'05

maxim power corp 2005 annual report

power growth precision

MAXIM Power Corp

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Corporate Profile

Maxim Power Corp. ("MAXIM") is an Independent Power Producer ("IPP").

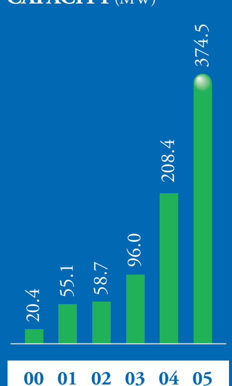
MAXIM's mission is to enhance shareholder value by acquiring or developing, owning and operating, innovative and environmentally responsible power projects. MAXIM uses commercial technology to generate electric and thermal energy for customers.

MAXIM places great importance on adding value through innovation to bring Creative Energy Solutions to its customers. MAXIM's business model is built around the required competencies, the "Human Capital", to identify power project opportunities that deliver the best risk adjusted rates of return to shareholders.

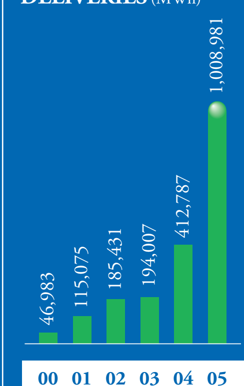
MAXIM now owns and operates twenty-two power plants in Western Canada, United States, France and Cambodia, having 375 MW of electric and 45 MW of thermal net generating capacity. MAXIM is targeting significant growth through acquisitions, development and rationalization of power projects which utilize hydrocarbon based fuels and renewables in the markets of North America and France.

MAXIM trades on the Toronto Stock Exchange under the symbol "MXG".

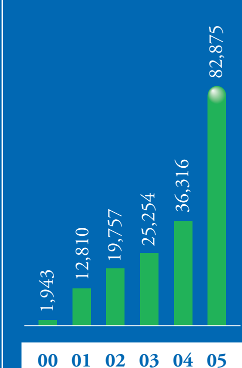
NET GENERATING CAPACITY (MW)



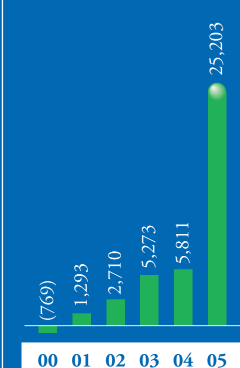
ELECTRICITY DELIVERIES (MWh)



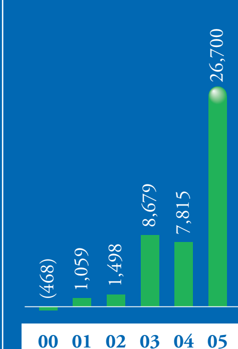
REVENUE
($ millions)



FUNDS FROM OPERATIONS ($ millions)



EBITDA



Financial and Operational Highlights

Year ended December 31, 2005
(In Thousands of Dollars except per share amounts)

Comparative Results

In March 2005, the acquisition by MAXIM of all of the remaining partnership units of Milner Power Limited Partnership ("MPLP") resulted in a reverse take-over ("RTO") of MAXIM. Consequently, the financial reporting entity for 2005 and for comparative purposes for 2004 is MPLP.

The following Financial and Operational Highlights provide the comparative information for both MPLP ("Post-RTO") and MAXIM ("Pre-RTO").

The Post-RTO Highlights provide MPLP together with the accounts of MAXIM and reflect the operating results of MPLP for the year ended December 31, 2005 plus nine months of operations of MAXIM and its subsidiaries for 2005 as compared to the operating results of MPLP only for 2004.

The Pre-RTO highlights provide the historical accounts of MAXIM for 2004 and 2003.

	POST-RTO		PRE-RTO	
	2005	2004	2004	2003
Financial Performance				
Revenue	$ 82,875	$ 45,445	$ 36,316	$ 25,254
EBITDA (1)	$ 26,700	$ 12,177	$ 7,815	$ 8,679
Per share (2)	$ 0.08	$ 0.05	$ 0.06	$ 0.06
Operating income before impairment	$ 20,076	$ 10,572	$ 1,785	$ 2,665
Net income (loss)	$ 11,567	$ 10,678	$ (486)	$ 872
Per share (2)	$ 0.03	$ 0.05	$ 0.00	$ 0.01
Funds from operations	$ 25,203	$ 12,304	$ 5,811	$ 5,273
Per share (2)	$ 0.07	$ 0.05	$ 0.04	$ 0.04
Weighted average number of shares (thousands) – basic	354,180	223,804	136,375	136,130
Total shares outstanding (thousands) – basic	437,587	242,399	136,455	136,221
Financial Position				
Total assets	$ 196,829	$ 32,465	$ 86,968	$ 78,007
Property, plant and equipment	$ 118,123	$ 18,914	$ 60,886	$ 56,284
Cash flow indenture	$ 7,374	$ 12,238	$ 2,385	–
Long term debt	$ 40,932	–	$ 12,527	$ 11,454
Shareholder's equity	$ 101,892	$ 12,939	$ 42,269	$ 42,500
Operational Data				
Installed capacity (MW) (3)	374.5	144.0	208.4	96.0
Electricity deliveries (MWh)	1,008,981	808,855	412,787	194,007
Average selling price ($/MWh)	$ 82	$ 56	$ 88	$ 128
Average Alberta power price ($/MWh)	$ 70	$ 56	$ 56	$ 63

1 *Earnings before interest, accrued dividends on preferred shares, taxes, depreciation and amortization. EBITDA and funds from operations are not a measure under Canadian Generally Accepted Accounting Principles.*
2 *Basic and diluted.*
3 *Net of 10.2 MW of Assets held for sale year end 2005.*

Message to Shareholders

MAXIM has delivered another year of significant growth in 2005.

Prior to the provision of Assets Held for Sale, we exited 2005 with 385 megawatts ("MW") of net generating capacity, and realized Revenues of $84 million and EBITDA of $27 million during the year.

A notable achievement in early 2005 was the acquisition of all of the remaining partnership units (approximately 80%) of Milner Power Limited Partnership ("MPLP"). The business combination became effective March 31, 2005 and resulted in a reverse take-over ("RTO") of MAXIM. MPLP owns HR Milner ("Milner"), a 144 MW coal-fired power plant, located near the town of Grande Cache, Alberta. Through this acquisition, MAXIM increased its interest in Milner from 29 MW to 144 MW.

MAXIM also completed two additional acquisitions and two greenfield development projects in 2005, representing an additional 177 MW.

The Bataneres Cogeneration Facility in France was completed in early 2005, adding 5.6 MW of electrical and 4.9 MW of thermal generating capacity. Commercial operations commenced in November 2005, the beginning of the French cogeneration season.

In June 2005, MAXIM completed the acquisition of seven power plants in France, having a total of 54 MW electrical and 18 MW thermal generating capacity. This brings MAXIM's generation portfolio in France to a total of ten plants with 63 MW electrical and 27 MW thermal net generating capacity. France remains a market of focus for MAXIM and during 2006 MAXIM intends to continue pursuing both acquisition and development opportunities in the country.

On November 9, 2005, MAXIM announced the acquisition of a 67 MW natural gas-fired combined cycle cogeneration plant located in Pawtucket, Rhode Island, USA. MAXIM believes that the New England market has very positive fundamentals and that this facility will prove to be a very low-cost, high impact acquisition in MAXIM's portfolio of generating facilities. Recognizing the risk of inadequate generation resources in the market, the Independent System Operator in New England ("ISO-NE") has proposed the implementation of a forward capacity market, which will provide capacity payments to existing and new generation as of December 2006. This proposal is currently awaiting Federal Energy Regulatory Commission approval. This would be a very positive development and would significantly increase the value of capacity in the New England market.

The 52 MW Basin Creek Project in Montana was substantially completed in 2005 and represents the addition of a net 50.2 MW of natural gas-fired generating capacity to MAXIM. This facility will commence full commercial operations on July 1, 2006, at which time it will provide electricity under a twenty year Capacity and Energy Sales Agreement with NorthWestern Corporation, the default electricity supplier in the State of Montana.

During 2005, MAXIM also had the following highlights:

- Initiated the 2 MW expansion of the Vancouver Landfill Project. The expansion is expected to be completed in the Spring of 2006;
- Began trading its common shares on the Toronto Stock Exchange effective June 23, 2005; and
- Completed an equity offering of $35 million via a non-brokered private placement of common shares of MAXIM at a price of $0.63 per share, the proceeds of which were used to repay interim financings from related parties and strengthen the balance sheet for further growth.

In Alberta, power prices for the last quarter of 2005 were particularly strong, contributing to our very positive operating results for the year and resulting in a strong balance sheet with a significant cash position at year end. This financial position will enable MAXIM

In Alberta, power prices for the last quarter of 2005 were particularly strong, contributing to our very positive operating results for the year and resulting in a strong balance sheet with a significant cash position at year end. This financial position will enable MAXIM to aggressively pursue its growth targets in 2006, which are biased to acquisitions in the North American market.

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In parallel with acquisitions, we are continuing to pursue capital investment opportunities at Milner to continually improve plant efficiency and to potentially expand the generating capacity of the facility. In addition to an attractive long-term coal supply agreement for the supply of thermal coal to the facility, Milner also owns extensive coal leases in the Grande Cache area. These coal leases provide MAXIM the opportunity for the potential mining of coal, which could be utilized by Milner or sold in the international marketplace. An independent reserves evaluation has confirmed that these coal leases contain in excess of 26 million tonnes of coal reserves and over 13 million tonnes of recoverable metallurgical coal. MAXIM is investing in the development of Milner's coal lease. The marketing review and transportation study have been completed and the detailed mine design is underway. The environmental fieldwork is 75% complete. All drilling permit approvals for the field program have been received and development drilling is expected to commence during the second quarter of 2006.

MAXIM will be primarily focused on projects ranging from 50 MW to 150 MW in the North American markets, with the exception of markets like France, wherein we continue to see numerous replicable small-scale project opportunities. Consistent with this strategy, on March 29, 2006, MAXIM entered into agreements to sell its wholly-owned subsidiaries and development opportunities in Austria and Germany. Concurrent with acquisition and development activities, we will continuously rationalize our generation portfolio including the potential exit from specific non-strategic geographies.

On April 10, 2006, MAXIM's shares were consolidated and commenced trading the following week on the basis of one new common share for each ten issued and outstanding common shares. MAXIM now has a total of approximately 43.9 million shares outstanding.

In closing, there is one part of my *Message to Shareholders* that remains literally unchanged from year to year. We are extremely dependent on the qualities and capabilities of our human capital, our people. I am always proud to say that "Team MAXIM" always demonstrates the integrity and persistence required to build a great power company. They have addressed the challenges, seized the opportunities and have operated to the highest standards of integrity and ethics in business in 2005. On behalf of our shareholders and our business partners, I want to thank the Board of Directors, management and staff for their committed efforts in 2005.

Sincerely,

John R. Bobenic
President and Chief Executive Officer

Summary of Operations

OPERATING PLANT CAPACITY AND PERFORMANCE

MARKET	GROSS CAPACITY MW el	NET CAPACITY MW el	FUEL	REVENUE SOURCE	CONTRACT EXPIRY DATE	2005 MWh	2005 ($000'S)
North America							
Plants in Canada							
HR Milner [1]	144.0	144.0	Coal	Merchant	–	836,852	58,564
APP [2]	25.0	25.0	Gas	Corporate	2014		1,891
AFAP [3]	7.3	7.3	Waste Heat/ Flare Gas	Merchant	–	27,642	2,217
BC Landfills	7.0	6.0	Landfill Gas	Utility/ Greenhouse	2023	37,299	2,259
Total Canada	183.3	182.3				901,793	64,931
Plants in USA							
Basin Creek	51.8	50.2	Gas	Utility	2026	–	–
Pawtucket	67.0	67.0	Gas	Merchant	–	–	213
Total USA	118.8	117.2				–	–
Total North America	302.1	299.5				901,793	65,144
Europe							
France	65.0	62.8	Gas	Utility/ Greenhouse	2006 – 2015	40,683	8,855
Assets held for sale	10.9	10.2	Landfill Gas/ Gas/Biogas			29,064	1,214
Total Europe	75.9	72.8				69,747	10,069
Cambodia	24.4	12.4	Diesel	Utility	2006	37,440	8,876
Total – Including Assets Held for Sale	402.4	384.7				1,008,981	84,089
Total – After Assets Held for Sale	391.5	374.5				979,916	82,875

1 *The HR Milner Facility produced 808,855 MWh in 2004 for sales of $44,390*
2 *Alberta Power Project (APP)*
3 *Alberta Fuel Abatement Program (AFAP)*

Prior to the provision of Assets Held for Sale, we exited 2005 with 385 megawatts ("MW") of net generating capacity, and realized Revenues of $84 million and EBITDA of $27 million during the year.

NORTH AMERICA

CANADA

HR Milner ("Milner")

Milner is a 144 MW coal-fired power station located near the town of Grande Cache, Alberta, which has been in continuous operation since 1972.

Effective March 31, 2005, MAXIM completed the acquisition of MPLP from the existing partners in the Partnership, each of whom acted at arm's length to MAXIM. The acquisition was completed through the issuance of 242,398,584 common shares of MAXIM to the remaining partners in the MPLP, at a deemed price of $0.32 per share, for aggregate deemed consideration of approximately $77.6 million.

Approximately three years remain on the initial term of a five year coal supply agreement ("CSA") with Luscar Ltd. ("Luscar") for the supply of up to 540,000 tonnes of thermal coal per year. There is an option to extend the CSA by a further five years. The high volatile bituminous coal is sourced from Luscar's Coal Valley mine located approximately 100 km south of Edson, Alberta.

The coal leases held by MPLP provide MAXIM with the opportunity for the potential mining of coal which could be utilized ultimately by Milner or sold in the international marketplace. Both the long-term CSA and the coal leases were acquired pursuant to the transaction.

Milner will continue to meet license limits for Nitrogen Oxides ("NOx"), and Sulfur Dioxide ("SO2") through the end of design life (2012). MAXIM estimates that Milner will be neutral with respect to future Greenhouse Gas ("GHG") emission limits, and that the facility is already in compliance with new Alberta mercury regulations to be implemented in 2010.

An external Health and Safety audit was conducted at Milner and resulted in the facility receiving a Certificate of Recognition in 2005 for the development of a health and safety program which met established standards set by the Alberta Association for Safety Partnerships and Alberta Human Resources and Employment.

Milner also conducted an external Environmental audit and is considered to be operating within acceptable environmental parameters. Personnel are trained in environmental performance and continuous improvement.

Alberta Power Project ("APP")

The 25 MW APP was constructed and commissioned by MAXIM in 2001. There are four separate facilities in southern Alberta, at Taber, Burdett, Coaldale and Fort MacLeod. Each site is made up of four to eight individual generator sets ("gensets") and each genset is capable of 1,030 kilowatts output to the Fortis 25 kV distribution grid. The gensets are Jenbacher 320 internal combustion engines complete with generators, controls, and synchronizing equipment. Jenbacher also manages the operations and maintenance contract for the generation equipment at a fixed contract price. Each genset has its own transformer and can run independently of the other units. The fuel is natural gas from the ATCO Pipeline system.

On September 1, 2004, MAXIM entered into a tolling agreement for the APP assets. In exchange for a fixed annual fee, the counterparty has the right to operate APP. The initial term of the agreement is for ten years with an option to extend the agreement by an additional fifteen years. MAXIM retains ownership of the APP assets but the counterparty has the annual right to purchase the APP asset at its book value during the life of the agreement.

Alberta Fuel Abatement Program ("AFAP")

The AFAP consists of facilities at Gold Creek and Gift Lake. These assets utilize waste fuels or energy, such as flare gas or exhaust heat as fuel for the generation process.

Gold Creek, Alberta

In 2001, MAXIM completed the acquisition of the Gold Creek generation facility in the Grande Prairie area. This facility utilizes waste heat from a TransCanada Pipelines main line compressor to generate power. The waste heat is processed by a 6.5 MW Ormat energy converter generator system, and produces power to the ATCO Electric 25 kV distribution system. The Ormat energy converter is an air-cooled heat recovery turbine power system based on an Organic Rankin Cycle. This is a base load facility and power is sold through the Power Pool of Alberta.

Gift Lake, Alberta

During 2000, MAXIM completed the construction of a distributed power generation project near Gift Lake, Alberta. MAXIM owns and operates the facility, which uses flare gas at an oil battery site for fuel and provides generated power to the 25 kV electrical distribution grid. MAXIM provides an environmental solution to the oil producer by converting the unwanted waste gas to useable electrical energy and reducing flare emissions. The project consists of an 800 kilowatt power plant, which is directly connected to the ATCO Electric distribution system. This is a base load facility and power is sold through the Alberta Electric System Operator.

Vancouver Landfill (“VLF”)

The VLF cogeneration facility is a 5.4 MW plant located on the greenhouse lands in Delta, British Columbia and was interconnected to the BC Hydro grid on September 21, 2003. Finning Power Systems (“Finning”) designed and built the powerhouse. The landfill gas is delivered to the plant via a 2.9 kilometer pipeline from the existing flare station at the City of Vancouver’s landfill. Previously, methane gas recovered at VLF was burned in a flare station to control odor and to minimize GHG emissions. Rather than flaring the methane, the cogeneration facility utilizes the gas pursuant to a twenty year landfill gas utilization agreement with the City of Vancouver. A fourth cogeneration unit is planned for installation in the second quarter of 2006. This expansion project will add 1.8 MW to the cogeneration facility resulting in a total electrical capacity of 7.2 MW and 8.7 MW (thermal).

This project will reduce GHG emissions by an estimated 30,000 tonnes per year, which is equivalent to eliminating 6,000 cars permanently from Lower Mainland streets. The expansion will further reduce GHG emissions by an estimated 10,000 tonnes per year.

All electricity from the plant is sold to BC Hydro under a twenty year green energy contract. Thermal energy, in the form of hot water, and surplus landfill gas for the gas boilers is sold to Hot House Growers Inc. Finning is contracted by MAXIM to operate and maintain the plant under a long-term agreement.

Hartland

This is a 1.6 MW landfill gas simple cycle generation project in the Capital Regional District (“CRD”) near Victoria, British Columbia. This project was commissioned to the BC Hydro grid in February 2004 with all of the electricity from the plant delivered to BC Hydro under a twenty year green energy contract. MAXIM completed all major contracts in 2003 and arranged financing through a twenty year leaseback arrangement with the CRD.

The facility is located at the CRD’s Hartland landfill adjacent to the existing flare station. Previously, methane gas was flared by the CRD to control odor and to minimize GHG emissions. Rather than flaring the methane, the generation facility utilizes the gas pursuant to a twenty year landfill gas utilization agreement with the CRD.

Finning designed and built the powerhouse to convert the landfill’s methane gas into electricity. The facility uses the new Caterpillar 3520 low btu gas engine and Finning is contracted by MAXIM to operate and maintain the plant under a long term agreement.

UNITED STATES (“US”)

MAXIM has established a wholly-owned subsidiary, Maxim Power (USA), Inc. (“Maxim USA”), through which it holds its interest in US projects.

Basin Creek

Effective April 5, 2005, MAXIM completed the acquisition of the 51.8 MW Basin Creek greenfield power project located in Butte, Montana, in which MAXIM has a 97% equity interest (net 50.2 MW). The project has been developed by Basin Creek Power Services (“BCPS”). The project will provide electricity under a 20 year Capacity and Energy Sales Agreement with NorthWestern Corporation, which is the default electricity supplier in the State of Montana.

The project is configured around nine Caterpillar G16CM34 natural gas fired reciprocating engines; each rated at approximately 5.9 MW. The project has been constructed under a fixed price turnkey contract with Caterpillar Power Generation Systems, LLC who will also provide the operations and maintenance under a twenty year Operating and Maintenance Agreement. The project was substantially completed in 2005 and will commence commercial operations in the second quarter of 2006.

The total capital cost of the project is budgeted at US$39.1 million (Cdn$48.2 million). Non-recourse project debt financing has been arranged by CIT Capital Securities, LLC (“CIT”) in the amount of approximately US$29.0 million (Cdn$35.8 million).

MAXIM has provided equity in the amount of US$11.2 million (Cdn$13.8 million) to acquire its 97% equity interest in Basin Creek Equity Partners, LLC. BCPS will maintain the other 3% ownership interest in the project and will oversee construction and operation of the project.

Pawtucket

On November 10, 2005, MAXIM acquired, through its wholly-owned subsidiary, MAXIM USA, a 67 MW natural gas-fired combined cycle cogeneration plant located in Pawtucket, Rhode Island, US. The total capital investment, including closing costs, working capital adjustments and near term major maintenance on the gas turbine, was approximately US$3.25 million. MAXIM is considering short to medium term Power Purchase Agreements ("PPA's") for output from this plant with several parties in the New England Power pool market. MAXIM is also continuing to evaluate further additions of similar sized plants in this market.

Pawtucket continues to operate within the limits of the facility's air emissions operating permit. It is expected that the plant will have a surplus of NOx allocations for 2006, and it is expected that a minimal purchase of 1 – 2 tonnes of SO2 credits will be required to maintain compliance (the facility currently receives no SO2 allocations). Pawtucket has no GHG emission limits.

EUROPE

FRANCE

MAXIM's projects in France are tied to long-term PPA's with the local government. France has a greater awareness of the environmental factors influencing power generation choices. This awareness has resulted in the creation of significant drivers for clean-burning, gas-fired, distributed generation projects. Combined heat and power or cogeneration projects have received strong support in France, as a result of their better overall efficiencies and reduced environmental impacts.

MAXIM established its presence in France in 2002, through its 50% interest in a joint venture. The joint venture was established to develop natural gas fired cogeneration projects. During 2004, MAXIM acquired its partner's 50% interest in the Comax France ("Comax") joint venture and MAXIM, through Comax, now controls all French projects. Comax currently has ten operating projects (eight cogeneration projects and two peaking facilities). MAXIM has a net 63 MW of generation capacity and a net 27 MW of thermal generating capacity in France.

Pouchon

The Pouchon cogeneration plant is a 2.7 MW facility in which MAXIM has a 70% interest. The plant sells electricity to Électricité de France ("EdF") under a twelve year PPA. The plant also produces 2.7 MW of thermal energy which is sold, in the form of hot water, to a hibiscus greenhouse under a twelve year thermal sales agreement ("TSA"). The plant commenced commercial operations in November, 2004.

Mirail

The Mirail cogeneration plant is a 2.7 MW facility in which MAXIM has a 50% interest. The plant sells electricity to EdF under a twelve year PPA. The plant also produces 2.7 MW of thermal energy which is sold, in the form of hot water, to a tomato greenhouse under a twelve year TSA. The plant commenced commercial operations on November 1, 2003.

Bataneres

The Bataneres cogeneration plant is a 5.6 MW facility in which MAXIM has a 100% interest. The plant sells electricity to EdF under a twelve year PPA, and also produces 4.9 MW of thermal energy which is sold, in the form of hot water, to a cooperative of four tomato greenhouses under a twelve year TSA. The plant commenced commercial operations in November 2005.

Energeia, D'Arnas, and Cogenia

On June 22, 2005, MAXIM completed, through its wholly-owned subsidiary, Comax, the acquisition of 100% of the equity interests in three power companies based in France (Energeia S.A., Société Électrique D'Arnas S.A. and Cogenia S.A.S.). The power companies acquired have a total of 54 MW of electric and 18 MW of thermal net generating capacity across seven power plant sites and they are now wholly-owned subsidiaries of Comax.

The seven power plants acquired include five cogeneration plants (39 MW electric, 18 MW thermal) and two peaking plants (15 MW electric). Electrical output from six of the seven or 47 MW is contracted under PPA's to EdF, the state owned power company, and one plant is not contracted. The plants commenced commercial operations between 1996 and 1998 and the associated PPA's have initial terms of ten to twelve years, expiring between 2006 and 2010. Following the initial PPA terms, MAXIM anticipates optimizing the installed capacity through a combination of potential PPA renewals and wholesale market sales in the European Union's newly emerging liberalized power market.

Thermal energy (18 MW) is currently sold under long term TSA's to ten customers across the five cogeneration sites. MAXIM anticipates renewal of these TSA's concurrent with the renewed PPA terms.

The capital cost of the acquisition was Euro 8.6 million (Cdn$12.7 million) plus the assumption of a Euro 2.3 million (Cdn$3.5 million) capital lease from Caterpillar Financial for a total enterprise value of Euro 10.9 million (Cdn$16.2 million).

This acquisition provides for cash flows from contracted assets and contributes to MAXIM's goal of adding scale in the France market.

ASSETS HELD FOR SALE

Subsequent to year end 2005, MAXIM has entered into three sales agreements to sell assets in Austria, Germany and Slovenia for proceeds of Euro 1.9 million. The sale transactions are expected to close during the second quarter of 2006, the following assets are included in the sale;

- **Ammann**
  The Ammann generation plant is a 0.3 MW facility utilizing landfill gas generated from a municipal landfill in Upper Austria. Commercial operations commenced on December 23, 1999.
- **Ravne**
  The 8.2 MW Ravne cogeneration plant commenced operations on October 24, 1999 and is equipped with three gas gensets. The electricity and thermal energy is sold to a state owned specialty alloy steel mill. Under a ten year contract, MAXIM charges a demand and energy conversion fee.
- **ORS**
  The ORS facility is located in the community district of Stade and is currently the largest combined biomass anaerobic digestion, composting and power generation project in Germany. The plant processes community organic waste in a state of the art anaerobic digester, produces 1.4 MW of green power from the methane generated and composts the residual material for organic fertilizer.
- **Ruegen**
  The 1.0 MW Ruegen plant uses biogas generation from an anaerobic digester plant which operates on cow manure. Under a five year contract, MAXIM has provided a 1.0 MW facility to convert biogas to electric and thermal energy. All power generated is sold under the German Green Power Energy legislation and all waste heat is recovered and used for the heating of the digesters. Heat is also delivered to the local district heating network.

CAMBODIA

Through Jupiter Power Holdings, a joint venture with Caterpillar Power Ventures International, Ltd., in which MAXIM owns 51%, MAXIM is involved in the ownership and operation of electric power generation plants and the corresponding sale of power in the Kingdom of Cambodia.

The 24.4 MW C-1 power station has a PPA with its customer Électricité de Cambodge, the Cambodian state-owned utility, for 22 MW, which expires in June, 2006.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") dated March 30, 2006, should be read in conjunction with the audited annual consolidated financial statements for the fiscal year ended December 31, 2005.

OVERVIEW

On December 31, 2004, MAXIM entered into an agreement to acquire the remaining partnership units (approximately 80.5%) of Milner Power Limited Partnership ("MPLP") from the existing partners of MPLP. The business combination became effective March 31, 2005 and resulted in a reverse take-over of MAXIM. On March 31, 2005, the acquisition was closed with the issuance of 242,398,584 common shares of MAXIM at an adjusted price of $0.32 per share, for the aggregate consideration of $77.6 million plus certain post-closing adjustments. For legal purposes, MPLP is wholly-owned by MAXIM. For accounting purposes, MPLP is considered to have acquired MAXIM. At December 31, 2005, the consolidated balance sheets reflect the historical accounts of MPLP together with the accounts of MAXIM from the effective date of the business combination, March 31, 2005. The first quarter operating results of 2005 reflect only the operating results of MPLP. At December 31, 2005, the year-to-date operating results reflect twelve months of operations from MPLP and nine months of operations from MAXIM. The comparative year-to-date operating results at December 31, 2004 reflect only the operating results of MPLP.

The MPLP acquired the 144 megawatt HR Milner power station ("Milner") on January 29, 2004 with the operations of Milner to be managed by MAXIM under an operating services agreement. Prior to the acquisition of the remaining outstanding partnership units of MPLP, MAXIM held a 19.5% ownership interest in MPLP.

OVERALL PERFORMANCE

2005 was the most successful year in MAXIM's history in terms of operating profitability and adding generation capacity. MAXIM recorded operating income of $20.1 million in 2005 from $10.6 million in 2004. Generating capacity increased from 144 MW in 2004 (reflecting only Milner's operations) to 375 MW in 2005. Record levels were also achieved for revenues, $82.9 million versus $45.4 million in the prior year, and funds from operations of $25.2 million versus $12.3 million in 2004. MAXIM also completed a $35 million private placement during 2005. A significant portion of the 2005 interim financings were repaid from proceeds from the private placement. With greater access to capital, MAXIM executed its strategy of acquiring and developing larger scale projects. MAXIM acquired 54 MW of cogeneration capacity in France in June, 67 MW of cogeneration capacity at Pawtucket, Rhode Island in November and substantially completed construction of the 52 MW (net 50.2 MW) Basin Creek project in Montana. Capital expenditures in 2005 were $53.6 million, another record level.

With additional generation capacity, MAXIM produced 1,008,981 MWh in 2005 compared to 808,855 MWh in 2004, an increase of 24.7% or 200,126 MWh. On a stand alone basis, the Milner facility produced 836,852 MWh in 2005 compared to 2004 production of 808,855 MWh, an increase of 3.5%. This positive production increase combined with higher Alberta spot prices in 2005 accounted for the higher revenues and operating profitability. Alberta spot prices averaged $70 per MWh in 2005 compared to $56 per MWh during 2004. Alberta power prices were significantly stronger during the fourth quarter of 2005, averaging $117 per MWh versus $55 per MWh in 2004.

MAXIM's generation capacity at December 31, 2005 was as follows: 182 MW in Canada (nine projects), 117 MW in the United States (two projects), 63 MW in France (ten projects), 12 MW in Cambodia (one project) and 10 MW (four projects) in European regions outside of France. The combined projects, twenty-six, include four projects (10 MW of generation) in Europe classified as assets held for sale as of December 31, 2005.

Net income for 2005 was $11.6 million compared to net income of $10.7 million for 2004, an increase of $0.9 million. With significant income generated in 2005, MAXIM has fully utilized all Canadian tax losses available for carry forward and has provided for deferred income taxes of $6.0 million. 2004 income was attributed to Milner and did not include a provision for income taxes as Milner operations are conducted as a partnership.

SELECTED ANNUAL FINANCIAL INFORMATION

($000's except per share amounts)

	2005	2004
Revenue	82,875	45,445
EBITDA	26,700	12,177
Net income	11,567	10,678
Net income per share (basic and diluted)	0.03	0.05
Funds from operations – continuing operations	25,203	12,304
Total assets	196,829	32,465
Total short-term and long-term debt	49,284	–

Selected annual financial information was derived from the audited consolidated financial statements for the most recent year and is prepared in accordance with Canadian generally accepted accounting principles, except for funds from operations and EBITDA. Funds from operations and EBITDA are provided to assist management and investors in determining the Corporation's cash flow from operations and do not have any meaning prescribed in Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies.

The increase in 2005 over 2004 in the table above reflects inclusion of MAXIM's assets and liabilities and results of operations from April 1 to December 31, 2005. Prior to March 31, 2005, the financial statements reflect Milner's accounts and operations only. In addition, 2004 represents only 11 months of operations at Milner as the facility was acquired on January 29, 2004.

On a Milner standalone basis and comparison year over year, Milner recorded $58.6 million of revenue in 2005 versus $45.4 million in 2004 with the average Alberta power price in 2005 being $70 per MWh versus $55 per MWh in 2004. The increased revenue was also the result of increased MWh production as Milner produced 836,852 MWh in 2005 versus 808,855 MWh in 2004. The improved production and higher Alberta power prices primarily contributed to increased funds from operations and net income for Milner on a standalone basis. Milner's 2005 net income was $23.6 million versus $10.7 million in 2004, excluding any provision for income taxes for both years, and Milner's 2005 funds from operations were $25.5 million versus $12.3 million in 2004.

The increase of $164.3 million in total assets in 2005, from $32.5 million in 2004 to $196.8 million in 2005, reflects 231 MW of capacity of MAXIM's other facilities.

RESULTS OF OPERATIONS

As stated previously, the results of operations reflect those of Milner for the twelve months ended December 31, 2005 plus MAXIM's operations since March 31, 2005.

Summary of 2005 MWh generation by major facility and geographic location:

FACILITY	2005 MWh GENERATION	PERCENTAGE OF 2005 MWh
Milner	836,852	83.0
Alberta projects (6) *	27,643	2.7
British Columbia projects (2)	37,299	3.7
Cambodia (1)	37,440	3.7
France (10)	40,683	4.0
Europe – Assets held for Sale	29,064	2.9
Total	1,008,981	100

* *The table excludes two facilities in the United States, Pawtucket acquired on November 10, 2005 and Basin Creek, which is under construction. The table does not include power generation from the 25 MW Alberta Power Project ("APP") (four sites). MAXIM entered into a power purchase agreement with AltaGas Limited Partnership ("AltaGas"), effective September 1, 2004. The agreement with AltaGas is a tolling arrangement whereby MAXIM provides the 25 MW capacity at APP in exchange for fixed monthly capacity payments.*

Revenue

2005 revenue was $82.9 million compared to $45.4 million for 2004. The increase of $37.5 million or 83% was the result of stronger Alberta spot prices during the fourth quarter and from MAXIM's projects other than Milner. MAXIM's projects since April 1, 2005 contributed revenue of $24.3 million.

Milner revenue was higher during 2005 when compared to 2004, $58.6 million versus $45.4 million. Milner earned $69 per MWh during 2005 which was $13 per MWh higher than the $56 per MWh received in 2004. Milner's revenues per MWh do approximate Alberta spot prices per MWh but vary slightly due to production levels at varying prices. In addition, Milner MWh production was 3.5% higher in 2005 over 2004. Milner produced 836,852 MWh in 2005 versus 808,855 MWh in 2004. The increase was largely a result of operational benefits from the maintenance work completed during the annual turnaround.

During 2005, other operations contributed revenue as follows: Canadian operations in Alberta and British Columbia $6.3 million, Cambodia $8.9 million, Europe $8.9 million and United States $0.2 million.

Alberta facilities produced 27,643 MWh from two facilities (combined 7.3 MW capacity) which earned higher Alberta power prices during the fourth quarter. The other four Alberta projects collectively known as APP, received tolling revenues under agreement with AltaGas. APP's generators were made available to AltaGas at a 98% availability rate during 2005. The two British Columbia facilities (combined net 6.0 MW capacity) produced 37,299 MWh under fixed price contracts with BC Hydro.

MAXIM's 51% interest in its Cambodian joint venture generated 37,440 MWh during 2005. The MWh production in 2005 was lower due to two generators at the C-1 facility being out of service for virtually the entire third quarter. In addition, MWh production from the Cambodian operations decreased over the first and second quarters as demand continued to decrease during non-peak hours. Cambodia has increased access to local power suppliers which reduced opportunities to generate power in Phnom Penh. Revenue from Cambodia is based on actual electricity output delivered on a "flow through" of fuel costs. The "flow through" effect of higher fuel costs resulted in both higher revenue and fuel expenses but does not affect operating income. The current PPA at Phnom Penh is due to expire on June 30, 2006. The proposal from the Cambodian joint venture will be for a long term extension rather than short term extensions of six months.

European facilities produced 69,747 MWh in 2005. The French facilities produced 40,683 MWh of the European total. The seven acquired French facilities produced 30,314 MWh in their 2 months of operations in 2005. France's other three facilities produced 10,369 MWh, the remaining balance of the French generation. Assets held for sale produced 29,064 MWh which primarily comes from the Ravne facility which is the largest facility within the group of assets held for sale.

Plant Operations

Plant operations expenses were $48.9 million for 2005 compared to $30.7 million for 2004, due primarily to the inclusion of MAXIM facilities in 2005. 2004 comparative results included only Milner operations.

Fuel is the major component of plant operations expenses. Milner's fuel costs accounted for 36% of 2005 plant operations expenses compared to 51% in 2004. Coal is the primary source of fuel at Milner and is purchased primarily from Luscar Ltd. at fixed prices under a long-term supply agreement. Cambodian fuel costs, which accounted for 15% of plant operations expenses for 2005, "flow through" to affect both revenue and fuel expense with no effect on operating income.

Excluding fuel, Milner incurred $13.0 million of plant operations expenses during 2005. In comparison, Milner incurred $15.0 million of plant operations expenses during 2004. The decrease was primarily due to decreased interconnection costs. Overall plant operations expense increased with increased MWh production. MWh production increased by 200,126 MWh in 2005 which contributed to higher plant operations expense.

At Milner, operations are managed by MAXIM and the facility has approximately 69 employees who conduct the operations and maintenance. The remainder of the Canadian operations are managed through contracts with external parties. The two projects in the United States are contract managed also. The French projects, except one, have their operations and maintenance provided under contracts with La Société Forclum.

General and Administration

General and administration ("G&A") expenses of $7.3 million during 2005 were higher by $4.7 million than G&A expenses of $2.6 million during 2004. 2004 G&A expenses are solely attributed to Milner operations. Of the 2005 expenses, Milner accounted for $2.0 million. MAXIM's G&A during 2005 included significant business development initiatives related to opportunities in the United States and France as well as substantial TSX listing fees and associated public company costs.

Depreciation and Amortization

Depreciation expense increased to $6.6 million for 2005 compared to $1.6 million for 2004. There were no changes to depreciation policy during 2005. MAXIM facilities accounted for $4.8 million of the increase in 2005 depreciation expense from 2004.

The Milner plant assets are depreciated over a 12 year term. Other assets such as computer hardware and software and leaseholds are depreciated on a declining balance basis utilizing rates of 8% to 30%. The MAXIM facilities are amortized based on their fair values as determined on March 31, 2005 (the date of the reverse take-over), over terms varying up to 16 years.

Interest Expense

During 2005, MAXIM incurred $1.8 million of interest expense relative to three sources of financing: 1) interim financing provided by shareholders, 2) corporate debt facilities with BMO Bank of Montreal and 3) project financing in conjunction with MAXIM's facilities in Cambodia and France.

The interim financing bore interest at 10% per annum and was primarily repaid with proceeds from a private equity placement. Interim financings were used to conclude the acquisitions in France, construct Basin Creek and to payout financing from a previous shareholder, Finning International Inc. At December 31, 2005 Basin Creek had capitalized US$642 of interest as the project will not commence operations until the second quarter of 2006.

BMO Bank of Montreal provides two operating lines of credit at the prime lending rate plus 0.75% per annum and two term loan facilities at interest rates of 6.79% and prime lending rate plus 1% per annum respectively. The BMO financing was utilized for the Vancouver Landfill project, the APP facilities and for general working capital purposes.

Cambodian operations had two non-recourse term loans at the beginning of March 31, 2005 and each bore interest at 15% per annum. Both Cambodian term loans were repaid in 2005. Each of the six European projects have project financing with interest rates based on Eurobor plus 0.75% to 2.75% per annum. Three of the six European project financings are associated with the assets classified as assets held for sale.

Net Loss from Asset Held for Sale

Effective December 31, 2005, MAXIM's projects in Europe, excluding France, were classified as assets held for sale. The net loss for the year from these operations was $0.6 million and was comprised almost entirely of an equity loss from MAXIM's investment in ORS. During the second quarter of 2005, a digester was damaged and disabled by lightning which reduced the project's ability to generate power. ORS will receive $0.7 million from insurance proceeds, sufficient to cover expenditures to re-build the digester. Subsequent to year-end, MAXIM entered into three separate agreements to sell these assets. A nominal gain from sale will be reflected in the accounts in 2006 when the sale transactions close.

Income Taxes

With significant income generated in 2005, MAXIM has fully utilized all Canadian tax losses available for carry forward and has provided for deferred income taxes of $6.0 million. 2004 income was attributed entirely to Milner and did not include a provision for income taxes as Milner operations were conducted as a partnership.

Net Income

Net income in 2005 was $11.6 million or $0.03 per share, versus net income of $10.7 million or $0.05 per share for 2004.

2005 FOURTH QUARTER

Overall operating results for the fourth quarter of 2005 were significantly higher when compared to the fourth quarter of 2004. Operating income for the fourth quarter of 2005 was $16.9 million compared to operating income of $2.3 million for the same period of 2004. Net income for the fourth quarter of 2005 was $9.9 million or $0.03 per share compared to net income of $2.3 million or $0.01 per share for the same period in 2004. Funds from operations for the fourth quarter of 2005 were $19.7 million compared to $2.5 million for the fourth quarter of 2004, an increase of $17.2 million.

The primary reason for the increases in operating and net income and funds from operations was stronger Alberta power prices. In addition, the fourth quarter of 2005 includes all MAXIM projects compared to the fourth quarter of 2004 which reflects only Milner's operation. Alberta power prices averaged $117 per MWh during the fourth quarter of 2005 compared to $55 per MWh for the same quarter of 2004. With stronger power prices and inclusion of all MAXIM facilities, revenue increased from $11.6 million during the fourth quarter of 2004 to $41.6 million for the fourth quarter of 2005, an increase of $30.0 million.

During the fourth quarter of 2005, MAXIM had 335 MW of generating capacity in operation compared to the same quarter of 2004 which reflected only Milner's generating capacity of 144 MW. The increased generation resulted in MAXIM producing 336,222 MWh during the fourth quarter of 2005 compared to 193,033 MWh for the same quarter in 2004. Increased MWh production reflects the initial start-up of the 7 French facilities acquired in June, 2005. These 7 French facilities contributed 30,314 MWh during the fourth quarter from their 54 MW of generation capacity. During the fourth quarter of 2005, Milner experienced temporary problems with its rotary air heaters which caused the facility to be derated at times to 120 MW during this period. However, Milner produced 248,740 MWh during the fourth quarter of 2005 compared to 193,033 MWh for the same quarter of 2004. The increased MWh production during the fourth quarter of 2005, compared to the fourth quarter of 2004, was attributed to management's decision to increase MWh generation during non-peak hours.

In addition to the fourth quarter start-up of the seven acquired French facilities, MAXIM acquired on November 10, 2005 a 67 MW natural gas-fired cogeneration plant located in Pawtucket, Rhode Island. The total capital investment including closing costs, working capital adjustments and major maintenance was $4.0 million. The other new start-up during the fourth quarter was Bataneres, a 5.6 MW cogeneration facility in France. Bataneres was constructed during 2005 and began operations on November 1, the start of the French cogeneration season. MAXIM has a 100% ownership interest in all the new French projects and Pawtucket facility.

On November 14, 2005, MAXIM concluded a private placement of the Corporation's common shares for proceeds of $35 million. The non-brokered private placement was issued to investors, including current shareholders and related parties, at $0.63 per common share.

Approximately $31.6 million of the proceeds from the private placement were used to repay interim financings received from related parties and a significant shareholder during 2005 with the remainder of the proceeds used for general working capital purposes. At November 14, 2005, no amounts were owing to related parties.

LIQUIDITY AND CAPITAL RESOURCES

Capital Expenditures

MAXIM made $61.4 million of capital expenditures in 2005. The major components of this amount were $34.9 million for the construction of Basin Creek, $12.3 million for the acquisition of the seven French projects, $4.0 million for the acquisition of the Pawtucket facility and $1.4 million for the installation of a new transformer at Milner. In 2004, capital expenditures were $5.3 million of which $3.8 million was attributed to the acquisition of Milner and $1.5 million was for capital expenditures incurred during Milner's annual plant turnaround.

The construction of Basin Creek was funded through MAXIM's equity contribution of US$11.2 million and a construction and term loan facility of US$29.0 million. As of December 31, 2005, Basin Creek utilized US$19.7 million of the construction and term loan facility. It is expected that US $9.4 million will be required to complete construction of Basin Creek in 2006 which could commence operations in April, 2006. The 2006 construction will be funded through the remaining funds from MAXIM's initial equity contribution of US $11.2 million, and further draws on the construction and term loan facility. On July 1, 2006, the construction and term loan facility will be converted to a term loan.

Interim financing of $17.0 million received from related parties was used to complete the acquisition of the seven French projects and Pawtucket.

MAXIM has committed to complete the expansion at Vancouver Landfill with the installation of a fourth generation unit. The project is expected to be completed near the end of the second quarter of 2006. The total capital expenditures for the expansion project are budgeted at $2.7 million and MAXIM had spent $0.2 million at December 31, 2005. The expansion will be funded through MAXIM's internal cash sources and a $2.0 million term loan from BMO Bank of Montreal. The $2.0 million term loan will become available through MAXIM's existing term loan facility.

Working Capital

Working capital at December 31, 2005 was $16.4 million, an increase of $10.1 million from the working capital of $6.3 million at December 31, 2004. Working capital increased during the fourth quarter of 2005 from significantly improved operating results and from the completion of a private placement of $35.0 million on November 14, 2005. The proceeds from the private placement were used to repay $31.6 million of interim financing from related parties with the residual amount of $3.4 million contributing to the working capital increase.

Prior to the significant increase in working capital during the fourth quarter of 2005, MAXIM had working capital deficiencies in each of the previous three quarters. At March 31, 2005, the working capital deficiency was $4.9 million. At June 30 the deficiency was $17.0 million and at September 30 the deficiency was $21.9 million. The deficiencies were primarily the result of $28.8 million of interim financing provided by three major shareholders of MAXIM during the second quarter of 2005 which was classified as a current liability. The interim financings which were due and payable on demand, were required to fund two projects: US$11.2 million to begin construction at Basin Creek and $15.1 million for the acquisition of three French companies on June 22.

Canadian Credit Facilities

On May 10, 2005, MAXIM amended its existing Canadian credit facilities with BMO Bank of Montreal. Previously, MAXIM had $13.5 million of credit with BMO Bank of Montreal and subsequently negotiated an increase to $26.5 million. MAXIM increased its demand revolving facilities by $3.5 million and added a new $9.5 million credit facility to finance its Vancouver Landfill operations. The amended BMO Bank of Montreal credit is comprised of five facilities (Facilities A through E). Except for Facility C and Facility E, the loans are demand in nature bearing various rates of interest and available for working capital purposes or new project development. Both Facility A and Facility B were not utilized as of December 31, 2005 but Facility B was drawn in 2005 in the amount of $1.9 million and was repaid during the fourth quarter.

Facility C is a non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments as well as quarterly repayments based on available cash flow. Facility E is a non-revolving reducing term loan with floating interest rates. MAXIM was advanced $7.5 million under Facility E and used the proceeds to repay $4.5 million owing to two MAXIM shareholders. An additional $2.0 million from Facility E will be advanced to MAXIM upon completion of the expansion at the Vancouver Landfill project which is expected to be completed during the second quarter of 2006. The total outstanding balance of Facility C and Facility E was $14.2 million at December 31, 2005. At December 31, 2005 the credit facilities are in compliance with the BMO Bank of Montreal credit agreement.

Long-Term Debt

Other long-term debt outside of the Canadian credit facilities was $31.3 million as of December 31, 2005. Included in the $31.3 million was $1.1 million of project financing which is associated with assets held for sale. This debt will be assumed by the purchaser of these operations. Of the remaining long-term debt amount of $30.2 million, $22.9 million (US$19.7 million) is attributed to the Basin Creek project in Montana and $7.3 million relates to three project financings in France. MAXIM's Cambodian joint venture retired all its long-term debt of $0.9 million during 2005.

Under a US$29 million construction and term loan facility, MAXIM utilized US$19.7 million of the facility as of December 31, 2005 for the construction of Basin Creek. Under the construction agreement, advances are made at US treasury rate plus 2.5% per annum with the construction loans to be converted to a term loan with a maturity of 20 years.

The three project financings in France are through the RZB bank. Each of the project financings have an interest rate of Euribor plus a margin ranging from 1.8% to 2.75%. Each of the RZB loans has similar terms and covenants and a maturity of 12 years to coincide with the 12 year power purchase agreements with Électricité de France.

Capital Leases

MAXIM has agreed to lease equipment at the Hartland facility, located near Victoria, British Columbia, from the Capital Regional District. The lease obligation bears interest at 6.5% per annum and is repayable on a monthly basis over a 20 year term. At December 31, 2005, the outstanding balance of this lease obligation was $1.7 million.

In conjunction with the acquisition of the French projects in June, 2005, MAXIM assumed a capital lease obligation of $3.2 million with Caterpillar Finance France for production equipment. The capital lease bears interest at 7.03% per annum with monthly repayments over a 12 year term. Upon termination of the lease, MAXIM has the option to purchase the leased equipment at an option price of $0.6 million.

Cash Flow Indenture

Under the terms of the acquisition agreement and a cash flow indenture, MPLP is required to pay to the Balancing Pool 20% of annual cash flows to a maximum of $15 million. The obligation is non-interest bearing and MPLP has pledged accounts receivable as collateral for the payments due under the cash flow indenture. The annual amounts due to the Balancing Pool are repaid by March 31 of the following year. The amount due at December 31, 2005 was $4.9 million compared to $2.8 million at December 31, 2004. The increase year over year reflects the higher MWh production and resultant increased cashflow from Milner during 2005.

Equity Issuances

On March 31, 2005 MAXIM issued 242,398,584 common shares to complete the acquisition of MPLP. On November 14, 2005 MAXIM completed a private equity placement for net proceeds of $35.0 million resulting in the issuance of 55,668,143 shares at $0.63 per share. Since March 31, 2005, 2,747,167 stock options were exercised for proceeds of $1.0 million.

TRANSACTIONS WITH RELATED PARTIES

See Note 8 of the December 31, 2005 financial statements for details of related party transactions during 2005. The 2005 related party transactions related to current significant shareholders providing interim financing enabling MAXIM to construct or acquire new projects in the United States and France and providing interim financing at Vancouver Landfill. The interim financing for Vancouver Landfill was repaid at June 30, 2005 through term loan proceeds from Facility E from BMO Bank of Montreal. As of November 14, 2005, all amounts and interest owing as a result of related party interim financings were repaid through proceeds from MAXIM's $35 million private equity placement.

Contractual Obligations

At December 31, 2005 ($000's)		TOTAL		LESS THAN 1 YEAR		2007-2008		2009-2010		THEREAFTER
Long-term debt*	$	44,384	$	3,452	$	7,030	$	6,899	$	27,003
Operating leases		132		123		9		nil		nil
Capital lease*		4,900		609		1,352		1,547		1,392
Cash flow indenture*		12,237		4,863		1,908		1,908		3,558
Purchase obligation		81,927		15,656		32,346		33,925		nil
Total	$	143,580	$	24,703	$	42,645	$	44,279	$	31,953

* *Includes current portion.*

Milner holds a long-term coal supply agreement with Luscar Ltd. ("Luscar") for the supply of up to 540,000 tonnes of thermal coal per year to the facility. The initial term of the agreement is for 5 years, which can also be extended at the MPLP's option for a further 5 years. Should Milner be unable to fulfill its purchase obligation to Luscar, the coal would be resold in international markets at rates in excess of the contracted prices.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarters Ended in 2005 (Unaudited)

($000's except per share amounts and $ per MWh)	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31*
Revenue	41,585	12,000	17,810	11,480
EBITDA	20,260	(212)	3,511	3,141
Net income (loss)	9,867	(2,554)	1,523	2,731
Net income (loss) per share	0.03	(0.01)	0.01	0.00
Total assets	196,829	157,651	158,162	103,860
Average Alberta Price ($ per MWh)	117	67	51	46

Financial Quarter Ended in 2004 (Unaudited)

($000's except per share amounts and $ per MWh)	DECEMBER 31*	SEPTEMBER 30*	JUNE 30*	MARCH 31*
Revenue	11,584	10,970	16,032	6,859
EBITDA	2,602	1,642	6,498	1,435
Net income	2,306	1,151	6,153	1,068
Net income per share	0.01	0.00	0.03	0.01
Total assets	32,465	29,596	31,940	30,499
Average Alberta Price ($ per MWh)	55	54	60	45

* *Reflects only results of operations from MPLP from the date of acquisition on January 29, 2004 to March 31, 2005. Beginning April 1, 2005 operations reflects the results from MAXIM's projects. Alberta average price by quarter reflects power prices received by MAXIM and approximate power prices received by Milner.*

Selected quarterly unaudited financial information was prepared in accordance with Canadian generally accepted accounting principles except for EBITDA. EBITDA is provided to assist management and investors in determining the Corporation's cash flow from operations and does not have any meaning prescribed in Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies.

PROPOSED TRANSACTIONS AND SUBSEQUENT EVENT

As disclosed in Note 7 of the Corporation's December 31, 2005 consolidated financial statements, MAXIM has assets held for sale which are the combined European facilities excluding France. These assets include facilities in Austria, Slovenia and Germany, and a 59% equity interest in a German biomass project, ORS, plus development projects in Germany. The aggregate net capacity of these divestiture projects is 10.3 MW. Subsequent to December 31, 2005, management completed a sale of these facilities under three sales transactions.

On March 27, 2006 MAXIM entered into a letter of intent to sell its German development projects held by its wholly owned subsidiary, Maxim Power Europe B.V., for total proceeds of 0.5 million Euro. It is anticipated that the sale will be completed by May 31, 2006.

On March 29, 2006 MAXIM entered into a binding purchase and sale agreement for the sale of its wholly-owned subsidiaries, Maxim Power GmbH (Austria) and

Maxim Power GmbH (Germany), which hold the facilities in Austria, Slovenia and a project in Germany plus the equity interest in ORS, for proceeds of 1.35 million Euro. This sale is expected to close on April 7, 2006.

The sale of these facilities and development projects is expected to result in a nominal gain for MAXIM.

OUTLOOK

Alberta power pool prices averaged $117 per MWh during the fourth quarter of 2005 which was an improvement over the average Alberta power price of $67 per MWh during the third quarter, $51 per MWh during the second quarter and $46 per MWh during the first quarter. At December 31, 2005, MAXIM has 151 MW of its total net installed capacity of 375 MW exposed to Alberta spot prices. For the remainder of 2006, it is anticipated that Alberta forward prices will be available in the range of $63 per MWh to $67 per MWh. Current estimates for Alberta power prices in 2007 are approximately $67 to $72 per MWh. Power prices have a high correlation to natural gas prices. If natural gas prices rise, power prices are expected to rise as well and vice versa should natural gas prices decline.

With increased Alberta power prices, MAXIM has pursued discussions with various counterparties regarding the possibility of contracting Milner's power generation under either firm or unit contingent contracts. On November 1, 2005, MAXIM entered into a 1 year power purchase agreement ("PPA") for 2006. The PPA is structured to sell 138,000 MWh or an approximate equivalent of 18.5 MW of power from Milner to Prairie Power Ltd. ("PPL") for the period from January 1, 2006 to December 31, 2006, on a fully unit contingent basis. There are no credit requirements of MAXIM and MAXIM has the obligation to deliver power if, and only if, Milner is operational. Should Milner enter into a similar PPA with other counterparties, it is anticipated the proposed PPA would be similar to the PPA offered to PPL, except for the negotiated power price.

MAXIM plans to continue adding generation capacity primarily through acquisitions. Acquisitions that utilize hydrocarbon based fuel will have higher priority compared to acquisitions that do not utilize hydrocarbon based fuel. Another major acquisition criteria would be generation capacity, as MAXIM will also give higher priority to those acquisitions that are 50MW or greater of generation capacity. The exception to acquisitions being greater than 50MW would be France where cogeneration projects are of smaller scale. With the pending divestiture of the smaller European facilities of 10.3 MW, MAXIM is committed to moving to larger scale generation projects. In the short-term, MAXIM will likely forego most new greenfield development opportunities unless the greenfield development project is a high value proposition. The Company's strategic plan is to incorporate more greenfield opportunities within the next three to five years.

There are two development opportunities at Milner that are in the preliminary stages and will be further explored in 2006. The first development opportunity is the exploitation of the coal leases which contain an estimated 13 million tonnes of recoverable coal reserves. With the coal leases, Milner completed the marketing review and transportation study with environmental fieldwork 75% complete. The second development opportunity would be the expansion of the Milner facility. This development opportunity is currently at a very preliminary stage. The development of the Milner coal reserves could serve as the source of fuel for any Milner expansion and the existing facility.

MAXIM will continue to develop its generation capacity within the United States. MAXIM closed the acquisition of a 67 MW gas-fired cogeneration plant in Pawtucket, Rhode Island on November 10, 2005 and the Basin Creek project (net 50.2 MW) is expected to begin operations in the second quarter of 2006. Pawtucket is a distressed merchant gas asset that was purchased at low cost but recent developments within the New England market could include short-term to medium term tolling arrangements for the facility which would increase the value of such investment.

MAXIM continues to review alternatives in Cambodia for the period beyond June 30, 2006 when the PPA is to expire. This contract is the only remaining Cambodian PPA and governs 12.2 MW of net generation. Discussions with the Cambodian state owned utility, EdC, are underway to extend the PPA beyond June 30, 2006. The preference of the Cambodian joint venture is for a longer term PPA rather than the current six month extension. If the PPA is not extended or a longer term PPA is not offered, the equipment may be offered for sale or redeployed to another opportunity within Cambodia.

MAXIM will also continue to review the performance of its existing portfolio of smaller generation facilities to determine if those facilities enhance MAXIM's profitability and fit within MAXIM's corporate strategy. Those facilities that fail these criteria could be deemed to be "Assets held for Sale" by MAXIM's management and divested within a period of 12 months or sooner.

CRITICAL ACCOUNTING ESTIMATES

The Corporation's critical accounting estimate relates to the estimate of useful life of its property, plant and equipment and the corresponding effect on depreciation and impairment assessment of property, plant and equipment. The estimated useful life of the Corporation's property, plant and equipment can be affected by age of the equipment, fuel supply and legislation.

The Corporation has regular maintenance programs for all its facilities to reduce the possibility of equipment failure. In spite of a regular maintenance program, equipment failures can occur. During 2005, different generators at the Phnom Penh facility have failed at various times causing the generators to be out of service for extended periods. The downtime has been partially mitigated by use of back-up or spare generators which have become available as generators have been relocated to Phnom Penh after the expiration of power purchase agreements at other Cambodian locations.

Reduced fuel supply will also reduce the economic life of a facility. Certain facilities use non-conventional sources of fuel. Gift Lake requires flare gas from oil and gas reserves and Gold Creek requires waste heat from a compressor station. In British Columbia, both VLF and Hartland require landfill gas to generate electricity.

In the case of Milner, MPLP had originally agreed to cease operations of Milner no later than December 31, 2015 or earlier should there be significant changes to legislation that would increase the possibility of having to decommission Milner. However, opportunities have arisen to extend the life of Milner past 2015 and other opportunities include expanding the capacity of Milner. Milner has operated continuously since 1972 and the Corporation plans to perform annual plant turnarounds to assess the facility's operating capabilities and to detect existing deficiencies. When deficiencies are detected, annual turnarounds can become prolonged. Such was the case when Milner began its 2005 annual turnaround in September.

On an annual basis, management of the Corporation reviews for any changes to the operations and future cash flows of a facility with respect to impairment assessment. Management has determined no impairment exists at each of the facilities at December 31, 2005.

FINANCIAL INSTRUMENTS

The management of MAXIM is authorized to use derivative financial instruments to manage or hedge commodity prices such as natural gas and interest rates. Derivative financial instruments are not used for speculative purposes. At certain thresholds, financial derivatives must be also approved by MAXIM's Board of Directors.

(a) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as the Corporation has a significant amount of its assets and liabilities denominated in foreign currencies that creates an exposure in exchange rates.

(b) Credit risk:

Credit risk arises from the possibility that the entities to which the Corporation provides services may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services. In Canada, the majority of Alberta power sales are to the Power Pool of Alberta and power sales in British Columbia are completed under agreements with British Columbia Hydro and Power Authority. In Europe, power sales are completed under various power purchase agreements with Électricité de France. In both British Columbia and Europe, the cogeneration facilities also produce thermal heat revenues which is sold in many cases, to greenhouse customers. In addition, APP's trade accounts receivable are due from AltaGas, which is a public traded income trust listed on the Toronto Stock Exchange.

A significant portion of the Corporation's trade accounts receivable are in Jupiter Power Asia Co. Ltd. and Jupiter Power (Cambodia) Co. Ltd., which are wholly-owned subsidiaries of Jupiter Power Holdings (Bermuda) Ltd. ("JPH"). These trade accounts receivable in the amount of $1.7 million are receivable primarily from Électricité du Cambodge in Phnom Penh, Cambodia.

(c) Operating risk:

The ability of the power plants to generate the maximum amount of power is a determinant of the Corporation's profitability. Regular maintenance programs and insurance mitigate the risk of potential equipment failure and the consequent loss of revenues. The Corporation has no obligations under its contracts to deliver minimum levels of power, except for its C-1 power station in Cambodia, and is paid on the basis of actual power deliveries. Any reductions in the volume of power delivered will directly reduce the amount of power revenues received by the Corporation. In the case of

VLF and Hartland, the risk of reduced power delivery is greatly reduced through the operations and maintenance contract in effect at each location. The contracts guarantee a significant percentage of power production from the facilities.

(d) Fair value of financial instruments:
The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short-term maturity. Long-term debt has carrying values that approximate fair value at December 31, 2005.

ENVIRONMENT, HEALTH AND SAFETY RISKS

The ownership and operation of MAXIM's facilities carry an inherent risk of liability related to worker health and safety and the environment. No assurances can be given that environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business or operations.

MAXIM mitigates this risk, where possible, by employing an environment, health and safety management system, and by utilizing insurance and performance bonds to limit its financial exposure. MAXIM's environment, health and safety practices will continue to grow and evolve accordingly with corporate growth.

With the advent of significant growth, MAXIM is consolidating a corporate environment, health and safety management system across all assets and jurisdictions. Operational level plans for all of its facilities are in place and are currently consistent with company policy. Costs associated with the environment, health and safety program of the Corporation are not material at present; however, costs are expected to steadily rise as increasingly stringent regulation, and corporate accountability, become the norm.

DISCLOSURE CONTROLS AND POLICIES

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of MAXIM's disclosure controls and procedures and concluded that the Corporation's disclosure controls and procedures were effective as of December 31, 2005 and in respect of the 2005 year-end reporting period.

OTHER INFORMATION

Outstanding Share Data

Maxim Power Corp. common shares at March 30, 2005	136,773,198
Issued on acquisition of Milner Power Limited Partnership on March 31, 2005	242,398,584
Private Placement, November 14, 2005	55,668,143
Exercised share options from April 1, 2005 to March 30, 2006	3,937,167
Total issued common shares at March 30, 2006	438,777,092
Outstanding share options	17,123,500
Total diluted common shares at March 30, 2006	455,900,592

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

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 of 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.

Management Report

All information in the annual report of MAXIM is the responsibility of Management. The consolidated financial statements and the MD&A have been approved by the Board of Directors. Financial information presented throughout this report is consistent with the data presented in the financial statements which are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee. The Audit Committee meets quarterly with Management and annually with the independent auditors, each of whom has full, free access to the Audit Committee.

The independent auditors are responsible for auditing the financial statements and giving an opinion thereon.

John R. Bobenic
President and Chief Executive Officer

March 30, 2006

Auditors' Report to the Shareholders

We have audited the consolidated balance sheet of Maxim Power Corp. as at December 31, 2005 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2004 were reported on by another firm of chartered accountants.

KPMG LLP.

Chartered Accountants
Calgary, Canada

March 30, 2006

Consolidated Balance Sheets

As at December 31, 2005 and 2004
(In Thousands of Dollars)

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents *(note 4)*	$ 23,726	$ 5,283
Accounts receivable	22,361	6,635
Prepaid expenses, deposits and other	991	137
Coal inventory	1,860	1,046
Plant inventory	1,991	450
Assets held for sale *(note 7)*	533	–
	51,462	13,551
Property, plant and equipment *(note 5)*	118,123	18,914
Assets held for sale *(note 7)*	2,981	–
Deferred costs	3,274	–
Coal contract	5,500	–
Goodwill *(note 2)*	15,489	–
	$ 196,829	$ 32,465
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 24,864	$ 4,526
Liabilities of assets held for sale *(note 7)*	1,292	–
Current portion of long-term debt *(note 9)*	3,452	–
Current portion of capital lease obligations *(note 10)*	609	–
Current portion of cash flow indenture *(note 11)*	4,863	2,762
	35,080	7,288
Long-term debt *(note 9)*	40,932	–
Capital lease obligations *(note 10)*	4,291	–
Cash flow indenture *(note 11)*	7,374	12,238
Future income tax liability *(note 16)*	6,703	–
Deferred revenue	236	–
Asset retirement obligation *(note 13)*	321	–
Shareholders' equity:		
Share capital *(note 14)*	90,331	10,261
Cumulative translation adjustment	(2,684)	–
Retained earnings	14,245	2,678
	101,892	12,939
Commitments *(note 15)*		
Subsequent events *(note 20)*		
	$ 196,829	$ 32,465

See accompanying notes to consolidated financial statements.

On behalf of the Board:

John R. Bobenic, Director

Bruce Chernoff, Director

Consolidated Statements of Operations and Retained Earnings

Years ended December 31, 2005 and 2004
(In Thousands of Dollars)

	2005	2004
Revenue		
Electricity sales	$ 82,875	$ 45,445
Expenses		
Plant operations	48,851	30,665
General and administration	7,324	2,603
Depreciation and amortization	6,624	1,605
	62,799	34,873
Income before the following items	20,076	10,572
Interest expense	1,857	–
Interest income	(63)	(106)
Foreign exchange gain	(41)	–
Other	30	–
Income before income taxes from continuing operations	18,293	10,678
Income taxes *(note 16)*:		
Current	77	–
Future	6,026	–
Net income from continuing operations	12,190	10,678
Net loss from assets held for sale *(note 7)*	623	–
Net income for the year	11,567	10,678
Retained earnings, beginning of year	2,678	–
Partners' distributions	–	(8,000)
Retained earnings, end of year	14,245	2,678
Basic and diluted income per share	$ 0.03	$ 0.05

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2004
(In Thousands of Dollars)

Cash provided by (used in)	2005	2004
Operations:		
Net income from continuing operations	$ 12,190	$ 10,678
Items not involving cash:		
Depreciation and amortization	6,624	1,605
Foreign exchange gain	(41)	–
Asset retirement obligation	28	–
Fair value of stock based compensation	376	–
Future income tax	6,026	–
Partnership units issued for service	–	21
	25,203	12,304
Change in non-cash working capital *(note 17)*	(4,312)	(3,542)
Cash flows from continuing operations	20,891	8,762
Loss from assets held for sale	(623)	–
Items not involving cash:		
Depreciation and amortization	382	–
Equity loss	843	–
Change in non-cash working capital	(78)	–
Cash flows from assets held for sale	524	–
	21,415	8,762
Financing:		
Advances from related parties *(note 8)*	31,597	–
Repayment of advances from related parties	(31,597)	–
Loans payable *(note 8(b))*	3,690	–
Repayment of loans payable	(5,590)	–
Issuance of long-term debt	34,491	–
Repayments of long-term debt	(3,264)	–
Repayment of advances from Finning *(note 8(a))*	(12,069)	
Net proceeds from private placement	35,001	–
Issuance of common shares, net of share issue costs	964	–
Repayment of lease obligation	(37)	–
Issuance of partnership units	–	9,700
Partners' distributions	–	(8,000)
Cash flows from continuing financing activities	53,186	1,700
Repayment of long-term debt related to assets held for sale	(729)	–
	52,457	1,700
Investing:		
Property, plant and equipment	(42,380)	(1,509)
Acquisition, net of cash acquired *(note 6)*	(16,030)	(3,770)
Deferred costs	(2,970)	–
Cash increase due to acquisition *(note 2)*	4,532	–
	(56,848)	(5,279)
Change in non-cash working capital *(note 17)*	1,193	–
Cash flows used in investing in continuing operations	(55,655)	(5,279)
Change in cash held in assets held for sale	(289)	–
	(55,944)	(5,279)
Foreign exchange loss	515	–
Increase in cash	18,443	5,183
Cash, beginning of year	5,283	100
Cash, end of year	$ 23,726	$ 5,283

See accompanying notes to consolidated financial statements.

1. Basis of presentation:

On December 31, 2004, Maxim Power Corp. ("MAXIM" or "Corporation") entered into an agreement to acquire the remaining partnership units (approximately 80.5%) of Milner Power Limited Partnership ("MPLP") from the existing partners of MPLP, each of whom acted at arm's length to the Corporation. The business combination became effective March 31, 2005 and resulted in a reverse take-over of MAXIM through the issuance of 242,398,584 common shares of MAXIM at a price of $0.32 per share, for aggregate consideration of $77,568. For accounting purposes, MPLP is considered to have acquired MAXIM (see Note 2) and these consolidated financials statements reflect the historical accounts of MPLP together with the accounts of MAXIM and its wholly-owned and controlled subsidiaries from the effective date of the business combination, March 31, 2005.

The consolidated balance sheet at December 31, 2005 reflects the accounts of both MPLP and MAXIM and the balance sheet at December 31, 2004 reflects only the accounts of MPLP. The statement of operations and retained earnings reflects the operating results of MPLP for the twelve months ended December 31, 2005 plus nine months of operations of MAXIM. The comparative operations of MPLP reflects the period from January 29, 2004, the date of acquisition of the HR Milner power station, to December 31, 2004.

The Corporation accounts for its operations in Cambodia through its 51% interest in Jupiter Power Holdings (Bermuda) Ltd. ("JPH") using the proportionate consolidation method of accounting as the investment is considered to be of joint control.

The Corporation consolidates the accounts of its 97% interest in Basin Creek Holdco LLC, 70% interest in Pouchon Cogen S.A.R.L., 50% interest in Mirail Cogen S.A.R.L. and its 45% interest in Cambo-Cana Power Corporation and Import Export Co. Ltd. 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.

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

2. Business combination:

On March 31, 2005, MAXIM issued 242,398,584 common shares to acquire the remaining outstanding partnership units of MPLP. At the completion of this transaction, the existing shareholders of MAXIM held 36% of the outstanding common shares and the former partners of MPLP held the remaining outstanding common shares, representing 64%. Consequently, the transaction has been accounted for as a reverse take-over and MPLP is deemed to have acquired MAXIM. In conjunction with the MPLP acquisition, the major partners in MPLP (excluding the Corporation) on their own behalf and on behalf of certain nominees purchased 50,000,000 common shares owned by Finning International Inc. ("Finning"), formerly the largest shareholder of MAXIM, for an aggregate purchase price of $16,000, based on an adjusted price of $0.32 per common share. As a result, the two largest shareholders of the Corporation controlled 58% of the outstanding common shares at March 31, 2005.

The acquisition of MAXIM is accounted at fair value using the purchase method of accounting and the purchase price of $43,880, including transaction costs of $200, is allocated as follows:

Property, plant and equipment	$ 53,280
Coal contract	6,000
Other long-term assets	1,100
Deferred costs	522
Goodwill	15,489
Working capital, including cash of $4,532	2,946
Due to related parties	(11,500)
Long-term debt and capital lease obligation	(16,591)
Cash flow indenture	(2,385)
Future income tax liability	(1,481)
Other long-term obligations	(2,675)
Contributed surplus	(825)
	$ 43,880

3. Significant accounting policies:

(a) Property, plant and equipment:

Plant and equipment are recorded at cost. Depreciation on all property, plant and equipment, except at MPLP, is provided on a straight-line basis over the estimated useful life at average annual rates ranging from 4% to 25%. Depreciation commences in the year the assets are put in use. At MPLP, the plant is depreciated at an annual rate of approximately 8% and the remaining equipment is depreciated on a declining balance basis at a rate ranging from 8% to 30%.

Leases that transfer substantially all the benefits and risks of ownership to the Corporation and meet certain criteria as a capital lease are accounted for as a capital lease asset and obligation. Capital lease assets are depreciated over their initial lease terms.

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

The Corporation determines whether an impairment exists at its facilities. The Corporation determines whether the net carrying amount of capital assets at each of its facilities is recoverable from its future undiscounted cash flows. Should the future undiscounted cash flows be less than the net carry amount of capital assets at that facility, an impairment will be recognized. The amount of the impairment is calculated as the difference between the net carrying value of the capital asset and fair value of the capital asset. Fair value of the capital asset is estimated by calculating the present value of future cash flows from that capital asset.

(b) Investments:

The investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Corporation's share of earnings or losses less dividends of the investee.

If an impairment, other than a temporary impairment, exists in the value of an equity investment, the impairment will be charged against income when determined.

(c) 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 the fair values. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicated that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the business is compared to its fair value. When the fair value of the business exceeds its carrying amount, goodwill of the business is considered not to be impaired and the second step of the

3. Significant accounting policies (continued):

impairment test is unnecessary. The second step is carried out when the carrying amount of the business exceeds its fair value, in which case the implied fair value of the business' goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of the goodwill in a business combination as described above. Using the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(d) Foreign currency translation:

The Corporation's European subsidiaries and the Basin Creek project are considered to be self-sustaining operations. Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the period end rates of exchange. Revenues and expenses are translated using average exchange rates for the period. Translation adjustments are reflected in the cumulative translation adjustment in shareholders' equity.

Assets and liabilities of the Corporation's integrated foreign operations in Asia and Northeastern United States are translated into Canadian dollars at the period end rates of exchange for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. In general, average exchange rates for the year are used to translate the revenues and expenses. Exchange gains or losses are included in income.

(e) Revenue recognition:

Revenue is recognized when electricity is delivered. Under certain long-term Electrical Purchase Agreements ("EPA"), revenue is recognized based on the amount of electricity delivered and on the average revenue price over the term of the EPA. Amounts billed above or below the average revenue price under the EPA are recognized as deferred revenue.

The Corporation enters into tolling arrangements with certain counterparties. Under these tolling arrangements, the Corporation provides capacity in exchange for monthly capacity payments which are recognized as revenue during the term of the agreement.

(f) Income taxes:

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

(g) Per share amounts:

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

(h) Stock based compensation:

The Corporation has one stock-based compensation plan, which is described in note 14(c).

The Corporation expenses the vested fair market value portion of stock based compensation. The expense amount is determined using the fair value method of accounting for stock based compensation. Fair market value is determined using the Black-Scholes option pricing model when the stock-based compensation is granted.

(i) Asset retirement obligation:

The Corporation has an obligation to restore specific sites to an acceptable level at the end of each project life. The fair value of the liability for asset retirement obligations, related to the tangible long-lived assets, is recognized when the legal commitment exists and a reasonable estimate of fair value can be made. Asset retirement costs are amortized over the life of the projects. Amortization cost is included in depreciation and amortization. The accretion expense, which increases the assets retirement obligations due to the passage of time, is included in plant operations in the Consolidated Statements of Operations and Retained Earnings. Incurred asset retirement costs will be recorded as a reduction against the asset retirement obligation.

4. Cash:

As at December 31, 2005, the Corporation has restricted cash of $3,273.

The Corporation's cash balance also includes $408 relating to its interest in its joint venture in Cambodia. Any repatriation of funds requires agreement from the joint venture's partner.

5. Property, plant and equipment:

	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
December 31, 2005			
Property, plant and equipment	$ 87,535	$ 7,140	$ 80,395
Plant under construction	33,205	–	33,205
Capital leases	4,660	137	4,523
	$ 125,400	$ 7,277	$ 118,123
December 31, 2004			
Property, plant and equipment	$ 20,520	$ 1,606	$ 18,914

The Corporation calculates depreciation on all property, plant and equipment except at MPLP on a straight-line basis over the estimated useful life at average annual rates ranging from 4% to 25% and depreciation commences in the year the assets are put in use. At MPLP, the plant is depreciated at an annual rate of approximately 8% and the remaining equipment is depreciated on a declining balance basis at rates ranging from 8% to 30%.

(a) Under the terms of the acquisition agreement for the HR Milner power station, MPLP will pay cash in relation to a cash flow indenture of 20% of future cash flows to a maximum of $15,000. The contingent payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of $15,000 was added to the purchase consideration for the HR Milner power station acquisition on January 29, 2004. The cash flow indenture was recognized in the accompanying consolidated financial statements as a long-term obligation (see note 11).

(b) At December 31, 2005, property, plant and equipment includes the net book value of $3,074 related to the capital lease assets at Cogenia S.A.S., the French company acquired by MAXIM on June 22, 2005 and Hartland capital lease assets with fair value of $1,586, accumulated amortization of $63 and net book value of$1,523 (see note 10).

(c) At December 31, 2005, property, plant and equipment includes the fair value of $11,324 and accumulated depreciation of $452 for 25 megawatts 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 and variable operating and maintenance charges. The initial term of the arrangement is 10 years with an option to extend it for a further 15 years or acquire the asset.

(d) At December 31, 2005, plant under construction includes costs of $33,205 incurred for the construction of the 51.8 megawatt Basin Creek project in Butte, Montana. It is expected that Basin Creek will become operational in April, 2006.

6. Acquisitions:

(a) Effective June 22, 2005, MAXIM acquired the common shares of 3 French companies, Energeia S.A., Société Électrique D'Arnas S.A. and Cogenia S.A.S. for cash consideration of $14,923. The transaction including transaction costs, is accounted for at fair value using the purchase method of accounting.The total purchase consideration has been allocated to the financial statements as follows:

Property, plant and equipment	$	12,685
Working capital (excluding cash)		(1,310)
Future income tax asset		921
		12,296
Cash		2,627
	$	14,923

(b) Effective November 10, 2005, MAXIM acquired for cash consideration, all the common shares of Pawtucket Power Holding Company LLC ("Pawtucket") which holds a 100% interest in a 67 megawatt natural gas fired combined cycle cogeneration plant, located in Rhode Island, USA. The total capital investment, including closing costs, post closing adjustments and major capital improvements on the turbine and the facility was $4,015. Of the total purchase price, fair value of $3,734 was allocated to property, plant and equipment with $281 allocated to fuel oil inventory.

7. Assets Held for Sale:

Effective December 31, 2005, the Corporation's projects in Europe, excluding France, were classified as Assets Held for Sale. Management has been authorized to sell these assets and subsequent to December 31, 2005, entered into definitive agreements to complete such sale (see note 20).

A summary of the assets and liabilities held for sale is as follows:

Cash	$	289
Accounts receivable		230
Prepaids		14
Total current assets		533
Property, plant and equipment		2,674
Investment		307
Total capital assets		2,981
Accounts payable and accrued liabilities		166
Term loans		1,126
Total Liabilities	$	1,292

Revenue earned from assets held for sale was $1,305 in 2005 with expenses of $1,085 and an equity loss of $843, resulted in a net loss of $623. As described more fully in Note 20, the disposition of these projects will result in the Corporation recognizing a nominal gain on the sale.

Term loans of assets held for sale:

(a) The Ravne project financing of 2,916 Euro is a 10 year term loan, which commenced May 1999 and terminates on October 31, 2009. The interest rate is Euribor plus 2.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment. The loan agreement requires quarterly prepayments calculated at approximately 40% of the project cash flow for the preceeding quarter. These prepayments will reduce the term of the loan from 10 years to approximately 8 years. At December 31, 2005, Ravne had an outstanding loan balance of 703 Euro.

(b) The Ammann project financing of 279 Euro is a seven year term loan, which commenced September 1999 and terminates on September 30, 2006. The interest rate is Euribor plus 0.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment as well as a pledge of any undistributed cash in the project account. At December 31, 2005, Ammann had an outstanding loan balance of 33 Euro.

(c) The Ruegen project financing of 160 Euro is a five year term loan which commenced in 2003 and terminates in 2008. The interest rate is Euribor plus 1.75% per annum. Principal and interest is repayable quarterly. Security for the loan is an assignment of material sales contracts and a charge against the equipment. At December 31, 2005, Ruegen had an outstanding loan balance of 80 Euro.

8. Related party transactions:

During 2005, MAXIM entered into various interim financing arrangements with the two largest shareholders of MAXIM. Prior to December 31, 2005, all interim financing arrangements with the two largest shareholders were repaid.

(a) At March 31, 2005, the two largest shareholders of MAXIM provided interim financing of $4,500 to facilitate the repayment of outstanding construction financing of $12,069 previously provided by Finning International inc. ("Finning"). This interim financing bore interest at 10% per annum and was repayable on demand. No associated fees were incurred to place this interim financing. The Corporation pledged the assets at Vancouver Landfill ("VLF") as collateral security for the bridge facility and provided a second charge on its other assets, approved by its principal lender, BMO Bank of Montreal. The interim financing of $4,500 was repaid from loan proceeds of $7,500 issued under Facility E from BMO Bank of Montreal (see note 9(a)). During 2005, the Corporation paid interest of $121 for this interim financing.

(b) On April 4, 2005, MAXIM received approximately $5,043 from each of the same two shareholders related to interim financing for the construction of Basin Creek. There were no associated fees with the interim financing of the Basin Creek project. Secured, demand promissory notes were issued and bore interest at 10% per annum payable on a monthly basis. The Basin Creek interim financing was repaid in November, 2005 from net proceeds received through the Corporation's $35 million private placement. During 2005, the Corporation paid interest of $613 for this interim financing.

In addition, MAXIM received approximately $3,690 of interim financing for the construction of Basin Creek on April 4, 2005 from another shareholder in exchange for a demand promissory note which contained the same terms and collateral as the demand promissory notes issued to each of the two largest shareholders on April 4, 2005. The Basin Creek interim financing was repaid on November 14, 2005 from net proceeds received through the Corporation's $35 million private placement. During 2005, the Corporation paid interest of $227 for this interim financing.

(c) On June 17, 2005, the same two shareholders each provided an additional $7,550 of interim financing to MAXIM to acquire three power companies in France (see note 6(a)). Two secured, demand promissory notes, each in the amount of $7,550, were issued and bore interest at 10% per annum payable on a monthly basis. In addition, a combined commitment fee of $302 was paid to these related parties. The interest rate for each promissory note increased by 1.5% per annum on September 17, 2005. The French interim financing was repaid on November 14, 2005 from net proceeds received through the Corporation's $35 million private placement. In 2005, the Corporation paid interest of $652 for this interim financing.

(d) On November 9, 2005, the second largest shareholder provided $1,911 of interim financing to MAXIM to acquire Pawtucket Power Holding Company LLC (see note 6(b)). A secured, demand promissory note, in the amount of $1,911, was issued and bore interest at 10% per annum payable on a monthly basis. The Pawtucket Power Holding Company LLC interim financing was repaid on November 14, 2005 from net proceeds received through the Corporation's $35 million private placement. In 2005, the Corporation paid interest of $1 for this interim financing.

9. Long-term debt:

		DEC. 31, 2005
Canadian projects *(note 9(a))*	$	14,189
United States project *(note 9(b))*		22,940
European projects *(note 9(c))*		7,255
Cambodian projects *(note 9(d))*		–
		44,384
Less current portion		3,452
	$	40,932

(a) The Corporation has a loan agreement with BMO Bank of Montreal that was amended on May 10, 2005. The amended debt arrangement is comprised of five facilities as follows:

Facility A is a $3,000 demand revolving facility for general working capital purposes, margined up to 90% of current accounts receivable from the Power Pool of Alberta. Prior to May 10, 2005, Facility A was a $1,000 demand revolving facility. At December 31, 2005, the facility was not utilized. Should Facility A be utilized, amounts would be classified as an offset to cash and cash equivalents.

Facility B is a $2,000 demand revolving facility for new project development. At December 2005, this facility was not utilized. Should Facility B be utilized, amounts would be classified as loans payable.

Both Facilities A and B bear interest at the prime interest rate plus 0.75% per annum.

Facility C is a $9,500 non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments of $142 and matures in January 2009. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At December 31, 2005 the Corporation had an outstanding balance of $6,866 under Facility C.

Facility D is a $2,500 demand revolving facility for letters of credit required for general corporate purposes. The letters of credit are to be cash collateralized and bear interest at 1.25% per annum. At December 31, 2005 letters of credit in the amount of $1,509 had been issued, reducing the availability of Facility D to $991.

Facility E is a $9,500 non-revolving fixed rate term loan used to refinance debt at the Vancouver Landfill project ("VLF") and to provide financing for expansion at VLF. At June 30, 2005, loan proceeds of $7,500 from Facility E were used to repay $4,500 of interim financing received from related parties. $2,000 of additional financing under Facility E will be available upon completion of expansion at VLF which is expected to be in the second quarter of 2006. Facility E, which matures in 2010, bears interest at the prime lending rate plus 1% per annum with blended monthly repayments of $70. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At December 31, Facility E had an outstanding balance of $7,323.

The Corporation granted a first priority security interest on all Alberta property and assets and a $15,000 fixed and floating charge demand debenture constituting a first priority security interest in the Corporation's assets located in Alberta. The Corporation also pledged its partnership interests in the Milner Power Limited Partnership and its VLF assets in British Columbia.

(b) MAXIM entered into a construction and term loan agreement dated March 31, 2005 through its subsidiary, Basin Creek Equity Partners, L.L.C. ("Basin Creek") with CIT Capital Securities, L.L.C., lead arranger, and The Bank of New York, collateral agent. The construction and term loan can be for a maximum principal amount of US$29,000, with an interest rate of US treasury rate plus 2.5% per annum for each borrowing. The term loan matures 20 years after commercial operation date, estimated to be July 1, 2006 under the agreement, and carries quarterly principal and interest repayments. The construction loan advances will be converted to a term loan facility upon certification of completion of construction by the independent engineer and approval of project construction in accordance with the Capacity and Energy Sale Agreement. At December 31, 2005, Basin Creek was advanced US$19,675 as construction loan advances. The amount has been classified as long-term debt.

(c) The Corporation has project bank term loans associated with projects in operation in Europe at December 31, 2005: Three of the project bank term loans are part of the group of assets classified as held for sale described in note 7.

(i) Pouchon has project financing with Raiffeisen Zentralbank Osterreich Aktiengesellschaft AG ("RZB") bank for 1,530 Euro. The loan has a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of loan. At December 31, 2005, Pouchon had an outstanding loan balance of 1,220 Euro.

(ii) Mirail has project financing with RZB bank for 1,390 Euro. The loan has a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and twenty-seven principal and interest repayments over the term of loan. At December 31, 2005, Mirail had an outstanding loan balance of 1,100 Euro.

(iii) Bataneres project financing is for 3,370 Euro with the RZB bank. The loan has a maturity date of November 15, 2014, an interest rate based on Euribor plus 2.75% per annum and twenty-seven principal and interest repayments over the term of the loan. At December 31, 2005, Bataneres had an outstanding loan balance of 2,935 Euro.

Security for the three loans with RZB includes a mortgage on each project property and assignment of contracts to RZB from each project.

(d) The Corporation's long-term debt in Cambodia was non-recourse debt and composed of two term loans. Both term loans matured and were repaid during 2005. The term loans were secured by a first priority security interest issued by JPH to the lender.

The Corporation's anticipated repayment obligations as at December 31, 2005 on the above loans over the next five years are as follows:

2006	$ 3,452
2007	3,378
2008	3,652
2009	3,813
2010	3,086
Remaining	27,003
	44,384
Less current portion	(3,452)
	$ 40,932

10. Capital leases:

(a) The Corporation 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.

(b) MAXIM's newly acquired French subsidiary, Cogenia S.A.S. (see note 6(a)), entered into an agreement with Caterpillar Finance France SA ("Caterpillar") in December 1998 to lease its production equipment. The capital lease obligation bears interest at 7.03% per annum, with monthly repayments and is amortized over a 12 year term. Upon termination of the lease, Cogenia S.A.S. has the option to purchase the leased equipment at the option price of $566.

10. Capital leases (continued):

Future minimum payments under the two capital leases at December 31, 2005 are as follows:

2006	$	917
2007		917
2008		917
2009		917
2010		917
Remaining		2,091
Total minimum lease payments		6,676
Amounts representing interest		(1,776)
Present value of net minimum lease payments		4,900
Less: current portion		609
	$	4,291

11. Cash flow indenture:

Under the terms of the acquisition agreement, MPLP has an obligation to pay cash to the Balancing Pool in relation to a cash flow indenture of 20% of its future annual cash flows to a maximum of $15,000. The payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of $15,000 was added to the purchase price consideration for the plant acquisition. The obligation is non-interest bearing and MPLP has pledged a second charge on its accounts receivable as collateral for the payments due under the cash flow indenture. At December 31, 2005, the outstanding balance was $12,237 of which $4,863 is classified as current portion of cash flow indenture.

12. Interest in joint venture:

The Corporation's share of the accounts from its 51% joint venture in Cambodia is as follows:

		DEC. 31, 2005
Balance Sheet		
Current assets	$	2,684
Plant and equipment assets		1,305
Current liabilities		(2,174)
Statement of Loss		
Revenue	$	8,925
Expenses		(10,884)
Net loss		(1,959)
Statement of Cash Flow		
Operations	$	818
Financing		(1,266)
Investing		17

13. Asset retirement obligation:

Balance, December 31, 2004		–
Liabilities incurred		352
Liabilities settled		(40)
Accretion expense		9
Balance, December 31, 2005	$	321

At December 31, 2005, the total undiscounted cash flow required to retire the obligation is $982. A credit-adjusted risk free rate of 7% was applied to obtain the net present value of the obligation. The asset retirement obligation will be settled in future years, ranging from 15 to 26 years.

14. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	NUMBER		AMOUNT
Partnership units of Milner Power Limited Partnership			
Balance, December 31, 2003	300,000	$	300
Issued for cash	9,700,000		9,700
Issued for services	21,300		21
Issued for plant acquisition	240,000		240
Balance, December 31, 2004 and at March 31, 2005	10,261,300	$	10,261
Common shares of Maxim Power Corp.			
Balance, March 31, 2005	136,773,198		–
Issued on business combination *(note 2)*	242,398,584		43,072
Stock options exercised	2,747,167		964
Net proceeds from private placement	55,668,143		35,001
Common shares, December 31, 2005	437,587,092	$	89,298
Contributed surplus			
Balance, March 31, 2005 *(note 2)*	–		825
Fair value of stock based compensation	–		208
Contributed surplus, December 31, 2005	–	$	1,033
Balance, December 31, 2005	437,587,092	$	90,331

(c) Stock options:

The Corporation has one 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 will vest to the grantee over a 3 year period and the grantee has the right to exercise those stock options for 5 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 at the time of granting. Stock options issued and outstanding are as follows:

14. Share capital (continued):

(c) Stock options (continued):

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, December 31, 2004	–	–
Acquired at March 31, 2005	11,405,500	0.51
Exercised	(2,747,167)	(0.34)
Cancelled	(218,333)	(0.71)
Granted	9,055,500	0.60
Balance, December 31, 2005	17,495,500	$ 0.58

Details of the stock options outstanding at December 31, 2005 are as follows:

	OPTIONS OUTSTANDING AT DECEMBER 31, 2005			OPTIONS EXERCISABLE AT DECEMBER 31, 2005	
RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
$0.13 to $0.32	1,923,500	2.5	$ 0.24	1,103,834	$ 0.25
$0.33 to $0.58	2,637,500	2.6	$ 0.46	1,394,498	$ 0.52
$0.59 to $0.80	12,042,500	4.1	$ 0.62	2,987,000	$ 0.69
$0.81 to $1.34	892,000	1.0	$ 1.12	892,000	$ 1.12
	17,495,500	3.6	$ 0.58	6,377,332	$ 0.64

The Corporation accounts for its stock option plan using the fair value method. Under this method, at December 31, 2005, $376 of costs are recorded as expense for 2005 for options granted to employees and directors.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing method with weighted average assumptions for grants at December 31, 2005 as follows:

Risk free interest rate (%)	3.00
Time to expiration (years)	5.00
Volatility (%)	50.00
Expected dividend	–

In 2005, the Corporation granted 9,055,500 stock options to purchase common shares at an average price of $0.60 under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be $0.28. The Corporation used the Black-Scholes option pricing model and assumptions above to calculate the weighted average fair value.

(d) Income per share:

The weighted average number of shares outstanding for purposes of calculating basic income per share at December 31, 2005 was 354,180,303 and 223,803,624 at December 31, 2004.

For the December 31, 2005 fully diluted income per share calculation, 1,422,192 shares were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options.

15. Commitments:

(a) MPLP has agreed to cease operations of the HR Milner power station no later than December 31, 2015 or earlier should there be 1) a change of applicable law that would materially increase the exposure of the Balancing Pool to decommissioning and reclamation costs or 2) changes to the Electric Utilities Act, pursuant to which the Balancing Pool is to be wound up earlier than 2020.

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.

(b) MPLP entered into a long-term coal supply agreement with a supplier as at January 2004 to supply thermal coal to the power plant. The sale of the coal is contracted under fixed prices with a fixed minimum purchase of coal per annum to January 2009. The term of the agreement is 5 years with a renewal option for another five years. The remaining purchase commitment for the next 5 years is $81,927.

(c) All 10 French projects, including those acquired on June 22, 2005 (see note 6(a)), have original twelve year sales contracts with Électricité de France ("EDF"). All, except for two facilities, have original twelve year contracts for thermal heat sales. Sales to EDF are at fixed hourly rates with a bonus based on specific levels of efficiency. Thermal sales delivered must reach a specific minimum level. The gas supply for these French projects is completed under 3 year contracts with Gaz de France.

All French projects except one, have operating and maintenance contracts with La Société Forclum.

(d) Electricity generated from the Corporation's Cambodian facility is sold under contract to Électricité de Cambodge ("EdC"), the central power supply agency for the Cambodian Government. The Cambodian facility receives a fixed capacity payment and a variable fuel tariff. The fuel tariff is tied to the price of diesel used to generate the electricity and effectively provides a pass-through of the fuel costs into the sales price of the electricity produced. The Cambodian PPA will expire on June 30, 2006. Negotiations are in process to extend the PPA.

(e) The Corporation has entered into an agreement with the City of Vancouver to utilize its methane gas from the City's landfill. In exchange for gas from the landfill, the City of Vancouver will receive up to 10% of the electrical and thermal energy sales based on the volume of gas extracted from the landfill. The term of the agreement is twenty years. The Corporation has also entered into twenty year contracts to sell electricity to British Columbia Hydro ("BC Hydro"), at fixed hourly rates, and to sell thermal energy to a greenhouse facility. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.

(f) The Corporation entered into an agreement with the Capital Regional District ("CRD") for the CRD to supply landfill gas from the Hartland landfill. The initial term of the agreement is 5 years and the parties shall enter into a new five year landfill gas supply agreement unless the CRD is approved to enter into a longer term agreement. In exchange for landfill gas, the CRD will receive a percentage of the electrical revenues based on the volume of gas supplied from the Hartland landfill. In addition, the Corporation entered into a long-term equipment lease with the CRD as disclosed in Note 10(a). At Hartland, the Corporation also entered into a twenty year contract to sell electricity to BC Hydro at fixed hourly rates. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.

(g) The Corporation entered into a tolling agreement effective September 1, 2004 related to APP. The tolling agreement is a ten year contract whereby the Corporation provides 25 megawatts of capacity in exchange for a fixed monthly capacity fee and variable operating and maintenance charges. At the end of the initial term of the agreement, the counterparty has the option to acquire the equipment or extend the contract for a further fifteen years.

15. Commitments (continued):

(h) The minimum annual office lease commitment for each of the next three fiscal years, inclusive of certain operating costs are as follows:

2006	$	142
2007	$	143
2008	$	24

16. 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, 2005 at 33.6% to income before income taxes.

Income earned by MPLP in fiscal 2004 is not subject to income taxes as its income is taxed directly to the MPLP unit holders.

A reconciliation of the differences is as follows:

	DEC. 31, 2005	DEC. 31, 2004
Computed Income taxes (recovery)	$ 5,939	$ –
Increase (decrease) in taxes:		
Other	164	–
	$ 6,103	$ –

The components of the future tax liability are as follows:

	DEC. 31, 2005	DEC. 31, 2004
Future income tax liability:		
Non-capital loss carry forwards	$ 10,714	$ –
Net-capital loss carry forwards	642	–
Share issue costs	442	–
Capital assets	(5,169)	–
Valuation allowance	(3,727)	
Partnership deferral	(10,503)	
Other	898	–
	$ (6,703)	$ –

Reduction in the valuation allowance is related to the Corporation's tax strategy to utilize non-capital loss carry forwards beginning in 2005.

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

	CANADIAN	FOREIGN	TOTAL
2006	$ 1,864	$ –	$ 1,864
2007	1,372	–	1,372
2008	7,715	–	7,715
2009	3,449	–	3,449
2010	4,021	–	4,021
After 2010	4,045	8,251	12,296
	$ 22,466	$ 8,251	$ 30,717

17. Change in non-cash working capital:

		2005		2004
Operations:				
Accounts receivable	$	(11,266)	$	(6,635)
Prepaid expenses		(308)		63
Inventory		(2,019)		(1,495)
Other assets		(121)		
Accounts payable and accrued liabilities		9,166		4,525
Deferred revenue		236		–
	$	(4,312)	$	(3,542)
Investing:				
Accounts payable	$	3,955	$	–
Current portion of cash flow indenture		(2,762)		–
	$	1,193	$	–

The following cash payments have been made to December 31, 2005:

		2005		2004
Taxes	$	79	$	–
Interest	$	3,430	$	23

18. Segmented information:

The Corporation is an independent power corporation engaged in the development, ownership and operation of power generation facilities and the sale of electricity and heat. The Corporation's revenues by geographic area are as follows:

	2005		2004	
	REVENUE	INCOME (LOSS) BEFORE THE FOLLOWING ITEMS*	REVENUE	INCOME BEFORE THE FOLLOWING ITEMS*
Canada	$ 64,931	$ 22,247	$ 45,445	$ 10,572
United States	213	(363)	–	–
Europe	8,855	(1,880)	–	–
Asia	8,876	72	–	–
Total	$ 82,875	$ 20,076	$ 45,445	$ 10,572

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

The location of the Corporation's property, plant and equipment, excluding assets held for sale, are as follows:

	2005			2004		
	ADDITIONS	DEPRECIATION AND AMORTIZATION	TOTAL ASSETS	ADDITIONS	DEPRECIATION AND AMORTIZATION	TOTAL ASSETS
Canada	$ 7,056	$ 2,853	$ 51,079	$ 1,510	$ 1,605	$ 18,914
United States	37,660	–	36,938	–	–	–
Europe	13,694	544	28,974	–	–	–
Asia	–	2,675	1,132	–	–	–
Total	$ 58,410	$ 6,072	$ 118,123	$ 1,510	$ 1,605	$ 18,914

18. Segmented information (continued):

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

	2005	2004
Canada	$ 15,489	$ –
United States	–	–
Europe	–	–
Asia	–	–
Total	$ 15,489	$ –

In Canada, the majority of Alberta power sales are to the Power Pool of Alberta and power sales in British Columbia are completed under agreements with British Columbia Hydro and Power Authority. In Europe, power sales are completed under various power purchase agreements with Électricité de France. Cambodian electricity sales are conducted under its power purchase agreement with EdC.

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

19. Financial instruments:

(a) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as the Corporation has a significant amount of its assets and liabilities denominated in foreign currencies that creates an exposure to exchange rates.

(b) Credit risk:

Credit risk arises from the possibility that the entities to which the Corporation provides services may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services.

A portion of the Corporation's trade accounts receivable are in Jupiter Power Asia Co. Ltd. and Jupiter Power (Cambodia) Co. Ltd., which are wholly-owned subsidiaries of JPH. These trade accounts receivable in the amount of $1,704 are primarily due from EdC in Phnom Penh, Cambodia.

(c) Operating risk:

The ability of the power plants to generate the maximum amount of power is determinant to the Corporation's profitability. Regular maintenance programs and insurance mitigate the risk of potential equipment failure and the consequent loss of revenues. The Corporation has no obligations under its contracts to deliver minimum levels of power, except for its C-1 power station in Cambodia and certain thermal heat contracts in France, and is paid on the basis of actual power deliveries. Any reductions in the volume of power delivered will directly reduce the amount of power revenues received by the Corporation.

(d) Fair value of financial instruments:

The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short-term maturity. Long-term debt has carrying values that approximate fair value at December 31, 2005.

20. Subsequent events:

On March 27, 2006 the Corporation entered into a letter of intent to sell its German development opportunities held by its wholly owned subsidiary, Maxim Power Europe B.V., for total proceeds of 500 Euro. The sale is expected to close by May 31, 2006.

On March 29, 2006 the Corporation entered into binding purchase and sale agreements for the sale of its wholly owned subsidiaries, Maxim Power GmbH (Austria) and Maxim Power GmbH (Germany), for total proceeds of 1,350 Euro. The sale is scheduled to close on April 7, 2006.

The disposition of these projects will result in a nominal gain, which will be reflected in the accounts when realized.

21. Comparative figures:

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

Board of Directors and Management

Board of Directors

M. Bruce Chernoff (2)
Chairman of the Board
Chairman – Harvest Energy Trust

W. Brett Wilson (1) (2)
Director
Managing Director and Chairman – FirstEnergy Capital Corp.
Managing Director and Chairman – PrairieMerchant Corporation

William Gallacher (1) (2)
Director
President and Chief Executive Officer – Avenir Capital Corporation

Johann Polz (1)
Director
Independent Business Consultant

J.G. (Jeff) Lawson
Director
Partner – Burnet, Duckworth & Palmer LLP

John R. Bobenic
Director
President and Chief Executive Officer – Maxim Power Corp.

Officers

John R. Bobenic
President and Chief Executive Officer

Vick Dusik
Vice President, Finance and Chief Financial Officer

Ian Sanchez
Vice President, Corporate Development

Pat A. Lucas
Vice President, Operations

1 Member of the Audit & Risk Management Committee
2 Member of the Compensation and Environment, Health & Safety Committee

Corporate Information

Share Trading Information
The Corporation trades on the Toronto Stock Exchange under the symbol "MXG".

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Registrar and Transfer Agent
Computershare Trust Company of Canada

Auditors
KPMG LLP, Calgary, Alberta, Canada

Annual General Meeting
The Annual General Meeting of shareholders will be held at 9:00 a.m. on **Thursday, May 18, 2006**, at the 5th Floor Conference Room of 715 – 5th Avenue S.W., Calgary, Alberta.

All shareholders and interested parties are invited to attend.

www.maximpowercorp.com

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