

power **growth** precision



MAXIM
Power Corp

Quarterly Report of

MAXIM POWER CORP.

Third Quarter ended September 30, 2010 and 2009
(unaudited)

MAXIM POWER CORP.

Consolidated Balance Sheets
(In Thousands of Dollars)
(unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,370	\$ 13,547
Restricted cash	135	138
Accounts receivable	12,712	30,590
Prepaid expenses and deposits	1,056	2,005
Inventory (note 3)	5,136	3,802
Current portion of future income tax asset	-	1,543
	<u>34,409</u>	<u>51,625</u>
Property, plant and equipment (note 4)	253,029	264,921
Restricted cash	1,391	1,383
Assets held for sale (note 10)	12,307	11,290
Prepaid expenses and deposits	967	1,061
Future income tax asset	27,641	1,426
Intangibles (note 5)	26,208	29,283
Goodwill	15,632	15,632
	<u>\$ 371,584</u>	<u>\$ 376,621</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 398	\$ 153
Accounts payable and accrued liabilities	17,542	37,092
Income taxes payable	348	4,028
Current portion of long-term debt (note 6)	14,506	8,707
Current portion of capital lease obligations (note 7)	3,824	7,384
Other	322	279
	<u>36,940</u>	<u>57,643</u>
Long-term debt (note 6)	63,020	65,915
Capital lease obligations (note 7)	8,664	9,550
Asset retirement obligation	7,081	6,821
Future income tax liability	15,130	15,592
Deferred credit (note 8)	22,293	-
Other	99	278
Non-controlling interest	430	330
Shareholders' equity:		
Share capital (note 9)	155,477	155,467
Contributed surplus (note 9)	9,487	7,849
Retained earnings	61,422	59,878
Accumulated other comprehensive income (note 2)	(8,459)	(2,702)
	<u>217,927</u>	<u>220,492</u>
Basis of presentation (note 1)		
	<u>\$ 371,584</u>	<u>\$ 376,621</u>

See accompanying notes to interim consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statements of Operations and Retained Earnings

Three and nine months ended September 30, 2010 and 2009

(In Thousands of Dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenue:				
Electricity sales	\$ 31,123	\$ 27,628	\$ 114,555	\$ 101,761
Expenses:				
Plant operations (note 11)	23,760	19,767	83,451	73,726
General and administration	1,213	1,288	3,755	4,601
Depreciation and amortization	3,563	3,720	15,238	15,327
	28,536	24,775	102,444	93,654
Income before the following items	2,587	2,853	12,111	8,107
Interest expense:				
Long-term debt	974	905	3,140	2,897
Capital lease obligation	146	335	574	1,236
Other	233	42	459	131
Interest income	(4)	(27)	(10)	(53)
Foreign exchange loss	71	(155)	421	17
Unrealized risk management gain	-	146	-	(201)
Other (income) expense (note 11)	(21)	-	2,780	(231)
Income before income taxes and non-controlling interest	1,188	1,607	4,747	4,311
Income taxes (recovery):				
Current	(147)	(231)	828	4,672
Future	1,428	1,077	2,306	(1,749)
	1,281	846	3,134	2,923
Non-controlling interest	46	(87)	69	(236)
Net income (loss) for the period	(139)	848	1,544	1,624
Retained earnings, beginning of period	61,561	58,525	59,878	57,749
Retained earnings, end of period	\$ 61,422	\$ 59,373	\$ 61,422	\$ 59,373
Basic and diluted income (loss) per share	\$ 0.00	\$ 0.02	\$ 0.03	\$ 0.03

See accompanying notes to interim consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statements of Comprehensive Income (Loss)

Three and nine months ended September 30, 2010 and 2009

(In Thousands of Dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Net income (loss) for the period	\$ (139)	\$ 848	\$ 1,544	\$ 1,624
Other comprehensive income:				
Unrealized gains (losses) on translation of self-sustaining operations	(55)	(10,404)	(5,756)	(18,465)
Unrealized gain (loss) on derivatives designated as cash flow hedges	20	(51)	(1)	(299)
Comprehensive income (loss)	\$ (174)	\$ (9,607)	\$ (4,213)	\$ (17,140)

See accompanying notes to interim consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statements of Cash Flows

Three and nine months ended September 30, 2010 and 2009

(In Thousands of Dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash provided by (used in):				
Operations:				
Net income (loss)	\$ (139)	\$ 848	\$ 1,544	\$ 1,624
Items not involving cash:				
Depreciation and amortization	3,563	3,720	15,238	15,327
Amortization of deferred financing costs	82	62	238	190
Accretion expense of asset retirement obligation	122	50	361	156
Stock-based compensation	474	653	1,545	1,914
Non-controlling interest	46	(87)	69	(236)
Risk management gain	-	146	-	(201)
Long-term contracts	(44)	(39)	(131)	(386)
Future income tax (recovery) expense	1,428	1,077	2,306	(1,749)
	5,532	6,430	21,170	16,639
Change in non-cash working capital (note 12)	1,402	(1,798)	(3,502)	7,248
	6,934	4,632	17,668	23,887
Financing:				
Issuance of long-term debt	2,150	11,952	11,541	13,422
Repayment of long-term debt	(1,967)	(1,480)	(6,853)	(6,466)
Issuance of capital lease obligation	839	386	1,918	1,003
Repayment of capital lease obligation	(1,581)	(1,449)	(5,590)	(6,025)
Issuance of common shares	-	-	7	-
Shares purchased under normal course issuer bid	-	(80)	-	(735)
Cash flows from (used in) financing activities	(559)	9,329	1,023	1,199
Investing:				
Property, plant and equipment expenditures	(1,357)	(8,699)	(9,766)	(16,307)
Acquisitions, net of cash acquired	-	(1,811)	(6,516)	(4,501)
Intangible assets	(286)	(574)	(724)	(962)
	(1,643)	(11,084)	(17,006)	(21,770)
Change in non-cash working capital (note 12)	(451)	66	230	(66)
	(2,094)	(11,018)	(16,776)	(21,836)
Foreign exchange gain (loss) on cash held in foreign currencies	260	(135)	(337)	(285)
Increase in cash	4,541	2,808	1,578	2,965
Cash, beginning of period	10,431	10,196	13,394	10,039
Cash, end of period	\$ 14,972	\$ 13,004	\$ 14,972	\$ 13,004

Cash consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash	\$ 15,370	\$ 13,004	\$ 15,370	\$ 13,004
Bank indebtedness	(398)	-	(398)	-
Cash	\$ 14,972	\$ 13,004	\$ 14,972	\$ 13,004

See accompanying notes to interim consolidated financial statements.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

1. Basis of Presentation

The consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting policies applied are consistent with those outlined in MAXIM's annual audited consolidated financial statements for the year ended December 31, 2009. These consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. These consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2009 audited consolidated financial statements.

On March 2, 2010, MAXIM completed a transaction with EarthFirst Canada Inc. ("EarthFirst") which resulted in the amalgamation of the two companies. Under a plan of arrangement, MAXIM shareholders received one share in the amalgamated company for each share of MAXIM held. EarthFirst securities outstanding prior to the amalgamation were cancelled, resulting in the existing MAXIM shareholders owning 100% of the shares in the newly formed company.

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

MAXIM has three credit facilities with a Canadian bank (see note 6 Long-term Debt). These facilities have several covenants of which the debt service coverage ratio ("DSCR") and the net funded debt to earnings before interest, taxes, depreciation and amortization ("NFDE") are the most sensitive for the Corporation. These covenants are breached if the DSCR is below 1.10:1.00 until December 31, 2010 and 1.40:1.00 thereafter or if the NFDE exceeds 2.00:1.00.

MAXIM is in compliance with all financial covenants at September 30, 2010, including DSCR and NFDE, which are 1.14:1.00 and 0.98:1.00 respectively. However, if Alberta power prices continue at current low levels as shown by current forward curves, the Corporation will likely breach these covenants during the next twelve months. If any covenant is not met, the loan may become due on demand.

These interim consolidated financial statements have been prepared on a going concern basis, which presumes that MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

MAXIM is pursuing the sale of its Mine No. 14 coal leases (see note 10), the proceeds from which may in part be used to repay a portion of the Canadian credit facility, thereby mitigating the risk of covenant default and decreasing the Corporation's debt service charges. In the event the sale does not proceed in a timely fashion, management is also actively pursuing various options with current and prospective lenders which would, in management's view, enable the Corporation to achieve its business plans. No agreements with lenders have been reached as of the date of these financial statements and there can be no assurance that such agreements will be reached.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

1. Basis of Presentation *(continued)*

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions planned, some of which are described above, or alternatively an improvement in market prices for power, either of which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing these financial statements.

2. Accumulated Other Comprehensive Loss

The composition of accumulated other comprehensive loss is as follows:

	September 30, 2010	December 31, 2009
Unrealized loss on translation of net foreign operations	\$ (8,211)	\$ (2,455)
Unrealized loss on derivatives designated as cash flow hedges	(248)	(247)
Balance, end of period	\$ (8,459)	\$ (2,702)

3. Inventory

	September 30, 2010	December 31, 2009
Coal	\$ 3,254	\$ 1,637
Fuel oil	1,882	2,165
Total inventory	\$ 5,136	\$ 3,802

The cost of inventories recognized as an expense in plant operations during the nine month period ending September 30, 2010 was \$20,488 (2009 - \$16,803).

4. Property, Plant and Equipment

September 30, 2010	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 7,516	\$ -	\$ 7,516
Generating facilities	197,524	44,473	153,051
Generating facilities – tolling agreements	59,472	11,790	47,682
Office furniture and equipment	2,347	1,024	1,323
Assets under construction	5,461	-	5,461
Spare parts	7,706	-	7,706
Assets under capital leases	40,602	10,312	30,290
	\$ 320,628	\$ 67,599	\$ 253,029

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

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

December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 7,680	\$ -	\$ 7,680
Generating facilities	198,160	36,445	161,715
Generating facilities – tolling agreements	60,225	9,900	50,325
Office furniture and equipment	2,133	769	1,364
Assets under construction	4,744	-	4,744
Spare parts	8,043	-	8,043
Assets under capital leases	40,062	9,012	31,050
	\$ 321,047	\$ 56,126	\$ 264,921

5. Intangibles

September 30, 2010	Cost	Additions	Reclassified under Purchase Price Allocation (note 8)	Accumulated Amortization	Net Book Value
Coal supply contract	\$ 6,000	\$ -	\$ -	\$ 3,665	\$ 2,335
Power sale contracts	27,908	-	-	6,787	21,121
Acquisition costs	1,026	504	(1,181)	-	349
Emission credits	1,116	992	-	-	2,108
Other	309	-	-	14	295
	\$ 36,359	\$ 1,496	\$ (1,181)	\$ 10,466	\$ 26,208

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

6. Long-term Debt

	September 30, 2010	December 31, 2009
Canada (note 6(a))	\$ 33,051	\$ 31,666
United States (note 6(b)) (US \$24,420; US \$25,128)	25,128	26,409
France (note 6(c)) (EUR 15,171; EUR 12,223)	21,249	18,333
	79,428	76,408
Less deferred financing costs	(1,902)	(1,786)
	77,526	74,622
Less current portion	(14,506)	(8,707)
	\$ 63,020	\$ 65,915

- (a) MAXIM has three facilities with a Canadian bank ("bank"). Facility A is a \$10,000 revolving facility which has borrowing limits based on accounts receivable balances and bears interest at the bank's prime interest rate plus 1.00% to 1.50% or the bank's US base interest rate plus 1.00% to 1.50%. Bankers' acceptances under this facility bear a stamping fee at 2.00% to 2.75% per annum and letters of credit and letters of guarantee, up to an aggregate face amount of \$10,000, bear interest at 1.00% to 1.50% per annum. As at September 30, 2010, MAXIM has an outstanding balance of \$7,236 on Facility A which is comprised of \$5,478 (December 31, 2009 - \$Nil) drawn on the revolving line and \$1,758 letters of credit (December 31, 2009 - \$1,820). Facility B is a three year committed reducing term loan facility amortizing until May 31, 2016 and is drawn by way of bankers' acceptances. At September 30, 2010 \$27,573 (December 31, 2009 - \$31,666) was drawn on this facility. MAXIM was in compliance with all the debt covenants at September 30, 2010 (see note 1 Basis of presentation).
- (b) MAXIM entered into a construction and term loan agreement dated March 31, 2005 through its subsidiary, Basin Creek Equity Partners, LLC ("Basin Creek"). On June 30, 2006, the construction and term loan balance of US\$28,000 was converted to a term loan. The term loan has a fixed interest rate of 6.95% per annum and will mature on June 30, 2026. At September 30, 2010, Basin Creek had an outstanding balance of US\$24,420 (December 31, 2009 - US\$25,128). Basin Creek has pledged a mortgage on its property and assignment of major contracts as collateral for the loan. In addition, Basin Creek Holdco, L.L.C., a wholly-owned subsidiary of Basin Creek, has pledged its membership interest as collateral for the loan.
- (c) The Corporation has twelve bank term loans associated with projects in Comax France SAS, MAXIM's wholly-owned French subsidiary ("COMAX") at September 30, 2010 with an aggregate balance of EUR 15,171 (December 31, 2009 - EUR 12,223). Loan obligations of EUR 2,220 bear variable interest at Euribor plus 1.80% to 2.75%, obligations of EUR 6,875 bear variable interest at Euribor plus 2.43% subject to a minimum interest rate of 2.72% and a maximum interest rate of 4.72%, and obligations of EUR 6,076 bear fixed interest in the range of 3.48% - 5.10%, with either quarterly or monthly repayments, and have maturity dates between November 2012 and March 2022. These loans are secured by assignment of key contracts, facilities and life insurance on certain officers of COMAX.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

6. Long-term Debt (continued)

The Corporation's anticipated repayment obligations as at September 30, 2010 related to its loans over the next five years are as follows:

2010	\$	7,626
2011		9,094
2012		9,207
2013		8,956
2014		9,116
Remaining		35,429
	\$	79,428

7. Capital Lease Obligations

On December 3, 2009, MAXIM, through its French subsidiaries, entered into two capital lease agreements related to production equipment for a total principal amount of \$2,170 (EUR 1,640) of which \$1,918 (EUR 1,460) has been drawn as of September 30, 2010 leaving an additional \$252 (EUR 180) available for use. The leases bear interest at 5.40% with quarterly repayments of EUR 57 and expire August 2018. Upon termination of the lease, there is a minimal bargain purchase option.

Future minimum payments under all capital leases at September 30, 2010 are as follows:

2010	\$	1,589
2011		3,680
2012		2,958
2013		1,322
2014		994
Remaining		4,188
Total minimum lease payments		14,731
Amounts representing interest		(2,243)
Present value of net minimum lease payments		12,488
Less: current portion		(3,824)
	\$	8,664

8. Amalgamation with EarthFirst Canada Inc.

On March 2, 2010, MAXIM amalgamated with EarthFirst as described in note 1. MAXIM paid \$5,868 to EarthFirst plus transaction costs of \$1,324 to complete the arrangement. As a result MAXIM acquired a wind farm project and has increased its tax pools by \$117,369. The transaction was accounted for as an asset acquisition. The excess of the amount assigned to future tax assets over the purchase price was recorded as a deferred credit. The future income tax asset recognized on the amalgamation represents the amount that is more likely than not to be realized. As a result, the deferred credit will be amortized to income tax expense in the proportion to the net reduction in the future income tax assets that give rise to the deferred credit.

Future income tax asset	\$	29,485
Deferred credit		(22,293)
Total cash consideration including acquisition costs	\$	7,192

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

9. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	Number	Amount
Common shares of MAXIM		
Balance, December 31, 2009	54,032,091	\$ 155,467
Stock options exercised	2,667	10
Balance, September 30, 2010	54,034,758	155,477
Contributed surplus		
Balance, December 31, 2009		7,849
Fair value of stock based compensation		1,641
Stock options exercised		(3)
Contributed surplus, September 30, 2010		9,487
Balance, September 30, 2010	54,034,758	\$ 164,964

(c) Normal course issuer bid

On March 30, 2009, MAXIM received approval from the Toronto Stock Exchange for a normal course issuer bid which commenced on April 2, 2009. The bid terminated on April 1, 2010. During the three and nine month periods, the Corporation purchased and cancelled nil shares.

(d) Stock options:

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

Stock options issued and outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2009	4,393,992	\$ 4.49
Exercised	(2,667)	(2.70)
Forfeited	(132,333)	(3.68)
Granted	60,000	2.65
Balance, September 30, 2010	4,318,992	\$ 4.49

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

9. Share Capital (continued)

Details of the stock options outstanding at September 30, 2010 are as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.30 to \$3.50	1,637,625	3.66	\$ 2.59	525,875	\$ 2.59
\$3.51 to \$5.99	1,260,333	1.36	\$ 4.73	1,152,000	\$ 4.61
\$6.00 to \$7.76	1,421,034	1.47	\$ 6.47	1,122,202	\$ 6.42
	4,318,992	2.27	\$ 4.49	2,800,077	\$ 4.96

The Corporation accounts for its stock option plan using the fair value method. Under this method, the Corporation recorded non-cash stock-based compensation of \$474 (2009 - \$653) for the three months ended September 30, 2010 and \$1,545 (2009 - \$1,914) for the nine months ended September 30, 2010 as an expense for the options granted to employees, directors and key consultants.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing method with weighted average assumptions for grants for the nine months ended September 30, 2010 as follows:

Risk free interest rate (%)	1.91
Time to expiration (years)	5.00
Volatility (%)	50
Expected dividend	-

During the nine month period, the Corporation granted 60,000 (2009 - 645,000) stock options to purchase common shares at an average price of \$2.65 (2009 - \$2.52) under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$1.20 (2009 - \$1.63). The Corporation used the Black-Scholes option pricing model and the assumptions above to calculate the weighted average fair value. Subsequent to September 30, 2010, 411,500 options expired, 448,708 options forfeited and 49,667 options were exercised.

e) Income per share:

The weighted average number of shares outstanding for purposes of calculating basic income per share for the three and nine months ended September 30, 2010 was 54,034,758 (2009 - 54,109,155) and 54,033,048 (2009 - 54,222,490).

For the three and nine months ended September 30, 2010, the diluted income per share calculation included 15,012 (2009 - Nil) shares and 90,105 (2009 - Nil) shares, respectively, related to stock options in the average number of common shares outstanding as they were determined to be dilutive.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

10. Assets Held for Sale

During 2010, MAXIM initiated a process to sell its interest in Mine 14 (see note 1), and has classified the carrying value of this development project as assets held for sale on the Consolidated Balance Sheet. Management has committed to a plan of disposal of the asset and has engaged a third party to assist in completing the process. MAXIM anticipates the sale to be completed within six months.

11. Commitment

Milner Power Limited Partnership ("MPLP"), a wholly-owned subsidiary of the Corporation, entered into a long-term coal supply agreement with a supplier in January 2004 to supply thermal coal to the H.R. Milner power plant for ten years. The agreement provides for the purchase of coal under fixed prices escalating annually for a fixed minimum quantity per annum. The initial term was five years with an option to extend the contract for another five years. In 2008, MPLP exercised its right to extend the contract for an additional five years. The agreement provides for an adjustment to price during the extension term. In May 2010, an independent arbitrator determined that a price renewal was warranted and established the price MPLP is required to pay for the coal effective February 1, 2009. As a result of the arbitrator's decision, MPLP was required to pay an additional \$5,643 for 2009 and \$3,372 for purchases of coal up to May 25, 2010. In addition to the arbitrated amount, MPLP settled a dispute with the supplier a dispute related to under delivery of coal during 2007 and 2008. As a result, the supplier was required to pay \$1,400 to MPLP. The net settlement of \$4,243 amount related to 2009 and prior periods was recorded as other (income) expense in the second quarter of 2010 and the amounts related to 2010 were recorded in plant operations on the statement of operations.

12. Change in Non-Cash Working Capital

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Operations:				
Accounts receivable	\$ 905	\$ (6,181)	\$ 18,818	\$ 21,434
Prepaid expenses, deposits and other	269	472	1,024	(686)
Inventory	1,404	1,450	(1,325)	2,187
Accounts payable and accrued liabilities	118	3,101	(18,338)	(17,548)
Deferred revenue	-	221	-	712
Income taxes (payable)/receivable	(1,294)	(861)	(3,681)	1,149
	\$ 1,402	\$ (1,798)	\$ (3,502)	\$ 7,248
Investing:				
Accounts payable and accrued liabilities	\$ (451)	\$ 66	\$ 230	\$ (66)
	\$ (451)	\$ 66	\$ 230	\$ (66)

The following cash payments have been made to September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Taxes paid	\$ 1,012	\$ 897	\$ 1,675	\$ 3,628
Interest paid	\$ 1,593	\$ 1,122	\$ 4,181	\$ 4,037

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

13. Segmented Information

MAXIM is an independent power producer that develops, owns and operates power generation facilities through which it derives revenue from the sale of electricity, generation capacity and thermal energy. Details by geographic area are as follows:

	Three months ended September 30, 2010		Three months ended September 30, 2009	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 12,362	\$ (2,858)	\$ 15,255	\$ (635)
United States	18,758	6,364	12,361	4,264
France	3	(919)	12	(776)
Total	\$ 31,123	\$ 2,587	\$ 27,628	\$ 2,853

	Nine months ended September 30, 2010		Nine months ended September 30, 2009	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 44,108	\$ (3,126)	\$ 39,722	\$ (4,875)
United States	42,191	14,291	34,908	12,298
France	28,256	946	27,131	684
Total	\$ 114,555	\$ 12,111	\$ 101,761	\$ 8,107

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

MAXIM's operations are impacted by seasonality. All French operations are cogeneration facilities and annually operate only from November through March. Operations in the United States not under tolling agreements function as peak power facilities and operate more frequently when heating and cooling requirements increase. Canadian operations are impacted when annual maintenance programs are performed. The annual maintenance programs are normally completed during the second quarter of each year. Revenue in both the United States and Canada are impacted by fluctuations in power prices due to seasonality and natural gas prices.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Nine months ended September 30, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

13. Segmented Information (continued)

The locations of the Corporation's property, plant and equipment are as follows:

	Three months ended September 30, 2010			Three months ended September 30, 2009		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 1,092	\$ 2,063	\$ -	\$ 2,715	\$ 1,961
United States	-	91	1,481	-	340	1,725
France	-	174	19	1,811	5,644	34
Total	\$ -	\$ 1,357	\$ 3,563	\$ 1,811	\$ 8,699	\$ 3,720

	Nine months ended September 30, 2010			Nine months ended September 30, 2009		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 3,687	\$ 6,205	\$ -	\$ 7,931	\$ 5,854
United States	-	495	4,751	-	2,379	5,202
France	-	5,584	4,282	4,501	5,997	4,271
Total	\$ -	\$ 9,766	\$ 15,238	\$ 4,501	\$ 16,307	\$ 15,327

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

	September 30, 2010	December 31, 2009
Canada	\$ 138,160	\$ 114,524
United States	135,247	136,052
France	98,177	126,045
Total	\$ 371,584	\$ 376,621

The goodwill balance of \$15,632 (December 31, 2009 - \$15,632) is attributed to the Canadian segment of the Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated November 15, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three and nine months ended September 30, 2010 and the audited annual consolidated financial statements for MAXIM for the year ended December 31, 2009. The consolidated financial statements have been prepared in accordance with GAAP. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms.

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FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially 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.
- MAXIM has credit facilities to support liquidity requirements of the Corporation. The facilities are margined on accounts receivable; therefore, the ability to draw on the facilities is dependent upon operating performance.
- MAXIM estimates total capital expenditures of \$19.2 million to be incurred in 2010, \$17.0 million of which have been incurred as at the end of the third quarter. Estimated remaining expenditures are comprised of \$0.5 million related to required facility maintenance and \$1.7 million for discretionary initiatives including development projects. These costs are based upon estimates and may differ from the actual costs to complete. MAXIM further estimates that \$1.2 million of these expenditures will be financed from credit facilities to be drawn during the last quarter of 2010 and the remainder will be financed from operating cash flows.
- Management estimates future electricity demand in areas where there is potential development. The actual future demand in these areas may be different than expected.
- MAXIM anticipates all necessary provincial, state and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.
- MAXIM anticipates that it will be able to comply with the requirement to implement International Financial Reporting Standards.

OVERALL PERFORMANCE

Performance Highlights

(\$000's except per share and generation amounts)	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
Revenue	31,123	27,628	114,555	101,761
Adjusted EBITDA ⁽¹⁾	6,058	6,696	28,332	24,844
Net income (loss) for the period	(139)	848	1,544	1,624
Basic and diluted net income (loss) per share	\$ 0.00	\$ 0.02	\$ 0.03	\$ 0.03
Funds from operations ⁽¹⁾	5,532	6,430	21,170	16,639
Total assets	371,584	356,112	371,584	356,112
Total long-term financial liabilities	71,684	73,570	71,684	73,570
Generation (MWh)	351,910	329,301	998,487	861,413
Average Alberta Power Price – market (per MWh)	\$ 35.69	\$ 49.75	\$ 52.37	\$ 48.35
Average Alberta Power Price – Milner realized (per MWh)	\$ 51.72	\$ 50.11	\$ 60.03	\$ 51.11

- (1) Select financial information was derived from the unaudited interim consolidated financial statements and is prepared in accordance with Canadian generally accepted accounting principles ("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 Canadian GAAP and may not be comparable to similar measures presented by other companies. Refer to Non-GAAP measures for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with Canadian GAAP.

During the third quarter of 2010, MAXIM increased its generation of electricity by 7%, from 329,301 MWh during the third quarter of 2009 to 351,910 MWh during the same quarter of 2010. An increase in electricity generation at MAXIM's NE-ISO power plants was the primary driver of the increased production, partially offset by reduced generation in Alberta.

Third quarter revenue of \$31.1 million increased \$3.5 million or 13% from \$27.6 million in revenue earned during the same period of 2009. The increase is due to higher revenue earned from electricity sales in the US and is partially offset by a decline in Canadian third quarter revenue.

Third quarter Funds from Operations of \$5.5 million decreased \$0.9 million or 14% from the \$6.4 million in funds generated from operations in the comparable period of 2010. This decrease occurred because the increase in cash from revenue was more than offset by a reduction in margins earned on Milner production due to the CVRI arbitration award on May 25, 2010, which increased Milner fuel costs. Also partially offsetting increased revenue was an increase in US fuel costs due to increased US generation in 2010. Net income declined similarly, from \$0.8 million in the third quarter of 2009 to a net loss of \$0.1 million in 2010. Third quarter 2010 Adjusted EBITDA of \$6.1 million decreased \$0.6 million from \$6.7 million reported for the third quarter 2009. Adjusted EBITDA and net income declined for primarily the same reasons as Funds from Operations.

On June 8, 2010, MAXIM entered a forward contract to sell a portion of its Milner plant production at an agreed upon price during the third quarter of 2010. The contracted power price was higher than the average third quarter Alberta pool price, allowing Milner to increase third quarter revenue by approximately \$2.9 million over revenue which would have been earned had all Milner production been sold at spot prices.

On May 25, 2010, MAXIM received an arbitration decision relating to the dispute between its wholly-owned subsidiary, MPLP, and CVRI regarding the price MPLP pays for coal purchased from CVRI.

To date, MPLP's supply of thermal coal to Milner has primarily been sourced from a CVRI mine located in Hinton, Alberta. In July of 2008, MPLP exercised its option to extend the term of the coal supply agreement for an additional five years expiring on December 31, 2013. CVRI was of the view that they had the right to initiate a price review for the extended term and requested the price for coal be increased above the price provided for under escalation provisions of the agreement. An independent arbitrator was appointed to consider the matter and rendered two concurrent decisions in May 2010. The arbitrator firstly decided that a price review was warranted and secondly established the price that MPLP is to pay for coal purchased from CVRI effective February 1, 2009. Based on these prices, MPLP was required to pay an additional \$5.6 million for coal purchased in 2009 and continues to pay higher prices than in previous years for coal purchased in 2010. During the second quarter MPLP also settled with CVRI a dispute related to under delivery of coal during 2007 and 2008. As a result, CVRI was required to pay \$1.4 million to MPLP. MPLP is pursuing a number of options to mitigate the effects of this higher price, including alternative sources of coal supply and the commercialization or sale of its Mine 14. See "2010 Guidance" on page 15 for further detail on Mine 14.

On March 2, 2010, MAXIM amalgamated with EarthFirst Canada Inc. ("EarthFirst") (the "Amalgamation") for a total investment of \$5.9 million plus closing costs. The Amalgamation provides MAXIM with a strategic development opportunity, the Buffalo Atlee Power Project ("Buffalo Atlee"), which has the potential for over 200 MW of wind generation capacity. The addition of wind generation to MAXIM's existing portfolio of assets would diversify MAXIM's generation fuel types and provide the potential to offset the impact of possible carbon legislation. MAXIM intends to invest further in the development of this site and to explore other wind generation opportunities. Wind data, which supports project development at higher power prices than those realized during recent months, has been collected on the site for four years. Buffalo Atlee holds an exploratory Crown land permit with a five-year term expiring on January 1, 2011. MAXIM intends to renew the permit for an additional five-year term. The amalgamation with EarthFirst also provided MAXIM with \$117.4 million in Canadian tax pools related to the power business.

On February 22, 2010, COMAX entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services to EdF for a term of eight years. On February 24, 2010, COMAX added to its growing portfolio of peaking service assets by purchasing an additional power project site for EUR 0.1 million. One of the primary initiatives of COMAX is the advancement of its plan to sell electrical peaking services in 2010 and future years. The provision of peaking services, which is now anticipated to commence in November 2010, represents an important diversification of services and entry into a new market for COMAX, which has historically focused on cogeneration applications whereby electricity is sold to Electricité de France ("EdF") and thermal energy is sold to local businesses such as greenhouses.

RESULTS OF OPERATIONS

Generation of electricity by location for all plants except those plants solely receiving tolling or capacity payments is shown in the following table.

Summary of generation by geographic location for the three months ended September 30, 2010 and 2009:

Facility	2010 Generation (MWh)	2010 % of Generation	2009 Generation (MWh)	2009 % of Generation
Canada - Milner power plant	212,399	60	276,885	84
Canada - other power plants	16,184	5	16,717	5
United States	123,327	35	35,699	11
France	-	-	-	-
Total MWh Generation	351,910	100	329,301	100

Summary of generation by geographic location for the nine months ended September 30, 2010 and 2009:

Facility	2010 Generation (MWh)	2010 % of Generation	2009 Generation (MWh)	2009 % of Generation
Canada - Milner power plant	652,154	65	693,738	80
Canada - other power plants	57,018	6	48,692	6
United States	175,554	18	42,456	5
France	113,761	11	76,527	9
Total MWh Generation	998,487	100	861,413	100

* The above tables exclude Forked River, Basin Creek and APP as these facilities provide capacity in exchange for monthly capacity payments. Also note that the France cogeneration season runs from November 1 through March 31.

MAXIM's generation capacity at September 30, 2010 was 809 MW which was comprised as follows: 192 MW in Canada (8 power plants), 433 MW in the United States (5 power plants) and 184 MW in France (31 power plants). Generation capacity has increased by 21 MW from September 30, 2009 due to the addition of 5 power plants in France.

Revenue

Summary of third quarter and year-to-date 2010 and 2009 revenue by geographic location:

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Canada	12,362	15,255	44,108	39,722
United States	18,758	12,361	42,191	34,908
France	3	12	28,256	27,131
Total	31,123	27,628	114,555	101,761

Third quarter revenue increased from \$27.6 million in 2009 to \$31.1 million in 2010. The \$3.5 million or 13% increase was primarily attributable to increased dispatches in the US northeast, where high temperatures resulted in increased electricity demand.

Revenue for the nine months ended September 30, 2010 was \$114.6 million, an increase of \$12.8 million or 13% from the \$101.8 million recorded during the same period of 2009. The year to date revenue increase is primarily attributable to higher revenue earned in Milner due to higher Alberta power prices in May 2010 versus May 2009. The temporary increase in Alberta power prices during May 2010 was driven by a decrease in electricity supply, as transmission lines in Alberta were undergoing repairs during this month. An increase of this magnitude and duration is unlikely to recur over the next twelve months. The year to date increase in MAXIM's 2010 revenue in comparison to 2009 was also due to increased US electricity generation during the second and third quarters of 2010 versus the same quarters of 2009.

Canadian operations generated revenue of \$12.4 million during the third quarter of 2010 compared to \$15.3 million for the same quarter of 2009. The \$2.9 million decrease is primarily due to a 64,486 MWh decrease in Milner generation in the third quarter of 2010 in comparison to the third quarter of 2009. The production decrease was a result of record low market prices, which resulted in operating the Milner plant at less than maximum capacity at certain times during the quarter. The revenue decrease due to lower production is partially offset by an increase in Milner realized power prices from \$50 per MWh in the third quarter of 2009 to \$52 per MWh in the third quarter of 2010. The \$2 per MWh realized price increase, which is counter to the quarter's decrease in average Alberta power prices, is a result of management's decision to enter into a forward contract for approximately 100,000 MWh of third quarter 2010 production. The contracted price was higher than average third quarter Alberta power prices.

The \$4.4 million increase in year-to-date Canadian revenue, from \$39.7 million during the nine-month period ended September 30, 2009 to \$44.1 million during the same period of 2010, is primarily a result of

an increase in May power prices, partially offset by lower Alberta power prices experienced during the first and third quarters of 2010 in comparison to 2009.

Revenue from United States operations increased for the three and nine months ended September 30, 2010 to \$18.8 million and \$42.2 million, respectively, compared to \$12.4 million and \$34.9 million for the same periods of 2009. The increase in revenue in both periods is primarily attributable to higher electricity sales in the Northeastern US due to warmer weather, and is partially offset by the expiry of the Pittsfield facility's RMR contract in May 2010 and a weaker US dollar during the three and nine month periods ended September 30, 2010 in comparison to the same periods of 2009. Revenue on a year to date basis has also increased in comparison to 2009 due to LFRM revenue earned by the CDECCA facility in the first quarter of 2010. This facility began offering to provide LFRM service in the second quarter of 2009.

MAXIM's French cogeneration power plants generate electrical and thermal energy only from November to March. Amounts recorded in the third quarter of 2009 were true-up adjustments with thermal energy customers for the 2008-2009 cogeneration season.

For the nine month period ended September 30, 2010, MAXIM's French power plants contributed \$28.3 million of revenue compared to \$27.1 million for the same period of 2009. The \$1.2 million increase reflects three full quarters of operations from the February 2009 acquisition of Sebi and Chabo cogeneration facilities, offset by the impact of a weaker Euro during the first nine months of 2010 versus the same period of 2009. Production from January through March 2010 increased to 113,761 MWh in comparison to 76,527 MWh for the same operating months of 2009 due to generation from the acquisitions noted above and the election to have more facilities run in "cogeneration" mode versus "dispatch" mode.

Summary of third quarter and year-to-date 2010 and 2009 revenue by form of sales contract:

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Electricity and capacity sales at fixed prices	16,152	11,450	66,417	62,634
Electricity sales at spot prices per MWh	14,971	16,178	48,138	39,127
Total	31,123	27,628	114,555	101,761

Electricity and capacity sales at fixed prices increased for both the three and nine month periods ended September 30, 2010 in comparison to the same periods of 2009. The third quarter increase is primarily attributable to selling 100,000 MWh of Milner's third quarter 2010 production at fixed prices rather than selling all generation at market prices as was done in 2009, increased revenue earned from LFRM in the Northeast US, offset by a reduction in RMR revenue as the Pittsfield facility's RMR contract expired in May 2010. The year to date increase in fixed price revenue is also due to 2009 plant acquisitions in France.

The volume of electricity sold at spot prices decreased during the third quarter of 2010 in comparison to the third quarter of 2009 due to contracting a portion of Milner generation in 2010, as described above, offset by increased spot price electricity sales at US plants. The year-to-date increase in electricity sales at spot prices is due to the increased electricity sales in the US and record high Alberta power prices in May 2010, partially offset by selling a portion of Milner production at fixed prices during the third quarter of 2010.

Plant Operations

Summary of plant operations expense for the three months ended September 30, 2010 and 2009:

(\$000's)	Three months ended September 30, 2010			Three months ended September 30, 2009		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	7,009	5,248	12,257	6,926	5,648	12,574
United States	6,360	4,554	10,914	1,905	4,592	6,497
France	20	569	589	48	648	696
Total	13,389	10,371	23,760	8,879	10,888	19,767
% of Plant operations expense	56%	44%	100%	45%	55%	100%

Plant operations expense increased \$4.0 million or 20%, from \$19.8 million in the third quarter of 2009 to \$23.8 million in 2010. Increased fuel cost related to higher US electricity production was the primary driver of the quarter over quarter increase.

Canadian plant operation costs decreased to \$12.3 million for the third quarter of 2010 versus \$12.6 million in 2009, a decrease of \$0.3 million or 2%. On a per MWh basis, Canadian fuel costs were \$31 in the third quarter of 2010 compared to \$24 for the same quarter of 2009. The increase is primarily due to higher coal costs at Milner, which resulted from an arbitration decision in May 2010 in relation to ongoing price review with its major thermal coal supplier, CVRI. The settlement allows an increase in coal price in excess of that provided for under the escalation provision in the agreement.

Plant operation costs in the United States increased \$4.4 million or 68% from \$6.5 million in the third quarter of 2009 to \$10.9 million in 2010. The driver of the increase was increased fuel costs due to increased electricity production in the Northeast US as a result of increased demand due to warmer weather. Third quarter 2010 US operating and maintenance costs were consistent with the third quarter of 2009.

Plant operation costs in France were \$0.6 million for the third quarter of 2010 versus \$0.7 million for the third quarter of 2009.

Summary of plant operations expense for the nine months ended September 30, 2010 and 2009:

(\$000's)	Nine months ended September 30, 2010			Nine months ended September 30, 2009		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	20,901	17,310	38,211	16,161	18,707	34,868
United States	10,547	12,627	23,174	3,745	13,780	17,525
France	12,733	9,333	22,066	12,739	8,594	21,333
Total	44,181	39,270	83,451	32,645	41,081	73,726
% of Plant operations expense	53%	47%	100%	44%	56%	100%

Plant operations expense increased by \$9.7 million or 13%, from \$73.7 million in the nine month period ended September 30, 2009 to \$83.5 million for the same period of 2010, primarily due to increases in fuel costs and partially offset by decreases in operating and maintenance expense.

Canadian fuel costs increased to \$20.9 million for the nine months ended September 30, 2010 versus \$16.2 million during the comparable period of 2009, an increase of \$4.7 million or 29%. The variance is largely driven by Milner coal price, which increased due to the unfavorable arbitration decision reached in May 2010. Canadian fuel costs were \$29 per MWh in the first nine months of 2010 compared to \$22 per MWh for the same period of 2009.

Canadian operating and maintenance costs decreased \$1.4 million or 7% in the nine months ended September 30, 2010 to \$17.3 million in comparison to \$18.7 million in 2009. The decrease is due to the reduced length of the annual 2010 Milner turnaround and generally improved plant performance.

US fuel costs increased to \$10.5 million for the nine months ended September 30, 2010 compared to \$3.7 million in 2009, an increase of \$6.8 million or 184%. The increase is primarily attributable to increased production during the second and third quarters of 2010, when demand for electricity in the Northeast US spiked due to high temperatures. The increase is partially offset by the weaker US dollar in the first nine months of 2010 versus the same period of 2009.

Operating and maintenance costs in the United States decreased to \$12.6 million in the nine months ended September 30, 2010 from \$13.8 million in the same period of 2009 primarily due to the impact of a weaker US dollar in the period.

France operating and maintenance costs increased \$0.7 million from \$8.6 million in the first nine months of 2009 to \$9.3 million in the same period of 2010. The increase is the result of differences in the timing of maintenance initiatives and is partially offset by the impact of a weaker Euro during the nine months ended September 30, 2010 versus the same period of 2009.

General and Administration

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Total general and administration	1,213	1,288	3,755	4,601

General and administration ("G&A") expense was \$1.2 million and \$3.8 million for the three and nine months ended September 30, 2010, respectively, compared to \$1.3 million and \$4.6 million for the same periods of 2009. Third quarter 2010 G&A is comparable to G&A for the third quarter of 2009. The year to date decrease in G&A is attributable to lower costs associated with development projects during the second quarter of 2010 versus 2009 and the weaker Euro during the nine months ended September 30, 2010 in comparison to the same period of 2009.

Depreciation

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Total depreciation and amortization	3,563	3,720	15,238	15,327

Depreciation and amortization expense of \$3.6 million and \$15.2 million for the three and nine month periods, respectively, ended September 30, 2010 is comparable to depreciation and amortization expense of \$3.7 million and \$15.3 million expense in the same periods of 2009. An increase in depreciation due to capital expenditures made during the last quarter of 2009 and the first three quarters of 2010 was offset by the effect of the weaker US dollar and Euro during 2010 in comparison to 2009.

MAXIM reviews its facilities for indicators of impairment on a quarterly basis and will test for impairment when these reviews indicate that impairment may have occurred. The second quarter CVRI arbitration decision was considered an indicator of possible impairment for the Milner facility because it increased the plant's coal costs, thereby reducing margins earned on electricity revenue. Management performed an impairment test on Milner assets at the end of the second quarter of 2010 and determined that no impairment write down was required. No impairment indicators were noted for MAXIM facilities in the third quarter of 2010 or 2009.

Interest Expense

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Long-term debt	974	905	3,140	2,897
Capital lease obligation	146	335	574	1,236
Other	233	42	459	131
Total	1,353	1,282	4,173	4,264

Total interest expense is comprised of interest on long-term debt, capital lease obligations and interest and bank charges. Total interest expense incurred by MAXIM during the three and nine month periods ended September 30, 2010 was comparable to interest incurred during the same periods of 2009.

Other Expense (Income)

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Other expense (income)	(21)	-	2,780	(231)

Other expense incurred during the nine months ended September 30, 2010 consists of a \$5.6 million expense related to the 2009 portion of the May 2010 CVRI arbitration settlement for the retroactive coal price adjustment from February 2009 to December 2009, offset by \$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.

Other income of \$0.2 million for the nine months ended September 30, 2009 represents \$0.9 million in compensation from a supplier for lost production at one French cogeneration facility, offset by a legal settlement paid during the second quarter.

Income Taxes

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Current expense (recovery)	(147)	(231)	828	4,672
Future expense (recovery)	1,428	1,077	2,306	(1,749)
Total	1,281	846	3,134	2,923

MAXIM's income tax provision for the three and nine month periods ended September 30, 2010 was \$1.3 million and \$3.1 million, respectively, in comparison \$0.8 million and \$2.9 million for the same periods of 2009. MAXIM's third quarter tax expense increase is primarily due to a higher proportion of earnings attributed to the US versus Canada and France. As the US corporate tax rates are higher than those in Canada, a higher proportion of earnings attributed to the US tax jurisdiction increases MAXIM's overall tax rate. This increase is partially offset by lower overall earnings in the quarter in comparison to the same quarter of 2009. MAXIM's year to date tax expense increase is mainly attributed to higher income in comparison to the same period of 2009.

Statutory tax rates by geographic location for the nine months ended September 30, 2010 and 2009:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Canada ⁽¹⁾	28.0%	29.0%
US	40.5%	40.5%
France	33.3%	33.3%

(1) The majority of Canadian income is taxed at a statutory rate of 28.0%, with the exception of the VLF and Hartland facilities, which are taxed at 28.5% and 30.0% for the nine months ended September 30, 2010 and 2009, respectively.

Foreign Exchange

Fluctuations in foreign exchange impact the Canadian dollar value of revenues earned and expenses incurred in the Corporation's US and France segments. The US dollar and the European Euro have both decreased in value when compared to the Canadian dollar in 2010 versus 2009. The negative impact of the change in foreign exchange rates on Adjusted EBITDA was \$0.3 million and \$2.1 million, respectively, for the three and nine month periods ended September 30, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

MAXIM utilizes existing cash, cash flows from operations and revolving credit facilities to provide liquidity to the Corporation, to finance maintenance-of-business capital expenditures, and finance development initiatives up to the permit stage. MAXIM plans for major maintenance initiatives and preserves cash and credit through its revolving credit facilities to finance these initiatives. In certain years it is possible that capital requirements will exceed these sources of financing. In these situations, MAXIM will arrange for debt financing.

As at September 30, 2010, MAXIM was in compliance with all financial covenants on all credit facilities. However, if Alberta power prices continue at current low levels as shown by current forward curves, the Corporation will likely breach certain financial covenants during the next twelve months. If any covenant is not met, the Corporation's Canadian credit facilities may become due on demand within the upcoming year.

MAXIM is advancing the sale of its Mine 14 coal leases, the proceeds from which may in part be used to repay a portion of the Canadian credit facilities thereby mitigating the risk of covenant default and decreasing the Corporation's debt service charges. In the event the sale does not proceed in a timely fashion, management is also actively pursuing various options with current and prospective lenders which would, in management's view, enable the Corporation to achieve its business plans. No agreements with lenders have been reached as of the date of this MD&A and there can be no assurance that such agreements will be reached.

The Corporation's third quarter 2010 interim consolidated financial statements have been prepared on a going concern basis, which presumes that MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The ability of the Company to continue as a going concern is dependent upon the successful completion of planned actions, some of which are described above, or alternatively, an improvement in market prices for power. Management believes the realization of either scenario will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing the Corporation's third quarter 2010 financial statements.

MAXIM has up to \$10.0 million in borrowing capacity through its revolving BMO operating facility, which is margined on the Corporation's accounts receivable balance. As at September 30, 2010, this facility has an outstanding balance of \$7.2 million, which is comprised of \$5.5 million (December 31, 2009 - \$Nil) drawn on the revolving line and \$1.7 million in letters of credit (December 31, 2009 - \$1.8 million). At September 30, 2010, MAXIM had \$2.8 million (EUR 2.0 million) remaining undrawn under

loan and lease agreements made during 2009 and the first half of 2010 with various French banks. At the date of this MD&A the undrawn amount was \$2.4 million (EUR 1.7 million). The funds will be used to reconfigure equipment at French facilities. These loans are secured by assignment of key contracts, facilities and life insurance policies on certain officers of COMAX.

During the three and nine month periods ending September 30, 2010, no material changes to contractual obligations were made that were outside the ordinary course of MAXIM's business.

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

(\$000's)	2010	2009
Cash on hand, net of bank indebtedness, unrestricted, January 1	13,394	10,039
Cash flow from operations:		
• Funds from operations	21,170	16,639
• Changes in working capital	(3,502)	7,248
Cash flow from financing	1,023	1,199
Available for investments	32,085	35,125
Cash flow used in investing	(16,776)	(21,836)
Effect of foreign exchange rates on cash	(337)	(285)
Cash on hand, net of bank indebtedness, unrestricted, September 30	14,972	13,004

Funds from operations increased \$4.5 million during the nine months ended September 30, 2010 compared to the same period of 2009. This increase is primarily due to record high power prices and the related increase in Milner revenue during the second quarter of 2010, offset by a reduction in margins earned on Milner production due to the CVRI arbitration loss and by the increase in US fuel costs in 2010. Changes in working capital decreased by \$10.8 million due to timing differences of accounts receivables collection and supplier payments.

During the nine month period ended September 30, 2010, MAXIM realized a net financing cash inflow of \$1.0 million, as \$6.0 million in long-term debt was issued in France, \$5.5 million was drawn on the BMO line of credit, and \$1.9 million was issued through the sale and leaseback of four COMAX power plants. This new debt was offset by \$12.4 million in repayments of debt and capital lease obligations during the nine month period.

During the nine month period ended September 30, 2009, MAXIM realized a net financing cash inflow of \$1.2 million. The Corporation issued \$13.4 million of long-term debt and borrowed an additional \$1.0 million through a capital lease at MAXIM's wholly owned French subsidiary. These inflows were partially offset by the repayment of \$6.5 million relating to long-term debt and \$6.0 million relating to capital lease obligations, and by the \$0.7 million purchase of 271,000 common shares through an NCIB.

MAXIM invested \$16.8 million during the first nine months of 2010, consisting of \$6.5 million spent on the March 2, 2010 amalgamation with EarthFirst, \$9.8 million on property, plant, and equipment additions, and \$0.7 on intangible assets additions, offset by \$0.2 million in working capital fluctuations associated with these investments. The additions to property, plant, and equipment were comprised of \$4.8 million on peaking development in France, \$1.9 million on the second quarter Milner turnaround and other various Milner projects, \$1.0 million on Mine 14, \$0.7 million on renovating two plants in France, \$0.7 million on the Milner Expansion, and \$0.7 on various other projects. Additions to intangibles were comprised of \$0.7 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.

During the nine month period ended September 30 2009, MAXIM spent \$21.8 million on investing activities. These activities included \$16.3 million on capital expenditures at various facilities, \$4.5 million on acquisitions in France, and \$1.0 million on projects included in intangible assets. The major capital expenditures were \$5.9 million for the acquisition of the four peaking facility sites in France, \$4.9 million at Milner for the 2009 turnaround and certain other projects, \$3.1 million for repowering two

cogeneration facilities in France, and the remaining \$2.4 million for capital expenditures at various other facilities.

The following table represents the net capital of the Corporation.

(\$000's)	September 30, 2010	September 30, 2009
Long-term debt	77,526	70,092
Capital lease obligation	12,488	19,102
Less: Unrestricted cash, net of bank indebtedness	(14,972)	(13,004)
Net debt	75,042	76,190
Shareholders' equity	217,927	224,074
Net capital	292,969	300,264
Net debt to capital	26%	25%

The Corporation uses net debt to monitor leverage. The decrease in net debt is the result of scheduled debt repayments on credit and lease facilities, and is partially offset by long-term debt issued during the last three months of 2009 and during the first nine months of 2010. The decrease in shareholders' equity in the year is the result of the decrease in accumulated other comprehensive income due to unrealized losses on translation of net foreign operations.

Working Capital

The working capital deficit of \$2.5 million at the end of the third quarter of 2010 represents a \$3.5 million improvement from the working capital deficit of \$6.0 million at the end of 2009.

MAXIM's accounts payable, income taxes payable, and current portion of capital lease obligations have decreased by a combined \$26.8 million and cash and inventory have increased by \$1.6 and \$1.3 million, respectively, since December 31, 2009. These changes increase working capital by \$29.7 million and are offset by a combined \$20.4 million decrease in accounts receivable, current portion of future income tax assets and prepaid expenses, and by a \$5.8 million increase in the current portion of long-term debt.

The decrease in accounts payable and accounts receivable is primarily due to the seasonality of the France cogeneration business which operates for the five month period from November to March. The increase in inventory is due to the replenishment of Milner's coal stockpile during the first two quarters of the year. The current portion of long-term debt increased due to the draw of France debt during the first quarter to fund the continued investment in peaking development and due to the draw on the BMO revolving line of credit. The debt issuances were partially offset by debt repayments and the weaker US dollar and Euro at September 30, 2010 versus December 31, 2009.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2010			2009				2008
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	31,123	32,659	50,775	41,977	27,628	18,856	55,276	53,429
Adjusted EBITDA ⁽¹⁾	6,058	10,345	11,930	8,177	6,696	713	17,433	18,251
Net income (loss)	(139)	385	1,298	505	848	(4,227)	5,003	7,520
Basic and diluted income (loss) per share	\$0.00	\$0.01	\$0.02	\$0.01	\$0.02	\$(0.08)	\$0.09	\$0.15
Total assets	371,584	368,779	384,635	376,621	356,112	359,986	400,431	395,720
Average Alberta electricity price per MWh	\$36	\$81	\$41	\$46	\$50	\$ 32	\$ 63	\$ 95
Average Milner realized electricity price per MWh	\$52	\$93	\$42	\$48	\$50	\$ 33	\$ 67	\$ 98

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

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

Third quarter 2010 revenue, Adjusted EBITDA, and net income all decreased in comparison to first and second quarter 2010 results, which is consistent with the seasonality described above. Revenue and net income decreased during the second quarter of 2010 in comparison to the first quarter of 2010 and the fourth quarter of 2009. This variance is consistent with the seasonality described above, and is partially offset by record high Alberta power prices during May 2010. Adjusted EBITDA reported for the second quarter of 2010 was comparable with the first quarter of 2010 and higher than Adjusted EBITDA reported for the fourth quarter of 2009. Unseasonably high May power prices and the second quarter \$1.4 million sale of carbon dioxide emissions credits from the Milner facility offset the seasonal reduction from the timing of France's cogeneration activities.

During the third quarter of 2009, MAXIM recorded higher revenue, Adjusted EBITDA and net income in comparison to the second quarter of 2009 which is when the lowest average Alberta power prices of the year are typically experienced. In addition to the impact of low power prices, the second quarter 2009 results were negatively impacted by the annual Milner turnaround. In the first quarter of 2009 and the fourth quarter of 2008, MAXIM recorded higher revenue and Adjusted EBITDA as a result of the 2008 acquisitions of the Forked River and Pittsfield generating stations and a French cogeneration facility. This was partially offset in the first quarter of 2009 by a decrease in the Milner realized average power price compared to the fourth quarter of 2008.

NON-GAAP MEASURES

Adjusted EBITDA

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
GAAP Measures from Consolidated Statements of Operations and Retained Earnings				
Net income (loss) for the period	(139)	848	1,544	1,624
Income taxes	1,281	846	3,134	2,923
Interest expense	1,353	1,282	4,173	4,264
Depreciation and amortization	3,563	3,720	15,238	15,327
Litigation settlement (France)	-	-	-	706
CVRI price arbitration and under-delivery settlements related to 2009 and prior periods	-	-	4,243	-
Non-GAAP measure - Adjusted EBITDA	6,058	6,696	28,332	24,844

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

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

In calculating 2010 Adjusted EBITDA for the nine month period ended September 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 current period fuel costs in plant operations expense and is therefore included in Adjusted EBITDA as it is considered to be predictive of future results. Management also deducted other income of \$1.4 million in determining year-to-date 2010 Adjusted EBITDA. This source of income is non-recurring as it represents the one time impact of a favourable settlement related to prior period coal under-delivery.

The nine months ended September 30, 2009 Adjusted EBITDA calculation adds a one time COMAX France settlement of \$0.7 million back to net income due to its non-recurring nature.

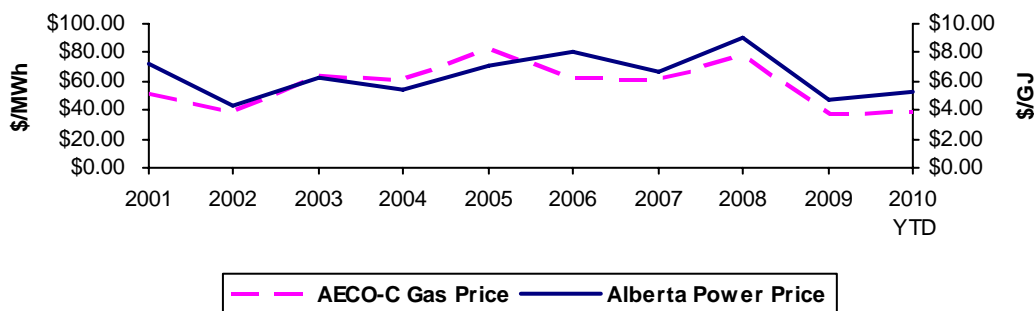
Funds From Operations

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
GAAP Measure from Consolidated Statement of Cash Flows				
Cash provided by operations	6,934	4,632	17,668	23,887
Change in non-cash working capital	(1,402)	1,798	3,502	(7,248)
Non-GAAP measure - FFO	5,532	6,430	21,170	16,639

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 on 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.

OUTLOOK

The Corporation's outlook depends on Alberta electricity and fuel prices. 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 as well as on the cost of key inputs such as natural gas. The following chart compares the average annual Alberta electricity price to Alberta natural gas price since deregulation of the electric industry in Alberta. Increasing demand for electricity and natural gas would likely have a positive effect on electricity prices.



2010 Guidance

MAXIM is updating guidance issued on May 25, 2010:

(\$000's, except per share amounts)	Guidance Provided on May 25, 2010	Updated 2010 Guidance
Adjusted EBITDA ⁽¹⁾	40,000	31,000
Funds from operations ⁽¹⁾	30,900	23,000
Funds from operations per share – basic and diluted ⁽¹⁾⁽²⁾	\$ 0.57	\$ 0.43
Net income (loss)	4,500	(2,000)
Net income per share - basic and diluted ⁽²⁾	\$ 0.08	\$ (0.04)

⁽¹⁾ The following measures are not measures under Canadian Generally Accepted Accounting Principles ("GAAP") and may not be comparable to similar measures presented by other companies.

- Adjusted EBITDA is a measure of earnings before interest, taxes, depreciation and amortization, and certain other expenses
- Funds from operations is a measure of cash flow from operations before working capital requirements

⁽²⁾ Per share amounts are calculated using average weighted shares outstanding consistent with the table below

These projections are based on MAXIM's existing portfolio of assets, do not include the impact of possible acquisitions, commercialization of development initiatives, or the sale of Mine 14 coal leases and are based on the following assumptions:

(\$000's, except as otherwise noted)	Guidance Provided on May 25, 2010	Updated 2010 Guidance
Electricity deliveries (MWh)	1,341,900	1,326,100
HR Milner	961,100	880,800
Other facilities	380,800	445,300
Net generation capacity at year ending (MW)	809	809
Capital expenditures (excluding acquisitions)		
France repowering and peaking facilities	7,300	6,300
Development projects	3,500	2,200
Other assets	2,100	2,300
HR Milner	1,200	1,900
Average 2010 Alberta spot electricity price (\$/MWh)	\$ 64.00	\$ 49.34
Average annual foreign exchange rates		
C\$/USD	\$ 1.01	\$ 1.03
C\$/Euro	\$ 1.36	\$ 1.43
Weighted average shares outstanding (000's)	54,030	54,035

Adjusted EBITDA forecast for 2010 decreases \$9 million, from \$40 million per guidance provided on May 25, 2010 to \$31 million per updated guidance. This decrease is primarily attributable to the lower than estimated Alberta power prices during the majority of 2010. Funds from operations and net income forecast for 2010 decrease from \$30.9 million and \$4.5 million, respectively, from May 25, 2010 guidance to \$23.0 million and to a loss of \$2.0 million, respectively, per revised guidance.

MAXIM anticipates that the unfavorable impact to its overall cash position from lower Alberta power prices and the unfavorable CVRI arbitration decision will be mitigated by the monetization of MAXIM's Mine 14 coal leases. On December 2, 2009, the Alberta Energy Resources Conservation Board ("ERCB") granted Milner a permit to develop the underground coal mine referred to by the Corporation as Mine 14. Mine 14 is to be located north of Grande Cache, Alberta and is estimated to contain 13 million recoverable tonnes of high quality metallurgical coal. (Refer to Technical Report on The No. 14 Mine Project filed on SEDAR on March 22, 2005.) MAXIM has held discussions with numerous counterparties to advance the Corporation's goal of identifying the highest value commercial use for Mine 14 and is significantly advanced in its process to realize value from this resource. MAXIM anticipates that it will close a transaction with one of the counterparties within the next six months.

MAXIM's results are significantly impacted by Alberta spot power prices. In preparing its guidance, management uses Alberta forward electricity prices as a proxy for expected future Alberta spot electricity prices. The market for forward contracts is relatively illiquid and forward prices may not be a good predictor of settled prices as they may not factor in events such as unplanned outages that can cause a significant increase in settled power prices. The revised guidance incorporates an average 2010 Alberta power price of \$49 per MWh, versus \$64 per MWh as incorporated in the May 25, 2010 guidance.

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 is also pursuing the monetization of Mine 14.

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

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

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

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

MAXIM requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. The current economic and financial conditions place limitations on the ability of the Corporation to secure debt and equity financing. MAXIM maintains the flexibility to manage the timing of its acquisition and development initiatives. MAXIM accounts for its development projects as assets under construction included in property, plant, and equipment. Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project were to no longer meet these criteria, any capitalized costs for the project would be expensed in the period.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Provincial and state regulations

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

The Alberta Emissions Trading Regulation encourages facilities to improve their carbon intensity (input fuel/ output MWh) by allowing any facility that achieves a reduction from their baseline to claim CO₂ emissions credits. From 2006 to 2009, Milner undertook several optimization projects that reduced its carbon intensity and allowed for the continued accumulation of CO₂ emissions credits. In May 2010, Milner sold all CO₂ emissions credits accumulated to date to another entity for a gain on sale of \$1.4 million.

In 2006, the Alberta government enacted regulations under the Environmental Protection and Enhancement Act (Alberta) to specify target sulphur dioxide and nitrous dioxide emissions from

industrial operations. Milner is affected by these regulations and is required to reduce its nitrous dioxide emissions by 75 percent commencing in 2013. MAXIM has determined that the most cost-effective means of achieving the targets for the three-year period of 2013 to 2015 is to take proactive action through early reduction of emissions, with reductions of nitrous dioxide prior to 2013 being used to satisfy target reductions in 2013. MAXIM continues to monitor nitrous dioxide emissions to ensure the appropriate measures are taken to meet externally imposed targets. As at September 30, 2010 MAXIM has invested \$4.8 million towards equipment and chemicals used for generating nitrous dioxide emissions credits.

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

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

Federal government regulations

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

There are indications that the U.S. federal government is moving to take active steps to reduce greenhouse gas emissions. Various pieces of federal legislation that would limit greenhouse gas emissions have been introduced in the U.S. Congress, some form of which may be enacted at some point in the future. The U.S. Environmental Protection Agency ("EPA") has indicated it will regulate greenhouse gases (six gases including carbon dioxide) under the existing Clean Air Act. It has issued a rule requiring major greenhouse gas emitters to report such emissions. The EPA has also issued a finding that greenhouse gases endanger public health and welfare, and has indicated that it will regulate greenhouse gases from a wide range of stationary sources, including power plants.

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

Climate change legislation continues to evolve. Sufficient information is not available to fully assess the financial implications of this area of legislation on the Corporation. The cost of compliance may be recovered through sales or through commercial opportunities that mitigate additional costs. If climate change legislation burdens coal-fired generation with major new taxes that cannot be recovered from the market and there are not economic or commercial opportunities to reduce these taxes by investing in

technology, efficiency and/or offsets, then this legislation could have a material effect on the Corporation's operations, cash flows and financial condition.

CHANGES IN ACCOUNTING POLICIES

International financial reporting standards ("IFRS")

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

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

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

The Corporation has completed the detailed assessment stage, which included assigning various financial statement items and disclosures to work groups that were focused on concluding on IFRS 1 elections, identifying and documenting detailed differences between IFRS and Canadian GAAP, assessing the impact of such differences on the Corporation, and preparing detailed technical papers on the Corporation's IFRS accounting policies and choices. MAXIM's auditor, KPMG, reviewed these technical papers which are the foundation for MAXIM's accounting and reporting policies under IFRS.

On November 8, 2010, MAXIM's Audit and Risk Management Committee approved the adoption and recommended to the Board the approval of mandatory exceptions and optional exemption elections for transition to IFRS. The approved mandatory exceptions include non-controlling interests. The approved optional exemptions include business combinations, fair value or revaluation at deemed costs, share-based payment transactions, changes in existing decommissioning, restoration and similar liabilities, leases, cumulative translation differences and borrowing costs.

The Corporation has entered the detailed testing and implementation stage of the IFRS conversion project and anticipates that this phase will be completed for full IFRS compliance for the fiscal year 2011. During this stage of the changeover project MAXIM will:

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

MAXIM's detailed assessment has resulted in the identification of the areas of IFRS that will impact the financial reporting of the Corporation. Those areas include, but are not limited to, accounting policy impacts and decisions (consistent with those identified above), information systems, internal control over financial reporting and disclosure, and business activities (debt covenants and counter party credit requirements).

Key impacts of the conversion are identified as follows:

- Under IFRS, property, plant and equipment is separated into major components with unique asset lives assigned to each component. MAXIM anticipates adjusting accumulated depreciation with an offsetting entry to opening retained earnings to account for these differences. Under IFRS 1, MAXIM will elect to use the fair value of property, plant and equipment as measured for the March 31, 2005 reverse takeover as the deemed cost of assets owned at that date. MAXIM will elect to value assets acquired subsequent to the reverse takeover at their purchase price.
- IFRS requires impairment tests to be performed at the level of the cash generating units ("CGUs") to the extent that impairment indicators exist. MAXIM determined that each North American generating facility represents a CGU and that the France segment will be divided into two CGUs. MAXIM is currently in the completion stage of impairment model development. In addition, unlike Canadian GAAP, IAS 36 - Impairment of Assets requires the use of a discounted cash flow test to measure the amount of impairments. Under IAS 36, losses related to previous impairments may be reversed if indicators that an asset is no longer impaired are present.
- IFRS 3 – Business Combinations, indicates that transaction costs, which are capitalized as part of the purchase price under Canadian GAAP, must be accounted for separately from business combinations and expensed as incurred unless related to debt or equity issuance. MAXIM will use an IFRS 1 election to apply this standard on a prospective basis. Non-controlling interests will be recorded as a separate component of equity and, as specified under IFRS 1, will not be restated for prior business combinations.
- MAXIM will prospectively revalue decommissioning liabilities using a risk-free discount rate, as elected by the Corporation under IFRS 1. MAXIM anticipates that this election will result in an increase to provisions for decommissioning its North American generating facilities. In addition, the balance of property, plant and equipment will be adjusted to the present value of the provisions for decommissioning calculated as at January 1, 2010 using the historical risk-free rate prevailing at the date when the obligation first arose. Within industry, there has been a debate on whether there should be a risk component applied to the rate used in the determining the provision. MAXIM is monitoring this matter and will be deciding which rate is the most appropriate in its circumstances. Based on analysis undertaken to date, the France segment has no legal or constructive obligations to record decommissioning liabilities.
- Under IFRS 1, MAXIM will apply the optional exemption related to the effect of changes in foreign exchange rates as at January 1, 2010. As a result, the majority of the balance of cumulative translation adjustment will be reclassified to retained earnings at the date of the transition to IFRS.
- Under IFRS 1, MAXIM will elect to use the exemption from retrospectively applying IFRS 2 - Share-based payments to stock options granted on or before November 7, 2002 or options granted after November 7, 2002 that vested before January 1, 2010. The application of this election will result in an adjustment to contributed surplus and retained earnings only for options not yet vested as at January 1, 2010. Under IFRS 2, if an award is subject to graded vesting, then each installment is treated as a separate award and amortized over its vesting period. IFRS 2 also requires estimating forfeitures. In contrast, Canadian GAAP allows treatment of equity awards as a single award and amortization on a straight-line basis over the award's vesting period, with forfeitures accounted for as they occur. Due to these differences, MAXIM expects a decrease in expenses and contributed surplus in the 2010 quarterly reconciliations.

- Upon conversion to IFRS, MAXIM's future tax assets and liabilities will be impacted by tax effects resulting from accounting changes including, but not limited to, those discussed above. As IFRS transition work is completed, MAXIM will continue to assess its impact on deferred taxes.
- MAXIM will apply the transitional provision in IFRIC 4 - Determining whether an Arrangement contains a Lease to not reassess the arrangements that were assessed under Canadian GAAP (EIC – 150).

Under both Canadian GAAP and IFRS, leases that transfer substantially all risks and rewards incidental to ownership of the leased item to the Company are capitalized at present value at the commencement of the lease term. Canadian GAAP prescribes specific thresholds for evaluating whether substantially all risks and rewards incidental to ownership of the leased item are transferred, while IFRS does not contain such specific thresholds. Canadian GAAP and IFRS may use different rates to measure the present value of the lease.

- Under IFRS 1, MAXIM will elect to capitalize borrowing costs relating to qualifying assets, on a prospective basis. In order to use this election and apply IFRS prospectively, certain borrowing costs incurred prior to January 1, 2010 in relation to construction of facilities will be derecognized and charged directly to retained earnings.

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

While tentative conclusions have been drawn regarding most key accounting policies, it is important to note that the final numerical impact of most IFRS standards on MAXIM financial statements has not yet been quantified. Additionally, several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB") and amendments to certain standards are expected to continue up to and after the transition date of January 1, 2011. MAXIM continues to monitor IASB progress and to assess the impact that resulting IFRS changes may have on the Corporation. Since all changes to IFRS which will be effective as at January 1, 2011 are not known, any conclusions drawn at this point in time are considered preliminary.

CONTROLS AND PROCEDURES

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

The CEO and the CFO are also responsible for designing and maintaining internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation which are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. MAXIM has adopted the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations (COSO Framework) for the design of its internal control over financial reporting.

The CEO and CFO identified the following material weakness in the operational effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009. The Corporation does not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management mitigates this weakness by periodically utilizing outside consultants for assistance as required to the fullest extent reasonable or by developing in-house expertise or recruiting personnel with the necessary expertise; however, such mitigating procedures do not constitute a compensating control for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The Corporation has determined that it is not cost-effective to fully remediate this weakness and accordingly a weakness will continue in the foreseeable future. No impact on amounts reported for the first nine months of 2010 is anticipated.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning on January 1, 2010 and ended on September 30, 2010 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. No material changes in the Corporation's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the three and nine month periods ended September 30, 2010 or during the same periods of 2009.

OTHER INFORMATION

Outstanding Share Data

Issued common shares at September 30, 2010 and November 15, 2010	54,034,758
Outstanding stock options at September 30, 2010	4,318,992
Total diluted common shares at September 30, 2010	58,353,750
Changes in stock options subsequent to September 30, 2010:	
- Expired	(411,500)
- Forfeited	(448,708)
- Exercised	(49,667)
Total diluted common shares at November 15, 2010	57,443,875

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

GLOSSARY OF TERMS

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

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

"Alberta power prices" – The hourly price established by the Alberta Electric System Operator for electricity bought and sold through the Alberta Power Pool.

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

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

"BMO" - Bank of Montreal

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

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

"CICA" - Canadian Institute of Chartered Accountants

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

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

"CSA" - Coal supply agreement

"CVRI" - Coal Valley Resources Inc.

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

"EdF" - Electricité de France

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

"ERCB" - Energy Resources Conservation Board of Alberta

"Exchange" - Toronto Stock Exchange

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

"G&A" - General and administrative expense

"GAAP" - Generally accepted accounting principles

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

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

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

"IFRS" - International Financial Reporting Standards

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

"LFRM" - Locational Forward Reserve Market, an electricity market developed by "NE-ISO" to provide economic incentives to resources providing real-time operating reserve supplies during peak periods

"MAXIM" - Maxim Power Corp.

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

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

"Milner realized power prices" – the average price paid to Milner for sale of electricity in \$/MWh

"MPLP" - Milner Power Limited Partnership

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

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

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

"NE-ISO" - ISO New England is a US regional transmission organization serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

"O&M" - Operations and maintenance

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

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

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

"RMR contract" – Reliability Must Run contract. A contract under which an electricity generating unit must be available to run if requested. The ISO-NE preserves regional power grid reliability and stability through RMR contracts, which ensure sufficient generation is available during peak demand periods.

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

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

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

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

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

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