

power **growth** precision



*Quarterly Report of*

# **MAXIM POWER CORP.**

Second Quarter ended June 30, 2011  
(unaudited)



**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 June 30, 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 June 30, 2011, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 11, 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 June 30, 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.
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Date: August 11, 2011

"signed"

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

Condensed Consolidated Interim Financial Statements of

**MAXIM POWER CORP.**

For the Second Quarter Ended June 30, 2011

(Unaudited)

# MAXIM POWER CORP.

Unaudited Condensed Consolidated Balance Sheet

(in thousands of dollars)

	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Cash and cash equivalents	9,350	9,874
Restricted cash	92	642
Accounts receivable	10,743	24,320
Prepaid expenses and deposits	1,686	1,152
Inventories	6,265	6,191
<b>Total current assets</b>	<b>28,136</b>	<b>42,179</b>
Property, plant and equipment, net (note 4)	251,232	251,116
Restricted cash	1,267	1,285
Intangible assets, net (note 5)	24,375	24,461
Deferred tax assets	33,917	32,224
Other assets	7,794	944
Goodwill (note 13)	15,632	15,632
<b>Total non-current assets</b>	<b>334,217</b>	<b>325,662</b>
<b>TOTAL ASSETS</b>	<b>362,353</b>	<b>367,841</b>
<b>LIABILITIES</b>		
Bank indebtedness	45	466
Trade and other payables	17,808	28,037
Loans and borrowings (note 6)	11,963	14,606
Risk management liability (note 14)	2,109	145
<b>Total current liabilities</b>	<b>31,925</b>	<b>43,254</b>
Loans and borrowings (note 6)	65,832	69,209
Provisions (note 7)	24,543	16,198
Deferred tax liabilities	13,766	12,616
<b>Total non-current liabilities</b>	<b>104,141</b>	<b>98,023</b>
<b>TOTAL LIABILITIES</b>	<b>136,066</b>	<b>141,277</b>
<b>EQUITY</b>		
Share capital (note 8)	155,686	155,481
Contributed surplus	9,293	8,990
Accumulated other comprehensive loss	(11,168)	(11,285)
Retained earnings	72,094	73,010
<b>Equity attributable to shareholders</b>	<b>225,905</b>	<b>226,196</b>
<b>Non-controlling interests</b>	<b>382</b>	<b>368</b>
<b>TOTAL EQUITY</b>	<b>226,287</b>	<b>226,564</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>362,353</b>	<b>367,841</b>

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

# MAXIM POWER CORP.

Unaudited Condensed Consolidated Statement of Income (Loss)

For the three and six months ended June 30  
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
<b>Revenue</b>	<b>17,884</b>	32,657	<b>72,881</b>	83,432
<b>Expenses</b>				
Operating	<b>19,392</b>	22,670	<b>58,266</b>	59,570
General and administrative	<b>957</b>	760	<b>1,965</b>	2,051
Depreciation and amortization	<b>2,518</b>	3,665	<b>10,435</b>	11,560
Other expense, net	<b>1,718</b>	2,800	<b>997</b>	2,801
Total expenses	<b>24,585</b>	29,895	<b>71,663</b>	75,982
<b>Income (loss) from operations</b>	<b>(6,701)</b>	2,762	<b>1,218</b>	7,450
Finance expense, net	<b>1,174</b>	1,498	<b>2,397</b>	3,269
<b>Income (loss) before income taxes</b>	<b>(7,875)</b>	1,264	<b>(1,179)</b>	4,181
<b>Income taxes</b>				
Current expense (recovery)	<b>(129)</b>	1,182	<b>521</b>	975
Deferred expense (recovery)	<b>(2,274)</b>	(449)	<b>(834)</b>	(21,591)
Total income taxes	<b>(2,403)</b>	733	<b>(313)</b>	(20,616)
<b>Net income (loss) for the period</b>	<b>(5,472)</b>	531	<b>(866)</b>	24,797
Attributable to:				
Non-controlling interest	<b>3</b>	(3)	<b>50</b>	23
Shareholders of the Corporation	<b>(5,475)</b>	534	<b>(916)</b>	24,774
Net income (loss) per share (note 10)				
Basic	<b>(0.10)</b>	0.01	<b>(0.02)</b>	0.46
Diluted	<b>(0.10)</b>	0.01	<b>(0.02)</b>	0.46

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

# MAXIM POWER CORP.

Unaudited Condensed Consolidated Statement of Comprehensive Income (Loss)

For the three and six months ended June 30  
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
<b>Net income (loss) for the period</b>	<b>(5,472)</b>	531	<b>(866)</b>	24,797
Other comprehensive income (loss):				
Unrealized gains (losses) on translation of foreign operations	<b>(249)</b>	1,928	<b>65</b>	(5,699)
Unrealized losses on derivatives designated as cash flow hedges	<b>(63)</b>	(351)	<b>(83)</b>	(237)
Realized losses on derivative instruments designated as cash flow hedges, included in net income	<b>99</b>	216	<b>99</b>	216
<b>Total comprehensive income (loss)</b>	<b>(5,685)</b>	2,324	<b>(785)</b>	19,077
Comprehensive income (loss) attributable to:				
Non-controlling interest	<b>(14)</b>	(23)	<b>14</b>	69
Shareholders of the Corporation	<b>(5,671)</b>	2,347	<b>(799)</b>	19,008

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

# MAXIM POWER CORP.

## Unaudited Condensed Consolidated Statement of Changes in Equity

(in thousands of dollars)

	Share Capital (note 8)	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Non- controlling interest	Total
Equity at January 1, 2011	155,481	8,990	(11,285)	73,010	368	226,564
Net income (loss)				(916)	50	(866)
Stock options exercised	205	(74)				131
Share-based compensation		377				377
Translation of foreign operations			101		(36)	65
Derivative instruments designated as cash flow hedges			16			16
Equity at June 30, 2011	<b>155,686</b>	<b>9,293</b>	<b>(11,168)</b>	<b>72,094</b>	<b>382</b>	<b>226,287</b>
Equity at January 1, 2010	155,467	7,944	(247)	48,761	270	212,195
Net income (loss)				24,774	23	24,797
Stock options exercised	10					10
Share-based compensation		653				653
Translation of foreign operations			(5,746)		47	(5,699)
Derivative instruments designated as cash flow hedges			(21)			(21)
Equity at June 30, 2010	155,477	8,597	(6,014)	73,535	340	231,935

*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 six months ended June 30  
(in thousands of dollars)

	2011	2010
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net income (loss) for the period	(866)	24,797
Adjustments for items not involving cash or operations:		
Depreciation and amortization	10,435	11,560
Amortization of deferred financing costs	212	156
Long-term contracts	(85)	(87)
Accretion of net decommissioning liabilities	319	235
Share-based compensation	377	653
Unrealized mark to market loss on commodity swaps	1,980	-
Deferred income tax expense (recovery)	(834)	(21,591)
Income taxes paid	(240)	(663)
Current income taxes	521	975
Finance costs	2,359	2,925
	14,178	18,960
Change in non-cash working capital (note 12)	1,831	(5,476)
Cash generated from operations	16,009	13,484
<b>Financing:</b>		
Issuance of long-term debt	6,353	9,391
Repayment of long-term debt	(11,341)	(4,886)
Issuance of capital lease obligation	-	1,079
Repayment of finance lease obligations	(1,971)	(4,009)
Proceeds from common share issuance	131	-
Interest paid	(2,430)	(2,587)
Cash flows used in financing activities	(9,258)	(1,012)
<b>Investing:</b>		
Property, plant and equipment, net of disposals (note 4)	(7,332)	(8,341)
Amalgamation and acquisitions, net of cash acquired	-	(6,513)
Purchase of intangible assets (note 5)	(496)	(441)
Increase in non-current deposits	(331)	36
Change in restricted cash	568	63
Change in non-cash working capital (note 12)	803	619
Cash flows used in investing activities	(6,788)	(14,577)
Unrealized foreign exchange loss on cash	(66)	(858)
Decrease in cash and cash equivalents	(103)	(2,963)
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	9,305	10,431

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 and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

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## 1. Reporting Entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. 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, T2P 2X6.

## 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, are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and do not include all of the information required for full annual financial statements. These are the Corporation's second IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statement and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. In these statements, "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. Note 16 discloses the impact of the transition to IFRS on MAXIM's reported financial position, financial performance and cash flows. These interim financial statements should be read in conjunction with the Corporation's interim condensed consolidated financial statements for the period ended March 31, 2011 and the Corporation's December 31, 2010 annual consolidated financial statements, both available at [www.sedar.com](http://www.sedar.com).

The policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of August 11, 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 unchanged from the policies disclosed in the notes to the condensed consolidated financial statements for the period ended March 31, 2011.

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 2

For the three and six months ended June 30, 2011

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

(unaudited)

## 4. Property, Plant and Equipment

	Land	Generating Facilities	Equipment	Finance Leases	Assets under Construction	Total
<b>Cost</b>						
Balance, January 1, 2010	11,683	263,594	3,202	40,062	12,348	330,889
Additions	14	9,175	154	315	2,636	12,294
Reclassifications	-	13,805	107	(13,972)	60	-
Revisions	-	4,581	-	-	14	4,595
Effects of foreign exchange	(446)	(14,376)	(83)	(3,083)	-	(17,988)
Balance, December 31, 2010	11,251	276,779	3,380	23,322	15,058	329,790
Additions	-	5,442	30	(14)	1,885	7,343
Disposals	-	(11)	(5)	-	-	(16)
Reclassifications	-	2	-	(2)	-	-
Revisions	-	1,872	-	-	-	1,872
Effects of foreign exchange	(159)	(259)	(108)	1,113	(1)	586
Balance, June 30, 2011	11,092	283,825	3,297	24,419	16,942	339,575
<b>Accumulated Depreciation</b>						
Balance, before impairment charge	-	45,295	1,668	8,965	-	55,928
Impairment charge	-	6,230	35	-	-	6,265
Balance, January 1, 2010	-	51,525	1,703	8,965	-	62,193
Depreciation	-	15,604	429	3,043	-	19,076
Reclassifications	-	5,242	(58)	(5,184)	-	-
Impairment charge	-	759	-	-	-	759
Effects of foreign exchange	-	(2,518)	(16)	(820)	-	(3,354)
Balance, December 31, 2010	-	70,612	2,058	6,004	-	78,674
Depreciation	-	7,684	156	1,098	-	8,938
Disposals	-	-	(5)	-	-	(5)
Effects of foreign exchange	-	403	(8)	341	-	736
Balance, June 30, 2011	-	78,699	2,201	7,443	-	88,343
<b>Net Property, Plant and Equipment</b>						
December 31, 2010	11,251	206,167	1,322	17,318	15,058	251,116
June 30, 2011	11,092	205,126	1,096	16,976	16,942	251,232

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 3

For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

## 5. Intangible Assets

	Coal contract	Power contracts	Acquisition costs	NOX credits and other	Total
<b>Cost</b>					
Balance, January 1, 2010	6,000	29,674	680	1,430	37,784
Additions	-	-	647	1,481	2,128
Capitalized costs	-	-	(1,327)	-	(1,327)
Effects of foreign exchange	-	(3,067)	-	(20)	(3,087)
Balance, December 31, 2010	6,000	26,607	-	2,891	35,498
Additions	-	-	-	496	496
Additions (non-cash)	-	-	-	133	133
Elimination of fully amortized contract	-	(625)	-	-	(625)
Effects of foreign exchange	-	1,046	-	(6)	1,040
Balance, June 30, 2011	6,000	27,028	-	3,514	36,542
<b>Accumulated Amortization</b>					
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	333	1,161	-	3	1,497
Elimination of fully amortized contract	-	(625)	-	-	(625)
Effects of foreign exchange	-	258	-	-	258
Balance, June 30, 2011	4,165	7,984	-	18	12,167
<b>Net Intangible Assets</b>					
January 1, 2010	2,835	24,002	680	1,420	28,937
December 31, 2010	2,168	19,417	-	2,876	24,461
June 30, 2011	1,835	19,044	-	3,496	24,375

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 4

For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

## 6. Loans and Borrowings

	June 30, 2011	December 31, 2010
Canadian projects (a)	23,479	28,208
United States project	22,830	24,050
French projects (b)	23,647	22,306
Finance leases	9,346	10,870
	79,302	85,434
Less: deferred financing costs	1,507	1,619
Net loans and borrowings	77,795	83,815
Less: current portion of loans and borrowings	11,963	14,606
	65,832	69,209

### (a) Canadian Bank facilities

Effective May 19, 2011, the Corporation amended its existing credit facility with a Canadian bank ("bank"). This amended agreement matures on May 31, 2013 and is comprised of four facilities.

Facility A is a \$10,000 revolving facility that 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 June 30, 2011, MAXIM has issued letters of credit of \$1,645 against Facility A (December 31, 2010 - \$1,650). Based on eligible accounts receivable, the amount available to draw against Facility A at June 30, 2011 was \$6,646.

Facility B is a \$5,066 committed facility supporting letters of credit. As at June 30, 2011, this facility is fully committed.

Facility C is a committed amortizing term loan facility. The unamortized balance of \$13,037 on May 31, 2013 shall be due and payable in full, unless the bank elects to extend the term of Facility C 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 June 30, 2011, the facility was fully drawn and the Corporation had an outstanding balance of \$23,479 (December 31, 2010 - \$26,208) drawn under this facility by way of bankers' acceptances.

Facility D 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 C.

In conjunction with the amendment, 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 at June 30, 2011, MAXIM is in compliance with all debt covenants.

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 5

For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

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## 6. Loans and Borrowings (continued)

### (b) French bank facilities

In the second quarter of 2011, the Corporation, through a subsidiary, has obtained a four year bank term loan. The loan is related to its Cogenia facility for EUR 3,000 bearing a fixed interest rate of 4.269% with quarterly repayments commencing in the first quarter of 2012. At June 30, 2011, EUR 1,746 has been drawn against this term loan.

### (c) Repayments

The Corporation's anticipated principal repayment obligations as at June 30, 2011 on the above loans and borrowings over the next five years are as follows:

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2011	5,578
2012	12,331
2013	10,517
2014	10,412
2015	8,312
Remaining	32,152
	<hr/>
	79,302

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The remainder of the Corporation's bank facilities have not changed significantly from the previous reporting period.

## 7. 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, which ranges from 3.1% to 4.8% depending on the timeframe of when the liability will be settled. The total undiscounted amounts of estimated obligations are approximately \$60,579 (2010 - \$42,282) and are expected to be incurred in eleven to forty-five years from the date of these consolidated financial statements.

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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	<hr/> 16,198
Additions to estimated liabilities (a)	12,108
Accretion (b)	373
Changes in previously estimated liabilities	(3,736)
Revaluation of foreign currency denominated liabilities	(400)
Balance, June 30, 2011	<hr/> 24,543

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# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 6

For the three and six months ended June 30, 2011

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

(unaudited)

## 7. Provisions (continued)

- (a) On March 24, 2011, MAXIM amended its agreement for the Milner Power Station as described in note 11(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,
- (b) As a result of the amended agreement for the Milner Power Station, as disclosed in (a) above, the change in the fair value of the reimbursement from the Balancing Pool for the six months ended June 30, 2011 is \$54, which is accounted for distinctly from the accretion of the provision.

## 8. Share Capital

	Number of Shares	\$
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	54,034,758	155,481
Stock options exercised	49,000	205
Common shares, June 30, 2011	54,083,758	155,686

## 9. 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:

# MAXIM POWER CORP.

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For the three and six months ended June 30, 2011

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

(unaudited)

## 9. Share-based compensation (continued)

	Six months ended June 30, 2011		Year ended 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	(49,000)	(2.67)	(52,334)	(2.57)
Forfeited	(171,167)	(4.39)	(630,041)	(4.30)
Granted (a)	2,451,983	3.11	100,000	2.69
Cancelled	(949,000)	(6.43)	-	-
Modified	-	-	-	-
Expired	(17,000)	(6.69)	(411,500)	(6.00)
Balance, end of period	4,665,933	3.26	3,400,117	4.32

As at June 30, 2011, 1,445,700 options were exercisable.

(a) During the three months ended June 30, 2011, there were 2,436,983 options granted with a fair value of \$0.91 per option. The following assumptions were used in calculating the fair value:

Risk-free interest rate (%)	2.34
Expected life (years)	4.00
Expected volatility (%)	45.00
Expected forfeiture rate (%)	6.17

## 10. Income per share

The calculation of basic income per share for the three months ended June 30, 2011 was based on a net loss of \$5,475 (June 30, 2010 – net income of \$534), and weighted average number of shares outstanding for the period of 54,056,214 (June 30, 2010 – 54,032,325). For the six months ended June 30, 2011 basic income per share was based on a net loss of \$916 (June 30, 2010 – net income of \$24,774), and weighted average number of shares outstanding for the period was 54,056,214 (June 30, 2010 – 54,032,325).

For the three months ended June 30, 2011 diluted income per share calculation, nil (June 30, 2010 – 339,664) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the six months ended June 30, 2011 diluted income per share calculation, nil (June 30, 2010 – 341,232) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the three and six months ended June 30, 2011 no shares were added to the average number of common shares outstanding because they were antidilutive.

# MAXIM POWER CORP.

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For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

## 11. Commitments and Contingencies

### (a) Canada

- (i) Milner Power Limited Partnership ("MPLP") has assumed the responsibility for the decommissioning and reclamation of the power station lands at the HR Milner generating facility. The Balancing Pool has agreed to reimburse MPLP for the first \$15,000 in decommissioning expense, the present value of which has been recorded in other assets. 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 \$61,931.
- (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 2026 with commitments totaling US\$12,344 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.

## 12. Change in Non-Cash Working Capital

	June 30, 2011	June 30, 2010
Operations		
Trade receivables	13,779	17,914
Prepaid expenses and deposits	(543)	722
Inventories	(118)	(2,728)
Trade and other payables	(11,358)	(18,296)
Finance interest	71	(688)
Income taxes	-	(2,400)
	1,831	(5,476)
	June 30, 2011	June 30, 2010
Investing		
Trade and other payables	803	619
	803	619

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 9

For the three and six months ended June 30, 2011

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

(unaudited)

## 13. 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 June 30, 2011		Three months ended June 30, 2010	
	Revenue	Income (loss) from operations	Revenue	Income (loss) from operations
Canada - Milner	6,371	(6,493)	17,959	205
Canada - Other	1,673	(515)	1,767	(225)
United States	9,501	1,252	12,993	3,950
France	339	(945)	(62)	(1,168)
Total	17,884	(6,701)	32,657	2,762

	Six months ended June 30, 2011		Six months ended June 30, 2010	
	Revenue	Income (loss) from operations	Revenue	Income (loss) from operations
Canada - Milner	22,750	(4,491)	28,184	(1,557)
Canada - Other	3,649	(618)	3,561	(649)
United States	24,969	4,180	23,433	7,898
France	21,513	2,147	28,254	1,758
Total	72,881	1,218	83,432	7,450

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 10

For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

## 13. Segmented Information (continued)

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

	Three months ended June 30, 2011		Three months ended June 30, 2010	
	PP&E additions	Depreciation	PP&E additions	Depreciation
Canada - Milner	2,702	519	1,214	1,419
Canada - Other	(52)	85	161	462
United States	49	1,403	358	1,394
France	2,848	142	2,661	48
<b>Total</b>	<b>5,547</b>	<b>2,149</b>	<b>4,394</b>	<b>3,323</b>

	Six months ended June 30, 2011		Six months ended June 30, 2010	
	PP&E additions	Depreciation	PP&E additions	Depreciation
Canada - Milner	3,089	2,303	1,953	2,894
Canada - Other	41	319	879	798
United States	88	2,867	404	2,897
France	4,125	3,449	5,410	3,266
<b>Total</b>	<b>7,343</b>	<b>8,938</b>	<b>8,646</b>	<b>9,855</b>

MAXIM's operations are impacted by seasonality. French operations are mostly cogeneration facilities and annually operate only from November through March, however during the period MAXIM's wholly owned French subsidiary began providing peaking services which will operate throughout the year. 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 Canada - Milner segment of the Corporation.

## 14. Risk Management Liability

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities.

Interest rate risk is the risk of change in the borrowing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining a portion of its debt as fixed rate and entering into interest rate swap agreements in certain situations to change floating rate debt to fixed rate debt. MAXIM entered into two interest rate swap agreements in 2009 that effectively change the Facility C (note 6) interest from a floating interest rate based on bankers' acceptances to fixed interest rates. These agreements are effective until May 31, 2012.

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 11

For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

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## 14. Risk Management Liability (continued)

The Corporation, through a subsidiary, has entered into energy derivative contracts primarily to economically hedge the sale of future power generation. MAXIM entered into two fixed for floating commodity swap agreements in the second quarter of 2011 that effectively fix the price of the first 50MW of production of the Milner generating facility until December 31, 2011.

The fair value of the Corporation's risk management liabilities are as follows:

	June 30 2011	December 31 2010
Interest rate swaps	129	145
Commodity price swaps	1,980	-
	2,109	145

The change in fair value of the commodity swaps are recorded on the unaudited condensed consolidated statement of income (loss) in other expense.

## 15. Comparative Figures

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

## 16. Transition to IFRS

The material adjustments made to the financial statements upon conversion from Canadian GAAP to IFRS are summarized below.

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 12

For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
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## 16. Transition to IFRS (continued)

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

		June 30, 2010		
	Note	Canadian GAAP	Effects of IFRS Transition	IFRS
<b>ASSETS</b>				
Cash and cash equivalents		10,623	-	10,623
Restricted cash		1,539	-	1,539
Trade receivables		13,982	(91)	13,891
Prepaid expenses and deposits		1,262	-	1,262
Inventories		6,545	-	6,545
<b>Total current assets</b>		<b>33,951</b>	<b>(91)</b>	<b>33,860</b>
Property, plant and equipment, net	(a)	266,164	(4,819)	261,345
Restricted cash		-	-	-
Intangible assets, net	(c)	24,928	(344)	24,584
Deferred tax assets	(b)	27,079	2,202	29,281
Other assets		1,025	-	1,025
Goodwill		15,632	-	15,632
<b>Total non-current assets</b>		<b>334,828</b>	<b>(2,961)</b>	<b>331,867</b>
<b>TOTAL ASSETS</b>		<b>368,779</b>	<b>(3,052)</b>	<b>365,727</b>
<b>LIABILITIES</b>				
Bank indebtedness		192	-	192
Trade and other payables		17,286	(66)	17,220
Income taxes payable		1,628	-	1,628
Loans and borrowings		17,280	-	17,280
Current portion of future income taxes	(b)	208	(208)	-
Risk management liability		140	40	180
Other		179	(39)	140
<b>Total current liabilities</b>		<b>36,913</b>	<b>(273)</b>	<b>36,640</b>
Loans and borrowings		71,863	-	71,863
Provisions	(d)	7,126	7,229	14,355
Deferred tax liabilities	(b)	12,370	(1,609)	10,761
Deferred credits	(h)	22,328	(22,328)	-
Risk management liability		128	-	128
Other		45	-	45
<b>Total non-current liabilities</b>		<b>113,860</b>	<b>(16,708)</b>	<b>97,152</b>
<b>TOTAL LIABILITIES</b>		<b>150,773</b>	<b>(16,981)</b>	<b>133,792</b>
<b>EQUITY</b>				
Share capital		155,477	-	155,477
Contributed surplus	(f)	8,993	(396)	8,597
Accumulated other comprehensive loss	(g)	(8,424)	2,410	(6,014)
Retained earnings	(i)	61,561	11,974	73,535
<b>Equity attributable to shareholders</b>		<b>217,607</b>	<b>13,988</b>	<b>231,595</b>
<b>Non-controlling interests</b>	(e)	<b>399</b>	<b>(59)</b>	<b>340</b>
<b>TOTAL EQUITY</b>		<b>218,006</b>	<b>13,929</b>	<b>231,935</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>368,779</b>	<b>(3,052)</b>	<b>365,727</b>

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 13

For the three and six months ended June 30, 2011  
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## 16. Transition to IFRS (continued)

(b) 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:

	Three months ended June 30, 2010			Six months ended June 30, 2010		
	Canadian GAAP	Effects of IFRS Transition	IFRS	Canadian GAAP	Effects of IFRS Transition	IFRS
<b>Revenue</b>	32,657	-	32,657	83,432	-	83,432
<b>Expenses</b>						
Operating	22,668	2	22,670	59,692	(122)	59,570
General and administrative	1,080	(320)	760	2,542	(491)	2,051
Depreciation and amortization	3,763	(98)	3,665	11,675	(115)	11,560
Other expense (income)	2,800	-	2,800	2,800	1	2,801
Total expenses	30,311	(416)	29,895	76,709	(727)	75,982
<b>Income from operations</b>	2,346	416	2,762	6,723	727	7,450
<b>Net finance expense</b>						
Finance income	(3)	-	(3)	(7)	-	(7)
Finance expense	1,461	40	1,501	3,171	105	3,276
Net finance expense	1,458	40	1,498	3,164	105	3,269
<b>Income before income taxes</b>	888	376	1,264	3,559	622	4,181
<b>Income taxes</b>						
Current	1,182	-	1,182	975	-	975
Deferred	(676)	227	(449)	878	(22,469)	(21,591)
Total income taxes	506	227	733	1,853	(22,469)	(20,616)
<b>Net income for the period</b>	382	149	531	1,706	23,091	24,797
Attributable to:						
Non-controlling interest	(3)	-	(3)	23	-	23
Shareholders of the Corporation	385	149	534	1,683	23,091	24,774
Other comprehensive income (loss):						
Unrealized gains (losses) on translation of foreign operations	2,043	(162)	1,881	(5,701)	(45)	(5,746)
Unrealized gains (losses) on derivatives designated as cash flow hedges	(135)	-	(135)	(21)	-	(21)
<b>Total comprehensive income</b>	2,293	(13)	2,280	(4,039)	23,046	19,007

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, the Corporation has adopted a policy of classifying cash flows relating to interest as financing activity. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 14

For the three and six months ended June 30, 2011  
(Amounts in thousands of Canadian dollars except as otherwise noted)  
(unaudited)

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## 16. 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 decreased its PP&E by \$2,980 as at June 30, 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. Under IFRS, the Corporation increased its PP&E by \$5,408 as at June 30, 2010.

Upon adoption of IFRS, MAXIM capitalized interest expense directly related to the construction of qualifying assets beginning January 1, 2010. Under IFRS, the Corporation decreased its PP&E by \$982 as at June 30, 2010 to revise interest capitalized prior to transition.

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 were taken to retained earnings at January 1, 2010. There were no impairment losses in the six month period ended June 30, 2010.

- (b) Net deferred tax liabilities decreased \$4,019 as at June 30, 2010 respectively as compared to Canadian GAAP to reflect the other changes made for IFRS in the period.
- (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 Corporation. Under Canadian GAAP, MAXIM had capitalized certain acquisition costs which do not meet the criteria required under IFRS. As a result, the Corporation removed \$344 at June 30, 2010.
- (d) In accordance with IAS 37, MAXIM was required to increase its provision for decommissioning at January 1, 2010 as a result of changes in the discount rates under IFRS. Under IFRS, the Corporation increased its provision by \$7,229 as at June 30, 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 \$399 at June 30, 2010 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 \$59.

# MAXIM POWER CORP.

Notes to Condensed Consolidated Financial Statements, Page 15

For the three and six months ended June 30, 2011

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(unaudited)

## 16. Transition to IFRS (continued)

- (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, contributed surplus decreased by \$396 as at June 30, 2010.
- (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 \$2,410 reduced retained earnings as at June 30, 2010.
- (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 recorded in respect of acquired tax losses.
- (i) Retained earnings have been adjusted under IFRS as follows:

	Note	June 30, 2010
Componentization of PP&E	(a)	(2,980)
Additional assets for decommissioning	(a)	5,408
Capitalized interest	(a)	(982)
Impairment of PP&E	(a)	(6,265)
Derecognition of intangible assets	(c)	(344)
Provision for decommissioning	(d)	(7,229)
Share based payments	(f)	396
Cumulative currency differences	(g)	(2,410)
Amalgamation with EarthFirst	(h)	22,328
Income taxes	(b)	4,019
Non-controlling interest	(e)	59
Other		(26)
<b>Increase in retained earnings</b>		<b>11,974</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated August 11, 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 and six months ended June 30, 2011. The MD&A should also be read in conjunction with MAXIM's unaudited condensed consolidated interim financial statements and MD&A for the three months ended March 31, 2011 and MAXIM's audited consolidated financial statements and MD&A 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 16 of the Corporation's unaudited condensed consolidated interim financial statements.

In this MD&A, MAXIM also reports certain non-IFRS measures such as adjusted EBITDA and Funds from Operations. See page 17 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 \$23.6 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 \$11.8 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 from expected.
- MAXIM anticipates all necessary provincial, state and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.
- MAXIM was in compliance with all financial covenants on its credit facilities as at June 30, 2011 and anticipates meeting these covenants throughout 2011.

## OVERALL PERFORMANCE

### Highlights

- On June 30, 2011, the Alberta Utilities Commission ("AUC") approved MAXIM's application to construct and operate a 500 MW HR Milner expansion project ("M2").
- In June, MAXIM completed its annual turnaround at the Milner power plant.
- In April, Comax France S.A.S. ("COMAX"), MAXIM's wholly owned French subsidiary, began providing peaking services. Management expects these services to provide COMAX with a revenue stream that will be realized throughout the entire year, in contrast to cogeneration revenue, which is realized only during France's November 1 to March 31 cogeneration season.

Key performance indicators	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Revenue	17,884	32,657	72,881	83,432
Adjusted EBITDA <sup>(1)</sup>	(2,199)	10,676	13,593	23,237
Net income (loss) attributable to shareholders	(5,475)	534	(916)	24,774
Basic and diluted net income (loss) per share (\$ per share)	(0.10)	0.01	(0.02)	0.46
Funds from operations <sup>(1)</sup>	(134)	7,439	14,178	18,960
Total assets	362,353	365,727	362,353	365,727
Total long-term financial liabilities	90,375	86,263	90,375	86,263
Generation (MWh)	180,535	261,942	572,540	646,577
Average Alberta power price – market (\$ per MWh)	52.12	80.56	67.73	60.72
Average Alberta power price – Milner realized (\$ per MWh)	53.70	92.69	64.78	64.05

<sup>(1)</sup> 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

Second quarter 2011 revenue, adjusted EBITDA, and funds from operations decreased \$14.8 million, \$12.9 million and \$7.6 million, respectively, in comparison to the same period of 2010. The drop in these performance measures reflects the impact of lower Alberta power prices during the quarter. Adjusted EBITDA and funds from operations decreased by a lesser amount than revenue due to the reduced coal costs associated with Milner's reduced electricity generation.

MAXIM incurred a net loss attributable to shareholders ("net loss") of \$5.5 million during the second quarter of 2011, which reflects a \$6.0 million decrease from the \$0.5 million in net income attributable to shareholders ("net income") earned during the same period of prior year. The decrease in net income is due to the lower revenue noted above and is further reduced by a non-cash mark-to-market unrealized loss on floating for fixed price swaps. These decreases are partially offset as prior year net income was reduced by the non-recurring impact of an arbitration settlement reached in May 2010.

On a year to date basis, revenue, adjusted EBITDA, and funds from operations have decreased \$10.6 million, \$9.6 million, and \$4.8 million, respectively, when compared to the same period of 2010. The negative impact of low second quarter 2011 power prices and volumes was partially offset by higher

Alberta power prices and higher earnings from MAXIM's US Northeast facilities in the first quarter of the year.

Net loss of \$0.9 million for the first half of 2011 represents a \$25.7 million decrease in comparison to the same period of 2010. The decrease is primarily due to a one-time \$22.6 million gain recognized in the first half of 2010 as a result of MAXIM's amalgamation with EarthFirst Canada Inc. The remaining change in net income from the prior quarter is a decrease of \$3.1 million, which is attributable to the factors noted above.

### **Notable events**

On June 30, 2011, the Alberta Utilities Commission ("AUC") issued an interim decision to approve MAXIM's application to construct and operate the 500 MW HR Milner expansion project ("M2"). Subsequently, a party made an application for leave to appeal the interim decision of the AUC. On August 10, 2011, the AUC issued their final decision approving the project and rescinding the interim decision. MAXIM did not consider that any appeal of the interim decision would have merit and intends to oppose any application for leave to be granted for the final decision.

During June, MAXIM completed its annual turnaround at the Milner power plant. The turnaround was performed over a 24-day outage period, during which time management completed several key initiatives that will allow Milner to extend the useful life of the boiler and associated pressure equipment, enable the plant to operate at its maximum continuous rating (MCR) under full output control, and improve efficiency of the plant's coal pulverizer.

Throughout the second quarter of 2011, certain COMAX facilities began providing peaking power services to EdF. Peaking services are a new revenue source for the France segment and represent an important diversification of services for COMAX.

On June 10, the Corporation entered into a unit conditional fixed price sales agreement with a third party for 10 MW. As a result of this transaction, MAXIM has ensured a fixed sale price of \$60.00/MWh for 10 MW of Milner output for the term of July 1 to December 31, 2011.

On May 19 and May 20, the Corporation entered into two unit conditional floating for fixed price swaps with a third party for 25 MW each. As a result of these 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.

## RESULTS OF OPERATIONS

Summary of generation by segment:

Segment	Three months ended June 30, 2011		Three months ended June 30, 2010	
	MWh	% of Total	MWh	% of Total
Canada - Milner	118,372	65	193,641	74
Canada - Other	21,172	12	18,786	7
United States	40,991	23	49,515	19
France	-	-	-	-
<b>Total MWh Generation</b>	<b>180,535</b>	<b>100</b>	<b>261,942</b>	<b>100</b>

Segment	Six months ended June 30, 2011		Six months ended June 30, 2010	
	MWh	% of Total	MWh	% of Total
Canada - Milner	350,706	61	439,754	68
Canada - Other	41,738	7	40,834	6
United States	102,647	18	52,228	8
France	77,449	14	113,761	18
<b>Total MWh Generation</b>	<b>572,540</b>	<b>100</b>	<b>646,577</b>	<b>100</b>

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

## Revenue

Summary of revenue by segment:

Segment	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Canada - Milner	6,371	17,959	22,750	28,184
Canada - Other	1,673	1,767	3,649	3,561
United States	9,501	12,993	24,969	23,433
France	339	(62)	21,513	28,254
<b>Total</b>	<b>17,884</b>	<b>32,657</b>	<b>72,881</b>	<b>83,432</b>

Revenue earned by MAXIM decreased from \$32.7 million in the second quarter of 2010 to \$17.9 million in the second quarter of 2011. The \$14.8 million or 45% decrease is primarily attributable to lower average Alberta power prices, a weaker US dollar during the quarter versus the Canadian dollar, partially offset by increased revenue from Pittsfield as a result of the termination of the RMR contract in 2010.

Revenue for the first half of 2011 was \$72.9 million and decreased \$10.6 million or 13% from the \$83.4 million recorded in the first half of 2010. The decrease is primarily due to lower average Alberta power prices in the second quarter of 2011 in comparison to 2010, lower revenue from France related to the end of certain PPA's for cogeneration power plants which are to be renovated, and are partially offset by the impact of the expiry of Pittsfield's RMR contract in May 2010.

Milner generated revenue of \$6.4 million and \$22.8 million during the three and six month periods ended June 30, 2011, respectively, compared to \$18.0 million and \$28.2 million earned during the same period of 2010. The quarterly and year to date revenue decreases were driven by lower generation throughout the first half of 2011 and lower average power prices in the second quarter of 2011, with the year to date decrease partially offset by higher power prices in the first quarter. The decreases in generation during the three and six month periods ended June 30, 2011 were primarily due to lower power prices attainable, as well as a longer annual turnaround completed in 2011. Milner realized an average of \$53.70 and \$64.78 per MWh of generation during the three and six month periods ended June 30, 2011, respectively.

Second quarter 2011 prices were \$38.99 per MWh lower than those realized by Milner in the second quarter of 2010, when May power prices spiked to an average of \$135 per MWh. Year to date prices were \$0.73 per MWh higher than the same period of prior year. Realized prices fluctuate based on Alberta power prices as established by the Alberta Power Pool, forward contract prices, and plant operations.

Revenue from other Canadian operations decreased \$0.1 million and increased \$0.1 million, respectively, when comparing the three and six month periods ended June 30, 2011 to the same periods of 2010. The fluctuations are primarily the result of the impact of fluctuating power prices on MAXIM's Gold Creek facility.

Revenue earned from the United States segment during the second quarter of 2011 was \$3.5 million lower than revenue earned in the same quarter of 2010. The decrease from \$13.0 million to \$9.5 million in revenue is a result the impact of the lower value of the US dollar during the quarter, reduced demand in the Northeast US, and lower revenue earned in CDECCA due to a reduced LFRM clearing price. The decrease is partially offset by an increase in revenue at the Basin Creek facility, which offsets certain cost increases at this facility. (Refer to the Plant operations section for further detail.)

US revenue increased by \$1.5 million on a year to date basis, from \$23.4 million to \$25.0 million, as the above noted second quarter decreases were more than offset by 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 termination of the RMR contract on Pittsfield's EBITDA is dependent upon market conditions.

The year to date increase in US 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 during the first half of 2011 in comparison to 2010.

France earned \$0.3 million in revenue during the second quarter of 2011 versus revenue of approximately \$nil during the second quarter of 2010. The 2011 revenue was earned from peaking power service contracts with EdF, whereby Comax provides EdF with generation capacity and may be called upon to produce electricity during periods of peak demand. No electricity dispatches were required this quarter. Peaking services represent a new revenue source and is an important diversification of services and entry into a new market for COMAX, which has historically focused on cogeneration applications whereby electricity is sold to EdF and thermal energy is sold to local businesses such as greenhouses. Prior to the commencement of peaking services this quarter, revenue earned from April to October was historically close to \$nil as MAXIM's French cogeneration power plants generate electrical and thermal energy only from November to March.

On a year to date basis, revenue earned by the France segment in 2011 has declined in comparison to 2010. France contributed \$21.5 million of revenue in the six month period ended June 30, 2011 compared to \$28.3 million in the same period of 2010. The decrease is 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 completion of renovations on all three facilities is planned for the 2011-2012 cogeneration season. Two additional plants have PPA's expiring in October 2011 and renovations will be completed for the 2012-2013 cogeneration season. Further reducing year to date France revenue was COMAX's election to operate certain plants in dispatch rather than cogeneration mode, which also reduces operating costs for these plants. The remainder of the reduction in France revenues was caused by the lower value of the Euro relative to the Canadian dollar in the first half of 2011 compared to the first half of 2010.

Summary of revenue by form of sales contract:

Form of contract	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Electricity and capacity sales at fixed prices	8,426	10,223	47,235	50,392
Electricity sales at spot prices	9,458	22,434	25,646	33,040
Total	17,884	32,657	72,881	83,432

Electricity and capacity sales at fixed prices decreased \$1.8 million and \$3.2 million during the three and six month periods ended June 30, 2011 versus the same periods of 2010. The decrease is primarily attributable to the termination of Pittsfield's RMR contract and the decrease in revenue from the France segment as described above. The decision to sell 148,200 MWh of Milner's first quarter 2011 production at fixed prices partially offsets the year-to-date decreases in fixed price sales. MAXIM sold all Milner generation at spot prices during the first quarter of 2010.

Electricity sales at spot prices decreased by \$13.0 million and \$7.4 million, respectively, during the three and six month periods ended June 30, 2011 in comparison to the same periods of 2010. The decreases are a result of lower power prices realized at Milner during the second quarter of 2011, lower Milner electricity generation throughout the first half of the year, and the sale of 148,200 MWh of first quarter 2011 Milner production at contracted prices as described above. The decreases are partially offset by higher average spot prices in the first quarter of 2011 and higher electricity sales in the Northeast US as a result of the termination of the RMR contract.

**Plant operations**

Summary of plant operations expense by type and segment:

Three months ended June 30	2011			2010		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada - Milner	4,449	5,807	10,256	7,880	5,460	13,340
Canada - Other	27	1,087	1,114	32	1,084	1,116
United States	2,277	4,490	6,767	3,104	4,243	7,347
France	6	1,249	1,255	(39)	906	867
Total	6,759	12,633	19,392	10,977	11,693	22,670
Percent	35%	65%	100%	48%	52%	100%

Total plant operations expense decreased by \$3.3 million or 14%, from \$22.7 million in the second quarter of 2010 to \$19.4 million in second quarter of 2011. The decrease is primarily due to lower electricity generation in Canada and the US, which reduced coal consumption at MAXIM's Milner facility and gas consumption at MAXIM's Northeast US facilities. The decrease in fuel costs is partially offset by an increase in operating and maintenance costs related to turnaround work performed at Milner, property taxes in the US, and costs associated with the operation of peaking plants in France.

Milner fuel costs decreased \$3.4 million during the period, from \$7.9 million in second quarter of 2010 to \$4.5 million in second quarter of 2011. The reduction in fuel costs resulted from a 75,269 MWh decrease in electricity generation and a decrease in the average cost of coal. On a per MWh basis, Milner fuel costs decreased from \$40.69 per MWh to \$37.58 per MWh during the same period. The decrease in fuel costs on a per MWh basis reflects the higher proportion of relatively inexpensive coal tailings consumed by Milner during the second quarter of 2011 than in the second quarter of 2010. The per MWh cost reduction from the less expensive coal blend was partially offset by the escalation of coal prices under the CVRI coal contract.

Milner O&M costs increased to \$5.8 million from the \$5.5 million incurred in the second quarter of 2010. The \$0.3 million or 6% increase is primarily due to non-routine boiler work performed during the June

turnaround. This increase is partially offset by a decrease in power consumption and interconnection charges related to lower Alberta power prices and lower Milner generation in the second quarter of 2011.

Second quarter 2011 plant operating costs incurred in the Canada – Other segment are comparable to the second quarter of 2010.

US fuel costs decreased from \$3.1 million in the second quarter of 2010 to \$2.3 million in the second quarter of 2011. The \$0.8 million decrease is a result of lower production in the US Northeast due to less favourable market conditions than during the second period of 2010. A lower valued US dollar in the second quarter of 2011 versus the second quarter of 2010 further contributed to the reduction in US fuel costs.

Operating and maintenance costs in the United States increased from \$4.2 million in second quarter 2010 to \$4.5 million in the second quarter of 2011. The \$0.3 million change is primarily attributable to higher property taxes at Basin Creek, which resulted from the end of that facility's five-year property tax holiday. This change does not affect earnings as the plant's fixed revenue has increased by an equivalent amount. The increase is also due to the performance of certain maintenance work at several US plants during the quarter and is partially offset by the impact of a weaker US dollar during the second quarter of 2011 than during the second quarter of 2010.

France plant operating costs increased from \$0.9 million in the second quarter of 2010 to \$1.3 million during the second quarter of 2011. The increase is primarily due to the costs associated with the peaking facilities.

Six months ended June 30	2011			2010		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada - Milner	12,094	10,864	22,958	13,820	9,895	23,715
Canada - Other	55	2,146	2,201	72	2,132	2,204
United States	7,985	9,769	17,754	4,188	7,915	12,103
France	7,969	7,384	15,353	12,713	8,835	21,548
Total	28,103	30,163	58,266	30,793	28,777	59,570
Percent	48%	52%	100%	52%	48%	100%

Total plant operations expense decreased \$1.3 million or 2%, from \$59.6 million in the first half of 2010 to \$58.3 million in the first half of 2011. The decrease is due to the end of certain France PPA contracts during the first quarter, lower consumption of coal at Milner, and the reduced value of the Euro in the first quarter of 2011 in comparison to 2010. The value of the Euro was higher in the second quarter of 2011 than the second quarter of 2010, but the impact of that fluctuation is negligible due to the seasonality of France operations. The decreases are partially offset by higher US operating expenses due to increased production in the first quarter of 2011.

Milner fuel costs decreased to \$12.1 million for the first half of 2011, from \$13.8 million during the first half of 2010. The decrease of \$1.7 million or 12% is due to reduced coal consumption related to a decrease in electricity generation, and is partially offset by a \$3.06 increase in fuel costs on a per MWh basis. The per MWh increase is primarily due to escalation of coal prices under the CVRI coal contract.

Milner O&M costs increased \$1.0 million or 10% to \$10.9 million incurred in the first six months of 2011 in comparison to \$9.9 million in the same period of 2010. The increase in expenses is due to boiler maintenance, legal fees, and increased power consumption and interconnection charges related to higher Alberta power prices in the first quarter of 2011, partially offset by a decrease in these charges in the second quarter, as noted above.

Other Canadian plant operating costs incurred during the six month period ended June 30, 2011 were comparable to those incurred during the same period of 2010.

Operating and maintenance costs in the United States increased to \$9.8 million in the first half of 2011 from \$7.9 million in the first half of 2010. The \$1.9 million increase is due to higher power consumption costs related to higher generation in the US Northeast in the first quarter of 2011 and higher property taxes at the Basin Creek facility. The increases are partially offset by the impact of a lower valued US dollar throughout the first half of 2011 in comparison to the first half of 2010.

US fuel costs increased to \$8.0 million for the first six months of 2011 compared to \$4.2 million in the same period of 2010, an increase of \$3.8 million or 91%. The increase is primarily attributable to increased generation, which resulted from the termination of the Pittsfield facility's RMR contract on May 31, 2010 and favorable first quarter 2011 market conditions, which drove demand in the US Northeast. The increases are partially offset by lower US production in the second quarter of 2011 when market conditions were less favourable and by the impact of a lower valued US dollar throughout the first half of 2011 when compared to the first half of 2010.

France plant operating costs decreased by \$6.2 million, from \$21.5 million incurred in the first half of 2010 to \$15.4 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 had also declined relative to the Canadian dollar during the first quarter of 2011 versus the first quarter of 2010, further contributing to the decrease in year to date France operating expenses. The start of peaking services in the second quarter of 2011 partially offsets these variances.

#### General and administrative expenses

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Total general and administrative expense	957	760	1,965	2,051

General and administration ("G&A") expense increased from \$0.8 million during the second quarter of 2010 to \$1.0 million during the second quarter of 2011. The \$0.2 million or 26% second quarter increase is primarily due to accounting and consulting fees related to the implementation of IFRS.

On a year to date basis, G&A decreased \$0.1 million or 4%, from \$2.1 million for the six months ended June 30, 2010 to \$2.0 million for the same period of 2011. The year to date decrease in G&A is primarily attributable to lower stock-based compensation, a weaker Euro in the first quarter of 2011 than in the first quarter of 2010, and is partially offset by higher consulting costs related to the implementation of IFRS.

#### Depreciation

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Total depreciation	2,518	3,665	10,435	11,560

Depreciation and amortization expense for both the three and six month periods ended June 30, 2011 decreased by \$1.1 million in comparison to the same periods of prior year. The decrease is primarily due to reduced depreciation of Milner assets. Effective March 25, 2011, MAXIM is no longer required to terminate operations of the Milner generating facility on December 31, 2015. This operational change extends Milner's useful life for depreciation purposes, thereby reducing second quarter 2011 depreciation expense.

On a quarterly basis, MAXIM reviews each cash generating unit ("CGU") for indicators of impairment and tests for impairment when indicators are present. During the second quarter of 2011, an indication of potential impairment was noted for MAXIM's US Northeast facilities. In June, capacity auction prices for the June 2013 to May 2014 time-period settled lower than previously forecast. Management performed impairment testing on the impacted plants and, as the net present value of future cash flows exceeded

carrying value of the assets, determined that no impairment had occurred. No other impairment indicators were present during the second quarter of 2011.

#### Finance expense, net

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Interest expense	1,102	1,385	2,040	2,701
Accretion of provisions	157	102	319	224
Foreign exchange (gain) loss	(78)	14	48	351
Finance expense	1,181	1,501	2,407	3,276
Interest income	(7)	(3)	(10)	(7)
Total finance expense, net	1,174	1,498	2,397	3,269

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's accretion of provisions relates solely to decommissioning liabilities.

Net finance expense incurred during the three and six month periods ended June 30, 2011 decreased \$0.3 million and \$0.9 million, respectively, in comparison to the same periods of prior year. The variances are primarily due to reduced interest expense, which is comprised of interest on long-term debt, capital lease obligations, and bank charges. Interest expense decreased due to the reduction in MAXIM's long-term debt and capital lease obligations caused by scheduled principal repayments made throughout the past year. The year to date decrease in finance expense is also due to reduced foreign exchange losses in the period.

#### Other expense, net

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Other expense, net	1,718	2,800	997	2,801

The major component of second quarter 2011 other expense is a \$2.0 million mark-to-market unrealized loss on floating for fixed price commodity swaps. Under these contracts, MAXIM has ensured a fixed sale price for a portion of its Milner generating facility's third and fourth quarter output. The mark-to-market loss reflects an increase in balance-of-year Alberta power price forwards over the \$60.00/MWh contracted price as at June 30, 2011. This loss represents a non-cash accounting adjustment and will fully reverse by December 31, 2011. Given the volatility of Alberta power prices, MAXIM will continue to employ strategic hedging as a risk management measure.

Compensation from France suppliers and France insurance settlements received in both the first and second quarters of 2011 partially offset other expense. MAXIM received no similar penalties or insurance payments from suppliers in the first half of 2010.

Other expense incurred during the second quarter and first half of 2010 consists of a \$5.6 million expense related to the 2009 portion of the May 2010 CVRI arbitration settlement. This amount represents the retroactive coal price adjustment from February 2009 to December 2009. Offsetting this expense is \$1.4 million in other income from a favourable settlement related to coal under-delivery and a \$1.4 million gain on sale of carbon dioxide emissions credits generated but not required for use by the Milner facility.

## Income taxes

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Current tax expense (recovery)	(129)	1,182	521	975
Deferred tax expense (recovery)	(2,274)	(449)	(834)	(21,591)
Total	(2,403)	733	(313)	(20,616)

Income tax for the second quarter of 2011 was a \$2.4 million recovery in comparison to a \$0.7 million expense incurred in the second quarter of 2010. The \$3.1 million variance is attributable to a decrease in taxable income and a decrease in MAXIM's effective tax rate during the second quarter of 2011 compared to the second quarter of 2010. The decrease in the effective tax rate is triggered by a greater proportion of earnings (loss) in Canada during the second quarter of 2011 versus the second quarter of 2010. The statutory tax rates in the US and in France are higher than the statutory tax rate in Canada. Further contributing to the decrease in the effective tax rate is a decrease in Canada's statutory tax rate from 28% in 2010 to 26.5% in 2011.

Income tax for the six month period ended June 30, 2011 was a \$0.3 million recovery in comparison to a recovery of \$20.6 million for the same period of 2010. The \$20.3 million variance is primarily attributable to a \$22.6 million one-time tax recovery realized in the first half of 2010 as a result of MAXIM's amalgamation with EarthFirst Canada Inc.

Before the inclusion of the one-time recovery, income tax for the six month period ended June 30, 2010 is a \$2.0 million expense. The \$2.3 million variance in tax expense to a \$0.3 million tax recovery in the first half of 2011 is attributable to a change in earnings between the two periods and a decrease in MAXIM's effective tax rate as described above.

## 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 June 30, 2011 this facility had an outstanding balance of \$1.6 million comprised of letters of credit (December 31, 2010 - \$1.7 million) and available borrowing capacity of \$6.6 million (December 31, 2010 - \$3.8 million).

Effective May 19, 2011, the BMO agreement was amended to include an additional \$5.1 million committed letter of credit facility. At quarter end and at the date of this MD&A, the entire letter of credit facility is drawn.

A temporary \$7.0 million revolving credit facility was in place at the beginning of the second quarter, but is no longer available at quarter end 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. No amounts are drawn on this balance as at quarter end (December 31, 2010 - \$0.5 million).

Cash flow summary:

Six months ended June 30	2011	2010
Cash on hand, net of bank indebtedness, unrestricted, January 1	9,408	13,394
Cash flow from operations:		
· Funds from operations	14,178	18,960
· Changes in working capital	1,831	(5,476)
Cash flow used in financing	(9,258)	(1,012)
Available for investments	16,159	25,866
Cash flow used in investing	(6,788)	(14,577)
Effect of foreign exchange rates on cash	(66)	(858)
Cash on hand, net of bank indebtedness, unrestricted, June 30	9,305	10,431

The decrease in funds from operations of \$4.8 million is a result of low Alberta power prices and unfavourable market conditions in the Northeast US during the second quarter of 2011. Fluctuations in working capital represented a cash inflow of \$1.8 million in the first six months of 2011 compared to a cash outflow of \$5.5 million in the same period of 2010.

During the six months ended June 30, 2011, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of \$9.3 million during the period. Debt issuances were \$6.3 million for the period and consisted of \$4.0 million in draws on the BMO revolving credit facilities and of \$2.3 million in long-term debt financing for plant renovation in France. Share issuances due to the exercise of options during the second quarter resulted in an additional \$0.1 million cash inflow. More than offsetting these inflows were the scheduled debt and lease repayments of \$5.3 million and \$2.0 million respectively, repayments of \$6.0 million which had been drawn under revolving credit facilities, and \$2.4 million in interest payments.

During the first six months of 2010, MAXIM realized a net financing cash outflow of \$1.0 million, as \$5.4 million in long-term debt was issued in France, \$4.0 million was drawn on the BMO line of credit, and \$1.1 million was issued through the sale and leaseback of two COMAX power plants. The inflow of cash from the debt issuances was more than offset by \$11.5 million in repayments of principal and interest on debt and capital lease obligations during the quarter.

MAXIM's 2011 investing activities to the end of the second quarter represented a cash outflow of \$6.8 million, which consisted of \$7.3 million in property plant and equipment purchases, \$0.5 million in intangible asset purchases, and a \$0.3 million increase in non-current deposits. These outflows are partially offset by a \$0.5 million decrease in restricted cash held as security for ISO New England transactions and a \$0.8 million decrease in accounts payable related to PP&E.

The \$7.3 million in PP&E expenditures is comprised of \$3.6 million on renovations of the Cogenia power plant in France, \$0.5 million on other France projects, \$1.9 million on development projects, primarily Mine 14 and the Milner expansion project, \$1.0 million on Milner's June turnaround, \$0.2 million on improvements to Milner, and \$0.1 million on other North American facilities. Additions to intangibles represent \$0.5 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.

MAXIM invested \$14.6 million in cash during the first half of 2010, consisting of \$6.5 million spent on the March 2, 2010 amalgamation with EarthFirst, \$8.3 million on property, plant, and equipment additions, and \$0.4 on intangible assets additions, offset by a \$0.6 million change in non-cash working capital. The additions to property, plant, and equipment were comprised of \$4.7 million on peaking development in France, \$0.8 million on the second quarter Milner turnaround and other various Milner projects, \$0.8 million on Mine No. 14, \$0.7 million on renovating two plants in France, and \$0.4 million on the Milner Expansion, and \$0.9 million on other projects. Intangibles additions comprised of \$0.4 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.

The following table represents the net capital of the Corporation:

As at	June 30, 2011	December 31, 2010
Long-term debt	68,449	72,945
Capital lease obligation	9,346	10,870
Less: Unrestricted cash (net of bank indebtedness)	(9,305)	(9,408)
Net debt	68,490	74,407
Shareholders' equity	225,905	226,196
Net capital	294,395	300,603
Net debt to capital	23%	25%

The Corporation uses net debt to capital to monitor leverage. The decrease in net debt from December 31, 2010 to June 30, 2011 is the result of scheduled capital lease and debt repayments.

The decrease in total shareholders' equity is the result of year to date 2011 net loss.

MAXIM was in compliance with all financial covenants on its credit facilities as at June 30, 2011 and anticipates meeting these covenants throughout 2011.

### **Working capital**

The Corporation's working capital deficit of \$3.8 million at June 30, 2011 represents a \$2.8 million decline from the working capital deficit of \$1.0 million at December 31, 2010. A \$14.1 million decrease in current assets was partially offset by an \$11.3 million decrease in current liabilities.

The decrease in current assets is primarily due to a \$13.4 million decrease in accounts receivable, which is primarily related to seasonality of France operations. Further contributing to the decrease was a \$0.5 million decrease in cash, a \$0.6 million decrease in restricted cash, and a \$0.2 million decrease in MAXIM's current tax asset. These decreases were partially offset by a \$0.5 million increase in prepaid expenses related to business and property taxes and insurance and a \$0.1 million increase in inventory.

Current liabilities decreased primarily because of a \$10.3 million decrease in accounts payable from December 31, 2010 to June 30, 2011. This change relates to seasonality of operations and capital spending in France. An aggregate decrease of \$2.7 million in current portions of lease and loan obligations further reduces current liabilities, as did a \$0.4 million decrease in bank indebtedness related to France operations. A \$2.0 million increase in the current portion of risk management liabilities, which is the unrealized mark-to-market of a forward swap for a portion of third and fourth quarter 2011 generation, partially offsets the above noted items, as does a \$0.1 million increase in income taxes payable.

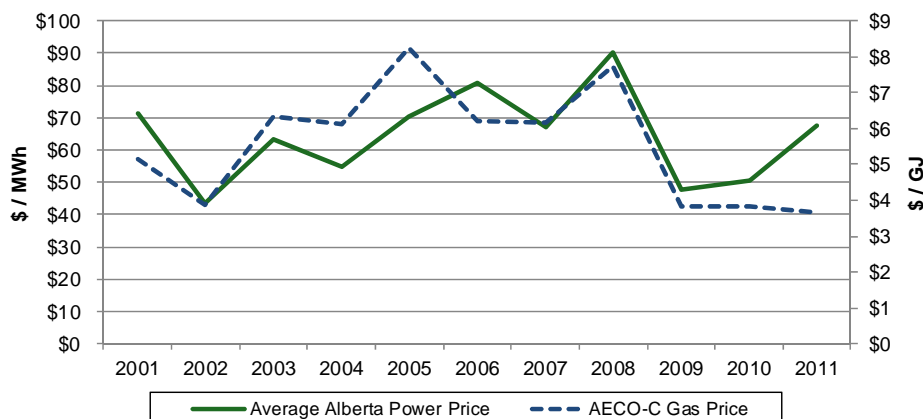
### **Capital Resources**

The Corporation is currently estimating capital and development expenditures of approximately \$23.6 million for 2011. These expenditures include \$17.2 million for repowering/renovating cogeneration facilities in France, \$3.2 million on development projects, and \$3.2 million on capital projects at existing facilities. Cogeneration repowering will be primarily funded with debt, and remaining expenditures will 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 that 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 planning to develop a new 500 MW generating facility ("M2") adjacent to the existing 150 MW Milner generating facility ("M1"). The expansion project will utilize state-of-the-art, supercritical, pulverized coal technology, making it the cleanest and most fuel-efficient coal-fired power plant in Canada. 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. On June 30, 2011, the Alberta Utilities Commission ("AUC") approved MAXIM's application to construct and operate M2. Subject to satisfactory commercial and financing arrangements, construction is targeted to commence in the summer of 2012 and full commissioning approximately three years after the start of construction.

### *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 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	30-Jun 2011 <sup>(1)</sup>	31-Mar 2011 <sup>(1)</sup>	Dec 31 2010 <sup>(2)</sup>	30-Sep 2010 <sup>(2)</sup>	30-Jun 2010 <sup>(1)</sup>	31-Mar 2010 <sup>(1)</sup>	31-Dec 2009 <sup>(2)</sup>	30-Sep 2009 <sup>(2)</sup>
Revenue	17,884	54,997	36,694	31,123	32,657	50,775	41,977	27,628
Adjusted EBITDA <sup>(3)</sup>	(2,199)	15,792	5,546	6,058	10,676	12,561	8,177	6,696
Net income (loss) attributable to shareholders	(5,475)	4,559	(416)	(139)	534	24,240	505	848
Basic income (loss) per share	(0.10)	0.08	(0.01)	0.00	0.01	0.45	0.01	0.02
Diluted income (loss) per share	(0.10)	0.08	(0.01)	0.00	0.01	0.44	0.01	0.02
Funds from operations <sup>(3)</sup>	(134)	14,312	4,702	5,532	7,439	11,521	7,084	6,430
Total assets	362,353	378,238	373,447	371,584	365,727	379,183	376,621	356,112
Average Alberta electricity price (\$ per MWh)	52	83	46	36	81	41	46	50
Average Milner realized electricity price (\$ per MWh)	54	70	49	52	93	42	48	50

(1) Q1 to Q2 2010 and Q1 to Q2 2011 unaudited financial information was prepared in accordance with IFRS, except adjusted EBITDA and Funds from Operations.

(2) Q3 to Q4 2009 and Q3 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 prices. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities. The transition to IFRS from Canadian GAAP will not affect these general trends.

Second quarter 2011 results decreased from the previous two quarters, which is in line with expectations based on seasonality. The decreases in revenue and adjusted EBITDA were greater than the decrease in the second quarter of 2010 as a result of lower Alberta Power prices and lower electricity generation at Milner. The second quarter 2011 decrease in net income was less than the decrease in 2010 due to a one-time tax recovery realized in the first quarter of 2010 as a result of MAXIM's amalgamation with EarthFirst Canada Inc.

## NON-IFRS MEASURES

### Adjusted EBITDA

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
IFRS Measures from Condensed Consolidated Statement of Income				
Net income (loss) attributable to shareholders	(5,475)	534	(916)	24,774
Income taxes	(2,403)	733	(313)	(20,616)
Finance expense	1,181	1,501	2,407	3,276
Depreciation and amortization	2,518	3,665	10,435	11,560
Mark to market on price swap	1,980	-	1,980	-
CVRI settlement - 2009 portion	-	4,243	-	4,243
<b>Non-IFRS measure - Adjusted EBITDA</b>	<b>(2,199)</b>	<b>10,676</b>	<b>13,593</b>	<b>23,237</b>

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 for exclusion.

In calculating adjusted EBITDA for the three and six month periods ended June 30, 2011, management added back a \$2.0 million unrealized loss on the floating for fixed price commodity swaps. This loss represents a non-cash accounting adjustment and will fully reverse by December 31, 2011.

In calculating EBITDA for the three and six month periods ended June 30, 2010, management added back the \$5.6 million portion of the CVRI settlement related to coal consumed in 2009. The portion of the CVRI settlement related to 2010 is contained within the period's fuel costs in plant operations expense and is therefore included in adjusted EBITDA as it is considered to be predictive of future results. Offsetting this adjustment is a deduction of \$1.4 million in other income. This income is non-recurring as it represents the one time impact of a favourable settlement related to prior period coal under-delivery.

The following table highlights the change in 2010 Adjusted EBITDA due to MAXIM's conversion to IFRS:

Three months ended June 30, 2010	Canadian GAAP	IFRS	Change
Measures from Condensed Consolidated Statement of Income:			
Net income attributable to shareholders	385	534	149
Income taxes	506	733	227
Interest (Canadian GAAP) / Finance expense (IFRS) <sup>(1)</sup>	1,448	1,501	53
Depreciation and amortization	3,763	3,665	(98)
CVRI settlement - 2009 portion	4,243	4,243	-
<b>Non-IFRS measure - Adjusted EBITDA</b>	<b>10,345</b>	<b>10,676</b>	<b>331</b>

Six months ended June 30, 2010	Canadian GAAP	IFRS	Change
<b>Measures from Condensed Consolidated Statement of Income:</b>			
Net income attributable to shareholders	1,683	24,774	23,091
Income taxes	1,853	(20,616)	(22,469)
Interest (Canadian GAAP) / Finance expense (IFRS) <sup>(1)</sup>	2,821	3,276	455
Depreciation and amortization	11,675	11,560	(115)
CVRI settlement - 2009 portion	4,243	4,243	-
<b>Non-IFRS measure - Adjusted EBITDA</b>	<b>22,275</b>	<b>23,237</b>	<b>962</b>

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 June 30		Six months ended June 30	
	2011	2010	2011	2010
<b>IFRS Measures from Condensed Consolidated Statement of Cash Flows</b>				
Cash generated from operations	649	6,950	16,009	13,484
Change in non-cash working capital	(783)	489	(1,831)	5,476
<b>Non-IFRS measure - FFO</b>	<b>(134)</b>	<b>7,439</b>	<b>14,178</b>	<b>18,960</b>

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 2010 FFO resulting from MAXIM's conversion to IFRS:

Six months ended June 30, 2010	Canadian GAAP	IFRS	Change
<b>IFRS Measures from Condensed Consolidated Statement of Cash Flows:</b>			
Cash generated from operations	10,741	13,484	2,743
Change in non-cash working capital	4,904	5,476	572
<b>Non-IFRS measure - FFO</b>	<b>15,645</b>	<b>18,960</b>	<b>3,315</b>

The increase in funds from operations is primarily due to a change in the classification of finance costs on the consolidated statement of cash flows. Under Canadian GAAP, finance costs were classified as an operating activity and interest payments reduced total cash generated from operations. Under IFRS, interest payments have been classified as part of financing activities. As a result of this difference in classification, cash from operations is no longer reduced by interest payments and funds from operations increases accordingly.

## 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. Management made no changes to MAXIM's methodology for developing accounting estimates during the second quarter of 2011.

## NEW ACCOUNTING PRONOUNCEMENTS

### International Financial Reporting Standards ("IFRS")

MAXIM adopted IFRS on January 1, 2011 as required by the CICA Accounting Standards Board ("AcSB"). Although certain recognition, measurement, and disclosure differences exist between IFRS and the previous accounting framework, 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 in MAXIM's first quarter 2011 MD&A dated June 9, 2011.

### Impact of IFRS on key performance indicators:

The impact of the IFRS transition on key performance indicators for the three- and six-month periods ended June 30, 2010 is as follows:

Key performance indicators	Three months ended June 30, 2010		
	Canadian GAAP	IFRS	Change
Revenue	32,657	32,657	-
Adjusted EBITDA <sup>(1)</sup>	10,345	10,676	331
Net income attributable to shareholders	385	534	149
Basic net income per share (\$ per share)	0.01	0.01	(0.00)
Diluted net income per share (\$ per share)	0.01	0.01	(0.00)
Funds from operations <sup>(1)</sup>	4,193	7,439	3,246
Total assets	368,779	365,727	(3,052)
Total long-term financial liabilities	71,908	71,908	-
Generation (MWh)	261,942	261,942	-
Average Alberta power price – market (\$ per MWh)	80.56	80.56	-
Average Alberta power price – Milner realized (\$ per MWh)	92.69	92.69	-

Key performance indicators	Six months ended June 30, 2010		
	Canadian GAAP	IFRS	Change
Revenue	83,432	83,432	-
Adjusted EBITDA <sup>(1)</sup>	22,275	23,237	962
Net income attributable to shareholders	1,683	24,774	23,091
Basic net income per share (\$ per share)	0.03	0.46	0.43
Diluted net income per share (\$ per share)	0.03	0.46	0.43
Funds from operations <sup>(1)</sup>	15,645	18,960	3,315
Total assets	368,779	365,727	(3,052)
Total long-term financial liabilities	71,908	71,908	-
Generation (MWh)	646,577	646,577	-
Average Alberta power price – market (\$ per MWh)	60.72	60.72	-
Average Alberta power price – Milner realized (\$ per MWh)	64.05	64.05	-

(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

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 second 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	No material impact anticipated
IAS 12 <i>Income taxes</i>	January 1, 2012	Currently under assessment
IAS 1 <i>Presentation of financial statements</i>	July 1, 2012	Currently under assessment
IAS 19 <i>Employee benefits</i>	January 1, 2013	Not applicable to MAXIM

### *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.

### *Fair value measurement*

The IASB issued IFRS 13 *Fair value measurements*, which defines fair value, establishes a framework for measuring fair value, and sets out disclosure requirements for fair value measurements. The standard is effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of application of this standard.

## 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 that 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 design 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.

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 June 30, 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- and six-month periods ended March 31, 2011 and 2010.

## **OTHER INFORMATION**

Outstanding share data:

Issued common shares at June 30, 2011	54,083,758
Outstanding share options at June 30, 2011	4,665,933
<b>Total diluted common shares at June 30, 2011</b>	<b>58,749,691</b>
Share options expired on July 4, 2011	(479,333)
Share options issued on July 11, 2011	40,000
Share options expired on August 1, 2011	(75,000)
<b>Total diluted common shares at August 11, 2011</b>	<b>58,235,358</b>

Issued common shares at June 30, 2011	54,083,758
Outstanding share options at June 30, 2011	4,665,933
<b>Total diluted common shares at June 30, 2011</b>	<b>58,749,691</b>
Share options expired on July 4, 2011	(479,333)
Share options issued on July 11, 2011	40,000
Share options expired on August 1, 2011	(75,000)

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

## GLOSSARY OF TERMS

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

<b>Alberta Power Pool</b>	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
<b>Alberta power prices</b>	The hourly price established by the Alberta Electric System Operator for electricity bought and sold through the Alberta Power Pool
<b>APP</b>	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
<b>ARO</b>	Asset retirement obligations
<b>Basin Creek</b>	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
<b>BMO</b>	Bank of Montreal
<b>Capacity</b>	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)
<b>CARA</b>	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)
<b>CICA</b>	Canadian Institute of Chartered Accountants
<b>Cogeneration</b>	The combined, simultaneous generation of heat (usually in the form of hot water or steam) and power (usually in the form of electricity)
<b>COMAX</b>	Comax France S.A.S., MAXIM's wholly-owned French subsidiary
<b>CSA</b>	Coal supply agreement
<b>CVRI</b>	Coal Valley Resources Inc.
<b>Dispatch</b>	Intermittent operation as dictated by a local system operator or the party to a tolling agreement
<b>EdF</b>	Electricité de France
<b>EPA</b>	Environmental Protection Agency of the United States of America
<b>ERCB</b>	Energy Resources Conservation Board of Alberta
<b>Exchange</b>	Toronto Stock Exchange
<b>Forked River</b>	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
<b>G&amp;A</b>	General and administrative expense
<b>GAAP</b>	Generally accepted accounting principles
<b>Gift Lake</b>	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
<b>Gold Creek</b>	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

<b>Heat Rate</b>	A measure of conversion, expressed as MMBtu/MWh or GJ/MWh, of the amount of thermal energy required to generate electrical energy
<b>IFRS</b>	International Financial Reporting Standards
<b>IPP</b>	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
<b>ISO-NE</b>	ISO New England is a US regional transmission organization serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont
<b>LFRM</b>	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
<b>MAXIM</b>	Maxim Power Corp.
<b>MD&amp;A</b>	Management's Discussion and Analysis
<b>Milner</b>	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
<b>Milner realized power prices</b>	The average price paid to Milner for sale of electricity in \$/MWh
<b>MPLP</b>	Milner Power Limited Partnership
<b>MW</b>	Megawatt, a measure of electricity that is equivalent to one million watts
<b>MWh</b>	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
<b>NCIB</b>	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
<b>O&amp;M</b>	Operations and maintenance
<b>PPA</b>	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)
<b>PP&amp;E</b>	Property, plant and equipment
<b>Pittsfield</b>	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
<b>RGGI</b>	Regional Greenhouse Gas Initiative, a cooperative effort by ten Northeast and Mid-Atlantic states to limit greenhouse gas emissions
<b>RMR contract</b>	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)
<b>Tolling (Tolling Agreement)"</b>	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
<b>Turnaround</b>	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
<b>Unplanned Outage</b>	Shutdown of a generating unit due to an unanticipated breakdown
<b>US or United States</b>	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.