

power **growth** precision



Consolidated Financial Statements of

MAXIM POWER CORP.

Years ended December 31, 2010 and 2009
(Audited)



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Maxim Power Corp.

We have audited the accompanying consolidated financial statements of Maxim Power Corp. (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and retained earnings, comprehensive loss and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2010 and 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

March 25, 2011



FORM 52-109F1 - CERTIFICATION OF ANNUAL FILINGS - FULL CERTIFICATE

I, John R. Bobenic, President & CEO, certify the following:

1. Review: I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of Maxim Power Corp. (the “issuer”) for the financial year ended December 31, 2010.
2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. Responsibility: The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control framework: The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations.

- 5.2 ICFR - material weakness relating to design: The issuer has disclosed in its annual MD&A for each material weakness relating to design existing at the financial year end
- (a) a description of the material weakness;
 - (b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.
- 5.3 N/A
6. Evaluation: The issuer's other certifying officer(s) and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) for each material weakness relating to operation existing at the financial year end
 - (A) a description of the material weakness;
 - (B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.
7. Reporting changes in ICFR: The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2010 and ended on December 31, 2010 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. Reporting to the issuer's auditors and board of directors or audit committee: The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 25, 2011

("signed")

John R. Bobenic
President & CEO



FORM 52-109F1 - CERTIFICATION OF ANNUAL FILINGS - FULL CERTIFICATE

I, Michael R. Mayder, Vice President, Finance & CFO, certify the following:

1. Review: I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of Maxim Power Corp. (the “issuer”) for the financial year ended December 31, 2010.
2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. Responsibility: The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control framework: The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations.

- 5.2 ICFR - material weakness relating to design: The issuer has disclosed in its annual MD&A for each material weakness relating to design existing at the financial year end
- (a) a description of the material weakness;
 - (b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.
- 5.3 N/A
6. Evaluation: The issuer's other certifying officer(s) and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) for each material weakness relating to operation existing at the financial year end
 - (A) a description of the material weakness;
 - (B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.
7. Reporting changes in ICFR: The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2010 and ended on December 31, 2010 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. Reporting to the issuer's auditors and board of directors or audit committee: The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 25, 2011

("signed")

Michael R. Mayder
Vice President, Finance & CFO

MAXIM POWER CORP.

Consolidated Balance Sheets

As at December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,874	\$ 13,547
Restricted cash (note 2(a))	642	138
Accounts receivable	24,042	30,590
Prepaid expenses and deposits	1,152	2,005
Inventory (note 6)	6,191	3,802
Income taxes recoverable	363	-
Current portion of future income tax asset (note 14)	-	1,543
	42,264	51,625
Property, plant and equipment (note 7)	256,503	276,211
Restricted cash (note 2(a))	1,285	1,383
Future income tax asset (note 14)	32,009	1,426
Intangibles (note 8)	24,810	29,283
Prepaid expenses and deposits	944	1,061
Goodwill	15,632	15,632
	\$ 373,447	\$ 376,621
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 466	\$ 153
Accounts payable and accrued liabilities	27,674	37,092
Income taxes payable	294	4,028
Current portion of long-term debt (note 9)	11,677	8,707
Current portion of capital lease obligations (note 10)	2,929	7,384
Other	228	279
	43,268	57,643
Long-term debt (note 9)	61,268	65,915
Capital lease obligations (note 10)	7,941	9,550
Asset retirement obligation (note 11)	9,210	6,821
Future income tax liability (note 14)	16,678	15,592
Deferred credit (note 5)	22,293	-
Non-controlling interest	429	330
Other	43	278
Shareholders' equity:		
Share capital (note 12)	155,478	155,467
Contributed surplus (note 12)	9,613	7,849
Accumulated other comprehensive loss (note 3)	(13,780)	(2,702)
Retained earnings	61,006	59,878
	212,317	220,492
Commitments and contingencies (note 13)		
Subsequent events (note 21)		
	\$ 373,447	\$ 376,621

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed)
Director

(Signed)
Director

MAXIM POWER CORP.

Consolidated Statements of Operations and Retained Earnings

Years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Revenue:		
Electricity sales	\$ 151,249	\$ 143,737
Expenses:		
Plant operations	113,296	106,256
General and administration	5,800	6,084
Depreciation and amortization	22,114	21,669
	141,210	134,009
Income before the following items	10,039	9,728
Interest expense:		
Long-term debt	4,203	3,877
Capital lease obligation	795	1,532
Other	676	211
Interest income	(16)	(54)
Other (income) expense (note 20)	1,950	(556)
Foreign exchange loss (gain)	493	(116)
Income before income taxes	1,938	4,834
Income taxes (note 14):		
Current	697	5,131
Future	23	(2,236)
	720	2,895
Non-controlling interest	90	(190)
Net income for the year	1,128	2,129
Retained earnings, beginning of the year	59,878	57,749
Retained earnings, end of year	61,006	59,878
Basic and diluted income per share	\$ 0.02	\$ 0.04

Consolidated Statement of Comprehensive Loss
Years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Net income for the year	\$ 1,128	\$ 2,129
Other comprehensive (loss) income:		
Unrealized losses on translation of self-sustaining operations	(11,180)	(22,920)
Unrealized gains (losses) gains on derivatives designated as cash flow hedges	102	(247)
Comprehensive loss	\$ (9,950)	\$ (21,038)

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statement of Cash Flows

Years ended December 31, 2010 and 2009
(In thousands of dollars)

	2010	2009
Cash provided by (used in):		
Operations:		
Net income	\$ 1,128	\$ 2,129
Items not involving cash:		
Depreciation and amortization	22,114	21,669
Amortization of deferred financing costs	535	265
Amortization of long-term contracts	(174)	(425)
Non-controlling interest	90	(190)
Accretion of asset retirement obligation	483	205
Fair value of stock based compensation	1,673	2,307
Future income tax	23	(2,236)
	25,872	23,724
Change in non-cash working capital (note 15)	(5,656)	15,065
Cash flows from operations	20,216	38,789
Financing:		
Issuance of long-term debt	16,146	21,273
Repayments of long-term debt	(14,557)	(8,700)
Issuance of common shares, net of share issue costs	2	-
Normal course issuer bid	-	(890)
Issuance of capital lease obligations	2,105	1,003
Repayment of capital lease obligations	(6,887)	(7,511)
Cash flows from (used in) financing activities	(3,191)	5,175
Investing:		
Property, plant and equipment	(11,732)	(33,724)
Intangibles	(1,100)	(1,249)
Restricted cash	(540)	-
Amalgamations/acquisitions, net of cash acquired (notes 4, 5)	(6,516)	(4,501)
Cash flows used in investing activities	(19,888)	(39,474)
Unrealized foreign exchange loss on cash held in foreign currencies	(1,123)	(1,135)
Increase (decrease) in cash	(3,986)	3,355
Cash and cash equivalents, beginning of year	13,394	10,039
Cash and cash equivalents, end of year	\$ 9,408	\$ 13,394

Cash and cash equivalents consist of the following:

Cash	\$ 9,874	\$ 13,547
Bank indebtedness	(466)	(153)
Cash and cash equivalents, end of year	\$ 9,408	\$ 13,394

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

1. Basis of Presentation

The consolidated financial statements have been prepared by Maxim Power Corp.'s ("MAXIM" or "Corporation") management in accordance with accounting principles generally accepted in Canada. Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in note 2.

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 (note 5).

The Corporation consolidates all of its wholly-owned subsidiaries and the accounts of its 95% (2009 – 95%) interest in Basin Creek Holdco LLC, and 50% (2009 – 50%) interest in Mirail Cogen SARM. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

2. Significant Accounting Policies

(a) Cash and cash equivalents

For the purposes of the consolidated balance sheet, cash and cash equivalents are comprised of cash on hand, demand deposits with bank and other financial institutions, and short-term investments, net of bank indebtedness. Cash deposits held as collateral to various counterparty agreements to secure credit are recorded separately as current and non current restricted cash.

(b) Inventory

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

(c) Property, plant and equipment

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

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

2. Significant Accounting Policies (continued)

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

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

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

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

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

(d) Intangible assets

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

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

2. Significant Accounting Policies (continued)

(e) Goodwill

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

(f) Financial instruments

The AcSB amended Section 3862 "Financial instruments – disclosure" to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. This amendment converges Canadian GAAP with amendments to International Financial Reporting Standards ("IFRS") 7 "Improving Disclosures about Financial Instruments". The amendment applies to annual financial statements relating to fiscal years ending after September 30, 2009. The Corporation adopted this standard and the disclosure is included in note 17.

All financial instruments, including all derivatives, are measured at fair value upon initial recognition and are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including financial and non-financial derivatives and embedded derivatives, unless exempted from derivative accounting treatment as a normal purchase and sale in the case of non-financial derivatives, are initially recognized at fair value on the consolidated balance sheet and subsequently measured either at fair value or at cost or amortized cost based on the effective interest rate method. Changes in fair value are recognized in the statement of operations, except for changes in fair value related to available-for-sale financial instruments or hedging instruments which are recognized in the statement of comprehensive income.

The Corporation designates cash as held for trading assets, measured at fair value. Accounts receivable are classified as loans and receivables, measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are designated as other financial liabilities, measured at amortized cost. The Corporation had neither available-for-sale, nor held-to-maturity instruments during the year ended December 31, 2010.

Management has not identified any material embedded derivatives that require separate recognition and measurement. The Corporation offsets transaction costs against the associated debt and amortizes these costs using the effective interest rate method.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

2. Significant Accounting Policies (continued)

(g) Hedges

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

(h) Comprehensive income

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

(i) Asset retirement obligations

The Corporation has an obligation to restore certain project sites to an acceptable level at the end of each project's respective life. The fair value of the liability arising from the obligation to retire long-lived assets ("asset retirement obligation" or "ARO") is recognized when a legal commitment exists to restore the site and a reasonable estimate of fair value can be made. The cost to retire these assets is amortized over the lives of the respective projects and is included in depreciation and amortization in the Consolidated Statements of Operations and Retained Earnings. Increases to asset retirement obligations due to the passage of time are recorded as an increase to asset retirement obligations with associated accretion expense included in plant operations in the Consolidated Statements of Operations and Retained Earnings. When the Corporation carries out its obligation to restore a site, incurred asset retirement costs will be recorded as a reduction to the asset retirement obligation. In determining asset retirement obligations management is required to make assumptions regarding timing of cash flows, estimated costs to clean up and restore sites, rates of inflation, and the credit-adjusted risk-free rate of borrowing.

(j) Foreign currency translation

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

2. Significant Accounting Policies (continued)

(k) Revenue recognition

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

(l) Income taxes

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

(m) Per share amounts

The Corporation follows the treasury stock method of accounting for per share amounts. Under this method, basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised for common shares. The treasury stock method assumes that any proceeds upon the exercise of dilutive instruments, for which market price exceeds exercise price, plus the unamortized stock-based compensation costs, were used to purchase common shares at the average market price of the common shares during the period.

(n) Stock based compensation

The Company records a compensation cost for all stock options granted to employees, directors or officers over the vesting period of the options based on the fair value method. The compensation cost is a charge to earnings with an offsetting increase to contributed surplus on the balance sheet. Consideration paid by employees, directors or officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

(o) Pension benefits

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2010 and 2009
(Amounts in thousands of dollars except as otherwise noted)

2. Significant Accounting Policies (continued)

(p) Measurement uncertainty

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

3. Accumulated Other Comprehensive Loss

The composition of accumulated other comprehensive loss is as follows:

	2010	2009
Balance, January 1	\$ (2,702)	\$ 20,465
Unrealized losses on translation of net foreign operations	(11,180)	(22,920)
Unrealized gains/(losses) on derivatives designated as cash flow hedges	102	(247)
Balance, December 31	\$ (13,780)	\$ (2,702)

4. Acquisitions

(a) 2010

There were no business acquisitions in 2010.

(b) 2009

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

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

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

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(Amounts in thousands of dollars except as otherwise noted)

4. Acquisitions (continued)

	Sebi	Chabossiere	SAEE 33	SAPE 34	Total
Current assets	\$ 78	\$ 1,223	\$ -	\$ -	\$ 1,301
Property, plant and equipment	961	874	512	562	2,909
Intangibles	380	436	737	-	1,553
Future income taxes	6	66	-	-	72
	1,425	2,599	1,249	562	5,835
Bank indebtedness, net of cash	-	(135)	-	-	(135)
Other current liabilities	(22)	(66)	-	-	(88)
Future income tax liability	(402)	(683)	-	-	(1,085)
	(424)	(884)	-	-	(1,308)
Total consideration including acquisition costs, before acquired cash	1,001	1,715	1,249	562	4,527
Cash acquired	(26)	-	-	-	(26)
Total consideration, including acquisition costs	\$ 975	\$ 1,715	\$ 1,249	\$ 562	\$ 4,501

5. 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 as the future income tax assets are realized.

Future income tax asset	\$ 29,485
Deferred credit	(22,293)
	\$ 7,192
Prior year expenditures	(676)
Total cash consideration including acquisition costs in 2010	\$ 6,516

In the fourth quarter of 2010, the estimate of available tax pools was increased by \$4,765 bringing the total tax pools related to the amalgamation with EarthFirst Canada, Inc., to \$122,134 at December 31, 2010. The additional income tax asset of \$1,048 was recognized as a recovery of future income tax expense.

6. Inventory

	2010	2009
Coal	\$ 4,382	\$ 1,637
Fuel oil	1,809	2,165
Total inventory	\$ 6,191	\$ 3,802

The cost of inventories recognized as an expense in plant operations during the year was \$25,960 (2009 - \$22,281).

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7. Property, Plant and Equipment

December 31, 2010	Cost	Accumulated Depreciation	Net book Value
Land	\$ 11,270	\$ -	\$ 11,270
Generating facilities	211,003	52,884	158,119
Generating facilities – tolling agreements	58,290	12,161	46,129
Office furniture and equipment	2,340	1,092	1,248
Assets under construction	14,847	-	14,847
Spare parts	7,633	-	7,633
Assets under capital leases	23,321	6,064	17,257
	\$ 328,704	\$ 72,201	\$ 256,503

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

(a) Generating facilities – tolling agreements

At December 31, 2010, property, plant and equipment includes the cost of \$35,681 (2009 - \$37,706) and accumulated depreciation of \$8,137 (2009 - \$6,706) for 52 MWs of capacity related to the Corporation's gas-fired Basin Creek generating facility. On March 23, 2005, the Corporation entered into a long-term Capacity and Energy Sale Agreement ("CESA") for Basin Creek. The CESA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is twenty years with two five year options to extend the agreement. The tolling revenue in 2010 was \$5,596 (2009 - \$4,208).

At December 31, 2010, property, plant and equipment includes the cost of \$11,671 (2009 - \$11,650) and accumulated depreciation of \$2,874 (2009 - \$2,500) for 25 MWs of capacity related to the Corporation's gas-fired Alberta Power Project ("APP"). On August 31, 2004, the Corporation entered into a long-term Power Purchase Agreement ("PPA") for APP. The PPA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is ten years with an option to extend it for a further fifteen years or acquire the asset. The tolling revenue in 2010 was \$2,436 (2009 - \$2,469).

At December 31, 2010, property, plant and equipment includes the cost of \$10,938 (2009 - \$10,869) and accumulated depreciation of \$1,150 (2009 - \$694) for 86 MWs of capacity related to the Corporation's gas-fired Forked River generating facility. On April 17, 2008, the Corporation entered into a long-term tolling agreement for Forked River. The tolling agreement obligates the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is ten years. The tolling revenue in 2010 was \$6,138 (2009 - \$6,364).

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Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

7. Property, Plant and Equipment (continued)

(b) Capital leases

At December 31, 2010, property, plant and equipment includes the net book value of \$17,257 (2009 - \$31,050) related to generating assets under capital leases in France and the Hartland facility in British Columbia.

(c) Mine No. 14

At the end of the third quarter of 2010 MAXIM reported its Mine No. 14 assets as assets held for sale. MAXIM had engaged an advisor and sought offers for these assets. During the fourth quarter of 2010, MAXIM further evaluated its alternatives with respect to the sale or development of Mine No. 14, and based upon the results of this analysis MAXIM is proceeding to undertake the early stages of development of these assets. Given this new direction, Mine No. 14 assets are no longer classified as assets held for sale as at December 31, 2010.

8. Intangibles

December 31, 2010	Costs	Additions	Reclassified as Assets Under Acquisition	Accumulated Amortization	Net book Value
Coal supply contract	\$ 6,000	\$ -	\$ -	\$ 3,832	\$ 2,168
Power sale contracts	26,607	-	-	7,190	19,417
Acquisition costs	1,026	647	(1,324)	-	349
Emission credits	1,115	1,481	-	-	2,596
Other	295	-	-	15	280
	\$ 35,043	\$ 2,128	\$ (1,324)	\$ 11,037	\$ 24,810

December 31, 2009	Costs	Additions	Reclassified as Assets Under Acquisition	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

(a) Coal supply contract

In connection with acquiring the remaining partnership units of Milner Power Limited Partnership ("MPLP"), MAXIM capitalized \$6,000 to record the fair market value related to the coal supply contract. This amount is amortized over the remaining life of the contract, which is four years.

MAXIM POWER CORP.

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Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

8. Intangibles (continued)

(b) Power sale contracts

MAXIM, through its French subsidiaries, acquired long-term power sales contracts with Electricité de France ("EdF") which are amortized over the remaining lives of the contracts (two to twenty-four years).

MAXIM, through its wholly owned American subsidiary, acquired a tolling agreement for the capacity of the Forked River assets for \$3,629 which is amortized over the life of the tolling agreement, which is ten years.

9. Long-term Debt

	2010	2009
Canadian projects (note 9(a))	\$ 28,208	\$ 31,166
United States project (note 9(b))	24,050	26,409
European projects (note 9(c) and (d))	22,306	18,333
	74,564	76,408
Less: deferred financing costs	1,619	1,786
Net long-term debt (notes 19, 21)	72,945	74,622
Less: current portion of long-term debt	11,677	8,707
	\$ 61,268	\$ 65,915

(a) Effective November 24, 2010, the Corporation amended its existing credit facility with a Canadian bank ("bank"). This agreement expires on May 31, 2012 and is comprised of four facilities.

Facility A is a \$10,000 revolving facility which has borrowing limits based on accounts receivable balances and bears interest at the bank's prime interest rate plus 1.00% to 1.50% or the bank's US base interest rate plus 1.00% to 1.50%. Bankers' acceptances under this facility bear a stamping fee at 2.00% to 2.75% per annum and letters of credit and letters of guarantee bear interest at 1.00% to 1.50% per annum. As at December 31, 2010, MAXIM has issued letters of credit of \$1,650 against Facility A (December 31, 2009 - \$1,820). The amount available to draw against Facility A at December 31, 2010 was \$3,773 (December 31, 2009 - \$3,843).

Facility B is a three year committed reducing term loan facility amortizing until May 31, 2016. The facility bears interest at the bank's prime interest rate or LIBOR rate plus 1.00% to 1.50% for prime rate and US base rate loans. Bankers' acceptances and LIBOR based advances issued under this facility bear interest at bankers' acceptance or LIBOR rates plus a stamping fee of 2.00% to 2.75% per annum. Standby fees of 0.20% to 0.25% are applied on amounts available for draw. The facility currently requires monthly principal payments of \$454 plus interest. At December 31, 2010, the facility is fully drawn and the Corporation had an outstanding balance of \$26,208 (2009 - \$31,666) under this facility drawn by way of bankers' acceptances.

Facility C is a \$3,500 risk management facility to provide credit support for interest rate and foreign exchange derivatives and currently supports the interest rate hedges on Facility B. See note 17 for derivative activities.

MAXIM POWER CORP.

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Years ended December 31, 2010 and 2009
(Amounts in thousands of dollars except as otherwise noted)

9. Long-term Debt (continued)

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

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

- (b) MAXIM's subsidiary, Basin Creek Equity Partners, LLC ("Basin Creek"), has a term loan with fixed interest rate of 6.95% per annum, with quarterly repayments, maturing on June 30, 2026. At December 31, 2010, Basin Creek had an outstanding balance of US\$24,180 (2009 – US\$25,128).
- (c) The Corporation has fourteen bank term loans associated with projects in France at December 31, 2010 with an aggregate balance of EUR 16,357 (2009 – EUR 12,223). Loan obligations of EUR 2,100 bear variable interest at Euribor plus 1.80% to 2.75%, obligations of EUR 6,737 bear variable interest at Euribor plus 2.43% with a minimum of 2.72% and a maximum of 4.72%, and obligations of EUR 7,520 bear fixed interest in the range of 4.40% - 5.10%, with either quarterly or monthly repayments, and expire between November 2012 and December 2021.

These loans are secured by assignment of key contracts and facilities or life insurance on certain officers of Comax.

- (d) The Corporation has credit facilities with a French bank for a collective amount of EUR 750. The facility provides working capital financing and is secured by certain accounts receivable balances. The facility bears interest based on Euribor plus 1.20%. The facility is repayable upon collection of accounts receivable and is due upon demand. As at December 31, 2010, EUR 390 (2009 – nil) has been drawn on this facility.

The Corporation's anticipated principal repayment obligations as at December 31, 2010 on the above loans over the next five years are as follows:

2011	\$	11,677
2012		9,276
2013		9,051
2014		9,218
2015		7,703
Remaining		27,639
	\$	74,564

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Years ended December 31, 2010 and 2009

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10. Capital Leases

MAXIM, through its French subsidiaries, has eleven capital lease obligations related to production equipment. The capital lease obligations bear variable interest at Euribor plus 1.6% or fixed interest in the range of 4.51% - 6.80%, with either quarterly or monthly repayments, and are amortized over a period of five to twelve years. Upon termination of the leases, there is a bargain purchase option in each of the leases.

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

Future minimum payments under the capital leases at December 31, 2010 are as follows:

2011	\$	3,521
2012		2,845
2013		1,295
2014		982
2015		982
Remaining		3,260
Total minimum lease payments		12,885
Amounts representing interest		(2,015)
Present value of net minimum lease payments		10,870
Less: current portion		(2,929)
	\$	7,941

11. Asset Retirement Obligations

The Corporation's asset retirement obligations relate to the retirement of its electrical generating facilities. The asset retirement obligations have been recorded as a liability at fair value, assuming a credit adjusted risk free rate of 7% (2009 - 7%). The total undiscounted amounts of estimated obligations are approximately \$50,963 (2009 - \$43,976) and are expected to be incurred in eleven to forty-five years from the date of these consolidated financial statements.

	2010	2009
Balance, January 1	\$ 6,821	\$ 3,048
Accretion expense	483	205
Revisions	2,175	3,943
Revaluation of foreign currency denominated liabilities	(269)	(375)
Balance, December 31	\$ 9,210	\$ 6,821

12. Share Capital

(a) Share capital authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

MAXIM POWER CORP.

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Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

12. Share Capital (continued)

(b) Share capital issued:

	2010		2009	
	Number	Amount	Number	Amount
Common shares of Maxim Power Corp.				
Opening balance	54,032,091	\$ 155,467	54,348,991	\$ 156,416
Stock options exercised	2,667	11	-	-
Normal course issuer bid	-	-	(316,900)	(949)
Private placement offering	-	-	-	-
Common shares held for cancellation	-	-	-	-
Common shares, December 31	54,034,758	155,478	54,032,091	155,467

(c) Contributed surplus:

	2010	2009
Opening balance	\$ 7,849	\$ 5,322
Fair value of stock based compensation	1,843	2,468
Stock options exercised	(79)	-
Normal course issuer bid	-	59
Contributed surplus, December 31	\$ 9,613	\$ 7,849

(d) 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 year, the Corporation did not purchase any shares.

(e) Stock options:

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

	2010	2010	2009	2009
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening balance	4,393,992	\$ 4.49	4,027,052	\$ 5.26
Exercised	(52,334)	(2.57)	-	-
Forfeited	(630,041)	(4.30)	(199,000)	(5.79)
Granted	100,000	2.69	645,000	2.52
Modified	-	-	-	(3.85)
Expired	(411,500)	(6.00)	(79,060)	(4.00)
Balance, December 31	3,400,117	\$ 4.32	4,393,992	\$ 4.49

During the year ended December 31, 2010, 49,667 options were exercised and settled with a cash payment equal to the value of the options at the exercise date. No shares were issued in respect of these options.

MAXIM POWER CORP.

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Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

12. Share Capital (continued)

Details of the stock options outstanding at December 31, 2010 are as follows:

Range of Exercise Prices	Options Outstanding at December 31, 2010			Options Exercisable at December 31, 2010	
	Number of Options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.00 to \$3.50	1,480,250	3.45	\$2.59	627,833	\$2.62
\$3.51 to \$5.99	1,065,333	1.21	\$4.84	957,000	\$4.71
\$6.00 to \$8.00	854,534	1.80	\$6.66	854,534	\$6.66
	3,400,117	2.33	\$4.32	2,439,367	\$4.85

(f) Stock-based compensation

The Corporation accounts for its stock option plan using the fair value method. Under this method, the Corporation recorded non-cash stock-based compensation of \$1,673 (2009 - \$2,307) for the year ended December 31, 2010 as an expense for the options granted.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants during the years ended December 31, 2010 and 2009 as follows:

	2010	2009
Fair value of each option	\$ 1.21	\$ 1.63
Risk free interest rate (%)	1.88	2.33
Time to expiration (years)	5.00	5.00
Volatility (%)	49.60	105.00
Expected dividend	-	-

(g) Stock option modification

On September 11, 2009, the Corporation re-priced and extended the vesting period for employees that are not officers for 422,000 options. These options had original exercise prices ranging from \$4.59 to \$7.76 and were re-priced to have an exercise price of \$2.51 and a new vesting period of three years.

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

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

MAXIM POWER CORP.

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12. Share Capital (continued)

(h) Income per share

The weighted average number of shares outstanding for purposes of calculating basic income per share at December 31, 2010 was 54,033,479 (2009 – 54,180,661).

For the December 31, 2010 fully diluted income per share calculation, 83,235 (2009 – 13,163) shares were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options.

13. Commitments and Contingencies

(a) Canada

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

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

- (ii) MPLP entered into a long-term coal supply agreement with a supplier that expires in 2013. Based on the current price in the agreement the purchase commitment remaining to December 31, 2013 is \$73,647.
- (iii) The Corporation entered into various operating and maintenance ("O&M") agreements to supply services for the operation of certain Canadian facilities. These agreements are at fixed rates based on the hours of electrical production and expire in 2023.

(b) United States

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

(c) France

The Corporation has operating and maintenance service contracts for its facilities in France by a common service provider.

14. Income Taxes

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2010 at 28.0% (2009 – 29.0%) to income before income taxes.

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Years ended December 31, 2010 and 2009

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14. Income Taxes (continued)

A reconciliation of the differences is as follows:

	2010	2009
Computed income taxes	\$ 543	\$ 1,402
Increase (decrease) in taxes:		
Differences in statutory foreign tax rates	1,438	1,069
Change in valuation allowance	(46)	(1,146)
Reduction in future tax rates	393	(247)
Non-deductible expenses	575	922
Foreign withholding taxes	409	-
EarthFirst tax basis subsequent to asset acquisition (note 5)	(1,048)	-
Other	(1,544)	895
	\$ 720	\$ 2,895

The components of the future income tax asset (liability) are as follows:

	2010	2009
Future income tax liability:		
Non-capital loss carry forwards	\$ 35,653	\$ 7,183
Net-capital loss carry forwards	787	833
Capital assets	(19,236)	(20,657)
Inventory	(1,094)	(1,121)
Valuation allowance	(934)	(998)
Partnership asset (liability) deferral	-	1,543
Other	155	594
	15,331	(12,623)
Current portion future income tax (asset) liability	-	(1,543)
Long-term future tax asset	(32,009)	(1,426)
	\$ (16,678)	\$ (15,592)

The amount and expiry date of unused tax losses are as follows:

	Canadian	Foreign	Total
2014	\$ -	\$ 2,102	\$ 2,102
2016	-	101	101
2017	-	94	94
2018	-	45	45
2027	6,737	-	6,737
2028	100,123	-	100,123
2029	12,409	-	12,409
2030	515	-	515
No expiry	-	14,690	14,690
	\$ 119,784	\$ 17,032	\$ 136,816

MAXIM POWER CORP.

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Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

15. Change in Non-Cash Working Capital

	2010	2009
Operations:		
Accounts receivable	\$ 4,336	\$ 8,899
Prepaid expenses, deposits and other	888	(1,100)
Inventory	(2,511)	2,276
Accounts payable and accrued liabilities	(6,974)	3,086
Income taxes payable	(1,395)	1,904
	\$ (5,656)	\$ 15,065

The following cash payments have been made to December 31:

	2010	2009
Income taxes	\$ 1,969	\$ 3,515
Interest	\$ 5,340	\$ 5,358

16. Segmented Information

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

	2010		2009	
	Revenue	Income (loss) before the following Items*	Revenue	Income (loss) before the following items*
Canada	\$ 55,662	\$ (7,183)	\$ 54,605	\$ (6,880)
United States	54,663	15,929	45,444	15,484
France	40,924	1,293	43,688	1,124
Total	\$ 151,249	\$ 10,039	\$ 143,737	\$ 9,728

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

The location of the Corporation's property, plant and equipment is as follows:

	For the year ended December 31, 2010			For the year ended December 31, 2009		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 4,340	\$ 8,461	\$ -	\$ 10,724	\$ 7,661
United States	-	628	6,311	-	2,688	6,778
France	-	6,764	7,342	4,501	20,312	7,230
Total	\$ -	\$ 11,732	\$ 22,114	\$ 4,501	\$ 33,724	\$ 21,669

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Years ended December 31, 2010 and 2009

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16. Segmented Information (continued)

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

	2010	2009
Canada	\$ 140,827	\$ 114,524
United States	124,629	136,052
France	107,991	126,045
Total	\$ 373,447	\$ 376,621

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

17. Financial Risk Management

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

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

(a) Credit risk

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

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

The aging of trade receivables at the reporting date was:

	2010			2009		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	\$ 22,899	\$ 104	\$ 22,795	\$ 30,210	\$ 140	\$ 30,070
Past due 1-30 days	362	-	362	397	-	397
Past due 31-120 days	29	-	29	23	-	23
More than one year	1,008	152	856	270	170	100
Total	\$ 24,298	\$ 256	\$ 24,042	\$ 30,900	\$ 310	\$ 30,590

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(Amounts in thousands of dollars except as otherwise noted)

17. Financial Risk Management (continued)

The impairment loss recognized during the current and prior years relate to thermal energy customers in France. During the year, it became evident that the Corporation would not fully collect the amounts owed. Accounts receivable at December 31, 2010 were substantially collected subsequent to year end.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. The Corporation maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of allowable US accounts receivable balance or \$10,000. At year end 2010, MAXIM had drawn \$1,650 (2009 - \$1,820) as letters of credit against this facility. Through its French subsidiaries the Corporation has entered into a credit facility to a maximum of EUR 750, for the purpose of financing working capital. As at December 31, 2010, EUR 360 of this facility was available.

The following are the contractual maturities of financial liabilities.

December 31, 2010	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2012 – 2013	2014 - 2015	Thereafter
Secured bank loans	72,945	74,564	7,379	4,297	18,328	16,921	27,639
Interest rate swaps	145	1,772	345	307	854	260	6
Capital lease payments	10,870	12,885	2,038	1,483	4,140	1,964	3,260
Bank indebtedness	466	466	466	-	-	-	-
Trade and other payables	27,674	27,674	27,674	-	-	-	-
Total	\$ 112,100	\$ 117,361	\$ 37,902	\$ 6,087	\$ 23,322	\$ 19,145	\$ 30,905

(c) Market risk

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

(i) Foreign currency exchange risk

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

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

MAXIM POWER CORP.

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Years ended December 31, 2010 and 2009
(Amounts in thousands of dollars except as otherwise noted)

17. Financial Risk Management (continued)

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

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

	US Dollars		Euros	
	2010	2009	2010	2009
Cash	\$ 4,580	\$ 3,535	€ 5,475	€ 5,847
Accounts receivable	3,284	4,458	11,386	13,385
Accounts payable	(6,212)	(3,987)	(11,698)	(17,592)
Long-term debt	(23,008)	(23,879)	(16,587)	(12,120)
Capital lease obligation	-	(1,768)	(7,041)	(9,078)
Long-term contract	(126)	(295)	-	-
Net financial instruments	\$ (21,482)	\$ (21,936)	€ (18,393)	€ (19,558)

The following significant exchange rates applied during the year:

	2010		2009	
	Average rate	Reporting date closing	Average rate	Reporting date closing
USD	\$ 1.0305	\$ 0.9946	\$ 1.1415	\$ 1.0510
Euro	\$ 1.3671	\$ 1.3319	\$ 1.5851	\$ 1.5000

If both the Euro and the US dollar increased by 5% at December 31, 2010, the result would be an increase in net income of \$650 (2009 – \$475) and an increase in other comprehensive income of \$5,036 (2009 - \$5,005). A decrease in both the Euro and the US dollar of 5% would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular interest rates and commodity prices, remain constant. The analysis is performed on the same basis for 2009.

(ii) Interest rate risk

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

	2010		2009	
	Long-term debt	Capital lease obligations	Long-term debt	Capital lease obligations
Fixed rate	\$ 59,634	\$ 8,420	\$ 62,484	\$ 13,072
Variable rate	\$ 14,930	\$ 2,450	\$ 13,924	\$ 3,863

MAXIM POWER CORP.

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Years ended December 31, 2010 and 2009
(Amounts in thousands of dollars except as otherwise noted)

17. Financial Risk Management (continued)

If the Euribor rate decreased by 25 basis points at December 31, 2010, the result would be an increase in net income of \$22 (2009 - \$28) and other comprehensive income of \$1 (2009 - \$2). An increase in the Euribor rate of 25 basis points would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2009.

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

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

(iii) Commodity price risk

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

As at December 31, 2010, an appreciation in electricity prices by \$1 per MWh would have decreased other comprehensive income by \$5 (2009 - \$2) and decreased net income by \$777 (2009 - \$730). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2009.

As at December 31, 2010, an appreciation in natural gas prices by \$1 per gigajoule would have decreased other comprehensive income by \$64 (2009 - \$23) and decreased net income by \$1,803 (2009 - \$436). If average natural gas prices were to decrease by this amount, it would have the opposite effect to other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2009.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 22

Years ended December 31, 2010 and 2009
(Amounts in thousands of dollars except as otherwise noted)

17. Financial Risk Management (continued)

(d) Fair value of financial instruments

The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method. The carrying value of long-term debt and capital lease obligations approximates their fair value at December 31, 2010 due to insignificant movements of interest rates throughout the year.

18. Pension Benefits

Under the defined contribution pension plan, benefits are based on plan contributions. During 2010, the pension expense for this plan was \$306 (2009 - \$266). There has been no change in the contribution rate in the year.

19. Capital Disclosures

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

The Corporation's objectives when managing capital are:

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

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

The Corporation considers the following items capital of the Corporation:

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

The following table represents the net capital of the Corporation:

	2010	2009
Long-term debt	\$ 72,945	\$ 74,622
Capital lease obligation	10,870	16,934
Less: Unrestricted cash, net of bank indebtedness	(9,408)	(13,394)
Net debt	74,407	78,162
Shareholders' equity	212,317	220,492
Total capital	\$ 286,724	\$ 298,654

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 23

Years ended December 31, 2010 and 2009

(Amounts in thousands of dollars except as otherwise noted)

19. Capital Disclosures (continued)

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

- (a) net funded debt to net earnings before interest, taxes, amortization and depreciation from certain assets shall not be greater than 2 to 1;
- (b) debt service coverage ratio shall not be less than 1.1 to 1 on December 31, 2010 and increasing to 1.4 to 1 subsequent to September 30, 2011;
- (c) the Corporation's equity balance shall not be less than \$180,000 and increases each year by 80% of net income; and
- (d) the funded debt to capital ratio shall not be greater than 0.60 to 1.

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

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

20. Other (Income) Expense

Other expense incurred during 2010 consists of a \$5,643 expense arising from an arbitration award issued in May 2010 relating to the price MAXIM paid for coal in 2009, offset by \$1,400 in other income from a favourable settlement with a supplier of MAXIM's coal related to under-delivery of coal in prior years, a \$1,464 gain on sale of carbon dioxide emissions credits generated but not required for use by the Milner facility, \$509 in compensation from France suppliers, and \$320 in a France insurance settlement.

21. Subsequent Events

On January 24, 2011, the Corporation cancelled 949,000 stock options with an average exercise price of \$6.43. During January and February, 2011, an additional 17,000 stock options expired with an average exercise price of \$6.69.

On March 9, 2011, MAXIM amended its existing credit facility with BMO. The required minimum debt service coverage ratio of 1.4 times that was to be effective on March 31, 2011 has been reduced to 1.1 times through to the third quarter ending September 30, 2011 and will increase to 1.4 times for the quarter ending December 31, 2011.

On March 24, 2011 MAXIM entered into an agreement whereby MAXIM is no longer required to cease operations of the Milner generating facility by December 31, 2015. MAXIM has assumed the obligation to reclaim the site upon the eventual decommissioning of the power plant, the cost of which will be financed in part by \$15 million currently held in trust for this purpose with the remainder funded by MAXIM.

22. Comparative Figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 25, 2011 and should be read in conjunction with the audited annual consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the fiscal year ended December 31, 2010. The consolidated financial statements have been prepared in accordance with GAAP. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms.

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FORWARD-LOOKING INFORMATION

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

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

- Future capital expenditures are estimated based upon planned maintenance projects and production levels at each facility.
- Development projects, including Mine No. 14, Milner expansion, Deerland, and Buffalo Atlee, are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management estimates cash flows from operations will meet commitments and scheduled maintenance programs in 2011. This estimate is based upon current budgets and forecasts. Interruptions to production, higher than anticipated operating costs, lower realized electricity prices, unfavourable moves in interest rates and foreign exchange rates, failure of counterparties to meet their obligations, and various other factors may inhibit the Corporation from meeting its obligations.
- MAXIM has credit facilities to support liquidity requirements of the Corporation. The facilities are margined on accounts receivable; therefore, the ability to draw on these facilities is dependent upon operating performance.
- The sensitivities to changes in commodity prices, interest rates and foreign currency rates are based upon estimates for possible changes in the underlying variables and could differ from the actual change.
- MAXIM estimates total capital expenditures of \$21.5 million to be incurred in 2011. These costs are based upon estimates and may differ from the actual costs to complete. MAXIM further estimates that \$14.0 million of these expenditures will be financed from French debt facilities to be obtained in 2011 and the remainder will be financed from operating cash flows.
- In determining potential development sites, management estimates future electricity demand in that area. The actual future demand in these areas may be different than expected.
- MAXIM anticipates all necessary provincial, state and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.

- MAXIM anticipates that it will be able to comply with the requirement to implement International Financial Reporting Standards.

OVERALL PERFORMANCE

MAXIM's US and France segments achieved record electricity generation levels during 2010. Demand for electricity in the US Northeast was bolstered by unusually high summer temperatures, resulting in a 194,829 MWh and 407% increase over 2009 US generation levels. France electricity production increased 24,560 MWh and 20% in 2010, primarily due to the full year of generation from plants purchased in 2009.

In Canada, although low Alberta power prices persisted for the majority of the year, Milner realized an average power price of \$58 per MWh, which is \$7 per MWh higher than the 2010 Alberta power price average. The improvement over market price was achieved as management adjusted plant operations to optimize results and sold a portion of Milner production at favourable fixed prices during the third quarter. The increase in realized power price was largely offset by an unfavourable arbitration decision in the second quarter, which resulted in increased coal costs at the Milner facility.

As a result of the production increases in the US and France, and the initiatives made to reduce the impact of low Alberta power prices, including modification of Milner plant operations during periods of low power prices, the Corporation's revenue and Adjusted EBITDA have both increased in 2010. Revenue and Adjusted EBITDA have increased from \$143.7 million and \$33.0 million, respectively, in 2009 to \$151.2 million and \$33.9 million, respectively, in 2010. Net income has decreased in 2010 in comparison to 2009 however, as a result of the unfavourable arbitration decision, a realized foreign exchange loss, and an increase in depreciation expense.

On November 24, 2010, MAXIM increased its BMO credit facility with the Bank of Montreal ("BMO"). The credit facility has been amended by the addition of Facility D, which is a \$7 million revolving credit facility. MAXIM anticipates using this facility to support credit requirements related to its Mine No. 14 project and other development initiatives. This facility is available to MAXIM until April 30, 2011.

On June 8, 2010, the Corporation 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. MAXIM continues to reduce price risk through strategic hedging, and has entered into a fixed price contract for a portion of Milner's first quarter 2011 production.

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 for coal purchases than in previous years. During the second quarter of 2010 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 of its Mine No. 14. See "Outlook" on page 15 for further detail on Mine No. 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 development 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, which MAXIM has recently renewed for a five-year term expiring on January 1, 2016. The amalgamation with EarthFirst also provided MAXIM with \$117.4 million in Canadian tax pools related to the power business.

During 2010, one of the primary initiatives of COMAX was commencing commercial operations for the provision of electrical peaking services, which represents an important diversification of services and entry into a new market for COMAX. On February 22, 2010, COMAX entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services to Electricité de France ("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. A portion of the contracted capacity began commercial operations in December 2010, with the remainder scheduled to come online over the first and second quarters of 2011.

BUSINESS OF MAXIM

MAXIM is an Independent Power Producer ("IPP") engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity, electricity and thermal energy. At December 31, 2010 MAXIM had forty-four power plants with 809 MW of electric and 117 MW of thermal net generating capacity operating in three identifiable geographic segments: Canada, United States and France.

Canada

Under the Canadian segment, MAXIM owns one coal-fired facility, five natural gas-fired facilities and two methane gas-fired facilities with a combined 192 MW of electric and 9 MW of thermal net generating capacity. The Milner and Gold Creek facilities are located in Alberta. These "merchant" power facilities sell electricity to the Alberta Electric Systems Operator ("AESO") at spot market prices. During 2010 and 2011, to the date of this MD&A, MAXIM managed its exposure to changes in electricity spot prices by selling a portion of Milner's electrical generation at a fixed price. No fixed price contracts were in place for Milner or Gold Creek generation during 2009.

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

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

MAXIM has received licenses, permits and regulatory approvals for the development of an underground coal mine (Mine No. 14) located near Grande Cache, Alberta and the construction of a 190 MW natural gas-fired facility (Deerland Peaking Facility) located near Bruderheim, Alberta. The Corporation is also

proposing to develop a new 500 MW clean coal-fired generating facility to be located on the site of its Milner facility. This project is currently in the permitting phase.

United States

MAXIM owns five natural gas-fired facilities with a combined generating capacity of 433 MW in the United States segment.

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

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

France

The France segment consists of thirty-one natural gas-fired facilities with a combined 184 MW of electrical and 108 MW of thermal generating capacity. At December 31, 2009, the segment had twenty-six facilities with a combined 163 MW and 128 MW of electric and thermal capacity, respectively. The facilities currently operate only during the cogeneration season between November 1 and March 31 of each year. Beginning in 2011, certain facilities will provide peaking power services for the entire year.

During 2010, cogeneration facilities were under twelve year contracts with EdF. Annually, COMAX has the option to choose the method of operation, either dispatch, in which EdF calls upon the facility for production, or continuous cogeneration, in which the facility produces electricity and thermal energy for the full season. At the end of an EdF contract, MAXIM can renew the cogeneration contract for an additional twelve years upon obtaining a thermal energy contract and investing an additional EUR 350 thousand per MW into the facility. All cogeneration facilities have agreements to supply thermal energy to various third parties for the same term as the EdF contract.

Beginning in 2010 and expected in 2011, certain COMAX plants will provide peaking power services. The provision of peaking services represents an important diversification of services and entry into a new market for COMAX, which has historically focused on cogeneration applications whereby electricity is sold to EdF and thermal energy is sold to local businesses such as greenhouses. On February 22, 2010, COMAX entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services to EdF for a term of eight years. Work has been performed throughout 2009 and 2010 to reconfigure equipment at certain sites and a portion of the contracted capacity began commercial operations in December 2010, with the remainder scheduled to come online over the first and second quarters of 2011.

SELECTED ANNUAL FINANCIAL INFORMATION

(\$000's except per share amounts)	2010	2009	2008
Revenue	151,249	143,737	146,682
Adjusted EBITDA ⁽¹⁾	33,879	33,019	39,387
Net income – continuing operations	1,128	2,129	10,814
Basic and diluted net income per share – continuing operations	\$ 0.02	\$ 0.04	\$ 0.22
Net income – discontinued operations	-	-	498
Basic and diluted net income per share – discontinued operations	-	-	\$ 0.01
Net income for the year	1,128	2,129	11,312
Basic and diluted net income per share	\$ 0.02	\$ 0.04	\$ 0.23
Funds from operations ⁽¹⁾	25,872	23,724	30,120
Total assets	373,447	376,621	395,720
Total long-term financial liabilities	78,419	82,419	80,806
Generation (MWh)	1,322,037	1,226,634	1,003,917
Average Alberta power price – market (\$ per MWh)	50.77	47.85	89.95
Average Alberta power price – Milner realized (\$ per MWh)	57.52	49.38	82.60

⁽¹⁾ Select financial information was derived from the audited 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.

Financial results

Revenue, funds from operations, and Adjusted EBITDA increased \$7.5 million, \$2.1 million and \$0.9 million in 2010, respectively, as a result of higher realized power prices at Milner and increased electricity demand in the US Northeast, the effects of which were partially offset by the expiration of the Pittsfield facility's RMR contract in May 2010. Funds from operations and Adjusted EBITDA increased by a lesser amount than revenue as the unfavourable CVRI arbitration award on May 25, 2010 led to a reduction in margins earned on Milner production. Further offsetting the revenue increase were the additional fuel costs associated with increased Pittsfield electricity generation as a result of the expiry of the RMR.

Net income for 2010 declined by \$1.0 million in comparison to net income earned in 2009. The decrease occurred as items noted above were further offset by the net \$4.2 million CVRI settlement expensed in 2010, a foreign exchange loss realized in 2010 versus a gain in 2009, and an increase in depreciation and amortization expense.

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

Long-term financial liabilities decreased by \$4.0 million in 2010 as a result of scheduled capital lease and debt repayments, partially offset by new debt obtained in France and an upward revision in asset retirement obligation estimates made during 2010. Over the course of 2009 long-term financial liabilities increased \$1.6 million due to new long-term debt and capital lease agreements obtained to finance acquisitions, renovations, and the commencement of the Peaking Project in France, a \$6.4 million draw on the BMO debt facility, and an increase in the Corporation's asset retirement obligation due to a revision in obligation estimates. The 2009 increases were partially offset by repayments of debt and capital leases throughout the year.

RESULTS OF OPERATIONS

Summary of generation by geographic location:

Facility	2010 Generation (MWh)	2010 % of Generation	2009 Generation (MWh)	2009 % of Generation
Canada – Milner power plant	853,310	65	984,475	80
Canada – other power plants	75,615	6	68,436	6
Total Canada	928,925	71	1,052,511	86
United States	242,757	18	47,928	4
France	150,355	11	125,795	10
Total MWh Generation	1,322,037	100	1,226,634	100

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

Revenue

Summary of revenue by geographic location:

(\$000's)	2010	2009
Canada – Milner power plant	49,144	48,617
Canada – other power plants	6,518	5,988
Total Canada	55,662	54,605
United States	54,663	45,444
France	40,924	43,688
Total	151,249	143,737

Revenue earned by MAXIM increased from \$143.7 million in 2009 to \$151.2 million in 2010. The \$7.5 million or 5% increase is primarily attributable to increased dispatches in the US Northeast, where high summer temperatures resulted in increased electricity demand.

Canadian operations generated revenue of \$55.7 million in 2010, representing a \$1.1 million increase over the \$54.6 million in revenue earned in 2009. The increase is driven equally by the Milner facility and by other Canadian power plants, each earning \$0.5 million greater revenues than in prior year. The improvement in Milner revenue is due to an increase in realized prices from \$49 per MWh in 2009 to \$58 per MWh in 2010, offset by a decrease in production. Milner's increase in realized prices can be attributed to record high Alberta power prices in May, a forward contract for approximately 100,000 MWh of third quarter production at a per MWh price higher than market, partially offset by lower Alberta power prices and lower levels of generation during the first, third, and fourth quarters of 2010 in comparison to 2009.

Revenue from United States operations increased to \$54.7 million in 2010 compared to \$45.4 million for 2009. The \$9.2 million increase in revenue is primarily due to higher electricity sales resulting from the expiry of the Pittsfield RMR contract in May 2010, increased demand due to high summer temperatures in the Northeastern US and a full year of LFRM revenue earned by the CDECCA facility, which began

offering LFRM service in the second quarter of 2009. The increases are partially offset by a decrease in capacity revenue due to the expiry of the RMR and a weaker US dollar in 2010 compared to 2009.

MAXIM's French power plants contributed \$40.9 million of revenue in 2010 compared to \$43.7 million in 2009. The decrease is due to the weaker Euro in 2010 in comparison to 2009. The decrease in revenue caused by the fluctuation in exchange rates is partially offset by a full year of production and revenue from plants acquired in 2009.

Summary of revenue by form of sales contract:

(\$000's)	2010	2009
Electricity and capacity sales at fixed prices	87,794	90,681
Electricity sales at spot prices per MWh	63,455	53,056
Total	151,249	143,737

Electricity and capacity sales at fixed prices decreased \$2.9 million for the year ended December 31, 2010 when compared to 2009. The decrease is primarily attributable to the end of Pittsfield RMR contract and the decrease in revenue from the France segment as a result of the decline in the strength of the Euro during 2010. These decreases are partially offset by the sale of 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, and increased revenue from 2009 plant acquisitions in France.

The decrease in fixed price revenue is more than offset by the increase in electricity sales at spot prices per MWh. Sales at spot prices increased \$10.4 million for the year ended December 31, 2010, in comparison to 2009, primarily due to increased merchant electricity sales in the Northeast US as a result of the end of the RMR and temperature driven increases in demand and slightly higher Alberta power prices in 2010 than in 2009. These increases are offset by the sale of 100,000 MWh of Milner's third quarter production at fixed prices.

Plant operations

Summary of plant operations expense by type and segment:

(\$000's)	Year ended December 31, 2010			Year ended December 31, 2009		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	27,007	23,538	50,545	23,089	25,775	48,864
United States	14,503	18,061	32,564	4,136	19,049	23,185
France	16,565	13,622	30,187	19,144	15,063	34,207
Total	58,075	55,221	113,296	46,369	59,887	106,256
Percent	51%	49%	100%	44%	56%	100%

Plant operations expense increased by \$7.0 million or 7%, from \$106.3 million in 2009 to \$113.3 million in 2010. On a per MWh basis, plant operations expense was \$86 per MWh during 2010 versus \$87 per MWh during 2009. The decrease in plant operating expense on a per MWh basis occurred as reductions in O&M across all segments were largely offset by an increase in per MWh fuel costs at Milner.

Canadian fuel costs increased \$3.9 million during the year, from \$23.1 million in 2009 to \$27.0 million in 2010. On a per MWh basis, Canadian fuel costs increased from \$21.93 per MWh in 2009 to \$29.07 per MWh in 2010. The rise in per MWh fuel costs reflects the increase in Milner coal prices which resulted from an unfavorable arbitration decision in May 2010, and is partially offset by decreased coal consumption due to reduced generation during the year.

Canadian O&M costs decreased \$2.2 million or 9% in 2010 to \$23.5 million in comparison to \$25.8 million in 2009. The decrease is primarily due to the reduced length of the annual Milner turnaround, generally

improved plant performance, and a decrease in ash removal costs as lower ash content coal was consumed in 2010 than in 2009.

US fuel costs increased to \$14.5 million in 2010 compared to \$4.1 million in 2009, an increase of \$10.4 million. Higher fuel costs are attributable to both the end of the Pittsfield facility's RMR contract on May 31, 2010 and increased demand for electricity in the Northeast US as a result of high summer temperatures. These increases are partially offset by the weaker US dollar in 2010 when compared to 2010.

Operating and maintenance costs in the United States decreased from \$19.0 million in 2009 to \$18.1 million in 2010 primarily due to the impact of a weaker US dollar.

France plant operating costs decreased \$4.0 million from \$34.2 million in 2009 to \$30.2 million in 2010. The decrease in both fuel and O&M expenses occurred primarily as a result of the decrease in the value of the Euro in comparison to the Canadian dollar during 2010.

General and administration

(\$000's)	2010	2009
Total general and administration	5,800	6,084

General and administration ("G&A") expenses decreased \$0.3 million or 5% to \$5.8 million in 2010 in comparison to \$6.1 million incurred in 2009. The decrease is attributable to lower stock-based compensation, lower costs associated with development projects, and the reduced value of the Euro in 2010 in comparison to 2009.

Depreciation

(\$000's)	2010	2009
Total depreciation	22,114	21,669

Depreciation and amortization expense increased by \$0.4 million or 2% to \$22.1 million in 2010 compared to \$21.7 million in 2009. The increase in depreciation and amortization expense is attributable to an increase in depreciation in all segments, primarily Canada and France, as a result of capital spending over the past year, and is offset by the weakening of both the Euro and the US dollar in 2010.

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 2010 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. It was also determined that no impairment existed at any of the Corporation's facilities during 2010 or 2009.

Interest expense

(\$000's)	2010	2009
Long-term debt	4,203	3,877
Capital lease obligation	795	1,532
Other	676	211
Total	5,674	5,620

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 2010 was comparable to interest incurred during 2009.

Other expense (income)

(\$000's)	2010	2009
Other expense (income)	1,950	(556)

Other expense incurred during 2010 consists of a \$5.6 million expense related to the 2009 portion of the May 2010 CVRI arbitration settlement for a 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, a \$1.4 million gain on sale of carbon dioxide allowances generated but not required for use by the Milner facility, \$0.5 million in compensation from France suppliers, and \$0.3 million related to a France insurance settlement.

Other income of \$0.6 million in 2009 represents \$1.3 million in compensation from suppliers for lost production at French cogeneration facilities, offset by a \$0.7 million settlement with an operating and maintenance company responsible for running three plants in France.

Income taxes

(\$000's)	2010	2009
Current tax expense	697	5,131
Future tax expense (recovery)	23	(2,236)
Total	720	2,895

MAXIM's income tax provision decreased to \$0.7 million in 2010 from \$2.9 million in 2009. The primary driver of the reduction in income tax expense was a decrease in pre-tax income to \$1.9 million in 2010 from \$4.8 million in 2009. Income tax expense also decreased as a result of EarthFirst tax pools realized after the March 2, 2010 amalgamation which were attributed to tax recovery. In 2010, this one time tax recovery was \$1.0 million.

Foreign Exchange

Fluctuations in foreign exchange rates 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 \$2.3 million for 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 to finance development initiatives up to the permit stage. MAXIM plans for major maintenance initiatives and preserves cash and credit through its revolving credit facilities to finance these initiatives. In certain years it is possible that capital requirements will exceed these sources of financing. In these situations, MAXIM will arrange for debt financing.

MAXIM has up to \$17.0 million in borrowing capacity through revolving BMO credit facilities. The Corporation may draw up to \$10.0 million under Facility A, which is margined on the Corporation's accounts receivable balance. At December 31, 2010, MAXIM had \$1.7 million drawn on this facility by way of letters of credit (2009 – \$1.8 million). The credit facility agreement with BMO was amended on November 24, 2010 by the addition of Facility D, under which \$7.0 million is available to MAXIM until April 30, 2011. MAXIM anticipated using this facility to support credit requirements related to its Mine No. 14 project and other development initiatives, and general working capital requirements. At December 31,

2010, \$2.0 million was drawn on Facility D. No amounts were drawn on Facility D as at the date of this MD&A.

In France, MAXIM has a working capital facility with a French bank to provide financing up to EUR 0.8 million, which is repayable upon collection of certain accounts receivable balances. MAXIM had \$0.5 million (EUR 0.4 million) outstanding on this balance as at year end (2009 – nil).

At December 31, 2010 MAXIM had \$0.4 million (EUR 0.3 million) remaining undrawn under loan and lease agreements made during 2009 and 2010 with various French banks. At the date of this MD&A all available credit on the France facilities had been drawn. The undrawn funds were 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.

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	25,872	23,724
• Changes in working capital	(5,656)	15,065
Cash flow (used in)/from financing	(3,191)	5,175
Available for investments	30,419	54,003
Cash flow used in investing	(19,888)	(39,474)
Effect of foreign exchange rates on cash	(1,123)	(1,135)
Cash on hand, net of bank indebtedness, unrestricted, December 31	9,408	13,394

The 2010 increase in funds from operations of \$2.1 million is a result of higher power prices realized at Milner and increased electricity demand in the US Northeast, partially offset by reduced margins earned on Milner production as a result of the unfavourable CVRI arbitration decision and by the increase in fuel costs related to increased ISO-NE generation. Fluctuations in working capital represented a cash outflow of \$5.7 million in 2010, compared to a cash inflow of \$15.1 million in 2009.

During 2010, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of \$3.2 million during the year. Debt issuances were \$16.1 million for the year, comprised of \$8.6 million drawn on various French debt agreements, and \$5.5 million and \$2.0 million drawn on BMO Facility A and D, respectively. Financing cash inflows of \$2.1 million were also realized through the sale and leaseback of four COMAX power plants. More than offsetting these issuances were the scheduled debt and lease repayments of \$9.0 million and \$6.9 million respectively, as well as a repayment of the entire \$5.5 million that had been drawn under the Facility A revolver.

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

During 2010, MAXIM spent \$19.9 million on investing activities, consisting of \$11.7 million on property, plant, and equipment, \$6.5 million on the March 2, 2010 EarthFirst amalgamation, \$1.1 million on intangible assets and \$0.5 million on an increase in restricted cash held as security on a US debt facility.

The \$11.7 million in 2010 PP&E expenditures is comprised of \$6.8 million spent in France, primarily on development of peaking facilities and partly on completing the repowering of two cogeneration plants,

\$1.9 million on the second quarter Milner turnaround and other various Milner projects, \$1.2 million on environmental and geotechnical engineering for Mine No. 14, \$0.8 million on the Milner Expansion, \$0.7 million on US power plants and \$0.3 million on other development projects. Additions to intangibles represent costs incurred on the reduction of Milner's current nitrous oxide emissions to generate credits against emission limits reductions taking effect in 2013. (Refer to the Environmental and Climate Change Legislation section on page 19.)

During 2009, MAXIM spent \$39.5 million on investing activities. These activities included \$33.7 million on PP&E, \$4.5 million on acquisitions in France, \$0.4 million on acquisition costs in Canada and \$0.9 million towards reducing Milner's current nitrous oxide emissions.

The \$33.7 million in 2009 PP&E expenditures is comprised primarily of \$20.3 million spent in France, where investing activities included renovating the Sebi and Chabo facilities, beginning the repowering of the Publier and Theix cogeneration power plants, and peaking development. PP&E expenditures also included Milner capital expenditures of \$8.5 million, comprising of spring turnaround costs, the construction of a selective non-catalytic reduction ("SNCR") system used to reduce nitrous oxide emissions, and the replacement of an auxiliary boiler. The remaining 2009 PP&E expenditures included \$1.2 million and \$0.4 million in development costs related to Mine No. 14 and the Milner Expansion, respectively, and \$3.3 million related to the remainder of MAXIM's generating fleet.

The following table represents the net capital of the Corporation:

(\$000's)	2010	2009
Long-term debt	72,945	74,622
Capital lease obligation	10,870	16,934
Less: Unrestricted cash (net of bank indebtedness)	(9,408)	(13,394)
Net debt	74,407	78,162
Shareholders' equity	212,317	220,492
Net capital	286,724	298,654
Net debt to capital	26%	26%

The Corporation uses net debt to monitor leverage. The decrease in net debt in 2010 is the result of scheduled capital lease and debt repayments offset by a decrease in the year end unrestricted cash balance, which is explained above.

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

As at December 31, 2010, MAXIM was in compliance with all financial covenants on its credit facilities and anticipates meeting these covenants throughout 2011.

Working capital

Working capital improved \$5.0 million from a working capital deficit of \$6.0 million at the close of 2009 to a deficit of \$1.0 million on December 31, 2010. A \$14.7 million reduction in current liabilities was partially offset by a \$9.7 million reduction in current assets.

Accounts payable decreased by \$9.4 million from \$37.1 million in 2009 to \$27.7 million in 2010, primarily due to a reduction in both trade payables and amounts owing to PP&E providers in France. The current portion of capital lease obligations decreased \$4.5 million and income taxes payable decreased \$3.7 million. These reductions were offset by a \$2.9 million increase in the current portion of long-term debt which resulted from new debt issuances in France during the year.

The reduction in current assets is due to a \$6.5 million decrease in accounts receivable, which is largely due to France, where a decline in trade accounts receivable and sales tax receivable was compounded

by the 2010 decline in the strength of the Euro. Further decreasing MAXIM's current asset balance is the \$4.0 million decrease in unrestricted cash, net of bank indebtedness (see page 11), a \$1.2 million decrease in the current portion of the future income tax asset, and a \$0.9 million decrease in prepaid expenses. These reductions were partially offset by the \$2.4 million increase in inventory which resulted from reduced coal consumption at Milner combined with continued coal purchase commitments under the CVRI CSA., as well as a \$0.5 million increase in restricted cash.

Contractual obligations

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

At December 31, 2010 (\$000's)	Total	2011	2012-2013	2014-2015	Thereafter
Long-term debt	93,729	12,682	23,481	20,298	37,268
Capital leases	12,885	3,521	4,140	1,964	3,260
Long-term contracts	126	126	-	-	-
O&M service contracts	40,289	6,004	9,113	7,572	17,600
Purchase obligations	92,297	29,455	62,842	-	-
Operating lease	49	49	-	-	-
Total	239,375	51,837	99,837	29,834	58,128

- Long-term debt obligations are comprised of the principal and interest payments.
- Capital leases consist of leases on various production facilities and a natural gas feedline at Pittsfield. These amounts are comprised of both the interest and principal payments.
- Long-term contracts are payment obligations related to natural gas transportation at the CDECCA facility. These amounts are comprised of both the interest and principal payments.
- O&M service contracts are in place to provide operating and maintenance services to the majority of MAXIM facilities.
- Purchase obligations are for commitments with suppliers to purchase coal for the Milner facility.
- The operating lease is for the leased office space.

Capital Resources

The Corporation is currently estimating capital and development expenditures of approximately \$21.5 million for 2011. These expenditures include \$16.9 million for repowering/renovating cogeneration facilities in France, \$1.7 million on development projects, and \$2.9 million on capital projects for existing facilities. Cogeneration repowering is to be primarily funded with debt and the remaining expenditures are to be financed through cash flows from operations and existing cash balances.

OUTLOOK

Guidance

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 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. Notwithstanding, MAXIM prepares its guidance using forward electricity prices from independent sources.

MAXIM 2011 Guidance is as follows:

(\$000's, except per share amounts)	For the year ending December 31, 2011
Adjusted EBITDA ⁽¹⁾	37,972
Funds from operations ⁽¹⁾	34,853
Funds from operations per share – basic and diluted ^{(1) (2)}	\$ 0.65
Net income	6,436
Net income per share - basic and diluted ⁽²⁾	\$ 0.12

The forecast 2011 results are based upon the following assumptions:

(\$000's, except as otherwise noted)	For the year ending December 31, 2011
Electricity deliveries (MWh)	
HR Milner	1,016,791
Other facilities	598,237
Net generation capacity at year ending (MW)	822
Capital expenditures (excluding acquisitions)	
France repowering and peaking facilities	16,922
Development projects	1,693
Other assets	1,871
HR Milner	1,000
Average 2011 Alberta spot electricity price (\$/MWh)	\$ 73.21
Average annual foreign exchange rates	
C\$/USD	\$ 1.00
C\$/Euro	\$ 1.35
Weighted average shares outstanding (000's)	54,033

In addition to the above assumptions, the 2011 forecast assumes all sales of Milner output at Alberta spot market prices, with the exception of an average of 72 MW sold at contracted prices during the first quarter.

The forecast average 2011 Alberta power price of \$73.21 per MWh is based upon first quarter 2011 settled prices and forward wholesale prices. Average Alberta power prices are forecast to settle higher in 2011 than in 2010 as a result of recent occurrences in the Alberta marketplace, including the potential permanent retirement of Sundance units #1 and #2 (576 MW total) and extended unplanned outages of other natural gas fired power facilities. The positive impact of these generation outages on first and second quarter 2011 power prices will be partially offset by the anticipated commissioning of the Keephills #3 generating station (450 MW) in the third quarter of 2011.

The forecast also assumes turnaround maintenance at Milner will occur during the second quarter and will last 21 days. Forecast results include the assumption that MAXIM will continue its development initiatives related to Mine No. 14, the Milner expansion, and other projects and do not include the impact of any acquisitions or the monetization of Mine No. 14. An increase in net generation capacity is based upon the assumption that all planned France peaking plants will be in service by December 31, 2011.

MAXIM provided updated guidance for its projected 2010 results on November 15, 2010. This guidance is compared to recorded results as follows:

(\$000's, except per share amounts)	Recorded at December 31, 2010	Guidance on November 15, 2010	Difference
Adjusted EBITDA ⁽¹⁾	33,879	31,000	2,878
Funds from operations ⁽¹⁾	25,872	23,000	2,872
Funds from operations per share – basic and diluted ⁽¹⁾⁽²⁾	\$ 0.48	\$ 0.43	\$ 0.05
Net income (loss)	1,128	(2,000)	3,128
Net income per share - basic and diluted ⁽²⁾	\$ 0.02	\$ (0.04)	\$ 0.06

⁽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

Adjusted EBITDA for 2010 was \$33.9 million, which is \$2.9 million or 9% higher than guidance of \$31.0 million. Higher Adjusted EBITDA than forecast is due to increased Alberta power prices and other income related to penalties from suppliers received in France to compensate COMAX for lost income.

MAXIM recorded net income of \$1.1 million in 2010, which is \$3.1 million higher than the net loss of \$2.0 million anticipated per November guidance. Funds from operations is \$25.9 million, which is \$2.9 million higher than guidance of \$23.0 million. The increase in net income and funds from operations over guidance is primarily attributable to reasons outlined above.

The Corporation's 2010 guidance was based on the following assumptions and is compared to results recorded at December 31, 2010:

(\$000's, except as otherwise noted)	Guidance on November 15, 2010	Recorded at December 31, 2010	Difference
Electricity deliveries (MWh)	1,326,100	1,322,037	(4,063)
HR Milner	880,800	853,310	(27,490)
Other facilities	445,300	468,728	23,428
Net generation capacity at year ending (MW)	809	809	-
Capital expenditures (excluding acquisitions)			
France repowering and peaking facilities	6,300	6,764	464
Development projects	2,200	2,535	335
Other assets	2,300	1,614	(686)
HR Milner	1,900	1,919	19
Average 2010 Alberta spot electricity price (\$/MWh)	\$ 49.34	\$ 50.77	\$ 1.43
Average annual foreign exchange rates			
C\$/USD	\$ 1.03	\$ 1.03	-
C\$/Euro	\$ 1.43	\$ 1.37	\$ (0.06)
Weighted average shares outstanding (000's)	54,035	54,033	(2)

Acquisition and development initiatives

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

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

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

Mine No. 14

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

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

The 2009 ERCB decision was the culmination of a three year process that involved extensive public consultation, engineering and the preparation and review of regulatory applications. Development engineering, geotechnical studies and mine plans have been completed and MAXIM is currently evaluating options to advance the development and finance this project.

Milner expansion (M2)

MAXIM is proposing to develop a new generating facility at the existing Milner location with the addition of 500 MW of clean coal-fired generating capacity. Environmental and engineering studies were completed in the third quarter of 2008. MAXIM filed its regulatory applications with the Alberta Utilities Commission and Alberta Environment in January of 2009. The Environmental Impact Assessment for the project was deemed complete by Alberta Environment on November 24, 2010, allowing the project to progress to the final regulatory phase. The regulatory review process has commenced and is expected to conclude in the second quarter of 2011.

EarthFirst

On March 2, 2010, the Corporation amalgamated with EarthFirst Canada Inc., thereby securing the Buffalo Atlee power project, a wind generation development project located in close proximity to existing electricity transmission infrastructure, with the potential for over 200 MW of wind generation capacity. MAXIM has obtained Buffalo Atlee with the intention of advancing its development as the addition of wind generation to its existing portfolio of assets would diversify MAXIM's generation fuel types and provide the potential of carbon offsets depending upon the impact of possible future carbon legislation. Wind data has been collected on the site for four years and Buffalo Atlee holds an exploratory Crown land permit, which MAXIM has recently renewed for a five-year term expiring on January 1, 2016.

Deerland

In 2008, MAXIM received regulatory approvals to construct and operate the Deerland Peaking Station, a 190 MW natural gas-fired peaking facility. The station is to be located immediately adjacent to the existing Deerland high voltage substation in Alberta's industrial heartland, an area expected to experience significant growth in electrical demand. MAXIM expects peaking requirements to continue to grow to meet

overall demand growth and to provide firm backup for additional intermittent wind resources. Arrangements are subject to improving power prices and market heat rates.

Financing and accounting

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

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Provincial and state regulations

Pursuant to the Climate Change and Emissions Act (Alberta) which became effective on July 1, 2007, MAXIM is required to limit the production of carbon dioxide ("CO₂") at the Milner facility to an approved baseline. MAXIM was fully compliant with its 2010 and prior year baseline requirements, and was not obligated to make payments to the Alberta government's technology fund in 2010.

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 December 31, 2010 MAXIM has invested \$5.3 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 will reduce Alberta's projected 400 million tonnes of CO₂ emissions by 50 percent by 2050. To achieve this target, the plan focuses on carbon capture and storage, conservation and energy efficiency, and "greener" energy production. MAXIM continues to assess the impact of the plan on its operations and acquisition and development initiatives.

The Corporation's northeast US facilities are subject to the Regional Greenhouse Gas Initiative ("RGGI"). MAXIM has purchased 68,946 tonnes (76,000 tons) of CO₂ allowances at an average cost of \$2.32 per ton since 2009 and has provided for the purchase of an additional 68,946 tonnes (76,000 tons) of allowances at an average cost of \$1.96 per ton in 2011 to fulfill obligations for the three-year compliance period ended December 31, 2011. Management will monitor future generation levels and acquire allowances as necessary to comply with RGGI in 2011 and beyond.

Federal government regulations

On April 26, 2007 the Government of Canada unveiled its action plan to reduce greenhouse gases and air pollution. The proposed framework for the Clean Air Regulatory Agenda ("CARA") targets stabilization then reduction of greenhouse gases and air pollutants. Short-term targets are to be expressed as reductions from 2006 levels. For existing facilities, emission "intensity" reduction targets are to be based on an improvement of 6% each year from 2007 to 2010 (for cumulative reduction of 18% of 2006 levels by 2010). Every year thereafter, a 2% continuous emission-intensity improvement will be required, resulting in an industrial emission-intensity reduction of 26% by 2015. Companies, including MAXIM, are expected to meet their obligations by reducing their own emissions, contributing to a technology fund,

using emissions trading or offsets, or by using a one-time credit for verifiable "early" action undertaken between 1992 and 2006. On March 10, 2008 the Government of Canada released draft regulations addressing GHG emissions. The date that the finalized regulations will be issued is uncertain at this time.

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

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

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

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2010				2009			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	36,694	31,123	32,659	50,775	41,977	27,628	18,856	55,276
Adjusted EBITDA ⁽¹⁾	5,546	6,058	10,345	11,930	8,177	6,696	713	17,433
Net income (loss)	(416)	(139)	385	1,298	505	848	(4,227)	5,003
Basic and diluted income (loss) per share	\$(0.01)	\$0.00	\$0.01	\$0.02	\$0.01	\$0.02	\$(0.08)	\$0.09
Funds from operations ⁽¹⁾	4,702	5,532	4,186	11,452	7,084	6,430	(1,015)	11,225
Total assets	373,447	371,584	368,779	384,635	376,621	356,112	359,986	400,431
Average Alberta electricity price per MWh	\$46	\$36	\$81	\$41	\$46	\$50	\$32	\$63
Average Milner realized electricity price per MWh	\$49	\$52	\$93	\$42	\$48	\$50	\$33	\$67

⁽¹⁾ Refer to Non-GAAP Measures below for reconciliation of Adjusted EBITDA and Funds from Operations to comparable measures calculated in accordance with GAAP. Selected quarterly unaudited financial information was prepared in accordance with Canadian GAAP except Adjusted EBITDA and Funds from Operations.

Quarter over quarter revenue, Adjusted EBITDA and net income (loss) are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions and divestitures, and weather conditions. Revenue, Adjusted EBITDA and net income (loss) are generally higher in the first and fourth quarters as a result of the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. Revenues, Adjusted EBITDA and net income (loss) are also affected by seasonal Alberta power pool prices. Alberta pool prices tend to be

higher during winter and summer peak load months and are further impacted by supply constraints such as outages at other Alberta generation facilities.

Although fourth quarter 2010 revenue increased over third quarter as expected, Adjusted EBITDA and net income decreased during that same time period. These fourth quarter results did not follow the normal seasonality pattern, primarily as a result of lower margins on Milner production and the end of the Pittsfield RMR contract in May 2010. Third quarter 2010 revenue, Adjusted EBITDA, and net income all decreased in comparison to first and second quarter 2010 results, 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 was partially offset by record high Alberta power prices during May 2010. Adjusted EBITDA reported for the second quarter of 2010 was comparable with the first quarter of 2010 and higher than Adjusted EBITDA reported for the fourth quarter of 2009. Unseasonably high May power prices and the second quarter \$1.4 million sale of carbon dioxide allowances from the Milner facility offset the seasonal reduction from the timing of France's cogeneration activities.

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

During the third quarter of 2009, MAXIM recorded higher revenue, Adjusted EBITDA and net income in comparison to the second quarter of 2009 which is when the lowest average Alberta power prices of the year were experienced. In addition to the impact of low power prices, the second quarter results were negatively impacted by the annual Milner turnaround.

2010 FOURTH QUARTER

Selected fourth quarter financial information:

(\$000's except per share and generation amounts)	Three months ended December 31	
	2010	2009
Revenue	36,694	41,977
Adjusted EBITDA ⁽¹⁾	5,547	8,177
Net income (loss) for the period	(416)	505
Basic and diluted net income (loss) per share	\$ (0.01)	\$ 0.01
Funds from operations ⁽¹⁾	4,702	7,084
Average Alberta Power Price – market (per MWh)	\$ 45.97	\$ 46.32
Average Alberta Power Price – Milner realized (per MWh)	\$ 49.35	\$ 45.26

Revenue in the fourth quarter of 2010 decreased \$5.3 million or 13% to \$36.7 million compared to fourth quarter 2009 revenue of \$42.0 million. Of this decrease, \$3.3 million is from the Canadian segment and is the result of the lower Milner production during the period, partially offset by a \$4.09 per MWh increase in average fourth quarter power prices realized by Milner. See below for detail of the production decrease. Revenue in France also decreased during the quarter, dropping \$3.9 million in comparison to 2009, primarily as a result of exchange rate fluctuations, offset by higher revenues from two plants acquired in 2009. US revenue increased by \$1.9 million during the quarter as a result of increased electricity production in the Northeast US.

Operating expenses for the fourth quarter of 2010 have decreased \$2.7 million or 8% to \$29.8 million from \$32.5 million in the same period of 2009. The decrease is primarily due to the weakening of the Euro and US dollar and reduced fuel consumption at Milner, offset by increased fuel costs in the Northeast US related to increased electricity generation and the end of the Pittsfield RMR.

At the end of the third quarter of 2010 MAXIM reported its Mine No. 14 assets as assets held for sale. MAXIM had engaged an advisor and sought offers for these assets. During the fourth quarter of 2010, MAXIM further evaluated its alternatives with respect to the sale or development of Mine No, 14, and based upon the results of this analysis MAXIM is proceeding to undertake the early stages of development of these assets. Given this new direction, Mine No. 14 assets are no longer classified as assets held for sale as at December 31, 2010.

Summary of fourth quarter generation by geographic location:

Facility	2010 Generation (MWh)	2010 % of Generation	2009 Generation (MWh)	2009 % of Generation
Canada – Milner power plant	201,156	62	290,737	80
Canada – other power plants	18,598	6	19,744	5
Total Canada	219,754	68	310,481	86
United States	67,203	21	5,472	2
France	36,594	11	49,268	13
Total MWh Generation	323,551	100	365,221	100

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

Fourth quarter 2010 production decreased 41,670 MWh or 11% to 323,551 MWh compared to 365,221 MWh in electricity generation during the same quarter of 2009. The decrease is primarily due to a 31% or 89,581 MWh decrease at Milner, which was idled at certain times during the quarter when spot prices fell below marginal costs for extended periods. The decrease in Milner generation was largely offset by an increase from the US segment. During the fourth quarter of 2010, Maxim's US plants generated more than twelve times the MWh they had produced in the same quarter of 2009, which was a result of the end of the Pittsfield facilities RMR contract, along with increased demand in the ISO-NE marketplace.

NON-GAAP MEASURES

Adjusted EBITDA

(\$000's)	2010	2009	2008
GAAP Measures from Consolidated Statements of Operations and Retained Earnings			
Net income (loss) for the year	1,128	2,129	11,312
Net (income) / loss from discontinued operations	-	-	(498)
Income taxes	720	2,895	5,751
Interest expense	5,674	5,620	6,037
Depreciation and amortization	22,114	21,669	16,785
Litigation settlement (France)	-	706	-
CVRI price arbitration and under-delivery settlements	4,243	-	-
Non-GAAP measure - Adjusted EBITDA	33,879	33,019	39,387

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, 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 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 2009 Adjusted EBITDA includes 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)	2010	2009	2008
GAAP Measure from Consolidated Statement of Cash Flows			
Cash provided by operations	20,216	38,789	27,239
Change in non-cash working capital	5,656	15,065	(2,881)
Non-GAAP measure - FFO	25,872	23,724	30,120

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.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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

Goodwill

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

Fair value of a facility is determined based upon the estimated discounted future cash flows. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs. Management has determined that no impairment exists at December 31, 2010.

Useful life and salvage value of property, plant and equipment

Property, plant and equipment ("PP&E") is amortized over its estimated useful life net of salvage value. The estimated useful life of the facilities are based upon current conditions and prior knowledge, which

take into consideration specific contracts, agreements, condition of the asset, technology, future legislation, production and use of the asset, regular maintenance programs and estimated demand for the products. The facilities are operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

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

Impairment of long-lived assets

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

Fair value of a facility is determined by calculating the estimated discounted future cash flows. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs. Management has determined no impairment exists at December 31, 2010.

Income taxes

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

Asset retirement obligation

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

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

NEW ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Comparative figures for the equivalent periods of 2010 are required.

MAXIM developed an IFRS changeover plan that included 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 included, but were 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 were the foundation for developing MAXIM's accounting and reporting policies under IFRS.

MAXIM's detailed assessment resulted in the identification of areas of IFRS that will impact the Corporation's financial reporting processes. These areas included, but were 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. Certain of these IFRS adjustments are quantified in MAXIM's preliminary 2010 opening consolidated statement of financial position, a condensed version of which is included below. The impact of the conversion to IFRS on MAXIM's 2010 statement of earnings has not been finalized; however, directional changes for certain items are indicated below.

Key impacts to MAXIM's consolidated financial statements are as follows:

- **Property, plant, and equipment ("PP&E"):** Under IAS 16 – Property, plant and equipment, PP&E is separated into major components with each component depreciated separately based on its individual characteristics and economic life. Accumulated depreciation under IFRS must be recalculated retrospectively because potential changes in depreciable lives will result in depreciation that differs from amounts originally calculated under Canadian GAAP. An offsetting entry will be made 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.

Depreciation expense for 2010 will increase on transition to IFRS as a result of changes in estimated useful lives.

- **Impairment of assets:** IAS 36 – Impairment of assets requires impairment tests to be performed at the cash generating unit ("CGU") level to the extent that impairment indicators exist. IFRS also requires the use of a one-step discounted cash flow test to measure the amount of impairments. These requirements differ from Canadian GAAP, which allows testing to be done on a higher asset level and requires a two-step test which identifies impairments based on undiscounted future cash flows of the asset. These differences may result in more frequent impairment related losses under IFRS than under Canadian GAAP. IAS 36 also contrasts with Canadian GAAP in allowing losses related to previous impairments to be reversed if indicators that an asset is no longer impaired are

present. MAXIM determined that each North American generating facility represents a CGU and that the France segment will be divided into two CGUs. MAXIM anticipates that it will recognize an aggregate impairment write down of \$6.2 million on two North American CGUs upon the transition to IFRS.

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

Under IFRS 1, MAXIM will elect to prospectively revalue decommissioning liabilities using a risk-free discount rate. This election will result in an increase in provisions for decommissioning its North American generating facilities. Additionally, 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. Based on analysis undertaken to date, the France segment has no legal or constructive obligations to record decommissioning liabilities.

Accretion expense for 2010 will increase on transition to IFRS as a result of the increase in the North American decommissioning provisions.

Within industry, there has been debate over 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.

- **Foreign exchange:** Under IFRS 1, MAXIM will apply an optional exemption related to the effect of changes in foreign exchange rates as at January 1, 2010. As a result, the balance of cumulative translation adjustments will be reclassified to retained earnings at the date of the transition to IFRS.
- **Share-based payments:** Under IFRS 2, if an award of share-based compensation is subject to graded vesting then each installment is treated as a separate award and amortized over its vesting period. IFRS 2 also requires estimating forfeitures. In contrast, Canadian GAAP 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. 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.

Share-based compensation will decrease for 2010 as a result of adopting IFRS, as graded vesting under IFRS causes a higher portion of the total expense to be amortized at the beginning of the option life and less during the later years.

- **Income taxes:** Upon transition to IFRS, MAXIM anticipates an adjustment to future income taxes to reflect changes to the accounting cost basis of assets and liabilities as required by IAS 12 – Income taxes. In addition, the deferred credit MAXIM recorded upon amalgamation with EarthFirst in 2010 will be reversed and flowed through the income statement as a tax recovery under IFRS. Under Canadian GAAP, a deferred credit was recorded for the excess of the future tax asset over the consideration paid, to be amortized to income tax expense in proportion to the net reduction in the future income tax assets that gave rise to the deferred credit. MAXIM will also classify all future tax assets/liabilities as long term, as opposed to current presentation where classification between current and long term is based on the date that the temporary differences are expected to reverse.
- **Leases:** Under both Canadian GAAP and IFRS, leases that transfer substantially all risks and rewards incidental to ownership of the leased item to the Company are capitalized at present value at the commencement of the lease term. MAXIM will apply the transitional provision in IFRIC 4 - Determining whether an Arrangement contains a Lease and not reassess arrangements already assessed under Canadian GAAP (EIC 150). 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 use different rates to measure the present value of a lease. MAXIM does not anticipate material changes to its financial statements as a result of these differences.
- **Borrowing Costs:** IFRS requires any interest related to the construction of assets to be capitalized. 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 IAS 23 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.

In addition to numerical changes, 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.

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 Corporation is now in the final stages of the detailed testing and implementation phase of the IFRS conversion project and anticipates that this phase will be completed for full IFRS compliance for the fiscal year 2011. Tasks to be completed during this final phase are as follows:

Testing and implementation phase activities	Status
Quantify the impact of IFRS differences and prepare an opening IFRS balance sheet as at January 1, 2010	Completed (see condensed opening balance sheet below)
Prepare and maintain quarterly reconciliations between Canadian GAAP and IFRS for the 2010 fiscal year	In progress
Obtain supplemental training as needed	Completed, with training to continue indefinitely on an as needed basis
Design and document internal control over financial reporting and disclosure controls to support certification of controls during and after the initial transition to IFRS	Completed, documentation finalized March 11, 2011
Obtain Board and Audit Committee approvals of accounting policy choices and related documentation	Audit committee has completed their review; Board approval pending

The following table summarizes the estimated impact of IFRS adjustments on MAXIM's 2010 opening consolidated statement of financial position. These adjustments are preliminary estimates only, are unaudited, and are subject to change.

Preliminary Unaudited Consolidated Condensed Statement of Financial Position - January 1, 2010

(in thousands of dollars)	Canadian GAAP	IFRS Adjustments	IFRS
Assets			
Current assets	\$ 50,082	\$ -	\$ 50,082
Property, plant and equipment ⁽¹⁾	276,211	(7,599)	268,612
Other long-term assets	2,444	-	2,444
Deferred tax assets ⁽²⁾	2,969	832	3,801
Intangibles ⁽³⁾	29,283	(346)	28,937
Goodwill	15,632	-	15,632
	\$ 376,621	\$ (7,113)	\$ 369,508
Liabilities			
Current liabilities	\$ 57,643	\$ -	\$ 57,643
Long-term debt and capital lease obligations	75,465	-	75,465
Asset retirement obligation ⁽⁴⁾	6,821	4,929	11,750
Deferred tax liabilities ⁽²⁾	15,592	(3,304)	12,288
Other	278	-	278
	\$ 155,799	\$ 1,625	\$ 157,424
Shareholders' equity			
Share capital	\$ 155,467	\$ -	\$ 155,467
Contributed surplus ⁽⁵⁾	7,849	95	7,944
Accumulated other comprehensive income (loss) ⁽⁶⁾	(2,702)	2,455	(247)
Retained earnings ⁽⁷⁾	59,878	(11,227)	48,651
Equity attributable to shareholders	220,492	(8,677)	211,815
Non controlling interests ⁽⁸⁾	330	(61)	269
Total Equity	220,822	(8,738)	212,084
	\$ 376,621	\$ (7,113)	\$ 369,508

(1) The decrease in property, plant, and equipment is a result of an increase in accumulated amortization due to componentization and a revision in estimated useful lives, the derecognition of borrowing costs, and impairment write downs at two North American CGU's, offset by an increase in the asset portion of asset retirement obligations.

(2) The adjustment to deferred tax assets and liabilities is a result of the future tax impact of all accounting changes made upon transitioning to IFRS.

(3) Third party costs related to certain acquisitions were removed from intangible assets.

(4) MAXIM prospectively revalued decommissioning liabilities using a risk-free discount rate, as elected by MAXIM under IFRS 1.

(5) The increase in contributed surplus is related to revised vesting periods and the estimation of forfeitures for stock options not vested as at January 1, 2010.

(6) The reduction in AOCI is a result of MAXIM election, under IFRS 1, to reclassify the entire balance of the cumulative translation adjustment to retained earnings.

(7) The reduction in retained earnings is a result of the retained earnings impact of all accounting changes made upon transition to IFRS.

(8) The adjustment to the non-controlling interest resulted from the removal of previously capitalized borrowing costs and related accumulated amortization.

While conclusions have been drawn regarding most key accounting policies, it is important to note that management is continuing to finalize the quantitative and qualitative impacts of IFRS standards on MAXIM's financial statements. 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 first IFRS year-end date of December 31, 2011. MAXIM continues to monitor IASB progress and to assess the impact that resulting IFRS changes may have on the Corporation.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk is inherent in all business activities and cannot be entirely eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect MAXIM's future results and activities to mitigate these risks. These risks do not occur in isolation, but must be considered in conjunction with each other. Certain sections will show the after-tax effect on net earnings and cash flows of changes in certain key variables. The analysis is based on business conditions and production volumes in 2010. Each item in the sensitivity analysis assumes all other potential variables are held constant. While these sensitivities are applicable to the period and magnitude of changes on which they are based, they may not be applicable in other periods, under other economic circumstances, or for a greater magnitude of changes.

Financial risks and financial instruments

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

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

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

(a) Credit risk

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

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

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analysis. MAXIM maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of allowable US accounts receivable balance up to \$10.0 million. At year end 2010, MAXIM has drawn \$1.7 million (2009 - \$1.8 million) as letters of credit against this facility.

Through COMAX, the Corporation has entered into a credit facility to a maximum of EUR 0.8 million for the purpose of financing working capital. The facility is margined on accounts receivable in France. As at December 31, 2010, COMAX had drawn EUR 0.4 million (2009 - EUR nil) against the facility.

(c) Market risk

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

(i) Foreign currency exchange risk:

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

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

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

If the Canadian dollar equivalent of both the Euro and the US dollar increased by 5% at December 31, 2010, the result would be an increase in net income of \$0.4 million (2009 - \$0.5 million) and a decrease in other comprehensive income of \$5.0 million (2009 - \$5.0 million). A 5% decrease in both the Euro and the US dollar would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular interest rates and commodity prices, remain constant. The analysis is performed on the same basis for 2009.

(ii) Interest rate risk

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

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

(\$000's)	Long-term debt ⁽¹⁾	Capital leases	Effect of interest rate swaps	Total financing
Fixed	33,427	8,420	26,208	68,055
Variable	41,138	2,449	(26,208)	17,379 ⁽²⁾
Total financing	74,565	10,869	-	85,434

⁽¹⁾ Excludes deferred financing fees

⁽²⁾ \$9.0 million of variable interest rate financing is capped at rates ranging from 4.497% to 4.720%

In 2009, MAXIM entered into two interest rate swap agreements with BMO which effectively change Facility B interest from a floating interest rate based on bankers' acceptances to a fixed rate.

The interest rate swap agreements are effective until May 31, 2012 and are considered to be effective hedges.

MAXIM reviewed the sensitivity of results to fluctuations in interest rates and found that a 25 basis point fluctuation in the Euribor and Canadian bank rates would not impact net income, other comprehensive income, or cash flows in 2010 or 2009. This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant.

(iii) Commodity price risk

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

MAXIM manages the risk of coal price fluctuation through a long-term coal supply contract to purchase a large portion of its Milner coal requirements at a fixed price.

For the year ended December 31, 2010, an appreciation in electricity prices of \$1 per MWh would have increased net income by \$0.8 million (2009 – \$0.7 million) and would not affect other comprehensive income in 2010 or 2009. A weakening of electricity prices by this amount would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2009.

As at December 31, 2010, an appreciation in natural gas prices by \$1 per gigajoule would have decreased net income by \$1.8 million (2009 – \$0.4 million) and would have increased other comprehensive income by \$0.1 million (2009 - \$nil). If average natural gas prices were to decrease by this amount, it would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2009.

As at December 31, 2010, an appreciation in coal prices by 2% would have decreased net income by \$0.3 million (2009 - \$0.3 million) and would not affect other comprehensive income. A reduction of coal prices by this amount would have the opposite effect on other net income with no impact on other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, electricity prices and interest rates remain constant. The analysis is performed on the same basis for 2009.

(d) Fair value of financial instruments:

The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method. The carrying value of long-term debt and capital lease obligations approximates their fair value at December 31, 2010.

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

Other risks

(a) Global financial crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant

volatility in commodity prices. These conditions worsened in 2008 and persisted in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted Corporation valuations, and although economic conditions improved towards the latter portion of 2009 and throughout 2010, a level of uncertainty continues to exist in the global financial markets and economic recovery is expected to proceed at a slow to moderate pace.

(b) Landfill gas

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

(c) Industry risks

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

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

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

Power generation operations are subject to the risk normally encountered by companies engaged in activity utilizing mechanical and thermal-fired electricity generation techniques, including unusual and unexpected power draws, mechanical difficulties and other conditions involved in the generation of energy using these methods. Although adequate precautions to minimize risk are routinely taken, power generation operations are subject to hazards such as equipment failure or failure of power distribution systems being served which may result in service interruption. Such interruption may adversely affect the ability of MAXIM to fulfill its duties under existing power generation contracts and may impact its ability to attract new customers. In addition, the existing power distribution system in

the areas served or to be served by MAXIM may not be capable of effectively utilizing all of the power supplied by MAXIM.

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

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

(d) Regulation of industry

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

(e) Foreign operations

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

(f) Project development

MAXIM's project development activities may not be successful. The development of power generation facilities is subject to substantial risks. In connection with the development of a power generation facility, MAXIM must generally obtain necessary power generation equipment, governmental permits and approvals, fuel supply and transportation agreements, sufficient equity capital and debt financing, electrical interconnection agreements, site agreements and construction contracts, and access to power grids. Failure to obtain any of the foregoing may result in increased costs or termination of projects, which may lead to a write down of the carrying amount of projects. Development of MAXIM's Mine No. 14 carries similar risks. MAXIM mitigates these risks by using

skilled staff, hiring consultants, contracting certain activities on a "turn-key" basis, and following a disciplined model of managing capital at risk on a progressive basis.

(g) Competition

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

(h) Management

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

(i) Future financing and project financing

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

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

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

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

(j) Power sales agreements

MAXIM depends largely on its electricity and thermal energy customers. Some of its power generation facilities currently rely on one or more power sales agreements with one or more utility or other customers for all or substantially all of such facility's revenue. Other facilities operate on a "merchant" basis, selling their energy into spot markets. The profitability of a merchant power plant is largely impacted by the price of electricity, the cost of fuel, and the efficiency with which the plant converts fuel into electricity (the plant "heat rate"). The loss of any one power sales agreement with

any of its customers could have a negative effect on MAXIM's results of operations. In addition, any material failure by any customer to fulfill its obligations under a power sales agreement or any supplier under a fuel supply agreement could have a negative effect on the cash flow available to MAXIM and its results of operations.

SUBSEQUENT EVENTS

On March 24, 2011, MAXIM entered into an agreement whereby MAXIM is no longer required to cease operations of the Milner generating facility by December 31, 2015. Effective on the agreement date, MAXIM has assumed the obligation to reclaim the site upon the eventual decommissioning of the power plant, the cost of which will be funded in part by \$15 million currently held in trust for this purpose with the remainder to be funded by MAXIM. MAXIM has posted security for the estimated cost of remediation in excess of the funds already held in trust. The security will be reviewed annually and will be adjusted if the obligation changes. MAXIM considers the Milner site to be a strategic development site for generation facilities given its proximity to transmission lines, water, natural gas lines, and coal resources.

On March 9, 2011, MAXIM amended its existing credit facility with BMO. The required minimum debt service coverage ratio has been reduced through to the end of September, 2011.

On January 24, 2011, the Corporation cancelled 949,000 stock options with an average exercise price of \$6.43. During January and February, 2011, an additional 17,000 stock options expired with an average exercise price of \$6.75.

CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and the Vice President, Finance and Chief Financial Officer ("CFO"), together with management have designed and maintained disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2010, and based on that evaluation have concluded that the Corporation's disclosure controls and procedures are not effective as of December 31, 2010 for the foregoing purposes due to the weakness discussed below for internal control over financial reporting.

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

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's internal control over financial reporting and have identified the following material weakness in the operation of the Corporation's internal control over financial reporting as of December 31, 2010. The Corporation does not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management mitigates this weakness by periodically utilizing outside consultants for assistance as required to the fullest extent reasonable or by developing in-house expertise or recruiting personnel with the necessary expertise; however, such mitigating procedures do not constitute a compensating control for the purposes of National Instrument 52-109 Certification of

Disclosure in Issuers' Annual and Interim Filings. The Corporation has determined that it is not cost-effective to fully remediate this weakness and accordingly a weakness will continue in the foreseeable future. No impact on amounts reported for 2010 or 2009 is anticipated.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No material changes in the Corporation's internal controls over financial reporting were identified during 2010 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter into any related party transaction during 2010 or 2009. At December 31, 2010 and 2009 the Corporation had \$nil in accounts payable to related parties.

OTHER INFORMATION

Outstanding share data:

Issued common shares at December 31, 2010 and March 25, 2011	54,034,758
Outstanding share options	2,434,117
Total diluted common shares at March 25, 2011	56,468,875

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

Alberta Power Pool	An independent, central, open-access pool that functions as a spot market for all energy bought and sold in Alberta, matching demand with the lowest supply to establish an hourly pool price
Alberta power prices	The hourly price established by the Alberta Electric System Operator for electricity bought and sold through the Alberta Power Pool
APP	The Alberta Power Project, consisting of four separate facilities in southern Alberta with a combined 25 MW capacity, was constructed by MAXIM in 2001, operates through a tolling agreement, and is included in the Canada 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
ISO-NE	ISO New England is a US regional transmission organization serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont
LFRM	Locational Forward Reserve Market, an electricity market developed by "NE-ISO" to provide economic incentives to resources 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
O&M	Operations and maintenance
PPA	Power Purchase Agreement, a contract between an electricity generator and customer for the supply of energy and/or capacity, typically used to sell the output of an electrical generating asset for a defined revenue stream (see also tolling agreement)
PP&E	Property, plant and equipment
Pittsfield	Pittsfield generating station, a 170 MW electric power plant in Pittsfield, Massachusetts, was acquired by MAXIM on August 6, 2008 and is included in the United States segment for the purposes of reporting segmented information
RGGI	Regional Greenhouse Gas Initiative, a cooperative effort by ten Northeast and Mid-Atlantic states to limit greenhouse gas emissions
RMR contract	Reliability Must Run contract under which an electricity generating unit must be available to run if requested (ISO-NE preserves regional power grid reliability and stability through RMR contracts, which ensure sufficient generation is available during peak demand periods)
Tolling (Tolling Agreement)"	An agreement whereby MAXIM imposes tolling charges as compensation for processing natural gas to produce electricity through one of its generating facilities. The counterparty is responsible for procuring the natural gas and owns the electricity generated at the facility
Turnaround	Scheduled large-scale maintenance activity wherein an entire process, facility or generating unit is taken offline for an extended period for comprehensive revamp and renewal
Unplanned Outage	Shutdown of a generating unit due to an unanticipated breakdown
US or United States	The United States of America

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