assets		51,625	(1,634)	49,991	50,536	(86)	50,450	42,264	(85)	42,179
Property, plant and equipment	a	276,211	(7,515)	268,696	263,642	(7,489)	256,153	256,503	(5,387)	251,116
Restricted cash		1,383	-	1,383	1,316	-	1,316	1,285	-	1,285
Intangible assets	c	29,283	(346)	28,937	25,759	(344)	25,415	24,810	(349)	24,461
Deferred tax assets	b	1,426	2,345	3,771	26,717	2,497	29,214	32,009	215	32,224
Prepaid expenses and deposits		1,061	-	1,061	1,003	-	1,003	944	-	944
Goodwill		15,632	-	15,632	15,632	-	15,632	15,632	-	15,632
Total non-current assets		324,996	(5,516)	319,480	334,069	(5,336)	328,733	331,183	(5,521)	325,662
Total assets		376,621	(7,150)	369,471	384,605	(5,422)	379,183	373,447	(5,606)	367,841
Liabilities										
Bank indebtedness		153	-	153	-	-	-	466	-	466
Trade and other payables		37,092	(141)	36,951	34,159	(142)	34,017	27,674	(57)	27,617
Income taxes payable		4,028	-	4,028	3,325	-	3,325	294	-	294
Deferred revenue		-	-	-	70	-	70	-	-	-
Current portion of loans and borrowings		16,091	-	16,091	17,183	-	17,183	14,606	-	14,606
Other		279	-	279	232	-	232	228	-	228
Total current liabilities		57,643	(141)	57,502	54,969	(142)	54,827	43,268	(57)	43,211
Loans and borrowings		75,465	-	75,465	74,516	-	74,516	69,209	-	69,209
Deferred tax liabilities	b	15,592	(3,305)	12,287	10,580	(1,518)	9,062	16,678	(4,062)	12,616
Provisions	d	6,821	4,923	11,744	6,777	4,511	11,288	9,210	6,988	16,198
Other long term obligations		278	-	278	158	-	158	43	-	43
Deferred credit	h	-	-	-	22,468	(22,468)	-	22,293	(22,293)	-
Non-controlling interests	e	330	(330)	-	422	(422)	-	429	(429)	-
Total non-current liabilities		98,486	1,288	99,774	114,921	(19,897)	95,024	117,862	(19,796)	98,066
Total liabilities		156,129	1,147	157,276	169,890	(20,039)	149,851	161,130	(19,853)	141,277
Equity										
Share capital		155,467	-	155,467	155,467	-	155,467	155,478	3	155,481
Contributed surplus	f	7,849	95	7,944	8,404	(76)	8,328	9,613	(623)	8,990
Accumulated other comprehensive loss	g	(2,702)	2,455	(247)	(10,332)	2,506	(7,826)	(13,780)	2,495	(11,285)
Retained earnings		59,878	(11,117)	48,761	61,176	11,825	73,001	61,006	12,004	73,010
Equity attributable to shareholders		220,492	(8,567)	211,925	214,715	14,255	228,970	212,317	13,879	226,196
Non-controlling interests	e	-	270	270	-	362	362	-	368	368
Total Equity		220,492	(8,297)	212,195	214,715	14,617	229,332	212,317	14,247	226,564
Total liabilities and equity		376,621	(7,150)	369,471	384,605	(5,422)	379,183	373,447	(5,606)	367,841

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 26

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

19. Transition to IFRS (continued)

The following are reconciliations of the Corporation's total comprehensive income reported in accordance with Canadian GAAP to its total comprehensive income in accordance with IFRS:

	Canadian GAAP	Effects of IFRS transition	IFRS	Canadian GAAP	Effects of IFRS transition	IFRS
	Quarter ended March 31, 2010			Year ended December 31, 2010		
Revenue	50,775	-	50,775	151,249	-	151,249
Expenses						
Operating costs	36,909	(9)	36,900	112,800	108	112,908
General and administrative	1,462	(171)	1,291	5,800	(715)	5,085
Depreciation and amortization	7,912	(17)	7,895	22,123	(176)	21,947
Other income	-	1	1	(2,230)	-	(2,230)
Other expenses	-	-	-	4,200	759	4,959
Total expenses	46,283	(196)	46,087	142,693	(24)	142,669
Income from operations	4,492	196	4,688	8,556	(24)	8,580
Finance income	(4)	-	(4)	(16)	-	(16)
Finance expense	1,825	(50)	1,775	6,634	(240)	6,394
Net finance costs	1,821	(50)	1,771	6,618	(240)	6,378
Net income before taxes	2,671	246	2,917	1,938	264	2,202
Income taxes						
Current	(207)	-	(207)	697	-	697
Deferred	1,554	(22,696)	(21,142)	23	(22,856)	(22,833)
Total income taxes	1,347	(22,696)	(21,349)	720	(22,856)	(22,136)
Net income for the period	1,324	22,942	24,266	1,218	23,120	24,338
Attributable to:						
Non-controlling interest	26	-	26	90	-	90
Equity holders of the Corporation	1,298	22,942	24,240	1,128	23,120	24,248
Other comprehensive income						
Cumulative translation adjustments	(7,744)	51	(7,693)	(11,180)	40	(11,140)
Changes in fair value of cash flow hedges	114	-	114	102	-	102
Income tax on other comprehensive income	-	-	-	-	-	-
Other comprehensive income for the period, net of taxes	(7,630)	51	(7,579)	(11,078)	40	(11,038)
Total comprehensive income for the period	(6,332)	22,993	16,661	(9,950)	23,160	13,210

No reconciliation for the consolidated cash flows has been presented as the transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Corporation except that under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 27

For the three months ended March 31, 2011
(Amounts in thousands of Canadian dollars except as otherwise noted)
(unaudited)

19. Transition to IFRS (continued)

Explanatory notes

(a) Property, Plant & Equipment (PP&E)

In accordance with *IFRS 16 – Property, Plant and Equipment* (“IFRS 16”), the Corporation is required to separate its PP&E into significant components with unique asset lives assigned to each significant component upon transition to IFRS. The overall depreciation period of some of the assets is changed as compared to Canadian GAAP and, as a result, adjustments to the accumulated depreciation of certain assets are required. Under IFRS, the Corporation adjusted its PP&E by \$2,382 at January 1, 2010, by \$2,151 for the quarter ended March 31, 2010 and by \$1,925 for the year ended December 31, 2010.

In accordance with IAS 37, MAXIM is required to adjust its provision for decommissioning each reporting period beginning January 1, 2010 by using the risk free discount rate to measure the obligation rather than the credit adjusted discount rate used under Canadian GAAP. These changes affect the amount of depreciation taken as well during each period. The changes increased PP&E by \$2,267 at January 1, 2010. Under IFRS, the Corporation increased its PP&E by \$2,267 at January 1, 2010, by \$1,988 for the quarter ended March 31, 2010 and by \$4,383 for the year ended December 31, 2010.

Upon adoption of IFRS, MAXIM capitalized interest expense directly related to the construction of qualifying assets beginning January 1, 2010. MAXIM elected under the provisions of IFRS 1, to derecognize borrowing cost of \$1,135 previously capitalized prior to January 1, 2010 in relation to the construction of facilities. Under IFRS, the Corporation reduced its PP&E by \$1,061 for the quarter ended March 31, 2010 and by \$821 for the year ended December 31, 2010.

In accordance with *IAS 36 – Impairment of Assets* (“IAS 36”), impairment losses of \$6,265 relating to property, plant and equipment were recognized upon transition to IFRS at January 1, 2010. These losses were the result of performing impairment tests on two of the Corporation’s CGUs under IFRS which requires the use of a discounted cash flow test rather than an undiscounted cash flow test as per Canadian GAAP. These adjustments reduced retained earnings at January 1, 2010. A further \$759 impairment loss was recognized at December 31, 2010 under IAS 36 on one of the Corporation’s CGUs.

(b) Under *IFRS 12 – Income taxes* (“IFRS 12”), deferred tax assets and deferred tax liabilities are classified as non-current without the possibility of netting unless the entity has a legal right to offset the deferred tax assets against the deferred tax liability. At January 1, 2010, MAXIM was required to reclassify \$1,543 to non-current deferred tax assets which had been classified as current under Canadian GAAP.

Net tax liabilities decrease by \$4,107 to give effect to the adjustments made upon transition to IFRS. For the first quarter, the net deferred tax liabilities decreased \$4,015 as compared to Canadian GAAP to reflect the other changes made for IFRS in the period. For the year ended December 31, 2010, the net deferred tax liabilities decreased \$3,973.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 28

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

19. Transition to IFRS (continued)

- (c) Under *IAS 38 – Intangible Assets* (“IAS 38”), expenditures must be expensed when incurred unless they form part of an intangible asset that provides future economic benefits to the Company. Under Canadian GAAP, MAXIM had capitalized certain acquisition costs which do not meet the criteria required under IFRS. As a result, the Corporation removed \$346 from its intangible assets balance at January 1, 2010, \$344 for the quarter ended March 31, 2010 and \$349 for the year ended December 31, 2010.
- (d) In accordance with *IAS 37*, MAXIM was required to increase its provision for decommissioning at January 1, 2010 by \$4,923 as a result of changes in the discount rates under IFRS. Under IFRS, the Corporation increased its provision by \$4,511 for the quarter ended March 31, 2010 and by \$6,988 for the year ended December 31, 2010.
- (e) Under IFRS 1 non-controlling interests are recorded as a separate component of equity whereas under Canadian GAAP, they are recorded outside of equity. The original balance of \$330 was included as a separate item in the equity section of the statement of financial position under IFRS. The effects on the non-controlling interest of removing the borrowing costs and related accumulated amortization from PP&E as noted above in note (a) was \$60.
- (f) Under IFRS 1, MAXIM elected to use the exemption from the retrospective application of IFRS 2 to stock options granted on or before November 7, 2002 or to options granted after November 7, 2002 that had vested before January 1, 2010. The application of this election resulted in an adjustment to contributed surplus, for options not vested as at January 1, 2010. Future MAXIM awards are subject to graded vesting and each installment is treated as a separate award and amortized over the vesting period taking into account forfeitures of awards. As a result of these elections, MAXIM decreased its contributed surplus by \$95 at January 1, 2010. For the quarter ended March 31, 2010, the effect of this change was to increase contributed surplus by \$171. For the year ended December 31, 2010, the effect of this change was to increase contributed surplus by \$718.
- (g) Under IFRS 1, MAXIM elected to apply the exemption related to removing the effect of changes in foreign exchange rates from accumulated other comprehensive income prior to January 1, 2010. As a result, the balance of the accumulated other comprehensive loss of \$2,455 reduced retained earnings at January 1, 2010. The March 31, 2010 and December 31, 2010 balances have been adjusted for changes between Canadian GAAP and IFRS during the year.
- (h) On March 2, 2010, MAXIM completed a transaction with EarthFirst Canada Inc. which resulted in the amalgamation of the two companies. The transaction was accounted for as an asset acquisition under Canadian GAAP and a deferred credit was set up in the liabilities section of the balance sheet. Under IFRS, this amount is recognized in the statement of income as described in note 16.

MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 29

For the three months ended March 31, 2011

(Amounts in thousands of Canadian dollars except as otherwise noted)

(unaudited)

19. Transition to IFRS (continued)

(i) Retained earnings have been adjusted under IFRS as follows:

	Note	January 1 2010	March 31 2010	December 31 2010
Componentization of PP&E	(a)	\$ (2,382)	(2,151)	(1,925)
Additional assets for decommissioning	(a)	2,267	1,988	4,383
Capitalized interest	(a)	(1,135)	(1,061)	(821)
Impairment of PP&E	(a)	(6,265)	(6,265)	(7,024)
Derecognition of intangible assets	(c)	(346)	(344)	(349)
Provision for decommissioning	(d)	(4,923)	(4,511)	(6,988)
Share based payments	(f)	(95)	76	623
Cumulative currency differences	(g)	(2,455)	(2,506)	(2,495)
Amalgamation with EarthFirst	(h)	-	22,468	22,293
Income taxes	(b)	4,107	4,015	4,277
Non-controlling interest	(e)	60	60	60
Other		50	56	(30)
Increase (Decrease) in retained earnings		\$ (11,117)	11,825	12,004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated June 9, 2011 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three months ended March 31, 2011 and the audited consolidated financial statements and MD&A of MAXIM for the year ended December 31, 2010.

On January 1, 2011, MAXIM adopted International Financial Reporting Standards ("IFRS") and MAXIM's unaudited condensed consolidated interim financial statements are presented in accordance with International Accounting Standard 34 *Interim Financial Reporting* and International Financial Reporting Standard 1 *First-time Adoption of International Financial Reporting Standards*. Prior to the adoption of IFRS, MAXIM followed Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The comparative periods for fiscal 2010 have been restated in accordance with IFRS, unless otherwise noted in respect to certain MD&A figures. A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian GAAP to IFRS is set out in Note 19 of the Corporation's unaudited condensed consolidated interim financial statements.

In this MD&A, MAXIM also reports certain non-IFRS measures such as EBITDA and Funds from Operations. See page 14 for an explanation of non-IFRS measures and a reconciliation of the previously disclosed comparative periods' non-GAAP measures to non-IFRS measures.

Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms. Throughout this MD&A, dollar amounts within tables are in thousands of Canadian dollars unless otherwise noted.

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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 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 that cash flows from operations will meet commitments and scheduled maintenance programs in 2011. 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.
- MAXIM estimates total capital expenditures of \$21.9 million to be incurred in 2011. These costs are based upon estimates and may differ from the actual costs to complete. MAXIM further estimates that \$14.0 million of these expenditures will be financed from French debt facilities to be obtained in 2011 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.

OVERALL PERFORMANCE

Highlights

- During the first quarter of 2011, the Alberta pool price averaged \$83 per MWh, which was the highest quarterly average market price since the fourth quarter of 2008.
- MAXIM generated 392,005 MWh of electricity during the first quarter of 2011, representing the highest quarterly generation achieved by the Corporation to date.
- On March 24, 2011, MAXIM entered into an agreement whereby MAXIM is no longer required to cease operations of Milner by December 31, 2015.
- On April 20, 2011, the ERCB granted Milner Power Inc. a license to commence underground mining of the Mine 14 coal reserve.

Key performance indicators

Three months ended March 31	2011	2010
Revenue	54,997	50,775
Adjusted EBITDA ⁽¹⁾	15,792	12,561
Net income for the period	4,559	24,240
Basic net income per share (\$ per share)	\$ 0.08	\$ 0.45
Diluted net income per share (\$ per share)	\$ 0.08	\$ 0.44
Funds from operations ⁽¹⁾	14,312	11,521
Total assets	378,238	379,183
Total long-term financial liabilities	89,662	85,890
Generation (MWh)	392,005	384,635
Average Alberta power price – market (\$ per MWh)	\$ 83.34	\$ 40.88
Average Alberta power price – Milner realized (\$ per MWh)	\$ 70.43	\$ 41.52

(1) Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with IFRS, except Adjusted EBITDA and Funds from operations ("FFO"). Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before interest, income taxes, and depreciation and amortization and FFO is provided to assist management and investors in determining the Corporation's cash flows generated by operations before the cash impact of working capital fluctuations. Adjusted EBITDA and FFO do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Refer to 'Non-IFRS measures' for reconciliations between non-IFRS financial measures and comparable measures calculated in accordance with IFRS.

Financial results

First quarter 2011 revenue, Adjusted EBITDA, and funds from operations increased \$4.2 million, \$3.2 million and \$2.8 million, respectively, in comparison to the same period of 2010. These improvements are a result of higher realized power prices at Milner and increased electricity demand in the US Northeast, the effects of which were partially offset by the expiration of the Pittsfield facility's RMR contract in May 2010. Adjusted EBITDA and funds from operations increased by a lesser amount than revenue as the unfavourable CVRI arbitration award on May 25, 2010 led to a reduction in margins earned on Milner production. Further offsetting the revenue increase were the additional fuel costs associated with increased Pittsfield electricity generation as a result of the expiry of the RMR contract.

Net income for the first quarter of 2011 declined by \$19.7 million in comparison to net income earned during the same period of 2010. The decrease is primarily due to a one-time \$22.7 million gain recognized in the first quarter of 2010 as a result of MAXIM's amalgamation with EarthFirst Canada Inc. The remaining change in net income from the prior quarter is an increase of \$3.0 million, which is attributable to the reasons discussed above.

Notable events

On May 19 and 20, 2011, the Corporation entered into two floating for fixed price swaps with a third party for 25 MW of output from Milner. As a result of these financial transactions, MAXIM has ensured a fixed sale price of \$60.00/MWh for 50 MW of Milner output for the term of July 1 to December 31, 2011.

On May 19, 2011, MAXIM amended its existing BMO credit facility. The required minimum debt service coverage ratio has been decreased from 1.4 times to 1.25 times for the quarter ending December 31, 2011 and thereafter. As part of the amendment, the committed term has been extended to May 31, 2013. A committed letter of credit facility of \$5.1 million was also added to the facility to provide for letters of credit issued to secure the mining license for MAXIM's Mine 14 coal reserve and to provide security for MAXIM's obligation to remediate the Milner site upon retirement of this asset.

On April 20, 2011, the ERCB issued Coal Mine License No. C 2011-9 to MAXIM's wholly owned subsidiary, Milner Power Inc. The newly granted license enables Milner to commence developing its Mine 14 coal reserve.

On March 24, 2011, MAXIM entered into an agreement whereby MAXIM is no longer required to cease operations of Milner by December 31, 2015. Effective on the agreement date, MAXIM has assumed the obligation to reclaim the site upon the eventual decommissioning of the power plant. At March 31, 2011, the liability for the decommissioning obligation is estimated to be \$18.0 million. The cost of this liability will be funded in part by \$15.0 million currently held by the Balancing Pool for this purpose, with the remainder to be funded by MAXIM. MAXIM has posted security for the estimated cost of remediation in excess of the funds already held in trust.

RESULTS OF OPERATIONS

Summary of generation by segment:

Three months ended March 31	2011	2011	2010	2010
	Generation (MWh)	% of Generation	Generation (MWh)	% of Generation
Canada - Milner	232,334	59	246,113	64
Canada - Other	20,567	5	22,048	6
United States	61,655	16	2,713	1
France	77,449	20	113,761	29
Total MWh Generation	392,005	100	384,635	100

- The above table excludes Forked River, Basin Creek and APP as these facilities provide capacity in exchange for monthly capacity payments.

Revenue

Summary of revenue by segment:

Three months ended March 31	2011	2010
Canada - Milner	16,379	10,225
Canada - Other	1,976	1,794
United States	15,468	10,440
France	21,174	28,316
Total	54,997	50,775

Revenue earned by MAXIM increased from \$50.8 million in the first quarter of 2010 to \$55.0 million in the first quarter of 2011. The \$4.2 million or 8% increase is primarily attributable to higher Alberta power prices and increased dispatches in the US Northeast. These variances were partially offset by reduced revenue in France.

Milner generated revenue of \$16.4 million in the first quarter of 2011, representing a \$6.2 million increase over \$10.2 million in revenue earned during the same period of 2010. The revenue increase was driven by higher average power prices in the quarter. Milner realized an average of \$70.43 per MWh of generation in the period, an increase of \$28.91 per MWh in comparison to \$41.52 per MWh realized in the first quarter of 2010. Realized prices fluctuate based on Alberta power prices as established by the Alberta Power Pool, forward contract prices, and plant operations.

The \$0.2 million increase in revenue from Other is a result of the impact of higher power prices on MAXIM's Gold Creek facility.

Revenue from United States operations increased from \$10.4 million in the first quarter of 2010 to \$15.5 million in the first quarter of 2011. The \$5.1 million increase in revenue is primarily due to higher electricity sales resulting from the expiry of Pittsfield's RMR contract with the ISO-NE on May 30, 2010. Under that contract, Pittsfield had earned revenue through a regulated tariff sufficient to provide a certain amount of fixed operating income to the facility on an annual basis. Subsequent to the contract's expiry, the facility began receiving monthly electrical generation revenue as well as capacity payments, and Pittsfield's electricity generation increased substantially. The change resulted in higher electricity revenue, higher cost of sales, and lower capacity revenue in comparison to the period in which the RMR contract was in place. The impact of the end of the RMR contract on Pittsfield's EBITDA is dependent upon market conditions.

The increase in revenue is also due to favourable market conditions in the US Northeast during the first quarter of 2011, partially offset by a decrease in the value of the US dollar relative to the Canadian dollar in the first quarter of 2011.

A \$7.1 million decline in the revenue from MAXIM's French power plants partially offsets the increases in revenue from the North American segments. France contributed \$21.2 million of revenue in the first quarter of 2011 compared to \$28.3 million in the same period of 2010, with the decrease partially due to three plants having reached the end of their twelve year Power Purchase Agreements ("PPA") with EdF. Renovations on one of these facilities began in the first quarter and renovations on all three facilities are planned to be completed for the 2011-2012 cogeneration season, which begins in November. Two additional plants have PPA's expiring in October 2011 and will not be renovated for the 2011-2012 cogeneration season.

Further reducing France revenue was the election to operate certain plants in dispatch rather than cogeneration mode, which also reduces operating costs for these plants. Finally, the lower value of the Euro relative to the Canadian dollar in the first quarter 2011 than in same period of 2010 caused the remainder of the reduction in France revenues.

Summary of revenue by form of sales contract:

Three months ended March 31	2011	2010
Electricity and capacity sales at fixed prices	38,809	40,061
Electricity sales at spot prices per MWh	16,188	10,714
Total	54,997	50,775

Electricity and capacity sales at fixed prices decreased \$1.3 million during the first quarter of 2011 versus the same period of 2010. The decrease is primarily attributable to the end of Pittsfield's RMR contract and the decrease in revenue from the France segment as described above. These decreases are partially offset by the sale of 148,200 MWh of Milner's first quarter 2011 production at fixed prices rather than selling all generation at spot prices as was done in the first quarter of 2010.

The decrease in fixed price revenue is more than offset by an increase in electricity sales at spot prices per MWh. Sales at spot prices increased by \$5.5 million in the first quarter of 2011 versus same period of 2010, primarily due to higher Alberta power prices in 2011. Further contributing to the increase in spot price electricity sales is higher electricity sales in the Northeast US as a result of the end of the RMR

contract and favourable market conditions. These increases are partially offset by the sale of 148,200 MWh of first quarter 2011 Milner production at contracted prices as described above.

Plant operations

Summary of plant operations expense by type and segment:

Three months ended March 31	2011			2010		
	Fuel	O&M	Total	Fuel	O&M	Total
Milner	7,645	5,057	12,702	5,940	4,436	10,376
Other	28	1,059	1,087	40	1,047	1,087
United States	5,708	5,279	10,987	1,085	3,671	4,756
France	7,963	6,135	14,098	12,752	7,929	20,681
Total	21,344	17,530	38,874	19,817	17,083	36,900
Percent	55%	45%	100%	54%	46%	100%

Plant operations expense increased by \$2.0 million or 5%, from \$36.9 million in the first quarter 2010 to \$38.9 million in first quarter 2011.

Milner fuel costs increased \$1.7 million during the period, from \$5.9 million in first quarter 2010 to \$7.6 million in first quarter 2011. On a per MWh basis, Milner fuel costs increased from \$24.14 per MWh to \$32.90 per MWh during the same period. The rise in per MWh fuel costs reflects the increase in coal prices which resulted from an unfavorable arbitration decision in May 2010.

Milner O&M costs increased \$0.7 million or 12% in first quarter of 2011 to \$5.1 million in comparison to \$4.4 million in the first quarter of 2010. The increase is primarily due to increased power consumption and interconnection charges related to higher Alberta power prices in the quarter and the timing of certain repair and maintenance costs.

Other plant operating costs for the first quarter of 2011 are comparable to the first quarter of 2010.

US fuel costs increased to \$5.7 million in first quarter 2011 compared to \$1.1 million in first quarter 2010, an increase of \$4.6 million. Higher fuel costs are due to increased generation which resulted from the end of the Pittsfield facility's RMR contract on May 31, 2010 and favorable market conditions which drove demand in the US Northeast.

Operating and maintenance costs in the United States increased from \$3.7 million in first quarter 2010 to \$5.3 million in first quarter 2011. The change is attributable to increased power consumption related to higher generation in the US Northeast and higher property taxes in Basin Creek as a five-year tax holiday ended in 2010. The increases are partially offset by the impact of a weaker US dollar in the first quarter of 2011 than in the same period of 2010.

France plant operating costs decreased \$6.6 million from \$20.7 million in the first quarter of 2010 to \$14.1 million in the same period of 2011. The decrease in both fuel and O&M expenses occurred primarily as a result of the expiry of three PPA's with EdF. In addition, several plants running in dispatch mode were required to generate relatively little electricity in comparison to prior year, which reduced operating costs associated with these plants. The value of the Euro has also declined relative to the Canadian dollar in the first quarter of 2011 versus the same period of 2010, further contributing to the decrease in France operating expenses.

General and administrative

Three months ended March 31	2011	2010
Total general and administrative	1,008	1,291

General and administrative ("G&A") expenses decreased \$0.3 million or 22% to \$1.0 million in the first quarter of 2011 in comparison to \$1.3 million incurred in the same period of 2010. The decrease is

attributable to lower stock-based compensation, a weaker Euro in the first quarter of 2011 than in the same period of 2010, and is partially offset by higher consulting costs related to the implementation of IFRS.

Depreciation

Three months ended March 31	2011	2010
Total depreciation	7,917	7,895

First quarter 2011 depreciation and amortization expense is comparable to the same period of prior year. An increase in depreciation resulting from capital expenditures during the past year was offset by decreases in the value of both the US dollar and the Euro in comparison to the value of the Canadian dollar.

On a quarterly basis, MAXIM reviews each cash generating unit (“CGU”) for indicators of impairment and tests for impairment when these reviews indicate impairment may have occurred. No impairment indicators were present during the first quarter of 2011 or 2010. See the IFRS section for further detail on impairment testing in accordance with IAS 36 *Impairment of assets*.

Finance expense

Three months ended March 31	2011	2010
Interest expense	937	1,316
Accretion of provisions	162	122
Foreign exchange loss	127	337
Total	1,226	1,775

Under IFRS, increases in carrying amounts of provisions as a result of the passage of time are recognized as finance expense. Under Canadian GAAP, this had been recognized as part of plant operating expense. MAXIM accretion relates solely to decommissioning liabilities.

Finance expense is \$0.5 million lower for the first quarter of 2011 than for the same quarter of 2010, primarily due to a reduction in interest expense. Interest expense, comprised of interest on long-term debt, capital lease obligations and interest and bank charges, decreased as a result of lower long-term debt and capital lease obligations carried by the Corporation throughout the quarter. These financial liabilities have decreased as a result of scheduled principal repayments throughout the past year.

Other income (expense)

Three months ended March 31	2011	2010
Other income (expense)	721	(1)

Other income earned during the first quarter of 2011 consists of \$0.4 million in compensation from France suppliers and \$0.3 million related to France insurance settlements. No similar penalties or insurance payments were received from suppliers in the first quarter 2010.

Income taxes

Three months ended March 31	2011	2010
Current tax expense (recovery)	650	(207)
Deferred tax expense (recovery)	1,440	(21,142)
Total	2,090	(21,349)

Income tax expense for the first quarter of 2011 was \$2.1 million in comparison to a tax recovery of \$21.3 million in the same quarter of 2010. The \$23.4 million variance is primarily attributable to a \$22.7 million

one-time tax recovery realized in the first quarter of 2010 as a result of MAXIM's amalgamation with EarthFirst Canada Inc.

Before the inclusion of the one-time recovery, first quarter 2010 income tax expense is \$1.4 million. The \$0.7 million increase in tax expense to \$2.1 million in the first quarter of 2011 is due to an increase in income before taxes and is partially offset by a decrease in the effective tax rate from 47% to 37%. The decrease in the effective rate is triggered by a greater proportion of earnings in Canada during the first quarter of 2011 versus 2010 and a decrease in the statutory tax rate in Canada from 28% in 2010 to 26.5% in 2011. The statutory tax rates in the US and in France are higher than the statutory tax rate in Canada.

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 to 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.

MAXIM has up to \$10.0 million in borrowing capacity through revolving BMO credit facilities. The Corporation may draw up to \$10.0 million under a revolving facility margined on the Corporation's accounts receivable balance. As at March 31, 2011, this facility had an outstanding balance of \$4.7 million comprised of letters of credit (December 31, 2010 - \$1.7 million comprised of letters of credit).

Effective May 19, 2011, the BMO agreement was amended to include an additional \$5.0 million committed letter of credit facility. At the date of this MD&A, the entire letter of credit facility is drawn.

Formerly known as Facility D, a \$7.0 million revolving credit line was also in place at quarter end, \$0.1 million of which was drawn (December 31, 2010 – \$2.0 million). This temporary facility is no longer available at the date of this MD&A as its term expired on April 30, 2011.

In France, MAXIM has a working capital facility with a French bank to provide financing up to EUR 0.8 million, repayable upon collection of certain accounts receivable balances. At quarter end, \$0.3 million was drawn on this facility (December 31, 2010 - \$0.5 million).

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

Three months ended March 31	2011	2010
Cash on hand, net of bank indebtedness, unrestricted, January 1	9,408	13,394
Cash flow from operations:		
• Funds from operations	14,312	11,521
• Changes in working capital	1,048	(4,987)
Cash flow (used in)/from financing	(5,749)	3,908
Available for investments	19,019	23,836
Cash flow used in investing	(1,541)	(10,894)
Effect of foreign exchange rates on cash	(73)	(923)
Cash on hand, net of bank indebtedness, unrestricted, March 31	17,405	12,019

The increase in funds from operations of \$2.8 million is a result of higher power prices realized at Milner and increased electricity demand in the US Northeast, partially offset by reduced margins earned on

Milner production as a result of the unfavourable 2010 CVRI arbitration decision, the increase in fuel costs related to increased ISO-NE generation, and the end of the Pittsfield facility's RMR contract. Fluctuations in working capital represented a cash inflow of \$1.0 million in the first quarter of 2011 compared to a cash outflow of \$5.0 million in the same period of 2010.

During the first quarter of 2011, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of \$5.7 million during the quarter. Debt issuances were \$2.0 million for quarter and consisted solely of draws on the BMO revolving credit facilities. More than offsetting these issuances were the scheduled debt and lease repayments of \$2.8 million and \$1.1 million respectively, and repayments of \$3.9 million which had been drawn under revolving credit facilities.

During the first quarter of 2010, MAXIM realized a net financing cash inflow of \$3.9 million, as \$5.4 million of long-term debt was issued in France and \$2.7 million was drawn on the BMO line of credit. This new debt was offset by \$4.2 million in repayments of debt and capital lease obligations during the quarter.

MAXIM's first quarter 2011 investing activities represented a cash outflow of \$1.5 million, which consisted of \$1.8 million in property plant and equipment purchases and \$0.3 million in intangible asset purchases, partially offset by a \$0.6 million decrease in restricted cash held as security for ISO New England transactions.

The \$1.8 million in PP&E expenditures is comprised of \$1.1 million on renovations of the Cogenia power plant in France, \$0.2 million on other France projects, \$0.2 million on development projects, primarily the Milner Expansion, \$0.2 million on improvements to Milner, and \$0.1 million on other North American facilities. Additions to intangibles represent \$0.3 million in costs incurred on the reduction of Milner's current nitrous oxide emissions to generate credits against emission limits reductions taking effect in 2013. (Refer to the Environmental and Climate Change Legislation section on page 12.)

MAXIM's net investing outflow totaled \$10.9 million for the first quarter of 2010. The investing activities consisted of \$6.4 million spent on the March 2, 2010 amalgamation with EarthFirst, \$4.3 million on property, plant, and equipment additions, \$0.3 million on intangible assets additions. Additions to property, plant, and equipment were comprised of \$2.0 million on peaking development in France, \$0.7 million on Mine 14, \$0.7 million on renovating two plants in France, \$0.4 million on various Milner projects, \$0.3 million on the Milner Expansion and \$0.2 million on other projects. The intangibles additions comprised of \$0.3 million in costs incurred on the reduction of Milner's current nitrous oxide emissions to generate credits against emissions limits reductions taking effect in 2013. These cash outflows were partially offset by a \$0.1 million reduction in the Company's restricted cash balance.

The following table represents the net capital of the Corporation:

As at	March 31, 2011	December 31, 2010
Long-term debt	68,545	72,945
Capital lease obligation	10,079	10,870
Less: Unrestricted cash (net of bank indebtedness)	(17,405)	(9,408)
Net debt	61,219	74,407
Shareholders' equity	230,550	226,196
Net capital	291,769	300,603
Net debt to capital	21%	25%

The Corporation uses net debt to capital to monitor leverage. The decrease in net debt from December 31, 2010 to March 31, 2011 is the result of scheduled capital lease and debt repayments and an increase in quarter end unrestricted cash due to high power prices and seasonality of operations.

The increase in total shareholders' equity is primarily the result of first quarter 2011 net income, and is partially offset by a decrease in accumulated other comprehensive income due to unrealized losses on translation of foreign operations.

As at March 31, 2011, MAXIM was in compliance with all financial covenants on its credit facilities and anticipates meeting these covenants throughout 2011.

Working capital

The Corporation's working capital surplus of \$7.7 million at March 31, 2011 represents an \$8.7 million improvement from the working capital deficit of \$1.0 million at December 31, 2010. A \$9.3 million increase in current assets was partially offset by a \$1.6 million increase in current liabilities.

The increase in current assets is primarily due to a \$7.9 million increase in unrestricted cash, which is explained above. Further contributing to the increase was a \$2.5 million increase in accounts receivable related to other income earned in France and \$0.1 million in additional prepaid expenses and deposits. These increases were partially offset by a \$0.5 million reduction in the restricted cash balance, a \$0.4 million decrease in inventory, and a \$0.2 million reduction in MAXIM's current income tax asset.

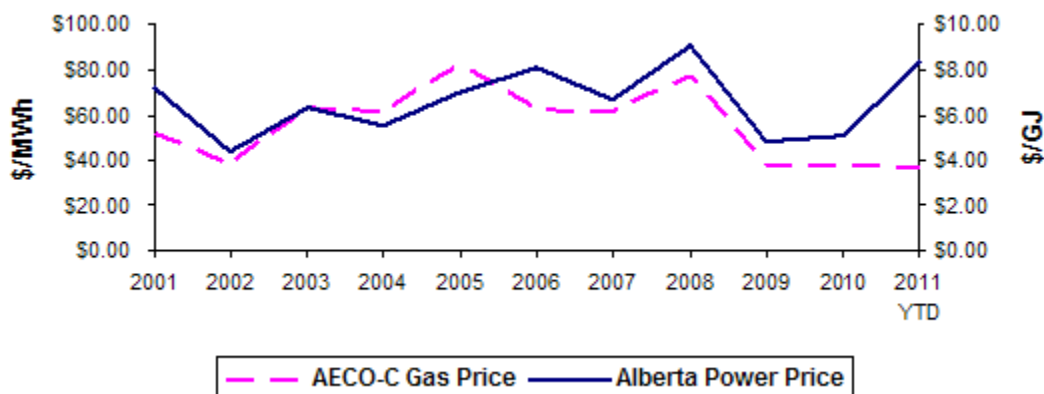
Accounts payable increased \$2.6 million from December 31, 2010 to March 31, 2011, primarily due to seasonality and capital spending in France, and current income tax payable increased by \$0.4 million. The increases in current liabilities were partially offset by a \$2.3 million decrease in the current portion of long-term debt as a result of principal payments made during the first quarter and by a \$0.1 million reduction of bank indebtedness.

Capital Resources

The Corporation is currently estimating capital and development expenditures of approximately \$21.9 million for 2011. These expenditures include \$17.0 million for repowering/renovating cogeneration facilities in France, \$1.6 million on development projects, and \$3.3 million on capital projects for existing facilities. Cogeneration repowering 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

The Corporation's outlook is significantly impacted by Alberta electricity and fuel prices. Alberta electricity prices are a key revenue determinant for MAXIM's Milner and Gold Creek facilities. Alberta electricity prices fluctuate based on the supply of and demand for electricity within Alberta, the cost of key inputs such as natural gas, and other market factors. The following chart compares the average annual Alberta electricity price to Alberta natural gas price since deregulation of the electric industry in Alberta. The recent break in correlation is the result of tighter generation capacity relative to demand in the first quarter of 2011, which led to higher prices during the quarter.



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 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.

Mine 14

On December 2, 2009, the ERCB granted Milner Power Inc. a permit to develop the underground coal mine referred to by the Corporation as Mine 14. On April 20, 2011, the ERCB granted Milner Power Inc. the license to commence underground mining of the Mine 14 coal reserve. Management anticipates receiving an interim surface lease in order to undertake preparatory activities at the mine portal site and expects the permanent License of Occupation and Mineral Surface Lease will be issued prior to commencement of construction.

Mine 14 will 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 and for the potential sale of coal to metallurgical coal markets.

Milner Expansion (M2)

MAXIM is 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 Environmental Impact Assessment for the project was deemed complete by Alberta Environment on November 24, 2010, allowing the project to progress to the final regulatory phase. The regulatory review process has commenced and final regulatory approvals are expected in 2011.

Buffalo Atlee

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 future carbon legislation. Wind data has been collected on the site for four years and Buffalo Atlee holds an exploratory Crown land permit, which MAXIM has recently renewed for a five-year term expiring on January 1, 2016.

Deerland

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.

Financing and accounting

MAXIM requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. 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 no longer meets these criteria, any capitalized costs for the project are expensed in the period.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Climate change legislation continues to evolve. The Canadian federal government has indicated its intent to issue draft greenhouse gas (“GHG”) legislation in late June 2011, and management anticipates that MAXIM’s coal-fired Milner facility will be subject to such regulations. Management is currently in discussions with both the Governments of Canada and Alberta about the design of the proposed regulation and its potential impact to the Corporation.

In the US Congress, various pieces of federal legislation that would limit GHG emissions have been introduced, but Congress has not enacted such climate change legislation to date. Forward progress appears to be stalled as the Obama Administration focuses on economic recovery.

Management does not have sufficient information to fully assess the financial implications of all proposed environmental and climate change legislation on the Corporation. If GHG legislation is enacted in Canada or the US, 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 or other costs that cannot be recovered from the market and there are not economic or commercial opportunities to reduce these expenditures 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.

MAXIM is in compliance with currently enacted environmental legislation, including the Climate Change and Emissions Act (Alberta) and the Regional Greenhouse Gas Initiative, which limit carbon dioxide production of facilities located in Alberta and the Northeast US, respectively.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

Key performance indicators	Mar 31 2011 ⁽¹⁾	Dec 31 2010 ⁽²⁾	Sep 30 2010 ⁽²⁾	Jun 30 2010 ⁽²⁾	Mar 31 2010 ⁽¹⁾	Dec 31 2009 ⁽²⁾	Sep 30 2009 ⁽²⁾	Jun 30 2009 ⁽²⁾
Revenue	54,997	36,694	31,123	32,659	50,775	41,977	27,628	18,856
Adjusted EBITDA ⁽³⁾	15,792	5,546	6,058	10,345	12,561	8,177	6,696	713
Net income (loss)	4,559	(416)	(139)	385	24,240	505	848	(4,227)
Basic income (loss) per share	\$0.08	\$(0.01)	\$0.00	\$0.01	\$0.45	\$0.01	\$0.02	\$(0.08)
Diluted income (loss) per share	\$0.08	\$(0.01)	\$0.00	\$0.01	\$0.44	\$0.01	\$0.02	\$(0.08)
Funds from operations ⁽³⁾	14,312	4,702	5,532	4,186	11,521	7,084	6,430	(1,015)
Total assets	378,238	373,447	371,584	368,779	379,183	376,621	356,112	359,986
Average Alberta electricity price per MWh	\$83	\$46	\$36	\$81	\$41	\$46	\$50	\$32
Average Milner realized electricity price per MWh	\$70	\$49	\$52	\$93	\$42	\$48	\$50	\$33

(1) Q1 2010 and Q1 2011 unaudited financial information was prepared in accordance with IFRS except Adjusted EBITDA and Funds from Operations.

(2) Q2 2009 to Q4 2009 and Q2 to Q4 2010 unaudited financial information was prepared in accordance with Canadian GAAP except Adjusted EBITDA and Funds from Operations.

(3) Refer to Non-IFRS Measures below for reconciliation of Adjusted EBITDA and Funds from Operations to comparable measures calculated in accordance with IFRS and Canadian GAAP.

Quarter over quarter revenue, Adjusted EBITDA and net income (loss) are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions and divestitures, and weather conditions. Revenue, Adjusted EBITDA and net income (loss) 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, Adjusted 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 are further impacted by supply constraints such as outages at other Alberta generation facilities.

First quarter 2011 results increased in comparison to the second and third quarter of 2010 as anticipated as a result of seasonality and relatively higher power prices.

Fourth quarter 2010 revenue also increased over second and third quarter 2010 as expected, but Adjusted EBITDA and net income decreased during that same time period. These fourth quarter results did not follow the normal seasonality pattern, primarily as a result of lower margins on Milner production and the end of the Pittsfield RMR contract in May 2010.

Third quarter 2010 revenue, Adjusted EBITDA, and net income all decreased in comparison to first and second quarter 2010 results, consistent with the seasonality described above. Revenue and net income decreased during the second quarter of 2010 in comparison to the first quarter of 2010 and the fourth quarter of 2009. This variance is consistent with the seasonality described above, and was partially offset by record high Alberta power prices during May 2010.

Adjusted EBITDA reported for the second quarter of 2010 was comparable with the first quarter of 2010 and higher than Adjusted EBITDA reported for the fourth quarter of 2009. Unseasonably high May power prices and the second quarter 2010 \$1.4 million sale of carbon dioxide allowances from the Milner facility offset the seasonal reduction from the timing of France's cogeneration activities.

Although quarterly revenue and Adjusted EBITDA were as expected in 2009 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, Adjusted 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.

NON-IFRS MEASURES

Adjusted EBITDA

Three months ended March 31	2011	2010
IFRS Measures from Condensed Consolidated Statement of Income		
Net income	4,559	24,240
Income taxes	2,090	(21,349)
Finance expense	1,226	1,775
Depreciation and amortization	7,917	7,895
Non-IFRS measure - Adjusted EBITDA	15,792	12,561

Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before finance expense, income taxes, depreciation and amortization, and certain other income and expenses. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Management believes that presentation of this non-IFRS measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses Adjusted EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operations. Adjusted EBITDA is calculated as described above, adjusted for specific items that are significant but not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items to be excluded.

The following table highlights the change in first quarter 2010 Adjusted EBITDA as a result of MAXIM's conversion to IFRS:

Three months ended March 31, 2010	Canadian GAAP	IFRS	Change
Measures from Condensed Consolidated Statement of Income			
Net income	1,298	24,240	22,942
Income taxes	1,347	(21,349)	(22,696)
Interest (Canadian GAAP) / Finance expense (IFRS) ⁽¹⁾	1,373	1,775	402
Depreciation and amortization	7,912	7,895	(17)
Non-IFRS measure - Adjusted EBITDA	11,930	12,561	631

(1) Under IFRS, MAXIM adds finance expense, rather than interest expense, back to net income as part of its EBITDA calculation. Finance expense includes interest, accretion of ARO, and foreign exchange.

Funds from Operations

Three months ended March 31	2011	2010
IFRS Measures from the Condensed Consolidated Statement of Cash Flows		
Cash provided by operations	15,360	6,534
Change in non-cash working capital	(1,048)	4,987
Non-IFRS measure - FFO	14,312	11,521

Funds from operations ("FFO") is provided to assist management and investors in determining cash generated from MAXIM operations before the impact of working capital fluctuations, which vary based upon timing differences and are not considered representative of underlying financial performance. Management uses FFO to compare financial results among reporting periods and to evaluate the Corporation's cash generating ability.

The following table highlights the change in first quarter 2010 FFO as a result of MAXIM's conversion to IFRS:

Three months ended March 31, 2010	Canadian GAAP	IFRS	Change
Cash provided by operations	6,477	6,534	57
Change in non-cash working capital	4,975	4,987	12
Non-IFRS measure - FFO	11,452	11,521	69

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, based on its experience, concerning the future in applying accounting policies. Actual results generally differ from those estimates. The following outlines the accounting policies and practices involving the use of estimates that are critical in determining the financial results of the Corporation.

Operating leases

At certain of its facilities, MAXIM has entered into long-term tolling arrangements with third parties whereby MAXIM imposes toll charges as compensation for processing natural gas to produce electricity. The counterparties have the right to nominate all facility output, are responsible for procuring natural gas used for power generation, and own the electricity generated by the facility. Initial terms of these agreements are between ten and twenty years with options to extend the agreements for an additional five to fifteen years. Management has determined that such arrangements are operating leases because MAXIM retains the principal risks and rewards of ownership of the facilities. Assets subject to such leases continue to be recorded as property, plant and equipment and are depreciated over their useful lives.

Useful life and residual value of property, plant and equipment

Each major component of PP&E is amortized over its estimated useful life net of residual value. The estimated useful lives of the assets are based upon current conditions and management's experience and knowledge, which take into consideration specific contracts, agreements, the condition of the asset, technology, possible 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.

Residual value is estimated by management to be the amount that MAXIM would currently receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age

and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

Impairment of non-financial assets

At the end of each reporting period, management assesses whether any indications of impairment are present for its PP&E and intangible assets. The assessment is performed at the lowest level for which cash flows are separately identifiable, the cash-generating unit ("CGU"). If indications of impairment are identified, management performs an impairment test on the CGU. Goodwill and any intangible assets not subject to amortization are tested for impairment annually regardless of indications of impairment.

The impairment test compares the recoverable amount of the asset to its carrying amount. The recoverable amount is the higher of the asset's value in use (present value of the expected future cash flows) and its fair value less costs to sell. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs. It is possible that future cash flow assumptions may change, impacting the estimated fair value of the associated asset and possibly requiring a material adjustment to the carrying value of the asset. Management has determined no indicators of impairment exist at March 31, 2011.

Income taxes

The Corporation recognizes the net deferred tax benefit related to deferred income tax assets to the extent it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

Future changes in tax laws in the jurisdictions in which the Corporation operates could further limit the ability of the Corporation to obtain tax deductions in future periods.

Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of MAXIM's generation facilities. A provision is recognized when the Corporation has a present obligation to restore a project site to an acceptable level upon abandonment, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain because timing and cost estimates may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, established provisions may require significant adjustments which could affect future financial results. Management bases its estimates on its best judgment, experience in similar circumstances and in some cases on reports from independent experts.

A decommissioning liability 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 decommissioning liabilities, management is required to make assumptions regarding timing of cash flows, estimated costs to clean up and restore sites, rates of inflation, and the risk-free rate of borrowing. Actual payments to settle the obligations may differ from estimated amounts.

NEW ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt IFRS for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011, with comparative IFRS figures for the equivalent periods of 2010, including an opening statement of financial position as at January 1, 2010.

MAXIM has completed all stages of its accounting transition project, which included initial assessment, detailed assessment and implementation, and adopted IFRS on January 1, 2011. This quarter represents the first interim reporting period under IFRS.

Although certain recognition, measurement, and disclosure differences exist between IFRS and Canadian GAAP, the underlying business activities and cash flows of the Corporation have not been changed as a result of the transition.

The key impacts of the conversion on MAXIM's accounting policies are described below. MAXIM's unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2011 include notes disclosing extensive transitional information, such as full disclosure of the Corporation's IFRS accounting policies and elections made under IFRS 1 *First-time adoption of international financial reporting standards*. These notes also disclose the quantitative impact of the transition to IFRS on MAXIM's balance sheet and statement of income and comprehensive income reported in the Corporation's annual consolidated financial statements for the year ended December 31, 2010, which were prepared using Canadian GAAP.

Key impact of IFRS on accounting policies and financial statements:

- **Property, plant, and equipment ("PP&E"):** In applying IAS 16 *Property, plant and equipment*, MAXIM was required to separate PP&E into major components, each of which is now depreciated separately based on its individual characteristics and economic life. Accumulated depreciation under IFRS was recalculated retrospectively as changes in depreciable lives resulted in depreciation that differs from amounts originally calculated under Canadian GAAP. Opening retained earnings was adjusted to account for these differences.

The Corporation has elected to use the fair value of its PP&E as measured on March 31, 2005, the date of a reverse takeover, as the deemed costs of assets owned at that date to determine its opening IFRS balance sheet. MAXIM elected to value assets acquired subsequent to the reverse takeover at their purchase price.

- **Impairment of assets:** IAS 36 *Impairment of assets* requires impairment tests to be performed at the cash generating unit ("CGU") level to the extent that impairment indicators exist. IFRS also requires the use of a one-step discounted cash flow test to measure the amount of impairments. MAXIM determined that each North American generating facility represents a CGU and that France represents two CGUs. These requirements differ from Canadian GAAP, which allowed testing to be done on a more aggregated asset level and required a two-step test which identified impairments based on undiscounted future cash flows of the asset. IAS 36 also contrasts with Canadian GAAP in allowing losses related to previous impairments to be reversed if indicators that an asset is no longer impaired are present.

The transition to IFRS resulted in an impairment write down of the net book value of two North American generating facilities in 2010, and may continue to result in more frequent impairment related losses or potential recoveries than would be incurred under Canadian GAAP.

- **Business combinations and non-controlling interests:** IFRS 3 *Business Combinations* indicates that transaction costs, which were capitalized as part of the purchase price under Canadian GAAP,

must be accounted for separately from business combinations and expensed as incurred unless related to debt or equity issuance. MAXIM has applied the business combinations exemption in IFRS 1 that allows it not to apply *IFRS 3 Business Combinations* retrospectively to past business combinations. Therefore the Corporation has not restated business combinations that took place prior to the transition date.

Non-controlling interests is now recorded as a separate component of equity and, as specified under IFRS 1, will not be restated for prior business combinations.

- **Site restoration:** Under IAS 37 *Provisions, contingent liabilities and contingent assets*, an amount recognized as a liability should be the best estimate of the present value of the required expenditure to settle the obligation at the end of the reporting period, as determined using the risk-free interest rate. The liability is then adjusted each reporting period to reflect the passage of time, with accretion and revisions to the estimated future cash flows charged to earnings. Under Canadian GAAP, initial decommissioning liabilities were measured at fair value with any changes as a result of the passage of time or downward revisions measured using the risk free rate that was applied when the liability was initially measured. Under Canadian GAAP, upward revisions were measured using the current credit-adjusted risk-free rate.

Under IFRS 1, the Corporation has elected to apply IAS 37 *Provisions, contingent liabilities and contingent assets* prospectively and has measured the decommissioning obligations at January 1, 2010 using the risk-free discount rate at that date. MAXIM was required to increase its provision for decommissioning at January 1, 2010 as a result of changes in the discount rates.

- **Foreign exchange:** Under IFRS 1, the Corporation has elected to set the previously accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2010 and transfer the balance to retained earnings at the date of transition.
- **Share-based payments:** Under IFRS 2 *Share-based Payment*, if an award of share-based compensation is subject to graded vesting then each installment is treated as a separate award and amortized over its vesting period. IFRS 2 also requires estimating forfeitures. In contrast, Canadian GAAP allowed treatment of equity awards as a single award and amortization on a straight-line basis over the award's vesting period, with forfeitures accounted for as they occur. Due to these differences, contributed surplus increased upon conversion to IFRS. Share-based compensation decreased for 2010 as a result of adopting IFRS, as graded vesting under IFRS causes a higher portion of the total expense to be amortized at the beginning of the option life and less during the later years.

Under IFRS 1, the Corporation has elected not to apply IFRS 2 *Share-based payment* retrospectively to stock options granted on or before November 7, 2002 or to options granted after November 7, 2002 that vested before January 1, 2010. MAXIM has elected to apply IFRS 2 retrospectively for stock options that were granted after November 7, 2002 but had not vested at the transition date.

- **Income taxes:** Upon transition to IFRS, MAXIM adjusted deferred income taxes to reflect changes to the accounting cost basis of assets and liabilities as required by IAS 12 *Income taxes*. In addition, the deferred credit MAXIM recorded upon amalgamation with EarthFirst in 2010 was reversed and flowed through the income statement as a tax recovery under IFRS. Under Canadian GAAP, a deferred credit had been recorded for the excess of the future tax asset over the consideration paid, to be amortized to income tax expense in proportion to the net reduction in the future income tax assets that gave rise to the deferred credit. MAXIM also classified all deferred tax assets/liabilities as long term, as opposed to Canadian GAAP presentation under which classification between current and long term was based on the date that the temporary differences were expected to reverse.
- **Leases:** Under both Canadian GAAP and IFRS, leases that transfer substantially all risks and rewards incidental to ownership of the leased item to the Company are capitalized at present value at

the commencement of the lease term. The Corporation elected to apply the transitional provisions in IFRIC 4 *Determining whether an Arrangement Contains a Lease* and not reassess the arrangements already assessed under Canadian GAAP.

Canadian GAAP prescribed specific thresholds for evaluating whether substantially all risks and rewards incidental to ownership of the leased item are transferred, while IFRS does not contain such specific thresholds. Canadian GAAP and IFRS also use different rates to measure the present value of a lease. These differences did not result in material changes to MAXIM's financial statements.

- **Borrowing Costs:** IFRS requires any interest related to the construction of assets to be capitalized. MAXIM has elected to apply the transitional provisions under *IAS 23 Borrowing Costs* and derecognize borrowing costs incurred prior to January 1, 2010 in relation to construction of facilities and charge these costs to retained earnings. Future borrowing costs will be capitalized.

Impact of IFRS on key performance indicators:

The impact of the IFRS transition on key performance indicators for the year ended December 31, 2010 is as follows:

Key performance indicators	Year ended December 31, 2010		
	Canadian GAAP	IFRS	Change
Revenue	151,249	151,249	-
Adjusted EBITDA ⁽¹⁾	33,879	34,696	817
Net income for the period	1,128	24,248	23,121
Basic net income per share (\$ per share)	\$ 0.02	\$ 0.45	\$ 0.43
Diluted net income per share (\$ per share)	\$ 0.02	\$ 0.45	\$ 0.43
Funds from operations ⁽¹⁾	25,872	26,015	143
Total assets	373,447	367,841	(5,606)
Total long-term financial liabilities	78,419	85,407	6,988
Generation (MWh)	1,322,037	1,322,037	-
Average Alberta power price – market (\$ per MWh)	\$ 50.77	\$ 50.77	-
Average Alberta power price – Milner realized (\$ per MWh)	\$ 50.52	\$ 50.52	-

- (1) Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with IFRS or Canadian GAAP, except Adjusted EBITDA and Funds from operations ("FFO"). Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before interest, income taxes, and depreciation and amortization and FFO is provided to assist management and investors in determining the Corporation's cash flows generated by operations before the cash impact of working capital fluctuations. Adjusted EBITDA and FFO do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Refer to 'Non-IFRS measures' for reconciliations between non-IFRS financial measures and comparable measures calculated in accordance with IFRS. This section also shows the impact of the accounting conversion on Q1 2010 Adjusted EBITDA and FFO.

The impact of the IFRS transition on key performance indicators for the three month period ended March 31, 2010 is as follows:

Key performance indicators	Three months ended March 31, 2010		
	Canadian GAAP	IFRS	Change
Revenue	50,775	50,775	-
Adjusted EBITDA ⁽¹⁾	11,930	12,561	631
Net income for the period	1,298	24,240	22,942
Basic net income per share (\$ per share)	\$ 0.02	\$ 0.45	\$ 0.43
Diluted net income per share (\$ per share)	\$ 0.02	\$ 0.44	\$ 0.42
Funds from operations ⁽¹⁾	11,452	11,521	69
Total assets	384,605	379,183	(5,422)
Total long-term financial liabilities	81,379	85,892	4,513
Generation (MWh)	384,635	384,635	-
Average Alberta power price – market (\$ per MWh)	\$ 40.88	\$ 40.88	-
Average Alberta power price – Milner realized (\$ per MWh)	\$ 41.52	\$ 41.52	-

(1) Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with IFRS or Canadian GAAP, except Adjusted EBITDA and Funds from operations ("FFO"). Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before interest, income taxes, and depreciation and amortization and FFO is provided to assist management and investors in determining the Corporation's cash flows generated by operations before the cash impact of working capital fluctuations. Adjusted EBITDA and FFO do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Refer to 'Non-IFRS measures' for reconciliations between non-IFRS financial measures and comparable measures calculated in accordance with IFRS. This section also shows the impact of the accounting conversion on Q1 2010 Adjusted EBITDA and FFO.

Note that the Corporation will ultimately prepare its opening IFRS balance sheet by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2010 comparative balance sheet presented in the consolidated financial statements for the year ending December 31, 2011 may differ from those presented at this time.

Future Accounting Changes

IFRS amendments

The International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") have issued the following amendments. These amendments have not been applied in preparing MAXIM's first quarter 2011 condensed consolidated interim financial statements as their effective dates fall in subsequent periods.

Standard amended	Effective Date	Impact on MAXIM
IFRS 1 <i>First time adoption of IFRS</i>	July 1, 2011	No material impact anticipated
IFRS 7 <i>Financial Instruments: Disclosures</i>	July 1, 2011	Currently under assessment
IAS 12 <i>Income Taxes</i>	January 1, 2012	Currently under assessment

Financial instruments

The IASB has issued IFRS 9 *Financial Instruments*, which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. Management is currently assessing the impact of application of this standard.

Consolidation and joint arrangements

The IASB has issued IFRS 10 *Consolidated Financial Statements*, which will replace IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purposes Entities*. The IASB has also issued IFRS 11 *Joint Arrangements* which will replace IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. In conjunction with IFRS 10 and IFRS 11, the IASB has issued IFRS 12 *Disclosure of Interests in Other Entities*. These new standards are effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of application of these standards.

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 concluded that the Corporation's disclosure controls and procedures are not effective 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, 2010. 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 the first three months of 2011 is anticipated.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning of January 1, 2011 and ended on March 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No material changes in the Corporation's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter into any material transactions with entities outside the consolidated group in the three months ended March 31, 2011 and 2010.

OTHER INFORMATION

Outstanding share data:

Issued common shares at March 31, 2011	54,034,758
Outstanding share options at March 31, 2011	2,449,118
Total diluted common shares at March 31, 2011	56,483,876
Share options cancelled on April 21, 2011	(39,000)
Share options issued on April 27, 2011	2,376,982
Total diluted common shares at June 9, 2011	58,821,858

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 listing includes 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
Alberta power prices	The hourly price established by the Alberta Electric System Operator for electricity bought and sold through the Alberta Power Pool
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 - Other segment for the purposes of reporting segmented information
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
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 Creek	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 – Other 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
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
ISO-NE	ISO New England is a US regional transmission organization serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont
LFRM	Locational Forward Reserve Market, an electricity market developed by "NE-ISO" to provide economic incentives to resources supplying real-time operating reserves during peak periods
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
Milner realized power prices	The average price paid to Milner for sale of electricity in \$/MWh
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)
PP&E	Property, plant and equipment
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
RMR contract	Reliability Must Run contract under which an electricity generating unit must be available to run if requested (ISO-NE preserves regional power grid reliability and stability through RMR contracts, which ensure sufficient generation is available during peak demand periods)
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.